



Wholesale Jumbo Seller Guide

VERSION 05/05/2023

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CH. 1 DOING BUSINESS WITH STRONGHILL CAPITAL**1.1 GENERAL INFORMATION**

Stronghill Capital, LLC also known as Stronghill Capital through this Wholesale Guide is setting forth the loan underwriting guidelines applicable to each Wholesale entity (a “Broker”) that submits a residential mortgage loan to Stronghill Capital for underwriting under the Jumbo Loan Programs.

The purpose of these underwriting guidelines is to ensure each mortgage loan meets Stronghill Capital quality standards. A loan meets Stronghill Capital quality standards if the legal documents, borrower’s credit, income documentation, quality of the collateral (property), and compliance with all applicable laws are consistent with the loan program under the guide.

All loans must be manually underwritten in accordance with this guide. Stronghill Capital credit philosophy applies a practical application of the guidelines when analyzing a loan for underwriting. Our focus is on aligning the interest of the borrower and limiting layered risk through a combination of:

- Verified employment, income, assets, and reserves
- Borrower credit and housing history
- Value of collateral used to secure the loan

Exceptions to published guidelines are considered on a case-by-case basis. Loans requiring an exception are reviewed holistically taking into account the risk factors noted above. Regardless of exception type, the loan should demonstrate strong compensating factors to support granting an exception. All exception requests must be submitted by the Broker to Stronghill Capital. Our decision to grant or reject any exception request is based on our role as a potential investor in any related mortgage loan. This decision is not intended to serve as advice regarding any decision to extend credit.

Stronghill Capital’s decision to accept and/or close a loan or not on any mortgage loan will be based on a full credit, compliance and property review conducted by Stronghill Capital. Our decision to accept and/or close any mortgage loan will be based on the results of our review and our own internal policies and procedures.

The Broker and any third-party originator must fully comply with all federal, state, and local laws applicable to the origination and sale of mortgage loans (“Applicable Law”). It is the Broker’s sole responsibility to ensure that all loans it originates comply with Applicable Law.

The Wholesale Guide and the executed Broker Agreement, as amended periodically, together govern the business relationship and constitute the entire agreement between Stronghill Capital and the Broker. Stronghill Capital may suspend or terminate its relationship with the Broker upon any failure to meet the requirements under this Guide.

1.1.1 HOLIDAYS

The federally recognized holidays at the time of publication of this Guide are:

*New Year’s Day
Martin Luther King, Jr. Day
President’s Day
Memorial Day
Juneteenth*

*Independence Day
Labor Day
Columbus Day
Veteran’s Day*

*Thanksgiving Day
Christmas Day*

In addition to the above Federal Holidays Stronghill Capital will be closed on the following days:

Friday after Thanksgiving

Day After Christmas

On federal holidays, banks and the US Postal Service do not operate, and wire transfers do not occur. Any funds due for wiring on the above days will be wired on the following business day.

1.2 BROKER ELIGIBILITY

This Eligibility section outlines requirements for becoming an approved Broker and for maintaining that eligibility in Good Standing.

1.3 APPROVAL OVERVIEW

Stronghill Capital will review the applicant's information and request for approval to determine eligibility. At the discretion of Stronghill Capital, eligibility standards may be waived or modified; however, the subsequent enforcement by Stronghill Capital will not be affected.

To become an approved Broker to Stronghill Capital Mortgage Capital, the applicant must:

- Complete the Broker Agreement provided by the Account Executive
- Satisfy all Stronghill Capital's eligibility requirements
- Accurately and fully complete all required information and provide all necessary documentation

1.4 PROCESS FOR APPROVAL

The assigned Account Executive will provide the Broker Agreement to the Broker for review and acceptance. Upon receipt of signed agreement from Broker, Stronghill will approve Broker in the TPO Portal within 5 business days.

- MU2 information validation from NMLS
- Stronghill will pull LDP/GSA searches for Company and MLOs

1.5 BROKER RESPONSIBILITY

1.5.1 MAINTAINING ELIGIBILITY

Once approved to be a Broker to Stronghill Capital Mortgage, the Broker must continue to meet the eligibility requirements herein to maintain its eligibility and approval to participate.

1.5.2 NOTIFICATION OF SIGNIFICANT CHANGES

A Broker must provide written notice of any contemplated change in its organization, including copies of any filings with, or approvals from, its regulators, new licenses, as applicable. Stronghill Capital requires written notice immediately, but no later than seven (7) calendar days, after the finalization of significant changes relating to the Broker that include, but are not limited to:

- Any mergers, consolidations, or reorganizations.

- Any direct or indirect material change in ownership. An indirect change in ownership includes any change in the ownership of the Seller's parent, any owner of the parent, or any beneficial owner of the Seller that does not own a direct interest in the Seller.
- Any change in corporate name.
- A materially adverse change in financial condition.
- Any change in fiscal year end-date.
- Use of a new or different fictitious name.
- Any change to active and approved Users of Stronghill Capital specific systems.

1.5.3 GOOD STANDING

All approved Brokers must remain in "Good Standing" with Stronghill Capital to maintain the required eligibility to broker loans. Failure to remain in Good Standing could result in Stronghill Capital terminating the Agreement with cause.

To remain an approved Broker in Good Standing, the Broker must:

- Actively participate in the products and programs described in the Wholesale Guide.
- Be in full compliance with all terms of the Broker Agreement and this Wholesale Guide, which is a contractual document by reference in the Agreements.
- Complete and submit within required timeframes all requested documents as part of the Annual Recertification process.

1.5.4 ANNUAL RECERTIFICATION

The Account Executive managing the Broker relationship will send a spreadsheet with current system users to the Broker. Within 60 days of receiving the spreadsheet, the Broker must submit the following documentation:

- Updated/current organization chart.
- Confirmation the users per the excel spreadsheet were validated in TPO PORTAL.
- Resumes on any new management-position changes since the last approval.
- Copy of the renewal of Fidelity Bond and E&O Insurance, if applicable.
- Re-confirm active and approved contacts to Stronghill Capital specific systems.
- Current MU2 screen shot.
- Any other additional certifications or information requested by Stronghill Capital.

1.5.5 STATE LICENSING

The Broker must comply with all applicable state license and registration requirements in connection with mortgage loan origination and any other related business activities, which include without limitation:

- Ensuring that each loan officer/originator involved in the origination of loans delivered to Stronghill Capital is appropriately licensed.
- Maintaining appropriate organizational licensure based on the type and location of the activities it engages in.

1.5.6 STATE AND FEDERAL HIGH-COST LOANS

Stronghill Capital does not close loans that are subject to the Home Ownership and Equity Protection Act of 1994 (HOEPA), also known as “federal high cost” mortgages.

Stronghill Capital does not close mortgage loans that meet the definition of “high cost,” “high risk,” “covered,” “subprime,” or any similar designation under state or local law.

1.5.7 ABILITY TO REPAY (ATR)

All loans subject to the general ATR underwriting standards (12 C.F.R 1026.43(c)) require a creditor to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan prior to or at consummation. A reasonable, good-faith ATR evaluation must consider the following eight underwriting factors based on available information in the mortgage loan file using reliable third-party records:

- Income or assets used to repay the loan
- Employment status
- Monthly mortgage payment on the subject loan (fully indexed, fully amortizing)
- Monthly payments for any simultaneous loans secured by the subject property
- Monthly payments for property taxes, hazard insurance, HOA fees, or ground rents
- Debts (reported by a credit bureau or disclosed by the consumer), alimony, and child support obligations
- Monthly DTI or residual income
- Credit history

1.5.8 FEE POLICY

Fees charged by the Broker must be in compliance with all Applicable Requirements, including those governing permissible fees, maximum fee amounts, timing, and disclosures.

1.5.9 PREPAYMENT PENALTY

Loans with prepayment penalties are not eligible under this program.

CH. 2 COMMITMENT PRICING OVERVIEW

The Stronghill Capital Lock Policy outlines the terms by which Brokers can lock loans. When Brokers lock a loan with Stronghill Capital, the interest rate, pricing, and terms are protected through the lock expiration. Brokers are required to close loan and for the loan to fund prior to the expiration of the rate lock. This includes the three-day right of rescission required on refinance transactions. Any loan that closes or disburses after the expiration date may be subject to a relock at worst-case pricing.

2.1 LOCK POLICY

Stronghill Capital offers best efforts locks and provides interest rate protection for the purpose of pricing a mortgage application for the borrowers. Once Brokers lock a loan with Stronghill Capital, they are obligated to make the best professional effort to close the loan.

| | |
|--|-------------------------|
| The Lock Desk hours of operation are: | 8:30am-7pm (CT) |
| The Lock Window hours are: | 10am-7pm (CT) |
| The e-mail address for the Lock Desk is: | LockDesk@stronghill.com |
| The phone number for the Lock Desk is: | (512) 413-4120 |

2.1.1 REGISTRATION, RATE LOCK, AND LOCK CONFIRMATION

Brokers register and lock loans in the TPO Portal. Rate locks are priced based on the rates in effect at the time a lock is confirmed. The system displays the confirmed lock, which may be printed or downloaded. Brokers must review the confirmation upon receipt and contact the Lock Desk regarding any discrepancies. All rate locks are borrower and property specific.

A loan may be locked at any point in the loan process after an application is received by Stronghill Capital. However, we strongly advise that the Broker's loan is locked with Stronghill Capital after underwriting approval issued.

See [Section - Locking Loans](#) for details regarding locking loans with Stronghill Capital.

Note: All loans must meet Stronghill Capital lending criteria and the product matrix eligibility guidelines.

2.1.2 PIPELINE MANAGEMENT

- Loans which have been registered for 90 days or more and have not been submitted will be closed for incompleteness.
- Locked loans which are about to expire are identified in the "expiring soon" section of the TPO Portal.
- As an aid for managing pipeline activity, dashboard information can be exported to excel for each view within the TPO Portal. See Wholesale Guide at www.stronghill.com.

2.1.3 CANCELLATIONS

Brokers must notify the Stronghill Capital Lock Desk as soon as possible when a locked loan is canceled along with the reason for cancellation. Failure to maintain an acceptable pull through may impact Broker eligibility.

2.1.4 PREPARING TO SUBMIT FOR UNDERWRITING

All loans must be registered or locked before Stronghill Capital reviews the file.

2.2 LOCK DESK AND PRICING

2.2.1 DAILY PRICING

Rate sheets are distributed daily, generally by 10 am Central Time, Monday through Friday. Stronghill Capital reserves the right to change rates at any time. Rates will be published in the Portal, provided to the various pricing engines, and distributed via email. Each rate sheet will provide the effective date and time.

2.2.2 INTRA-DAY PRICE CHANGES

Stronghill Capital reserves the right to change pricing without notice at any time, which may also include after-market close re-prices. Stronghill Capital Secondary Marketing makes its best effort to notify Brokers of new pricing when there is an intra-day price change; however, Brokers will receive the pricing that is effective when loans are locked on the portal. Brokers are responsible for verifying the lock confirmation form as soon as it is received and must contact the Lock Desk immediately if there is a discrepancy. Intra-day price changes will be emailed and published in the system.

