



**STRONGHILL**  
CAPITAL™

# Correspondent Non-QM Seller Guide

VERSION 03/27/2024

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

Stronghill Capital, LLC (also known as “Stronghill Capital” or the “Company” through this seller Guide) is setting forth the loan purchase and underwriting guidelines applicable to each Seller correspondent entity (a “Seller”) that submits a residential mortgage loan to Stronghill Capital for purchase under the Company’s Non-Qualified Mortgage (“Non-QM”) and Jumbo Loan Programs.

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

All loans must be manually underwritten in accordance with this Guide. Stronghill Capital does not originate mortgage loans and acts solely as a secondary market purchaser. By locking a loan with, or submitting a loan to Stronghill Capital for purchase, the Seller acknowledges and agrees that: (1) any pre-close or non-delegated purchase eligibility determination is not a decision or recommendation to extend or deny credit by Stronghill Capital; and (2) the Seller has made, or is making, its own credit decision with respect to the loan to the borrower, regardless of whether Stronghill Capital wishes to or actually does purchase, or decline to purchase the loan; and (3) neither Stronghill Capital, nor any of affiliates and its affiliates’ directors, officers, employees, agents, or contractors has influenced, or will influence, the Seller’s credit decision with respect to the loan to the borrower by indicating whether it will purchase the loan if the Seller originates and closes the loan.

Stronghill Capital’s credit philosophy is intrinsic to our acquisition platform and includes a practical application of the guidelines when analyzing a loan for purchase. 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; and
- Value of collateral used to secure the loan.

Exceptions to published guidelines are considered by Management on a case-by-case basis. Loans requiring an exception are reviewed in full, taking into account the risk factors noted above. Regardless of the exception type, the loan must demonstrate strong compensating factors to support granting an exception. All exception requests must be submitted by the Seller 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. The Company is responsible for ensuring that all exceptions are fair, equitable and compliant with fair lending laws.

Stronghill Capital’s decision to purchase or deny to purchase any mortgage loan will be based on a full credit, compliance and property review conducted by an independent, third-party due diligence firm and legal collateral review by our custodian. Our decision to purchase, or deny to purchase, any mortgage loan will be based on the results of such due diligence review and our own internal policies and procedures.

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

The Seller Guide in Chapter 1 and the Mortgage Loan Purchase Agreement, as amended periodically, together govern the business relationship and constitute the entire agreement between Stronghill Capital and the Seller. Stronghill Capital may suspend or terminate its relationship with the Seller at any time, with or without notice 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 and on those days when federal holidays are observed, 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.

### 1.1.2 SELLER ELIGIBILITY

This Eligibility section outlines requirements for becoming an approved Seller and for maintaining that eligibility in Good Standing. Stronghill Capital has engaged Comerence<sup>®</sup> to streamline the process. All Sellers with an NMLS license must submit their applications using Comerence<sup>®</sup>.

## 1.2 APPROVAL OVERVIEW

The Company rigorously manages its Seller approval and oversight process. Sellers must apply and meet certain standards to be approved to do business with the Company. To apply, a Seller must submit an online application through the Comerence website.

Stronghill Capital will review the Seller's information and request for approval to determine the Seller's 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 Seller to Stronghill Capital Mortgage Capital, the applicant must:

- Subscribe/be set up in Comerence<sup>®</sup>.
- Receive an invitation initiated by Stronghill Capital through Comerence<sup>®</sup>.
- Satisfy all Stronghill Capital's eligibility requirements.
- Accurately and fully complete all required applications and provide all necessary documentation.
- Execute the applicable Mortgage Loan Purchase Agreement ("MLPA"), in addition to other agreements, documents, forms or requirements that may be applicable to the approval requested.

### 1.2.1 COMERENGE<sup>®</sup>

Comerence® is an online due diligence screening firm used by Stronghill Capital. The Comerence® portal makes applying to Stronghill Capital easier and safer, using an electronic application to streamline the approval process. Comerence® provides a proprietary combination of background due diligence with ongoing compliance surveillance, all of which makes the entire management process easier, safer, and completely secure for all parties. NMLS registered mortgage loan originator companies must use the streamlined process to apply to Stronghill Capital easily and securely. Once Seller is approved by Stronghill Capital, the profile is kept current and available for easy recertification with Stronghill Capital.