2.3 RATE LOCK PROGRAMS

Stronghill Capital offers the Brokers competitive pricing. Specific information regarding rate locks, extensions, and renegotiations is provided as follows. Additional information can be found in Stronghill Capital's Lock Policy.

2.3.1 GENERAL RATE LOCK INFORMATION

General information regarding the available duration of rate locks, cost and length of extensions, adjusters, and all matters related to pricing are found on the daily rate sheet. At the time of writing, Stronghill Capital offers 30, 45, and 60-day initial locks and extensions in 1-day increments, up to 30-days total with a max of 3 extensions allowed. Brokers should rely on the most recent rate sheet for all pricing and rate extension information (or the rate sheet at the time of lock for extensions and worst-case pricing). Information on the rate sheet will take precedence over the information in this manual.

2.3.2 LOCKING LOANS

- Stronghill Capital maintains a Broker TPO Portal at <https://stronghill.com/residential-loans/> for locking loans. Rate lock confirmations are also accessed through this portal. See "How-To" User Guides online at <https://stronghill.com/residential-loans/>
- Loans are registered in the Portal by entering data through the user interface or by importing a FNMA 3.2 file to the system. Data required for pricing and locking varies by program and users are prompted to enter the required information. Loans requiring lock extensions beyond the maximum extension period, or loans requiring cumulative lock periods in excess of 60 days are subject to worse-case pricing, which is defined as the lower of (i) current rate sheet pricing and (ii) the existing lock price. If the existing lock is to be extended, applicable lock extension fees will be applied after the determination of worse-case pricing. If

the new rate sheet is the worst price, no lock extension fee needs to be applied for the relock, which will be a 15-day lock, subject to extension fees thereafter.

- Property address changes are only permitted on registrations. Property address changes on locked loans must be made by the Stronghill Capital Lock Desk.

2.3.3 RATE EXTENSIONS

- Extension fees are posted on the Stronghill Capital Broker rate sheet.
- Lock extensions are available for active locks. Expired locks may not be extended; they can only be relocked.
- Locks may be extended in increments of 1-day.
- Three (3) lock extensions may be requested; however, the cumulative lock extension maximum may not exceed 30 days from the initial expiration date. The cumulative lock period including extensions may not exceed 75 days. Loans requiring lock extensions beyond the maximum extension period, or loans requiring cumulative lock periods in excess of 75 days are subject to worse-case pricing, which is defined as the lower of (i) current rate sheet pricing or (ii) the existing lock price. If the existing lock is to be extended, applicable lock extension fees will be applied after the determination of worst-case pricing. If the new rate sheet is the worst price, no lock extension fee needs to be applied for the relock, which will be a 15-day lock, subject to extension fees thereafter.
- Lock extensions are not available for delivered files.

2.3.4 RATE LOCK RENEGOTIATIONS

Only active, unexpired locks are eligible for renegotiations.

- Rate renegotiations are awarded on a case-by-case basis only.
- Renegotiations must be demonstrated to be for the benefit of the borrower only, either by: (1) increasing credit, or (2) reducing the rate.
- Only one (1) lock renegotiation per loan is allowed. Expiration terms are not amended.
- Once a lock has been renegotiated, the delivery becomes mandatory without price improvement.
- The loan must be moving to "Clear to Close" or greater status within 24 hours and must close within 15 days.
- Secondary Marketing approval is required for renegotiation on relocked loans.

2.3.5 RATE RELOCKS

- Any lock that has expired may be relocked for 15 days as follows: The loan is re-priced using worse case pricing described below and charged a 25-basis point relock fee. Any fees, including extension costs, will remain in effect.
- Worse case pricing is determined by comparing the rate sheet from the lock date to the rate sheet from the relock date (current rates).
 - For rate-based programs, worse case pricing is determined by using the rate sheet with the higher base rate.
 - For price-based programs, worse case pricing is determined by using the rate sheet with the lower price.

- The loan will be relocked for 15 days. If additional days are needed, contact the Stronghill Capital Lock Desk to request an extension. Standard fees will apply.
- Executing a relock is an irreversible transaction and results in mandatory delivery subject to a pair off fee.
- Any lock that has expired or has been cancelled by the Broker is eligible for current market pricing after 30 days.

2.3.6 RATE LOCKS

- All files must be closed, and rescission completed by the lock expiration date.
- Locks with weekend or holiday expiration dates expire on the first business day following the stated expiration date; this becomes the effective expiration date.
- If the file is not closed and funded by the lock expiration date, the loan will be subject to a pricing change.
- The original Note must be received within three (3) business days after the lock expiration date.
- Stronghill Capital reserves the right to price expired loans outside of the matrix above based on market conditions.
- Stronghill Capital publishes a maximum price and a minimum price on the daily rate sheets. Loans that price below the minimum are subject to additional price adjustments at Stronghill Capital's discretion. Contact the lock desk for additional information.

CH. 3 BROKER FILE REVIEW

3.1 UNDERWRITING REVIEW

The review will assess and validate that the documentation supplied is sufficient to meet the required criteria under the applicable product/program guidelines according to the submitted loan registration/lock in the TPO Portal. The following outlines the processes performed by Stronghill Capital during the eligibility review.

3.1.1 CREDIT APPLICATION (URLA)

- The application (URLA) is completed accurately including mailing address if property is investment and phone numbers
- All known borrower-owned properties are disclosed on the Real Estate Owned Section of the form
- Borrowers' employment history is present
- Application reflects borrower assets and liabilities
- Application includes loan terms, occupancy, and reason for any cash out if applicable

3.1.2 CREDIT

- A verified credit report or alternative credit history as applicable to loan type is present for each borrower
- All the monthly consumer debt payments for use in the applicable DTI calculation have been disclosed in the file
- Comparison of the credit report against application to ensure that no undisclosed debts exist
- Fraud Check:
 - All borrowers must be included in the fraud analysis performed by an automated fraud and data check vendor solution (i.e., Fraud Guard, CoreLogic, DataVerify, TransUnion TLOxp, LexisNexis: SmartLinx, Instant ID, or other industry recognized fraud and data vendor). A copy of the findings report from the vendor must be provided in the loan file with all "high" alerts, or "red flags" must be addressed and/or cleared by the Broker. Stronghill will pull the fraud report during the underwriting review and add alerts to the underwriting conditions summary.
- Verify payment histories, judgments/collections and bankruptcy and foreclosure timelines meet applicable guidelines for the product/program
- Review for Borrower personal data consistency with the application and loan type
- Determine valid decision score and minimum trade lines
- Confirm housing and mortgage related payment history
- Review Bankruptcy, Foreclosure, Short-sale &/or Deed-In-Lieu dates if provided on the credit report
- Review Forbearance, Modification, or deferral documentation

3.1.3 EMPLOYMENT AND INCOME

- Verify the income used to qualify the loan was calculated in accordance with guidelines for the applicable product/program
- Verify residual income meets minimum requirements of applicable product/program

Note: Documentation verifying employment and income will be deemed acceptable if it is a third-party document as required by applicable product/program guidelines and may include but not be limited to:

- Verbal or Written VOE's
- Pay stubs
- W-2 forms
- Tax returns
- Financial statements, including bank statements, P&L's & CPA letter
- Award letters
- IRS Tax Transcripts (compared to Tax Returns submitted by Borrower(s))

3.1.4 ASSET REVIEW

Documentation verifying assets for down payment, closing costs, prepaid items and reserves may include but not be limited to:

- VODs
- Depository account statements
- Stock or security account statements
- Gift funds
- Settlement statement or other evidence of conveyance and transfer of funds for any sale of assets

3.1.5 HAZARD/FLOOD INSURANCE/TAXES

Verify that hazard insurance meets the minimum required amount of coverage in the product/program guidelines

- For condominium properties, confirm that the blanket policy meets the minimum amount of coverage to meet product/program guidelines
- Confirm that the flood certificate is for the correct borrower, property, lender, and loan number and includes a "Life of Loan" certificate
- For properties in a flood zone per the flood certificate, confirm that flood insurance meets product/program guidelines including, the minimum required amount of coverage
- Confirm that the mortgagee clause lists the lender's name and "its successors and assigns"
- Confirm that the premium amount on both the hazard and flood insurance match what was used in the DTI calculations
- Calculating Real Estate Tax Payment
 - Applies to DTI transactions
 - For purchase and construction-related transactions, the Broker must use a reasonable estimate of the real estate taxes based on the value of the land and the total of all new and existing improvements. This policy also applies to properties in jurisdictions where a transfer of ownership typically results in a reassessment or revaluation of the property and a corresponding increase in the amount of taxes. For properties located in the state of California 1.25% of the purchase price should be used to determine real estate taxes.
 - For refinance transactions the Broker must base the determination of real estate taxes on no less than the current assessed value
- Calculating HOA monthly, quarterly or annual fees
 - Applies to DTI transactions
 - PUD
 - If there are mandatory HOA fees, on a refinance, borrower to provide a copy of the most recent statement to confirm payment and when due

- Existing property (Purchase) – Title or Escrow Company to provide a resale certification to confirm payment and when due
- New Construction – Title Company, Escrow Company or Builder to provide documentation to confirm payment and when due; may also confirm amount from appraisal
- Condo
 - Verify HOA dues and how often payment due from Condo questionnaire

3.1.6 PRELIMINARY TITLE COMMITMENT

The title policy must be written on one of the following forms:

- the 2006 American Land Title Association (ALTA) standard form
- an ALTA short form if it provides coverage equivalent to the 2006 ALTA standard form and does not materially impair protection to the Company
- in states in which standard ALTA forms of coverage are, by law or regulation, not used, the state-promulgated standard or short form which provides same coverage as the equivalent ALTA form, provided that those forms do not materially impair protection to the Company

The title insurance policy must ensure that the title is generally acceptable and that the mortgage constitutes a lien of the required priority on a fee simple or leasehold estate in the property. The title policy also must list all other liens and state that they are subordinate to the Company's mortgage lien.

The Company must also review the following items for accuracy with regard to the preliminary title commitment:

- The amount of title insurance coverage must at least equal the original principal amount of the mortgage
- All files must contain a 24-month title history. Transfer date, price, and buyer and Seller names should be provided for any transfers that occurred within the past 24 months.
- Confirm current vesting (if a purchase, the seller; if a refinance, the borrower) and requested vesting is eligible
- Review for assessments, covenants, conditions, and restrictions
- Review/confirm or condition to ensure HOA lien (super lien) issues have been identified and addressed, have been conditioned for or documented in the file accordingly
- Review/confirm or condition to ensure foreclosures, bankruptcies have been documented in the file accordingly, have been conditioned for or documented in the file accordingly
- Review/confirm or condition to ensure prior mortgage liens, judgment liens including but not limited to state and federal tax liens (including delinquent taxes that are not-liens), and environmental liens have been conditioned for or documented in the file accordingly

3.1.7 PROPERTY ELIGIBILITY REVIEW

The security property must be located in the United States (including the District of Columbia).