### 1.3 MINIMUM REQUIREMENTS

All applicants must:

- Be a duly organized, valid entity and in good standing under the laws of the jurisdiction of the organization.
- Possess and maintain all required licenses necessary to conduct business in each jurisdiction in which loans are originated.
- Be in compliance with all applicable Federal, State, and Local regulations and laws.
- Have been actively engaged in residential mortgage lending as a Broker/Lender for a minimum of two (2) years preceding the submission of an application to become an approved Seller with Stronghill Capital.
- Have at least five (5) years of substantial residential mortgage lending experience by the Company owners or key Company decision makers. In cases where the Company has not been actively engaged in residential mortgage lending as a Broker/Seller for at least five (5) years, the company owners or key company decision makers must have at least seven (7) years of substantial residential mortgage lending experience.
- Provide the resumes for all principal owners and Executive Management including the Company's President, CEO, CFO, COO, Head of Production, Chief Credit Officer *or* Head of Underwriting, and Head of Secondary Marketing. The experience level for each of these positions must be acceptable to Stronghill Capital as outlined above.
- Not have any bankruptcies, foreclosures, or unsatisfied tax liens by the principals within the last four (4) years.
- Have a minimum audited HUD-adjusted net worth of \$1,500,000.
- Provide two (2) years of fiscal year-end statements prepared by an independent auditing firm.
- Have Operational Risk Results at an acceptable level.
- Maintain Errors and Omissions (E&O) insurance and a fidelity bond in a form and with an insurance carrier that: (1) is acceptable to Stronghill Capital, (2) covers investor losses with a minimum coverage of \$300,000 for each loss, and (3) has a deductible of no more than \$100,000 or 5% of the coverage amount per occurrence. Stronghill Capital must be named as the loss payee.
- Have an acceptable Quality Control plan in compliance with FNMA, FHLMC, FHA, USDA, and Stronghill Capital, as applicable. This Quality Control plan and management reports must be maintained in accordance with agency guidelines and provided to Stronghill Capital upon request.
- Maintain warehouse line(s) of credit or a funding source acceptable to Stronghill Capital.
- Resolve or satisfactorily explain to Stronghill Capital any issues arising from the application review. If the issue cannot be resolved, Stronghill Capital will determine the materiality of the issue.
- Notify Stronghill Capital of the compliance tool (e.g., ComplianceEase/Mavent) and Fraud Tool Manager used by the company.
- Not be listed on any exclusionary lists provided by the GSEs including but not limited to the following (or HUD and must not be under investigation or suspended by any government agency):
  - Office of Foreign Assets Control ("OFAC") Specially Designated Nationals ("SDN") List;

- System of Award Management (“SAM”);
- U.S. Department of Housing and Urban Development (“HUD”) Limited Denials of Participation (“LDP”) List; and
- Freddie Mac’s exclusionary list; and
- Not be listed on any public or non-public commercial watch list or database that reports cases of misrepresentation or failure to honor contractual obligations.

## 1.4 PROCESS FOR APPROVAL & DOCUMENTATION

Correspondent Sellers will need to apply for partnership with Stronghill Capital using the Comerence® platform:

- <https://comerence.com/#/partners/all/40981>

Contact your Account Executive to request a free code to access the application.

Upon payment or receipt of a Comerence® invitation from Stronghill Capital, please complete the application process. This will include completing and/or updating the online application, completing a questionnaire, and uploading specific documents as outlined by the Comerence® System.

Sellers will have 60 days to complete the three steps in Comerence®. Upon completion of the application by Seller, Stronghill Capital will be notified that the application is ready for processing. During the review process, Stronghill Capital will contact the applicant and discuss any missing items, clarify any questions, and request any additional items needed for review.

The following sections outline the various documents that may be applicable to the application process and can be provided by uploading them in the Comerence® System. Please upload any specific requests related to litigation, repurchases, loans held for investment or other loan specific listings in an excel format with the appropriate labeling.

### 1.4.1 FINANCIALS

- Last two (2) years of audited financials
- Year-to-date (YTD) and most recent month’s interim financials: Profit and Loss Statement and Balance Sheet.
- On or before March 31 each year, the Seller must provide audited financials for the previous year. If their recertification date is within 60 days of March 31, financials may be submitted as part of recertification.