Stronghill Capital Underwriter will completely underwrite the appraisal and validate comparables or additional property data as warranted prior to issuing a clear to close. In addition, the following will be performed during the review:

- Confirm the property type and ensure it is eligible under applicable product/program guidelines;

- The highest and best use of the property as improved (or as proposed per plans and specifications), and the use of the property must be legal or legal non-conforming use;
- The mortgaged premises is readily accessible by roads that meet local standards;
- The mortgaged premises is served by utilities that meet community standards;
- The mortgaged premises is suitable for year round use;
- The mortgaged premises is safe, sound, and structurally secure;
- Review of comments regarding lot size, zoning and well and septic conditions as well as legal use restrictions;
- Perform a comparable sales analysis including age, distance, and adjustments;
- Analysis of the photos to verify clarity, conformity to property description and to review for external negative factors;
- Verification of appraiser licensing and that appropriate appraisal services were used as required in seller guidelines;
- Review of zoning concerns;
- Property description review including flood zoning, adverse physical conditions, easements, and best use;
- Review of sales comparison approach to include bracketed values, seasoning of comparable properties and active listings;
- Review of Appraiser comments for areas of concern or inconsistency;
- Review to ensure use of acceptable Appraisal source per guidelines;
- Complete a comparison of Appraisal Review product to appraisal to ensure performed on the same property and to note value discrepancy outside of seller tolerances or for any comments or concern;
- Confirm Appraisal Review Product is obtained from an acceptable source (e.g., Proteck ARR or Clear Capital per guidelines); and
- Determine if the subject property is in a FEMA Declared Disaster area with Individual Assistance designation. If the appraisal is dated after the disaster declaration date, confirm the appraisal states 'no impact' from the disaster. If the appraisal is dated prior to the disaster, require an updated appraisal or PDI report to confirm 'no impact' to subject property.
-

ACCEPTABLE DWELLING TYPES

Dwelling units for security properties may be detached, attached, or semi-detached.

Properties may be located

- on an individual lot,
- acreage up to 20 acres, non-rural,
- in a condo project,
- in a planned unit development (PUD) or subdivision project.

Properties located in a condo, or PUD project must meet Fannie Mae's project standards requirements (see Chapter B4-2, Project Standards).

INELIGIBLE PROPERTIES

The Company does not purchase or securitize mortgages on:

- vacant land or land development properties;
- properties that are not readily accessible by roads that meet local standards;
- agricultural properties, such as farms or ranches;
- units in condo or co-op hotels (see B4-2.1-03, Ineligible Projects), for additional information;
- properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate (see B4-2.1-03, Ineligible Projects), for additional information;
- boarding houses or properties that are not suitable for year-round occupancy regardless of location.

3.1.8 CREDIT REVIEW DATA COMPONENTS

The reviewer will also validate the following fields in the system as compared to the documentation submitted as applicable to the product/program submitted.

- | | | |
|--|-----------------|----------------------|
| • Stronghill Capital Program and Product | • Loan Amount | • Credit Score |
| • Borrower Name/Entity | • Property type | • Documentation Type |
| • Loan Purpose | • Subject value | • Reserves |
| • Occupancy | • LTV/CLTV | • Residual Income |
| • Consumer or Business Purpose | • DTI | |

3.2 INTEREST CREDIT

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

3.3 PRINCIPAL CURTAILMENT

A principal curtailment is the application of funds that are used to reduce the unpaid principal balance of the mortgage loan. The Company permits certain curtailments prior to loan delivery provided that the delivery data reflects the curtailment as indicated below.

Acceptable Curtailments:

If the borrower receives more cash back than is permitted for limited cash-out refinances, applying a curtailment will reduce the amount of cash back to the borrower to bring the loan into compliance with the maximum cash-back requirement. The maximum amount of the curtailment cannot exceed the lesser of \$2,500 or 2% of the original loan amount for the subject loan.

3.4 ASSUMABILITY

Fixed Rate loans are not assumable. ARM loans with assumability language are acceptable if the assumption is at the lender's discretion. In any case, the wording in the Note and Closing Disclosure must match.

3.5 PROPERTY INSURANCE

3.5.1 COVERAGE REQUIREMENTS

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum: wind, civil commotion (including riots), smoke, hail, and damage caused by aircraft, vehicle, or explosion.

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damage, or any other perils that normally are included under an extended coverage endorsement are not acceptable. Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril, or from an insurance pool that the state has established to cover the limitations or exclusions.

The hazard insurance coverage should be equal to the lesser of:

- Replacement Cost Estimator from the property insurer or a 3rd party source (i.e., CoreLogic), if provided
- Estimated cost to replace the dwelling from a recent appraisal, if provided
- The unpaid principal balance of the mortgage

3.5.2 FLOOD INSURANCE

Stronghill Capital will determine whether or not the property is located in an SFHA by using the Standard Flood Hazard Determination form endorsed by FEMA. All flood zones beginning with the letter “A” or “V” are considered SFHAs.

Note: all flood insurance premiums must be escrowed regardless of whether the taxes and homeowners’ insurance are escrowed.

The Broker to ensure the property securing the mortgage loan is adequately protected by flood insurance when required and insurance provided to Stronghill for review. Flood insurance coverage is required when a mortgage loan is secured by a property located in

- a Special Flood Hazard Area (SFHA), or
- a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA). (See below for additional information.)

The following table describes how to evaluate a property to determine if flood insurance is required. For the purpose of these requirements, the “principal structure” is the primary residential structure on the property securing the mortgage loan.

| If... | Then flood insurance is... |
|---|--|
| any part of the principal structure is located in an SFHA, | required. |
| the principal structure is not located in an SFHA, but a residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA | required for the residential detached structure. |

| | |
|---|-----------------------------------|
| the principal structure is not located in an SFHA, but a non-residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA | not required on either structure. |
| the principal structure is not located in an SFHA, but a detached structure attached to the land that does not serve as part of the security for the mortgage loan is located within the SFHA | not required on either structure. |

3.5.3 ACCEPTABLE FLOOD INSURANCE POLICIES

The flood insurance policy must be one of the following:

- a standard policy issued under the NFIP; or
- a policy issued by a private insurer as long as the terms and amount of coverage are at least equal to that provided under an NFIP policy based on a review of the full policy issued by a private insurer.

3.6 TITLE POLICY REQUIREMENTS

Stronghill Capital will require a title insurance policy on each loan. If the file contains the Commitment for Title Insurance, it must indicate the policy will be issued upon payment of the premium. The loan must be covered by the required title policy, issued by a licensed insurer, and includes any required endorsements. The title insurer and policy must conform to Fannie Mae® requirements.

3.6.1 TERMS OF COVERAGE

The title insurance policy must ensure the title is acceptable and that the mortgage represents a first lien on a fee simple estate in the property. The title policy must also list all other liens and reflect they are subordinate. The policy must be written on one of the following forms:

- The 2006 American Land Title Association (ALTA) standard form.
- An ALTA short form if it provides coverage equivalent to the 2006 ALTA standard form.
- In states in which standard ALTA forms of coverage are, by law or regulation, not used, the state-promulgated standard or short form which provides the same coverage as the equivalent ALTA form.
- For Adjustable-Rate Mortgages, the policy must include ALTA Endorsement 6-06.

3.6.2 EFFECTIVE DATE OF COVERAGE

The effective date of the title insurance coverage written on forms that do not provide the gap coverage included in the 2006 ALTA policies may be no earlier than the later of the date of the final disbursement of loan proceeds or the date the mortgage was recorded.

Because the 2006 ALTA forms provide protection for the time between loan closing and recordation of the mortgage, policies written on those forms may be effective as of loan closing.

3.6.3 AMOUNT OF COVERAGE

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

3.6.4 OTHER REQUIREMENTS

The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form providing the required coverage).

References are to the ALTA 2006 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are, by law or regulation, not used, provided that those endorsements do not materially impair the protection to Stronghill Capital. As an alternative to endorsements, the requisite protections may be incorporated into the policy.

Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.

3.6.5 CHAIN OF TITLE

All files must contain a 24-month title history. Transfer date, price, and buyer and Seller names should be provided for any transfers that occurred within the past 24 months.

3.6.6 CONDOMINIUM OR PLANNED UNIT DEVELOPMENTS (PUD)

The title insurance policy for a condominium or PUD unit mortgage must describe all components of the unit estate.

For condominium unit mortgages, an ALTA 4-06 or 4.1-06 endorsement or its equivalent is required. For PUD unit mortgages, an ALTA 5-06 or 5.1-06 endorsement or its equivalent is required. These endorsements must be attached to each policy or incorporated into the text of the policy.

If the unit owners own the common areas of the project as tenants in common, the policy for each unit's mortgage must reflect that ownership.

If the homeowners' association (HOA) owns the common elements, areas, or facilities of the project separately, the title insurance on those areas must insure that ownership.

This title policy must show that title to the common elements, areas, or facilities is free and clear of any objectionable liens and encumbrances, including any statutory or mechanic's liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

The title policy must protect Stronghill Capital by insuring:

- that the mortgage is superior to any lien for unpaid common expense assessments. (In jurisdictions that give these assessments a limited priority over a first mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date of the policy.)
- against any impairment or loss of title of the first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. (It must specifically insure against any loss that results from a violation that existed as of the date of the policy.)
- that the unit does not encroach on another unit or on any of the common elements, areas, or facilities. (The policy also must insure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.)

- that the mortgage loan is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes.
- that real estate taxes are assessable and lienable only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole.
- that the owner of a PUD unit is a member of the homeowners' association, and that the membership is transferable if the unit is sold.

3.6.7 TITLE EXCEPTIONS

Stronghill Capital will not close a mortgage secured by property that has an unacceptable title impediment, particularly unpaid real estate taxes and survey exceptions.

If surveys are not commonly required in particular jurisdictions, the Broker must provide an ALTA 9 Endorsement. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

3.6.8 MINOR IMPEDIMENTS TO TITLE

Title for a property that secures a conventional mortgage is acceptable even though it may be subject to the following conditions, which Stronghill Capital considers minor impediments:

- Customary public utility subsurface easements that were in place and completely covered when the mortgage was originated, as long as they do not extend under any buildings or other improvements.
- Above-surface public utility easements that extend along one or more of the property lines for distribution purposes or along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself.

CH. 4 NON-AGENCY JUMBO

4.1 PRODUCT MATRICIES

(See attached Loan Matrices Document)

4.2 ELIGIBLE PRODUCTS

The following loan products are eligible for purchase by Stronghill:

| Product | Index | Caps |
|-------------------------|------------------------|-------|
| 15 YR FIXED | NA | NA |
| 30 YR FIXED | NA | NA |
| 5/6 ARM | 30-day average of SOFR | 2/1/5 |
| 7/6 ARM | 30-day average of SOFR | 5/1/5 |
| 10/6 ARM | 30-day average of SOFR | 5/1/5 |
| Additional ARM Criteria | | |

| Adjustment Reset Period | Lookback Period | Margin | Floor |
|-------------------------|-----------------|----------------|--------|
| 6-months | 45-days | See Rate Sheet | Margin |

4.3 QUALIFYING PAYMENT

The qualifying payment is based upon the principal and interest payment along with 1/12th of the annual real estate taxes, property insurance, any other insurance, and any association dues.