### 1.4.2 GENERAL LIST OF DOCUMENTS

- Legal entity creation documents;
- Corporate Organization chart including names of persons in key roles;
- Corporate Resolution evidencing signatory authority;
- Non-disclosure Agreement;
- IRS form W-9;
- Copy of the Company’s IT Disaster Recovery and Business Continuity Plan;
- Copy of the Company’s Anti-Money Laundering Policy;
- Copy of the Company’s Appraisal Independence Requirements (“AIR”) policy;



- Acknowledgment regarding Fair Lending policy, Privacy requirements and Zero Tolerance for Loan Fraud;
- A List of branch locations along with corresponding license numbers (if applicable);
- MERS Information;
- Current Insurance policies evidencing coverage such as Errors and Omissions (E&O), Fidelity, Directors and Officers Liability (D&O), Professional Liability, Cyber Security and Mortgage Bankers.
- Investor Score cards (most recent available)
- Policies and procedures for approval, on-boarding, and monitoring of correspondents if applicable;
- Resumes: Executive Management (CEO, CFO, COO, etc.) and Department Heads (e.g., Operations, Secondary, Underwriting, Production, Compliance/QC);
- Operational Policies and Procedures;
- Summary from any Investor, State, HUD, or GSE audit with management responses completed in the previous 24 months or are currently in process. If the state audits are confidential, please provide the date of the audit, date of the final findings, and if you are in “good standing.”;
- Wiring Instructions for Warehouse banks providing funding for Non-QM and Jumbo loans including phone number to verify. A copy of the standard bailee letter for our review and confirmation is highly recommended. A complete contact listing of individuals who will require access to our Website, Pricing and/or Delivery portals;
- Additional supporting documentation that may be necessary based on responses on the application-questionnaire should be uploaded as part of the optional documents within Comerence®. Examples include, but are not limited to:
  - Litigation supporting documentation;
  - Explanations to questionnaire responses;
  - List of loans held for investment or repurchases; and
  - Approval Letters (Fannie Mae, Freddie Mac, Ginnie Mae, FHA, VA, USDA) as applicable.
  - These documents will be reviewed and assessed for eligibility. Based on review of applicant information provided Stronghill Capital may request additional documentation.
- Upon final review and decision, the applicant will be notified in writing of the decision, any follow up documentation needed and the contract (MLPA and associated addenda) for final signature.
- After approval, the Seller will be contacted by their Account Executive to schedule a Welcome Call to review programs, processes, policies, systems demonstrations, and confirm the necessary contacts from the Seller, needed to begin the registration, locking and loan delivery process.
  - During the initial Seller set-up, Sellers will be prompted for a list of users who need access to the Stronghill Capital online portal and pricing engine.
  - If sellers use the LoanNex pricing engine, they can contact Stronghill Capital directly for authorization to add Stronghill Capital’s products to their pricing information.

## 1.5 SELLER RESPONSIBILITY

### 1.5.1 MAINTAINING ELIGIBILITY

Once approved to be a Seller to Stronghill Capital Mortgage, the Seller must continue to meet the eligibility requirements as set forth herein in order to maintain its eligibility and approval to participate.

### 1.5.2 NOTIFICATION OF SIGNIFICANT CHANGES

A Seller 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 Seller 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.
- Any change from a federal charter to a state charter (or vice versa) if the Seller is a savings and loan association (S&L) or a bank.
- A materially adverse change in financial condition.
- Any change in authority evidenced by the Corporate Resolution or in banking relationships, including warehouse lines of credit/wire instructions.
- Any change in Agency approval.
- Any change in fiscal year end-date.
- Any change in management or key personnel or persons who oversee the key Seller departments.
- Use of a new or different fictitious name.
- Any changes to systems, servicer, etc.
- Any change to active and approved Users of Stronghill Capital specific systems.
- Any changes to warehouse lender relationships or settlement wire instructions.
- Any State or Federal Sanctions, Consent Orders, etc..

### 1.5.3 GOOD STANDING

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

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

- Actively participate in the products and programs described in this Seller Guide.
- Be in full compliance with all terms of the Agreements and this Seller 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 OVERSIGHT AND ANNUAL RECERTIFICATION

The Company monitors its Seller's performance throughout the engagement. Specifically, the Company maintains a software tool, which reviews and validates licensing status of the Seller and mortgage loan originator through NMLS on each loan application at the time of submission and again prior to funding. The tool also performs exclusionary list checks on all interested parties, including the Seller and mortgage loan originator.