- Fixed rate fully amortizing – The initial note rate.
- ARMS:
 - 5/6 - Higher of the fully indexed or initial note rate plus 2%.
 - 7/6 & 10/6 - Higher of the fully indexed or initial note rate.

4.4 INELIGIBLE PRODUCT TYPES

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

4.5 LOAN AMOUNTS

| PRIME JUMBO | |
|---|-------------|
| Minimum Loan Amounts | |
| 1 Unit | \$726,201 |
| 2 Units | \$929,851 |
| 3 Units | \$1,123,901 |
| 4 Units | \$1,396,801 |
| For Properties in High-Cost Areas, the following apply: | |
| 1 Unit | \$1,089,301 |
| 2 Units | \$1,394,776 |
| 3 Units | \$1,685,851 |
| 4 Units | \$2,095,201 |

4.6 MINIMUM CREDIT SCORE

| PRIME JUMBO |
|-------------|
| 680 |

4.7 PRIVATE MORTGAGE INSURANCE

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

4.8 LOAN DOCUMENTATION

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

Available Fannie Mae® security instruments, notes, riders/addenda, and special purpose documents can be used for owner-occupied or investment property loan documentation. The Fannie Mae® forms are available at <https://singlefamily.fanniemae.com/selling-and-servicing-guide-forms-and-communications>. Fannie Mae® documents may also be accessed from a document vendor, such as Doc Magic or Ellie Mae.

4.9 AGE OF DOCUMENTATION REQUIREMENTS

4.9.1 CREDIT REVIEW DOCUMENTS

The following documents may not be more than 90 days old at closing (the date the Note is signed):

- Income verification / pay stubs
- Mortgage /rental verification
- Asset documents / bank statements

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

- Credit Report
- Title commitment / preliminary report / binder

Any credit review documents exceeding these timeframes must be updated.

4.9.2 APPRAISAL

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

4.9.3 CLARIFICATION

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

4.9.4 LOAN SEASONING

Loans seasoned beyond the second scheduled payment date due from the borrower are ineligible. Stronghill may, at its sole discretion, make exceptions regarding loan seasoning.

4.10 BORROWER ELIGIBILITY

4.10.1 RESIDENCY

US CITIZEN

Eligible without guideline restrictions.

PERMANENT RESIDENT ALIEN

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

- Acceptable evidence of permanent residency include the following:
 - Alien Registration Receipt Card I-151 (referred to as a green card).
 - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).

- Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
- Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized.”
- Eligible without guideline restrictions.

NON-PERMANENT RESIDENT ALIEN

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

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

4.10.2 NON-OCCUPANT CO-BORROWERS

Non-occupant co-borrowers are not allowed.

4.10.3 FIRST TIME HOME BUYERS

An individual is to be considered a first-time home buyer who (1) is purchasing the security property; (2) will reside in the security property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

The following requirements apply to first-time homebuyer transactions:

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

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

4.10.4 INELIGIBLE PROPERTIES

- Irrevocable Trust
- Land Trust
- Blind Trust
- Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction
- Not-for-profit entity
- Any material parties (company or individual) to the transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.

4.10.5 TITLE VESTING AND OWNERSHIP

Ownership must be fee simple title. Title must be in the borrower's name (Owner-occupied property) at the time of application for refinance transactions.

Eligible forms of vesting are:

- Individuals
 - Joint tenants
 - Tenants in common
 - Inter vivos revocable trust
- Ineligible forms of vesting are:
- Land Trusts
 - Blind Trusts
 - IRA's

Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae® requirements should be followed to the extent this section is silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if two (2) or more).
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of, the applicable state.

The trustee must have the power to hold the title, and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

The following documentation is required:

- If the trust was created under California law, a fully executed Certificate of Trust under Section 18100.5 of the California Probate Code.
- If the trust was created under the laws of a state other than California:
 - Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
 - The trust is revocable.
 - The borrower is the settler of the trust and the beneficiary of the trust.
 - The trust assets may be used as collateral for a loan.
 - The trustee is:
 - Duly qualified under applicable law to serve as trustee.
 - The borrower.
 - The settler.
 - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

4.10.6 OCCUPANCY CERTIFICATE

The file should contain an [Occupancy Certificate](#) similar to the exhibit in the forms section.

4.11 TRANSACTION TYPES

4.11.1 ELIGIBLE TRANSACTIONS

PURCHASE

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV/CLTV is based upon the lesser of the sales price or appraised value.
- The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if applicable) reflecting the following:
 - The purchase contract cannot be expired
 - Borrower as the purchaser of the property
 - Seller as the vested owner on title
 - Correct sales price
 - Amount of down payment
 - Closing dates
 - Concessions and seller contributions

RATE/TERM REFINANCE

Proceeds from the transaction are used to:

- Pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following apply:
 - Closed-end loan, at least 12 months of seasoning has occurred.
 - HELOC, at least 12 months of seasoning has occurred, and total draws over the past 12 months are less than \$2,000. (For business purpose transactions, any draw over the life of the loan may not have been used for personal use. Business purpose transactions will require a draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use).
- Buy out a co-owner pursuant to an agreement.
- Pay off an installment land contract executed more than 12 months from the loan application date.

Other considerations:

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

CASH-OUT

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- See Loan/LTV Matrix for maximum cash-out amounts and restrictions.
- A mortgage secured by a property currently owned free and clear is considered cash-out.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
- Cash-out not eligible to satisfy the reserve requirements for the transaction.
- A letter explaining the use of loan proceeds is required for all transactions.
- Loans not eligible for cash-out:
 - Properties listed for sale in the past six (6) months.
 - There has been a prior cash-out within the past six (6) months.
 - Land Contract/Contract for Deed.
 - Loans secured by property located in the following States: HI & TX.
 - Loan secured by a condominium in the State of FL limited to max LTV: 65%
- Cash-Out Seasoning is defined as the difference between application date of the new loan and the property acquisition date.
 - For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value.
 - If the cash-out seasoning is less than 12 months, but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.
 - Cash-out seasoning of less than six (6) months is not allowed.

DELAYED FINANCING

- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 90 days of the loan application.
 - The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
 - The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
 - The preliminary title search or report must confirm that there are no existing liens on the subject property
 - The transaction is considered cash-out, cash-out pricing adjustments apply
 - The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash-out transactions.

4.11.2 LISTING SEASONING

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

4.11.3 NON-ARM'S LENGTH TRANSACTION

NON-ARM'S LENGTH TRANSACTION

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property builder, developer, or seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales, and flip transactions.

When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required, as well as the payment history pattern (verification of the Seller's mortgage (VOM)).

INTERESTED PARTY TRANSACTION

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

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

ELIGIBLE NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction.
- Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves.
- Seller(s) representing themselves as agent in real estate transaction.
- Renter(s) purchasing from landlord.
 - 24 months of cancelled checks to prove timely payments are required.
 - A verification of rent (VOR) is not acceptable.
- Purchase between family members.
 - Full documentation only.
 - Gift of Equity not eligible.
 - Must provide a 12-month mortgage history on the existing mortgage securing the subject property, confirming the Family Sale is not a foreclosure bailout.

NON-ARM'S LENGTH AND INTERESTED PARTY RESTRICTIONS

- Primary residences only.
- Borrower to provide a cancelled check verifying the earnest money deposit.
- Maximum LTV/CLTV of 80%.
- For-Sale-By-Owner (FSBO) transactions must be arm's-length.
- Employer to employee sales or transfers are not allowed.
- Property trades between buyer and Seller are not allowed.

4.11.4 INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

OWNER OCCUPIED

- Maximum contribution: 6%

NON-OWNER OCCUPIED

- Maximum contribution: 2%

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state, and local law.

Interested party contributions include funds contributed by the property seller, builder, buying or selling real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

4.11.5 ESCROW – IMPOUND ACCOUNTS

Escrow funds/impound accounts may be established for funds collected by the seller, originator or servicer as required to be paid under the security instrument. Escrow funds include, but are not limited to, taxes, insurance (hazard, flood, and mortgage) premiums, ground rents, or water/sewer taxes. If flood insurance is required, an escrow account must be established for the flood insurance premium.

4.11.6 SECONDARY FINANCING

Secondary financing must be institutional. Sellers must employ reasonable underwriting policies and procedures designed to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation showing the line of credit is past its draw period.

4.12 CREDIT

Credit can be defined as the relative expectation of performance given the characteristics of the loan. A borrower(s) past repayment pattern of financial obligations is one component of determining willingness to repay future obligations. In addition to repayment history, the credit report should be reviewed for the number of open accounts, length of credit history, utilization, types of accounts, inquiries, and newly opened accounts.

4.12.1 CREDIT REQUIREMENTS

The loan file must be manually underwritten using the Credit (Chapter B3-5) and Liability (Chapter B3-6) criteria from the FNMA Seller Guide dated 6/03/2020, with the exception of the following overlays.

4.12.2 CREDIT REPORTS

A credit report is required for each individual borrower, including any member of an entity providing a personal guaranty. The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a three-bureau merged report, or a Residential Mortgage Credit Report is required.

- The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.
- Inquiries: Recent inquiries within 90 days of the credit report date must be explained by the borrower.

4.12.3 GAP CREDIT

Gap credit: A gap credit or Undisclosed Debt Monitoring report is required no more than 10 days prior to loan closing or any time after closing. Any new debt must be included in determining the DTI ratio.

4.12.4 LOAN INTEGRITY AND FRAUD CHECK

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All parties to the transaction (Borrower(s), Seller(s), Broker, Loan Officer, and Real Estate Agent(s)) must be included in the fraud analysis performed by an automated fraud and data check vendor solution (i.e., Fraud Guard, CoreLogic, DataVerify, TransUnion TLOxp, LexisNexis: SmartLinx, Instant ID, or other industry recognized fraud and data vendor). A copy of the findings report from the vendor must be provided in the loan file with all “high” alerts, or “red flags” addressed and/or cleared by the seller (lender).

Sellers may clear “high” alerts or “red flags” directly through the vendor solution or with an attestation. The attestation must address each “high” alert, or “red flag” noted in the fraud report. Stronghill may request additional documentation to address high fraud risk.

4.12.5 CREDIT INQUIRIES

Creditor must obtain verification from borrower in the form of a signed statement attesting that their current obligations are accurate. Additionally, any credit inquiries listed on the report within 90 days of the report date must be explained. If new credit was extended, borrowers must provide documentation on the current balance and payment. If no credit was extended, borrower must state the purpose of the inquiry. Sellers must inform borrowers that they are obligated to inform the Seller of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

4.12.6 HOUSING HISTORY

MORTGAGE/RENTAL VERIFICATION

A current mortgage/rental history, for the most recent 24-month period, is required for all Stronghill programs. Current means the borrower has made all mortgage payments due in the month prior to the note date. If the credit report does not reflect the current payment history, one of the following additional documents is required:

- A loan payment history from the servicer or third-party verification service,
- A payoff statement (for mortgages being refinanced),
- The latest mortgage account statement from the borrower, or
- A verification of mortgage.

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

For properties owned free and clear, a property profile report or similar document showing no lien against the property should be provided in the credit file. Any balloon notes with an expired maturity date exceeding 30 days requires an extension to avoid being counted as delinquent.

LIVING RENT FREE

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

- Primary residence only.
- Minimum 5% borrower contribution required.
- Demonstrate an ability to accumulate savings to offset payment shock.
- Rent free period resulting from the sale of a previous primary residence within 90-days of loan application date not subject to restrictions.

LAWSUITS

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

4.12.7 BANKRUPTCY HISTORY

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

4.12.8 FORECLOSURE SEASONING

Foreclosures must be completed a minimum of 84 months. The length of time is measured from the settlement date to the Note date. In the case of a foreclosure which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date.

4.12.9 SHORT SALE / DEED-IN-LIEU SEASONING

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

In the case of a short sale/deed-in-lieu which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the short sale/deed-in-lieu completion date.

4.12.10 FORBEARANCE, MODIFICATION, OR DEFERRALS

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

4.12.11 CREDIT SCORE

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

4.12.12 TRADELINES**STANDARD TRADELINES**

For All Programs:

- At least three (3) tradelines reporting for a minimum of 24 months, with activity in the last 12 months; or
- At least one (1) mortgage reporting for 12 months and three (3) trades reporting open/closed in the past 12 months.

Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the below requirements:

- No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history.
- At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months.
- The borrower has an established credit history for at least eight (8) years.
- Tradelines with recent serious adverse history are not acceptable.
- Student loans can be counted in credit depth as long as they are in repayment and not being deferred.

The following are not acceptable to be counted as tradelines:

- | | |
|--|-------------------------------|
| • “non-traditional” credit as defined by Fannie Mae® | • collection accounts |
| • any liabilities in deferment status | • foreclosures |
| • accounts discharged through bankruptcy | • deed-in-lieu of foreclosure |
| • authorized user accounts | • short sales |
| • charge-offs | • pre-foreclosure sales |

4.13 ASSETS

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

4.13.1 ASSET REQUIREMENTS

Sufficient funds for down payment, closing costs, and reserves are required to be documented in each credit file. The documentation must cover a minimum two-month time period.

4.13.2 ASSET DOCUMENTATION

Assets must be documented based upon the FNMA Seller Guide dated 6/03/2020, Chapter B3-4 with the exception of the following overlays:

- Business funds may be used for down payment and closing costs. The borrower must be listed as an owner of the account, and the account needs to be verified according to the above requirements.
- Business funds are not eligible to satisfy reserve requirements.
- If business funds are used, the borrower must be the sole proprietor or 100% owner of the business.
- A cash flow analysis must be performed showing the transaction will not have a negative impact on the business.

4.13.3 DOWN PAYMENT

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

4.13.4 RESERVES

- The Stronghill loan program requires minimum reserves as outlined on the Stronghill Product matrices.
- Proceeds from a cash-out transaction not eligible for reserves.
- Business assets cannot be used as reserves.
- For Adjustable-Rate Mortgages (ARM), the reserves are based upon the initial PITIA, not the qualifying payment.
- Proceeds from a 1031 Exchange cannot be used to meet reserve requirements.

4.13.5 GIFT FUNDS

Gifts of equity are ineligible. Gift Funds are acceptable if ONE of the following applies:

1. For Owner-occupied properties a 5% down payment has been made by the borrower from their own funds.
2. For Investment properties, a minimum of 10% of the down payment must be made by the borrower from their own funds.

ELIGIBLE DONORS AND DOCUMENTATION

Per current FNMA Seller Guide.

4.13.6 INELIGIBLE FUNDS

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

- Cash-on-hand.
- Cryptocurrency.
- Sweat equity.
- Gift or Grant funds which must be repaid.
- Down payment assistance programs.
- Unsecured loans or cash advances.

4.14 INCOME

4.14.1 INCOME ANALYSIS

INCOME WORKSHEET

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

EMPLOYMENT / INCOME VERIFICATION

- A minimum two (2) year employment history is required to be documented on the loan application (1003). When the borrower has less than a two-year history of employment, the Seller must provide a written analysis to justify the stability of the income used to qualify the borrower.
- Any gaps in employment that span one or more months must be explained.
- Salary/Wage Earner – income derived from employment at a business. Compensation may be based upon a salary, hourly wage, bonus, commission, or overtime.
- Any borrower with a 25% or greater ownership interest in a business/entity or is paid using IRS form 1099 is considered self-employed.
- The following are common business structures:
 - Sole proprietorship
 - Limit Liability Company (LLC)
 - Partnerships
 - S-Corporation
- Corporation
- If any borrower is no longer employed in the position disclosed on the Form 1003 at the Stronghill purchase date, Stronghill will not purchase the loan.

4.14.2 DEBT-TO-INCOME (DTI) RATIO

Maximum DTI Ratio

- All transactions – 45%, if > 43% Rate Spread Safe harbor and Verification Safe Harbor must be satisfied.

The DTI ratio consists of two components:

- 1) Total monthly debt obligations, which includes the qualifying payment for the subject property mortgage loan and other long-term and significant short-term monthly debts.
- 2) Total monthly income of all borrowers, to the extent the income is used to qualify for the mortgage.

The subject property mortgage loan is defined as the borrower's housing payment and includes PITIA and/or principal and interest on any subordinate lien financing.

The property taxes, Homeowner's Insurance (HOI), Flood Insurance, and HOA dues of a primary residence that is owned free and clear will be considered in the borrower's housing history Grade determination and must remain current throughout the transaction.

4.14.3 IRS DOCUMENTATION

IRS FORM 4506-T OR 4506-C

A signed IRS Form 4506-T or 4506-C is required in every file for each borrower whose income is used to qualify for the loan. See specific income documentation type if transcripts are required. If the transcript request is returned with a code 10, or the borrower is a victim of taxpayer identification theft, the following must be provided to validate income:

- A copy of the IRS rejection with a code of “Unable to Process” or “Limitation”.
- Proof of identification theft, as evidenced by one (1) of the following:
 - Proof that the identification theft was reported to and received by the IRS (IRS Form 14039).
 - A copy of the notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, if applicable, a Tax Transcript showing fraudulent information.
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower’s personal tax return (Form 1040). Validation of prior tax year’s income (The income for the current year must be in line with prior years.)

TAXPAYER FIRST ACT

The Taxpayer First Act includes a provision that persons receiving tax return information must obtain the express permission of taxpayers prior to disclosing that tax return information to any other person. “Tax return information” is defined under the IRS Code, 26 U.S.C. § 6103.

Therefore, if a Seller or servicer obtains tax return information during the origination or servicing of a mortgage loan, the Seller or servicer must obtain express consent from the taxpayer to be able to share the tax information with another party. Such sharing would extend to actual or potential owners of the loan, such as Stronghill or any other loan participant.

To ensure compliance with the law, the [Taxpayer Consent Form](#) has been created. To comply, the Seller must include either the Stronghill version or their own version of the document in all loan files that include tax returns.

4.14.4 FULL DOCUMENTATION

The loan file must be manually underwritten using the Income Documentation Requirements (Chapter B3-3) from the current FNMA Seller Guide.

INELIGIBLE INCOME SOURCES

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

4.15 PROPERTY ELIGIBILITY

4.15.1 APPRAISALS

APPRAISAL REQUIREMENTS

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

Appraisers must meet all industry standards and be State Certified. State Licensed Appraisers and Trainees are not permitted. All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) and Fannie Mae® guidelines, including Universal Appraisal Dataset (UAD) requirements. Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence the appraiser to meet a predetermined value. Stronghill reserves the right to restrict the use of any specific appraiser and/or appraisal management company at its discretion.

Sellers are responsible for reviewing the appraisal report for accuracy, completeness, and its assessment of the marketability of the subject property. The Seller needs to determine that the subject property provides acceptable collateral for the loan. For guidance in the manual review of an appraisal report, see the [Appraisal Review Guide](#).

The age and price of the subject property should fall within the age and price range of properties in the subject neighborhood. Comparable properties should be selected from the same neighborhood when possible. Selection of a comparable outside the subject neighborhood should be addressed within the report. For condominiums, at least one comparable should be from outside the subject project. Ideally, comparable sales should be within six months of the report date. Older comparable sales that are the best indicator of value should be addressed in comments by the appraiser.

A Full Interior/Exterior appraisal report, including color photographs, requires use of one of the following forms depending on the property type:

- Uniform Residential Appraisal Report - Fannie Mae® /Freddie Mac Forms 1004/70
- Small Residential Income Property Report - Fannie Mae® /Freddie Mac Forms 1025/72
- Individual Condominium Unit Appraisal Report - Fannie Mae® /Freddie Mac Forms 1073/465
- Appraisal Update and/or Completion Report - Fannie Mae® /Freddie Mac Forms 1004D/442
- Single Family Comparable Rent Schedule - Fannie Mae® /Freddie Mac Forms 1007/1000

Sellers must order appraisals using one of two processes. The appraisal must either be ordered through an Appraisal Management Company (AMC) that complies with Appraiser Independence Requirements (AIR), or via the correspondent's own AIR-compliant process. The licensed appraiser is required to perform an interior inspection when completing the appraisal report.

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

NOT ELIGIBLE FOR STRONGHILL PURCHASE:

Properties for which the appraisal indicates condition ratings of C5 or C6, or a quality rating of Q6, as determined under the Uniform Appraisal Dataset (UAD) guidelines. Stronghill will consider purchase if the issue has been corrected prior to loan funding and with proper documentation.

SECOND APPRAISAL

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

- The loan balance exceeds \$1,500,000.
- The transaction is a flip as defined in the Property Flipping section of this guide.
- As required under the Appraisal Review Products section of this guide.

When a second appraisal is provided, the transaction's "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.

APPRAISAL EVALUATION

NEIGHBORHOOD ANALYSIS

- Neighborhood boundaries should be described using the four (4) cardinal directions, streets, waterways, other geographic features, and natural boundaries that define the separation of one neighborhood from another.
- Neighborhood characteristics should be described with types and sizes of structures, architectural styles, current land uses, site sizes, and street patterns or designs.
- Factors that affect value and marketability should be mentioned in as much detail as possible - e.g., proximity of the property to employment and amenities, public transit, employment stability, market history, and environmental considerations.

EXISTING CONSTRUCTION

- If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal “as is.” These items must be reflected in the appraiser’s opinion of value.
- When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs. These items can include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to, cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. In such cases, the Seller must obtain a certificate of completion from the appraiser before the mortgage is delivered to Stronghill.

SUBJECT SECTION

The appraiser is required to research and identify whether the subject property is currently for sale or if it has been offered for sale in the 12 months prior to the effective date of the appraisal. If the answer is ‘No,’ the data source(s) used must be provided. If the answer is ‘Yes,’ the appraiser must report on each occurrence or listing and provide the following information:

- Offering price(s).
- Offering date(s).
- Data source(s) used.
- For example, if the subject property is currently listed for sale and was previously listed eight months ago, the appraiser must report both offerings.