The Company reviews a representative sample of the mortgage loans received from the Seller to ensure that those originations meet investor and Agency standards for loan quality. The Company conducts discretionary reviews of the Seller's production, which include, but are not limited to, property location, LTV ratios, mortgage product types, borrowers' credit scores, and the Seller's past performance. If applicable, the Company will complete a full file review on a sample of loan files and analysis of data and documents prior to acquisition.

The Company tracks material conditions and/or issues discovered post-submission on a log for trending purposes. The Company also tracks correspondent to monitor and evaluate performance. Relevant information may include the following:

- Rejection rates and the reason for rejection;
- Cancellation rates and the reason for cancellation;
- Underwriting and re-underwriting summaries (patterns of conditions and exceptions);
- Results of pre- and post- closing quality control reviews;
- Early payment defaults and delinquencies;
- Later defaults and delinquencies;
- Consumer complaints; and
- Timeliness of responses.

If a Company employee suspects or knows that a third-party originator or one of its agents or employees is engaging in fraudulent activity or failing to properly perform its duties, the Company employee must immediately notify the Company's Compliance Department or Executive Management so that corrective action can be promptly taken. Further, the Company's Compliance Department monitors consumer complaints regarding third party originators and alerts Executive Management of any identified or suspected performance issues so that they may be mitigated.

As previously mentioned, Stronghill Capital consistently monitors the performance of each Seller. In addition to ongoing performance monitoring, Stronghill Capital will perform a comprehensive review of each Seller's financial, industry, credit, and overall performance on an at least annual basis. Sellers will receive a notification that recertification is due through Comergence® and requesting the submission of an updated application and questionnaire as well as a minimum set of documents.

The Company requires Sellers to submit due diligence materials for annual review to ensure continued compliance with Company policies and procedures, as well as applicable law and guidelines, and to ensure the Seller has a current license. Areas of intermittent and annual review include, but are not limited to:

- Financial standing;
- Loan quality;
- Loan performance;
- Locked loan pull-through ratios;
- Submitted loan pull-through ratios;
- Repurchase activity;
- Quality control audit findings;
- Compliance with the Company's and Agency/investor procedures and guidelines.

Within 60 days of the request for Annual Renewal information, the Seller must submit, via Comergence®, the following documentation:

- Most recent full year Audited financial statements with all appropriate schedules and attachments.
- Current year to date, unaudited financial statements no older than four (4) months.
- Updated/current organization chart.
- Resumes on any new management-position changes since the last approval.
- Copy of the renewal of Fidelity Bond and E&O Insurance.
- Re-confirm active and approved contacts to Stronghill Capital specific systems.
- Any other additional certifications or information requested by Stronghill Capital.

Additionally, the Company continually monitors its Seller's compliance by utilizing such tools as internet searches, FHA Compare Ratio, GSA Excluded Parties lists, HUD Limited Denial of Participation list, and HUD Neighborhood Watch.

If findings from the recertification process or any other performance monitoring activity expose a violation of consumer financial protection laws and/or Company policies and procedures, the Company will take prompt and appropriate corrective action, including termination of the relationship as necessary. Further, as previously mentioned, a Seller must notify the Company of any material changes to its operations promptly and within seven (7) calendar days of a change.

Upon completion of the submission through Comergence<sup>®</sup>, Stronghill Capital will complete the recertification analysis and provide written confirmation of Seller's recertification result.

#### 1.5.5 WIRE INSTRUCTIONS

Wiring Instructions for each of the Seller's warehouse banks must be on file with Stronghill Capital and independently verified prior to the purchase of any loan. As these may change during the relationship it is important to provide these and the sample bailee letter(s) to prevent any delays in future purchases.

## CH. 2 REPRESENTATIONS, WARRANTIES & COVENANTS

In addition to the Representations, Warranties & Covenants outlined in the MLPA, Stronghill Capital will publish updates to any required changes through the Seller Guide in this section.

By locking a loan with, or submitting a loan to Stronghill Capital for purchase, the Seller acknowledges and agrees that: (1) any pre-close or non-delegated purchase eligibility determination is not a decision or recommendation to extend or deny credit; and (2) the Seller has made, or is making, its own credit decision with respect to the loan to the borrower, regardless of whether Stronghill Capital wishes to or actually does purchase, or declines to purchase the loan; and (3) neither Stronghill Capital, nor any of affiliates and its affiliates' directors, officers, employees, agents, or contractors has influenced, or will influence, the Seller's credit decision with respect to the loan to the borrower by indicating whether it will purchase the loan if the Seller originates and closes the loan.

Sellers are always responsible for confirming the accuracy of the information in the system, even when transferring files directly from an outside source. Any discrepancies uncovered in the due diligence process or post-purchase will affect pricing up to and including the repurchase of the sold loan by the Seller, plus any expenses incurred. Please take the time to verify that all information is correct and that all required documentation has been provided. Stronghill Capital will not be responsible for any errors made by the Seller.

### 2.1 STATE LICENSING

The Seller 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/broker 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.

### 2.2 QUALITY CONTROL

Stronghill Capital applies its Quality Control Policy and Procedures to loans originated by Sellers, and then reports findings as appropriate to Sellers for their use in the prevention of similar occurrences. Stronghill Capital requires that Sellers have in place and use Quality Control Policies and Procedures and perform monthly pre-funding and post-closing quality control reviews to ensure the quality of loans submitted to Stronghill Capital for underwriting and purchase. Quality control is an integral part of the Company's operation.

If any irregularities or discrepancies are discovered during Stronghill Capital's routine review, Stronghill Capital will expand the scope of the quality control reviews on the Seller's loans to ensure that all problem areas are identified.

*The Company also maintains a Quality Control Policy.*

### 2.3 FAIR LENDING POLICY

Stronghill Capital strictly complies with all applicable federal, state, and local requirements related to fair lending, including the Equal Credit Opportunity Act and the Fair Housing Act (together, the "Fair Lending Requirements"). Accordingly, in connection with its decision to purchase loans, Stronghill Capital will not discriminate on any prohibited basis. Stronghill Capital will also not knowingly purchase loans from Sellers engaged in practices that

violate Fair Lending Requirements. To the extent a Seller is found to be engaging in practices that may violate Fair Lending Requirements, Stronghill Capital may terminate its contractual relationship with such Seller or take any other action that it deems appropriate.

*The Company also maintains a Fair Lending Policy.*

## 2.4 STATE AND FEDERAL HIGH-COST LOANS

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

Further, with the exception of loans that comply with N.Y. Banking Law § 6-M (New York Subprime), Stronghill Capital does not purchase mortgage loans that meet the definition of “high cost,” “high risk,” “covered,” “subprime,” or any similar designation under state or local law.

The Company will compare the annual percentage rate (“APR”) and fees for each loan to applicable HOEPA thresholds. The Company also checks each loan against applicable state high-cost home loan statutes to ensure that the loan has not exceeded any thresholds. The Company utilizes third party software to assist in these reviews. If it is determined that at any point during the pre-purchase review, a loan is a HOEPA Section 32 loan or a high-cost loan, the Company will review to determine if the loan is eligible to purchase. This determination shall be made only upon proper review of all applicable federal and state laws, and all applicable insurer and investor guidelines.

## 2.5 REGULATORY COMPLIANCE

Sellers and any of their sub-servicers must be in compliance with all federal, state, and local laws including without limitation, all statutes, regulations, ordinances, administrative rules, and orders that have the effect of law, and judicial rulings and opinions, that apply to any of their origination, selling, or servicing practices or other business practices and related technology.

The Seller must comply with any applicable law that addresses fair housing, fair lending, equal credit opportunity, truth in lending, wrongful discrimination, appraisals, real estate settlement procedures, borrower privacy, data security, escrow account administration, mortgage insurance cancellation, debt collection, credit reporting, electronic signatures or transactions, predatory lending, anti-money laundering, terrorist activity, ability to repay, state community and marital property, or the enforcement of any of the terms of the mortgage.

Each Seller will establish appropriate facilities and processes for monitoring applicable legal developments and implementing appropriate measures to stay in compliance with applicable law and will be able to demonstrate satisfactory performance of its legal compliance upon Stronghill Capital’s request. The Seller may be required to repurchase a mortgage loan that is in breach of the requirements of this section at any time.

## 2.6 ABILITY TO REPAY (ATR)

All loans subject to the general Ability to Repay Rule (“ATR”, (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

## 2.7 HOME MORTGAGE DISCLOSURE ACT (HMDA)

The Seller is required to comply with the Home Mortgage Disclosure Act (HMDA), including without limitation all data collection, recordkeeping, and reporting requirements in connection with the Seller's credit decision on each loan file delivered to Stronghill Capital. The Company reviews each file for completeness in terms of the data required to be reported under HMDA and accuracy of entry of such data into the Company's loan origination system.