ACTUAL AND EFFECTIVE AGES

There is no restriction on the actual age of the dwelling. Older dwellings that meet general requirements are acceptable. Improvements for all properties must be of the quality and condition that will be acceptable to typical purchasers in the subject neighborhood. The relationship between the actual and effective ages of the property is a good indication of its condition. A property that has been well-maintained generally will have an effective age somewhat lower than its actual age. On the other hand, a property that has an effective age higher than its actual age probably has not been well-maintained or might have a specific physical problem. In such cases, the Seller should pay particular attention to the condition of the subject property in its review of any appraisal report. When the appraiser adjusts for the “Year Built,” he or she must explain those adjustments.

ACCESSORY UNITS

Stronghill will purchase a one-unit property with an accessory unit. An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a one-unit

property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

If the property contains an accessory unit, the property is eligible under the following conditions:

- The property is defined as a one-unit property.
- There is only one accessory unit on the property; multiple accessory units are not permitted.
- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
- The borrower qualifies for the mortgage without considering any rental income from the accessory unit.

OUTBUILDINGS

A Seller must give properties with outbuildings special consideration in the appraisal report review to ensure that the property is residential in nature. Descriptions of the outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form.

| TYPE OF OUTBUILDING | SUITABILITY |
|---|--|
| Minimal outbuildings, such as small barns or stables, that have relatively insignificant value in relation to the total appraised value of the subject property | The appraiser must demonstrate, using comparable sales with similar amenities, that the improvements are typical of the residential properties in the subject area for which an active, viable residential market exists. |
| An atypical minimal building | The property is acceptable provided the appraiser's analysis reflects little or no contributory value for it. |
| Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals | The presence of the outbuildings may indicate that the property is agricultural in nature. The Seller must determine whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings. |

TRANSFER OF APPRAISAL

An appraisal transfer letter is not acceptable.

APPRAISAL REVIEW REQUIREMENTS

APPRAISAL REVIEW PRODUCTS

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

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

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

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

4.15.2 DISASTER AREAS

Sellers are responsible for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA website at <https://www.fema.gov/disasters>. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence must be used to determine if the disaster guidelines should be followed.

APPRAISAL COMPLETED PRIOR TO DISASTER

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

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

APPRAISALS COMPLETED AFTER DISASTER EVENT

- The appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage noted in the original report must be repaired and re-inspected prior to purchase.

DISASTER EVENT OCCURS AFTER CLOSING BUT PRIOR TO LOAN PURCHASE

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

- A Post Disaster Inspection (PDI) Report from Clear Capital or Damage Assessment Report (DAR) from Pro Teck may be used. Any indication of damage reflected on the report will require a re-inspection by the appraiser.
- The appraiser may perform an inspection (Fannie Mae® Form 1004D) and comment on the event and certify that there has been no change to the value.

The guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA. <https://www.fema.gov/disasters/disaster-declarations>

4.15.3 MINIMUM PROPERTY REQUIREMENTS

| MINIMUM SQUARE FOOTAGE | | |
|------------------------------|----------------------------|--|
| Single Family 700 sq. ft. | Condominium 500 sq. ft. | 2-4 Units 400 sq. ft per individual unit |

All properties must:

- Be improved real property.
- Be accessible and available for year-round residential use.
- Contain a full kitchen and a bathroom.
- Represent the highest and best use of the property.
- Not contain any health or safety issues.

4.15.4 PERSONAL PROPERTY

Any personal property transferred with a real property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

4.15.5 ESCROW HOLDBACKS

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase. Stronghill will not acquire any loan with an escrow holdback.

4.15.6 DECLINING MARKETS

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

4.15.7 SOLAR PANELS

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

4.15.8 PROPERTY TYPES

ELIGIBLE PROPERTIES

- Single Family Detached
- Single Family Attached
- 2-4 Unit properties
- Fannie Mae® warrantable condos
- Properties of 20 acres or less without any ineligible features

INELIGIBLE PROPERTIES

- Leasehold
- Non-warrantable condos
- Mixed Use properties
- Vacant land or land development properties
- Deed-restricted and resale-restricted properties are ineligible
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy, regardless of location
- Properties zoned agricultural (including farms, ranches, or orchards)
- Hobby Farms or properties having agricultural features (barns, stables, arena, etc.)
- Properties zoned commercial
- Manufactured or Mobile homes
- Condo-hotels or co-op/timeshare hotels
- Projects that include registration services and offer rentals of units on a daily, weekly, or monthly basis
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Native American Land (Reservations)
- Log homes
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Fractional ownership
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- Rural property:
 - A property is classified as rural if:
 - The appraiser indicates in the neighborhood section of the report a rural location; or
 - Any two (2) of the following conditions exist:

- The property is located on a gravel road.
- Two of the three comparable properties are more than 5 miles from the subject property.
- Less than 25% of the surrounding area is developed.

4.15.9 ACREAGE LIMITATIONS

- A maximum of 20 acres - Jumbo Achiever program
- No truncating allowed
- No rural property allowed on any program

4.15.10 STATE ELIGIBILITY/GEOGRAPHIC RESTRICTIONS

Jumbo Achiever **Eligible States:**

- | | | | |
|------------|-----------|------------------|----------------|
| • Arizona | • Florida | • North Dakota | • South Dakota |
| • Colorado | • Idaho | • South Carolina | • Texas |

TEXAS HOME EQUITY LOANS 50(A)(6)

- Texas 50(a)(6) – not eligible

4.15.11 PROPERTY FLIPPING

A property is considered a “flip” if either of the following are true:

- The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower’s purchase agreement.
- The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement.

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

- A second appraisal must be obtained.
- If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
- The second appraisal must be dated prior to the loan consummation/note date.
- The property Seller on the purchase contract must be the owner of record.
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.

Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

4.15.12 LIMITATIONS ON FINANCED PROPERTIES

- Primary Residence – no limits on number of financed properties the borrower owns.
- Second Homes/Investment - a maximum of 6 financed properties including subject loan may be presented for Stronghill loan purchase.

Stronghill's exposure to a single borrower shall not exceed \$5,000,000 in current unpaid principal balance (UPB) or six (6) properties.

4.15.13 CONDOMINIUMS

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

- The Seller may review and approve Fannie warrantable projects. A certification, similar to [Condominium Project Warranty Certification](#) must be provided with the loan package along with the Condo Questionnaire and any other documents used in the eligibility determination.
- The Fannie Mae® Limited or Full Project Review Process/Criteria may be used to determine project eligibility.
- All Loan secured by condominium projects require a completed Homeowners Association (HOA) questionnaire.
- Any projects with significant deferred maintenance or have received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions are not eligible for purchase. Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
 - Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time
 - The project has deficiencies, defects, substantial damage, or deferred maintenance that
 - is severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements;
 - the improvements need substantial repairs and rehabilitation, including many major components; or
 - impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing.
- Stronghill Capital will not purchase loans secured by units in any condo project identified by FNMA as "Unavailable" by Condo Project Manager (CPM).
- Non-warrantable projects are not eligible.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single- family dwelling LTV/CLTV.
- Two-to-four-unit condominium projects will not require a project review provided the following are met:
 - The project is not a condo hotel, houseboat, or timeshare or segmented-ownership project.
 - The priority of common expense assessments applies.
 - The standard insurance requirements apply.

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

- The maximum LTV/CLTV is the lower of 75% or the current matrix.
- Stronghill's project exposure maximum shall be \$5,000,000 or 15% of the project total, whichever is lower.
- The borrower project/unit concentration limit: two (2) units.

GENERAL PROJECT CRITERIA

- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Project meets all Fannie Mae® insurance requirements for property, liability, and fidelity coverage.
- Borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.
- Projects that are Fannie Mae® Warrantable may be reviewed and approved by Seller Underwriter. A Representation and Warranty certification from the Seller Underwriter stating that the project meets the requirements of a Fannie Mae® Warrantable Project, such as the [Condominium Project Warranty Certification](#), must be provided with the loan package to avoid a Stronghill project review and associated expense.

INELIGIBLE PROJECTS

- A project subject to the rules and regulations of the US Securities and Exchange Commission.
- Condominium Hotel – Condotel
 - A condominium project in which any unit owner or the homeowners' association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
 - A condominium project where the unit is not the lessee's residence.
 - Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
 - Projects with names that include the words "hotel," "motel," "resort," or "lodge."
 - A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis.
 - Hotel or motel conversions (or conversions of other similar transient properties.)
- Resort type of project.
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- A new condo conversion completed less than 2 years ago.
- Houseboat project.
- Manufactured home projects.
- Assisted living facilities or any project where the unit owner's contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs.
- Any project in which a single entity owns more than 25% of the total number of units. In projects that have 5-19 units, one owner can own a maximum of two units.
- Multi-family units where a single deed conveys ownership of more than one, or all of the units.

- A project in which more than 50% of the total square footage in the project, or in the building that the project is located in, is used for non-residential purposes.
- A common-interest apartment
 - A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
 - The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
- Fragmented or segmented ownership
 - Ownership is limited to a specific period on a recurring basis (i.e., timeshare).
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA.
- Any project that has non-conforming zoning (can't be rebuilt to current density).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.
- Any project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability.
- Any project with adverse environmental issue(s) involving safety, soundness, or habitability.
- Projects that are not well-managed or in poor physical or financial condition. This might include excessive special assessments, low reserves, or neglected repairs.