*The Company also maintains a HMDA Policy.*

## 2.8 FEE POLICY

Fees charged by the Seller must be in compliance with all applicable requirements, including those governing permissible fees, maximum fee amounts, timing, and disclosures.

## 2.9 PREPAYMENT PENALTY

Prepayment penalties are only eligible for investment properties under the Non-QM program. Prepayment penalties are not eligible in states that prohibit penalties by state law.

## 2.10 REPURCHASES

The repurchase price for loans subject to a Repurchase Obligation pursuant to the Mortgage Loan Purchase Agreement (MLPA) shall be as follows, unless otherwise determined by Stronghill Capital:

- The original purchase price of the loan, less principal reduction since the original purchase of the loan by Stronghill Capital, **plus**
- All interest accrued but unpaid on the principal balance of the loan from the paid-to-date of the loan through and including the last day of the month in which the repurchase is made, **plus**
- All expenses, including but not limited to: reasonable fees and expenses of counsel incurred by Stronghill Capital in enforcing the Seller's obligation to repurchase the loan and/or resulting from any breaches of the Seller's representations and warranties under this Agreement, **plus**
- The original servicing release premium paid by Stronghill Capital for the loan, **plus**
- Any unreimbursed advances of taxes, insurance, or property preservation made by Stronghill Capital with regard to the loan as of the date of repurchase

Upon any such repurchase of loans by the Seller, Stronghill Capital shall endorse the promissory note (without recourse) and shall assign any security interest (without recourse and in recordable form) to the Seller. If the mortgaged property securing the loan has been acquired by Stronghill Capital by agreement with the owner of

record or by foreclosure to mitigate its loss, then the repurchase price pursuant to the Agreement, notwithstanding the amount of Stronghill Capital's credit bid, shall be:

- The original purchase price of the loan, less principal reduction since the original purchase of the loan by Stronghill Capital, **plus**
- All interest accrued but unpaid on the principal balance of the loan from the paid-to-date of the loan through and including the last day of the month in which the foreclosure sale occurs, **plus**
- All costs and expenses, including but not limited to: fees, costs, and expenses incurred by Stronghill Capital as owner of the property, reasonable fees and expenses of counsel incurred by Stronghill Capital in connection with the foreclosure or acquisition and in enforcing the Seller's Repurchase Obligations, and/or resulting from any breaches of the Seller's representations and warranties under this Agreement, **plus**
- The original servicing release premium paid by Stronghill Capital with regard to the Loan, **plus**
- Any unreimbursed advances of taxes, insurance, or property preservation made by Stronghill Capital with regard to the loan as of the date of repurchase, **plus**
- Interest on the amounts set forth in paragraphs (1) through (5) above at the loan rate from the end of the month in which the foreclosure sale occurred until and including the date of repurchase by the Seller

If the mortgaged property securing the loan has been sold at foreclosure and purchased by a third party, the amount that the Seller shall pay Stronghill Capital to fulfill its Repurchase Obligation pursuant to the Agreement is as follows:

- The original purchase price of the loan, less principal reduction since the original purchase of the loan by Stronghill Capital, **plus**
- All interest accrued but unpaid on the principal balance of the loan from the paid-to-date of the loan through and including the last day of the month in which the foreclosure sale occurs, **plus**
- All costs and expenses, including but not limited to: reasonable fees and expenses of counsel, incurred by Stronghill Capital in enforcing the Seller's Repurchase Obligations and/or resulting from any breaches of the Seller's representations and warranties under this Agreement, **plus**
- The original servicing release premium paid by Stronghill Capital for the loan, **plus**
- Any unreimbursed advances of taxes or insurance made by Stronghill Capital with regard to the loan as of the date of repurchase, **plus**
- Interest on the amounts set forth in paragraphs (1) through (5) above at the loan rate from the end of the month in which the foreclosure sale occurred until and including the date of repurchase by the Seller, **less**
- The net proceeds of the foreclosure sale (sale price minus costs and expenses, including but not limited to reasonable fees and expenses of counsel, incurred by Stronghill Capital in connection with the foreclosure sale)

## 2.11 EARLY PAYMENT DEFAULT (EPD)

Early Payment Default (EPD) loans that become delinquent after the loan sale date to Stronghill Capital are subject to repurchase by the Seller pursuant to the EPD language in the Correspondent Mortgage Loan Purchase Agreement.



## CH. 3 COMMITMENT PRICING OVERVIEW

The Stronghill Capital Lock Policy outlines the terms by which Sellers can commit loans for purchase to Stronghill Capital. When Sellers lock a loan with Stronghill Capital, the interest rate, pricing, and terms are protected through the lock expiration. Sellers are required to deliver a complete closed loan package before 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.

### 3.1 LOCK POLICY – FLOW DELIVERY

Stronghill Capital offers best efforts locks and provides interest rate protection for the purpose of pricing a mortgage application for the borrowers. Once Sellers lock a loan with Stronghill Capital, they are obligated to make the best professional effort to close the loan. Once a loan is closed under Stronghill Capital’s best efforts lock program, delivery becomes mandatory.

The Lock Desk hours of operation are:	9:00am to 7:00pm (CT)
The Lock Window hours are:	10:00am to 7:00pm (CT)
The e-mail address for the Lock Desk is:	LockDesk@stronghill.com
The phone number for the Lock Desk is:	(512) 413-4120

#### 3.1.1 REGISTRATION, RATE LOCK, AND LOCK CONFIRMATION

Sellers register and lock loans in the ELEVATE 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. Sellers 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. However, we strongly advise that the Seller’s loan is locked with Stronghill Capital after the seller has issued underwriting approval.

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

**Note:** Confirmation of a rate lock does not constitute a decision to purchase by Stronghill Capital. All loans must meet Stronghill Capital lending criteria and the product matrix eligibility guidelines.

#### 3.1.2 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 ELEVATE Portal.
- As an aid for managing pipeline activity, dashboard information can be exported to excel for each view within the ELEVATE Portal. See “How-To” User Guides online at <https://stronghill.com/residential-loans/>
- If loans registered and locked greater than 90 days have funded by the Seller but not delivered to Stronghill Capital, they may be subject to a pair-off fee.

#### 3.1.3 CANCELLATIONS

Sellers 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 will impact Seller eligibility.

#### 3.1.4 PREPARING TO SUBMIT FOR UNDERWRITING

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

### 3.2 LOCK DESK AND PRICING - FLOW

#### 3.2.1 DAILY PRICING

Rate sheets are distributed daily, generally by 10am 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.

#### 3.2.2 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 Sellers of new pricing when there is an intra-day price change; however, Sellers will receive the pricing that is effective when loans are locked on the portal. Sellers 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.

### 3.3 RATE LOCK PROGRAMS - FLOW

Stronghill Capital offers the Sellers competitive pricing. Specific information regarding rate locks, extensions, and renegotiations is provided as follows:

#### 3.3.1 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. Sellers 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.

#### 3.3.2 LOCKING LOANS

- Stronghill Capital maintains the Elevate Seller Portal at <https://stronghill.com/residential-loans/> for locking and delivery of loans for purchase. Rate lock confirmations and “Purchase Advice” details are also accessed through this portal. See “How-To” User Guides online in the Forms & Resources section at <https://stronghill.com/residential-loans/> for more information.
- Loans are registered in the ELEVATE Portal by entering data through the user interface or by importing a MISMO 3.4 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.

### 3.3.3 RATE EXTENSIONS

- Extension fees are posted on the Stronghill Capital Seller 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.

### 3.3.4 RATE LOCK RENEGOTIATIONS

Only active, unexpired locks are eligible for renegotiations.

- Rate renegotiations are evaluated on a case-by-case basis only. Any rate renegotiation must be for the betterment of the consumer.
- 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.

### 3.3.5 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 Seller is eligible for current market pricing after 30 days.

### 3.3.6 PAIR-OFF FEES

If a pair-off fee must be assessed, the fee will be calculated as the greater of:

- The market difference, or
- An admin fee of 0.25% multiplied by the locked loan amount.

If applicable, any third-party diligence costs incurred by Stronghill Capital must be reimbursed by the seller.

### 3.3.7 RATE LOCKS AND DELIVERY

- All files must be closed, delivered, 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 delivered 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 return a closed loan file and its associated collateral at any time for poor quality and/or inconsistency with program guidelines.
- Stronghill Capital reserves the right to price expired loans outside of the matrix above based on market conditions.
- Stronghill Capital reserves the right to assess a pair-off fee if a closed loan is not purchased by Stronghill Capital.
- Stronghill Capital only purchases non-seasoned loans.
- 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.
- Sellers will be responsible for clearing all credit, compliance, collateral, or any other due diligence conditions by the earlier of (a) 15 calendar days after the lock expiration date, or (b) 15 calendar days after the date of the initial review results are released via the Stronghill Capital ELEVATE Seller Portal (the "Cure Period Expiration Date").
- Any loan with open due diligence condition(s) as of the Cure Period Expiration Date will be subject to a 2.5 bp per calendar day reduction in price assessed from the Cure Period Expiration Date up to and including the final cure date. To the extent conditions are not cleared by close of business on the 15<sup>th</sup> calendar day following the Cure Period Expiration Date, the purchaser may, at its option, reprice the loan to current market or cancel the commitment.