4.15.14 LOAN EXCEPTIONS

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

CH. 5 APPENDIX: GLOSSARY

5.1 TERMS AND DEFINITIONS

| TERM | DEFINITION |
|---|---|
| Adjustable-Rate Mortgage (ARM) | A mortgage loan that permits the lender to periodically adjust the interest rate on the basis of changes in a specified index. |
| American Land Title Association (ALTA) | A national association of title insurance companies, abstractors, and title agents. The association speaks for the abstract and title insurance industry and establishes standard procedures and title policy forms. |
| Application Date | The date on which receipt of the borrower's financial information first triggers the federal Truth in Lending disclosure requirements to the borrower in connection with the mortgage loan. |
| Appraisal | A report that sets forth an opinion or estimate of value. |
| Automated Clearing House (ACH) | An electronic drafting system that debits (or credits) an authorized bank account and electronically transfers funds to (or from) another designated account. |
| Best Efforts | A secondary market rate lock is an agreement between a Broker and the Lender which allows the Broker to lock in the <u>interest rate</u> on a mortgage loan for a specified time period at the prevailing market interest rate. A mortgage loan lock provides protection against a rise in prevailing interest rates during the lock period. |
| Borrower | The person to whom credit is extended. On a mortgage loan, the person who has an ownership interest in the security property, signs the security instrument, and signs the mortgage/deed of trust note (if his or her credit is used for qualifying purposes). See also <i>Co-Borrower</i> . |
| Cash-Out Refinance | A refinancing transaction in which the amount of money received from the new loan exceeds the total of the money needed to repay the existing first mortgage, closing costs, points, and the amount required to satisfy any outstanding subordinate mortgage liens. |
| Co-Borrower | For Stronghill Capital Mortgage Capital's purposes, this term is used to describe any borrower other than the first borrower whose name appears on the mortgage note, even when that person owns the property jointly with the first borrower (and is jointly and severally liable for the note). See also <i>Borrower</i> . |
| Condominium (condo) | A unit in a condominium project. Each unit owner has title to his or her individual unit, an individual interest in the project's common areas, and, in some cases, the exclusive use of certain limited common areas. |
| Credit Score | A numerical value that ranks an individual according to his or her credit risk at a given point in time, as derived from a statistical evaluation of information in the individual's credit file that has been proven to be predictive of loan performance. When this term is used by Stronghill Capital Mortgage Capital, it is referring to the classic FICO score developed by Fair Isaac Corporation. |
| Curtailment | A financial term for a partial or an extra principal payment. |

| | |
|---|---|
| Debt-To-Income Ratio (DTI) | A ratio derived by dividing the borrower's total monthly obligations (including housing expense) by his or her stable monthly income. This calculation is used to determine the mortgage amount for which a borrower qualifies. This term is used interchangeably with "total debt-to-income ratio" and "expense ratio." |
| Escrow Account | A trust account that is established to hold funds allocated for the payment of a borrower's property taxes and assessments by special assessment districts, ground rents, insurance premiums, condo or homeowners' association or planned unit development association dues and similar expenses as they are received each month in accordance with the borrower's mortgage documents and until such time as they are disbursed to pay the related bills. |
| Federal Emergency Management Agency (FEMA) | A federal agency that provides assistance in areas that have suffered a major disaster or other emergency. It also maintains flood insurance rate maps that identify the Special Flood Hazard Areas in which Stronghill Capital requires flood insurance. |
| First-Time Home Buyer | An individual is to be considered a first-time home buyer who (1) is purchasing the security property; (2) will reside in the security property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period. |
| Higher-Priced Covered Transaction | A mortgage loan that meets the corresponding definition under Regulation Z of the Truth in Lending Act and applies to both principal residences and second homes. |
| Higher-Priced Mortgage Loan | A mortgage loan that meets the corresponding definition under Regulation Z of the Truth in Lending Act. Only principal residences are included in this category. |
| Lease | A written agreement between the property owner and a tenant that stipulates the conditions under which the tenant may possess the real estate for a specified period of time and rent. |
| Loan-To-Value (LTV) Ratio | The relationship between the original loan amount of the first mortgage and the property's appraised value (or sales price, if it is lower). |
| Lock Expiration | A mandatory mortgage lock requires that the Broker either deliver the product to the buyers by a specific date or incur a fee, called a pair-off fee. |
| Mandatory | <p>A mandatory mortgage lock requires that the Broker either deliver the product to the buyers by a specific date or incur a fee, called a pair-off fee.</p> <p>A whole loan commitment that generally requires the lender to deliver eligible mortgages equal to at least the minimum required delivery amount (which is an amount that will not be less than the original commitment amount by more than \$10,000 or 2.5% of the original amount) by the expiration date of the commitment.</p> |

| | |
|---------------------------|--|
| Prepayment Penalty | A charge imposed for paying all or part of the transaction's principal before the date on which the principal is due, other than a waived, bona fide third-party charge that the lender imposes if the borrower prepays all of the transaction's principal sooner than 60 months after loan closing. |
|---------------------------|--|

| | |
|------------------------------------|---|
| Rate lock | A secondary market rate lock is an agreement between a Broker and the Lender which allows the Broker to lock in the <u>interest rate</u> on a mortgage loan for a specified time period at the prevailing market interest rate. A mortgage loan lock provides protection against a rise in prevailing interest rates during the lock period. |
| Sales Contract | A contract for the purchase/sale, exchange, or other conveyance of real estate between parties. The contract must be in writing, contain the full names of the buyer(s) and seller(s), identify the property address or legal description, identify the sales price, and include signatures by the parties. Sales contracts are also known as agreements of sale, purchase agreements, or contracts for sale. |
| Texas Section 50(a)(6) Loan | A loan originated in accordance with and secured by a lien permitted under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allows a borrower to take equity out of a homestead property under certain conditions. Article XVI, Section 50(a)(6), of the Texas Constitution is sometimes referred to as Texas Constitution Section 50(a)(6). |

CH. 6 APPENDIX: FORMS**6.1 APPRAISAL REVIEW GUIDE****STRONGHILL CAPITAL APPRAISAL REVIEW GUIDE****SUBJECT PROPERTY**

- 1) Does the subject property address match the documentation in the file (loan application, purchase contract, etc.)? If yes, validate the address via the USPS address validator.
- 2) Is the owner of record consistent with the loan file documentation? If it's a refinance, the borrower should reflect as the owner. If it's a purchase, does the owner match the purchase contract?

CONTRACT

- 1) Did the appraiser review the sales contract? The appraiser must review the sales contract on all purchase transactions.
- 2) Does the information in this section agree with the information on the sales contract?

NEIGHBORHOOD AND SITE

- 1) Pay attention to situations which could adversely affect the subject values, such as rural properties, property values declining, over-supply, marketing time greater than six (6) months. The appraiser may need to comment on the reason(s) and its effect on the subject's value.
- 2) Is the subject's value within the neighborhood's price range? If no, the appraiser must comment on its effect on the marketability of the subject.
- 3) Is the present land use predominately residential and similar to the subject's use? Is the present land use stable? If no, the appraiser must comment on these conditions.
- 4) Is the subject zoned legal non-conforming, or illegal? If legal non-conforming, ensure the property can be rebuilt if destroyed.
- 5) Are there any negative comments regarding the site? If so, verify that the noted condition will not affect the marketability.
- 6) Is the subject located on a private road? If so, obtain a maintenance agreement.
- 7) Be aware of acreage and any possible guideline restrictions.

IMPROVEMENTS

- 1) Is there evidence of infestation, dampness, settlement in the foundation? If so, the appraiser must comment.
- 2) Are there any negative comments in the improvements section if the appraisal is not subject to repairs? If yes, the appraiser may need to comment further.
- 3) Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? If so, is the situation addressed?
- 4) Pay attention to any improvements/remodeling done in the past 1 - 5 years mentioned by the appraiser. What is their impact on the final value and/or any recent increase to value?

SALES COMPARISON APPROACH

- 1) Did the appraiser indicate a number of comparable properties currently listed and sold in the neighborhood? If no, request that from the appraiser.
- 2) Are comparable sales located within the subject's neighborhood based on location (urban, suburban, rural)? If no, ask the appraiser to comment.
- 3) Are the comparable sales dated within six (6) months? If no, the appraiser must address this.
- 4) Are the comparable sales similar to the subject in location, design, gross living area, room counts, age, condition, etc.? If not, the appraiser must explain why the comps chosen were used.
- 5) For condominiums, at least one comparable sale should be outside of the subject's complex.
- 6) Be aware of total adjustments exceeding 15% for net and 25% for gross adjustments as referenced in the Stronghill Capital Mortgage Capital loan eligibility criteria.
- 7) Make sure that add-ons (garage/barn/pool/etc.) are addressed and any adjustments are not excessive.
- 8) Watch for ineligible condition(s) such as C5, C6 or Q6.

Complete an independent analysis of the information and documentation provided on the appraisal focusing on the four (4) items below.

- 1) Review photos of the subject. Does the subject appear to need repairs? If so, and the appraiser did not require repairs, the appraiser must comment on the observed issue and possibly provide the cost to cure.
- 2) Complete research via online tools such as Zillow, Google, etc., on the comparable sales. Compare exterior and interior photos of the comparable sales to the subject to ensure they are not superior.
- 3) Review the sales history and listings in the subject's immediate neighborhood with online tools such as Zillow, MLS, etc., to ensure the best sale comparable(s) were used by the appraiser.
- 4) Review the street map that identifies the subject location and location(s) of the sale comparable(s). Verify that the comps are not clustered together in a superior neighborhood, separated from the subject by man-made barriers such as major roads/highways, etc.

RECONCILIATION

- 1) Is the appraisal made "subject to completion, repair, or inspection? If yes, check the condition for the completion/repair/inspection.

COST APPROACH

- 1) Is the land-to-value ratio typical for the area? If the site value has been provided, ensure the land-to-value ratio is not too high for the subject's neighborhood.
- 2) Is the indicated value by cost approach in-line with the sales comparison approach? If no, the appraiser must address this.

ADDENDA

- 1) Are all required addenda attached to the appraisal, including a map, sketch, and photographs?
- 2) Watch for adverse comments on any of the addenda.
- 3) Are the correct appraisal form(s) used? For example, condominiums should use Form 1073. A small residential income property appraisal report (Form 1025) should contain a Form 1007 single family comparable rent schedule, etc.

6.2 AUTOMATIC PAYMENT AUTHORIZATION (ACH) FORM**AUTOMATIC PAYMENT AUTHORIZATION FORM**

☐ Yes, I would like to enroll in the free* monthly Automatic Payment Program

| | | |
|-------------------------------|---------------------------------|--|
| Name | Street Address | City, State, Zip Code |
| Daytime Phone Number | Evening Phone Number | |
| Mortgage Number | | |
| Financial Institution Name | Financial Institution Phone No. | Financial Institution Address |
| Electronic ACH Routing Number | Account Number | <input type="checkbox"/> Checking <input type="checkbox"/> Savings |

Please specify the payment date most convenient for you, which must be within the applicable grace period. **If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.**

Deduct my payment on the _____ of each month (select a date within the grace period indicated on your note).

I hereby authorize _____, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest, and escrow items I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable-Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

The authorization is to remain in full force and effect until revoked in writing. Such revocation notification must be provided to the Initiating party no less than fifteen (15) business days prior to it taking effect. Please contact the Initiating Party immediately if you change financial institutions, change accounts within the same financial institution or if you wish to revoke this authorization.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower

Date

Co-Borrower

Date

6.3 BORROWER CONTACT CONSENT FORM**BORROWER CONTACT CONSENT FORM**

To ensure we have the correct contact information for servicing your loan, please provide the following information.

By signing, I authorize my mortgage servicer, its transfers and/or assigns, to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

____ Same as the subject property.

____ Please use this mailing address instead:

Address Line 1 _____

Address Line 2 _____

City/State/Zip _____ Country _____

Cell phone number:

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Within the United States

Borrower (____)____-_____

Co-Borrower (____)____-_____
(Area code) phone number

If you reside outside the United States

(____)_____

(____)_____
(Country code) phone number

Email address:

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower _____

Co-Borrower _____

Signature(s):

Borrower _____ Date _____

Co-Borrower _____ Date _____

6.4 CONDOMINIUM PROJECT QUESTIONNAIRE

CONDOMINIUM PROJECT QUESTIONNAIRE

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

In order to determine eligibility of your project, we ask for your assistance in completing this form. Any officer of the association/management may complete this form. It is imperative that each question is answered in full. Your cooperation will assure a smooth experience for both the borrower and the seller.

PART I – PROJECT INFORMATION

Please provide actual numbers and not percentages in the chart below:

| Legal Phase # Previous and Future Phases | # of Units Per Phase | # of Buildings | # of Units Complete | # of Units for Sale | # of Units Sold or Under Contract | # of Owner Occupied and Secondary Homes | # of Investor Units |
|--|-------------------------|----------------|------------------------|------------------------|---|---|------------------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Note: If unable to provide number of second homes, provide number of off-site addresses: | | | | | | | |

1. Please provide a breakdown of the total number of units in the Project below:

of Owner Occupied Units _____ # of Investor Units _____ # of Units Sold from Developer _____
 # of Secondary Home Units _____ # of Units for Sale _____ # of Units in Entire Project _____

2. Does the Project have any characteristics listed below? Please check all that apply:

☐ Yes ☐ No

- | | | | |
|--|--|---|--|
| <input type="checkbox"/> Hotel/Motel Operations | <input type="checkbox"/> Maid Service | <input type="checkbox"/> Room Service | <input type="checkbox"/> Bellman |
| <input type="checkbox"/> On-Site Registration Desk | <input type="checkbox"/> Houseboat | <input type="checkbox"/> Key-Card Entry | <input type="checkbox"/> Mandatory Rental Pool |
| <input type="checkbox"/> Short Term/Daily Rentals | <input type="checkbox"/> Investment Security | <input type="checkbox"/> Cooperative | <input type="checkbox"/> Manufactured Housing |
| <input type="checkbox"/> Continuing Care Facility | <input type="checkbox"/> Live-Work Project | <input type="checkbox"/> Timeshare | <input type="checkbox"/> Multi Dwelling |

3. What year was the Project built or converted?

4. How many stories or floors does the Project have?

5. What is the maximum number of units allowed in the Project?

6. Are at least 90% of the total units sold and closed?

☐ Yes ☐ No

7. Are all units and common elements complete and not subject to any additional phasing and/or additions?

☐ Yes ☐ No

If Yes - When was the Project completed?

8. If Project is not complete, is the subject legal phase, or any prior legal phases in which units have been offered for sale, substantially complete and has a Certificate of Occupancy been issued?

☐ Yes ☐ No

If No - When will the phase be completed?

Date subject phase completed?

Date last phase was completed?

What remains to be completed for project to be 100% complete?

9. Is the Project a conversion of an existing building within the last three years? ☐ Yes ☐ No
- If Yes** - What year was the Project original built? _____
- What date was the conversion completed? _____
- Was the conversion a gut rehab? Gut rehab refers to the renovation of a property down to the shell, with replacement of all HVAC and electronic components. ☐ Yes ☐ No
- What was the original use of the building? _____
- Note:** If Project is a conversion completed less than four years ago, please submit a copy of the engineer/architect report, evidence of repairs completed, current Reserve Study (last 24 months) and evidence of working capital fund.
10. Is any part of the Project used for commercial space? ☐ Yes ☐ No
- If Yes** - What is the total square footage of the commercial space? _____
- What is the total square footage of the building? _____
- What floor(s) is the commercial space located on? _____
- How is the commercial space currently used? _____
11. Is the Project part of a mixed-use building (contains both commercial and residential space not part of the association)? ☐ Yes ☐ No
- If Yes** - What is the total square footage of the commercial space? _____
- What is the total square footage of the building? _____
- What floor(s) is the commercial space located on? _____
- How is the commercial space currently used? _____
12. Is the HOA or developer involved in any litigation and/or arbitration, including the project being placed in receivership, bankruptcy, deed-in-lieu of foreclosure or foreclosure? ☐ Yes ☐ No
- If Yes** - Please describe the details and provide documentation and attorney letter relating to the litigation. _____
13. Are there any pending or levied special assessments by the HOA? ☐ Yes ☐ No
- If Yes** - What is the total amount of assessment? _____
- What is the assessment amount per unit? _____
- What is the term of the assessment? _____
- What is the current assessment balance? _____
- Has work been completed? ☐ Yes ☐ No
- Describe the nature of the assessment: _____
14. Does the association have any knowledge of any adverse environmental factors affecting the Project as a whole or any individual unit within the Project? ☐ Yes ☐ No
- If Yes** - Please provide an explanation: _____
15. Is there more than one association within the Project, covered by a Master or umbrella association? ☐ Yes ☐ No
- If Yes** - Master Association name: _____
- Amenities and/or recreational facilities available through Master Association: _____

16. Are there any common amenities and/or recreational facilities available or to be built in the future? If yes, please provide type(s). ☐ Yes ☐ No

☐ Pool

☐ Clubhouse

☐ Tennis Court

☐ Playground

☐ Other (describe): _____

17. Are all common elements, amenities, and/or recreational facilities owned jointly by the unit owners/HOA (including any Master Association)? ☐ Yes ☐ No

If No - Please provide an explanation: _____

18. Does the HOA own all amenities and recreational facilities debt and lien free? ☐ Yes ☐ No

19. Do the unit owners in the Project have rights to the use of all common elements/amenities? ☐ Yes ☐ No

20. Does the HOA share any common amenities with other, unaffiliated projects? ☐ Yes ☐ No

21. Does the Project have any mandatory, upfront membership fees for the use of recreational amenities owned by an outside party? ☐ Yes ☐ No

22. Are any units in the Project with resale or deed restrictions? ☐ Yes ☐ No

If Yes - Please explain. Provide related agreements and number of units subject to restriction and unit numbers: _____

23. Are all units owned fee simple? ☐ Yes ☐ No

24. Are any of the units owned in a leasehold? If yes, please provide copies of leasehold documents. ☐ Yes ☐ No

25. Is the developer leasing or renting any of the units in the Project? ☐ Yes ☐ No

If Yes - Please provide number of units leased/rented by the developer. _____

26. Is the developer responsible for assessments on unsold units? ☐ Yes ☐ No

27. If a unit is taken over in foreclosure, will the mortgagee be liable for more than six months of unpaid dues? ☐ Yes ☐ No

28. How many units are over 60 days delinquent on HOA dues or assessments (including REO owned units)? _____

29. How many units are over 30 days delinquent (including units that are over 60 days delinquent) in payment of HOA dues or assessments (including REO owned units)? _____

30. Does any single entity (individual, investor, or corporation) own more than 10% of the units in the Project? ☐ Yes ☐ No

31. Are two members of the HOA Board required to sign all checks written from the reserve account? ☐ Yes ☐ No

32. Does the HOA maintain two separate bank accounts for the operating and reserve accounts? ☐ Yes ☐ No

33. Does at least 10% of annual budget provide for funding or replacement reserves, capital expenditures, deferred maintenance and insurance deductibles? ☐ Yes ☐ No

34. What is the current dollar balance of the reserve account? _____

35. Has any maintenance or engineering inspection report been completed in the past five (5) years? ☐ Yes ☐ No

a) If Yes – Any significant deferred maintenance items identified? ☐ Yes ☐ No

i) If Yes – Provide documentation/evidence that items have been addressed. _____

(Attach Documents)

36. Has the HOA received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions? ☐ Yes ☐ No

37. Is the Project professionally managed? ☐ Yes ☐ No

If Yes - What is the length of the current management contract? _____

Does the management contract require a penalty for cancellation of at least 90 days? ☐ Yes ☐ No

38. Has the developer turned over Project control to the unit owners?

☐ Yes

☐ No

If Yes - When was it turned over? _____

If No - What is the anticipated date the Project will be turned over to the unit owners? _____

39. If/when the Project is turned over to the unit owners, does the developer retain any ownership in the Project besides unsold units?

☐ Yes

☐ No

If Yes - Please provide what is owned by the developer and how it is used: _____

PART II – PREPARER INFORMATION

Name: _____

Phone: _____

Title: _____

Email: _____

When completed, by HOA representative, this form will be utilized to help determine financing eligibility of a unit within the Project. Completion of this form does not create legal liability on the part of the preparer.

The undersigned hereby certifies that the above information is true and correct to the best of the preparer's knowledge and is presented on behalf of the Homeowners Association for the Project listed.

Signature of HOA Representative: _____

Date: _____

6.5 OCCUPANCY CERTIFICATION**OCCUPANCY CERTIFICATION**

Borrower _____
Co-Borrower(s) _____
Property Address _____

I/We the undersigned certify that:

_____ Primary Residence – I/we will occupy the Property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/we will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

_____ Second Home – I/we will occupy the Property as a second home (vacation, etc.) while maintaining a principal residence elsewhere.

_____ Investment Property – I/we will not occupy the Property as a principal resident or second home. I/we will not occupy the Property for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

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

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

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Stronghill Capital, LLC to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

| | | | |
|----------------------|---------------|----------------------|---------------|
| _____ Borrower | _____ Date | _____ Co-Borrower | _____ Date |
| _____ Co-Borrower | _____ Date | _____ Co-Borrower | _____ Date |

6.6 TAXPAYER CONSENT FORM**Consent to Share Tax Returns**

Loan: _____

Borrower: _____

Date: _____

I understand, acknowledge, and agree that _____ (“Broker”) and Other Loan Participants can obtain, use and share tax return information for purposes of (i) providing an offer; (ii) originating, maintaining, managing, monitoring, servicing, selling, insuring, and securitizing a loan; (iii) marketing; or (iv) as otherwise permitted by applicable laws, including state and federal privacy and data security laws. The Broker includes the Broker’s affiliates, agents, service providers and any of aforementioned parties’ successors and assigns. The Other Loan Participants includes any actual or potential owners of a loan resulting from your loan application, or acquirers of any beneficial or other interest in the loan, any mortgage insurer, guarantor, any servicers, or service providers for these parties and any of aforementioned parties’ successors and assigns.

Borrower_____
Co-Borrower

6.7 STRONGHILL CAPITAL CONTACT FORM

| | |
|---|---|
| Main Number: | 888-879-8713 |
| Hours of Operation: | 8:00 am – 5:00 pm CT |
| LenderSupport@Stronghill.com | Password reset, general system, or system navigational questions |
| ScenarioDesk@Stronghill.com | Scenario questions |
| IncomeReview@Stronghill.com | Income Review Desk |
| LockDesk@stronghill.com | Registration, Locking, and Extension questions |
| UWescalations@Stronghill.com | Underwriting Escalations |
| Legal@stronghill.com | Legal/Agreement Questions |
| Collateral@Stronghill.com | Delivery Questions |
| MERS@Stronghill.com | MERS Questions |
| PostPurchase@Stronghill.com | Post-Purchase questions |
| ServicingTransfers@Stronghill.com | Servicing Transfers |
| TPOapproval@stronghill.com | Lender Approvals & Questions |

CH. 7 APPENDIX: MATRIX

(Current Loan Program Matrices are available on Stronghill's Website under Forms & Resources)

<https://stronghill.com/residential-loans/>

CH. 8 APPENDIX: VERSION CONTROL

| Author | Section | Date | Update |
|--------|-------------|-----------|--|
| SHC | Jumbo - All | 5.08.2023 | First Version, split out from Non-QM Seller's Guide. |