**3.3.8 BULK BID PROCESS**

- Requests for bids on bulk loan packages can be submitted to Stronghill Capital directly via e-mail at [lockdesk@stronghill.com](mailto:lockdesk@stronghill.com). Your account executive can assist with this process.
- Our capital markets team can provide the desired bid tape format if needed.
- Once evaluated, bulk bid pricing will be provided directly by our capital markets team or through your account executive.
- When a bid is accepted, the Secondary Markets manager will reach out with an e-mail message containing next steps (including but not limited to collateral and file delivery timelines, etc.).
- If the Seller initiates the review with the third-party diligence provider (i.e., Reliance Letter), the third-party diligence provider must include the final credit package upon completion of diligence.
- Generally, all loans in a bulk transaction should be purchased as one settlement. Occasionally it may be necessary to trail fund loans, but Stronghill Capital limits trail funding to one (1) per bulk transaction.
- When loans have cleared collateral and Credit, they can be approved and submitted for purchase.
- At this point, we will reach out for all information necessary to accommodate the purchase including the current pay history.
- Funds are wired according to the bailee letter direction for each individual loan in the pool.

**CH. 4 LOAN DELIVERY****4.1 CLOSED LOAN DELIVERY****4.1.1 PRE-CLOSE REVIEWS**

Sellers are always responsible for confirming the accuracy of the information in the system, even when transferring files directly from an outside source. Any discrepancies uncovered in the due diligence process or post-purchase will affect pricing up to and including the repurchase of the sold loan by the Seller, plus any expenses incurred. Please take the time to verify that all information is correct and that all required documentation has been provided. Stronghill Capital will not be responsible for any errors made by the Seller.

**4.2 THE NON-DELEGATED PROGRAM**

When utilizing non-delegated pre-close eligibility review, the Seller is responsible for identifying a loan product, taking the loan application, providing the required initial disclosures, and collecting the employment, income, asset, and property related documentation. The Seller then submits the “processed” loan file to Stronghill Capital which underwrites the file for the specific program and identifies any documents or information still needed to complete the loan review. During this eligibility review, Stronghill Capital will not review/determine if the loan complies with federal, state, or local laws, constitutional provisions, regulations, or ordinances. This will be performed as part of the post-closing TPR review process and will require appropriate adjustments by the Seller to meet compliance and salability requirements.

The eligibility findings reached by Stronghill Capital are dependent upon receiving complete and accurate data, documents and completed conditions from sellers via the ELEVATE Portal Registration and Lock and all required loan documentation in the submission package and the final closing package. To complete its eligibility review, Stronghill Capital requires that the Seller supply all documents listed in the “File Submission Requirements for Non-Delegated File Review”.

Stronghill Capital will receive loans from the Seller and perform the following Non-Delegated File Review. The Seller must demonstrate that a processor review has been rendered on the loan at the time of submission to Stronghill Capital by delivering a complete credit package and, at a minimum, ALL the unexpired documents listed in the Initial Underwriting Submission Checklist. It is assumed Stronghill Capital will receive files that meet the minimum file requirements for the submitted loan product/program. If the file does not meet the minimum file requirements the file will be fully reviewed and placed in suspense and the seller issued a list of conditions required to complete a full review. A loan that is suspended will no longer follow the prescribed SLAs for these review types and condition clearing deadlines.

Stronghill Capital will provide an initial Conditional Commitment with a review status and applicable eligibility credit conditions. Sellers are required to satisfy all open eligibility conditions prior to delivery to Stronghill Capital for post-close purchase.

**4.2.1 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 ELEVATE Portal. The following outlines the processes performed by Stronghill Capital during the eligibility review.

#### 4.2.2 CREDIT APPLICATION (URLA)

- The application (URLA) is substantially completed including current mailing address if property is investment and applicant(s) phone numbers;
- All known borrower-owned properties are disclosed on the Real Estate Owned Section of the application;
- Applicant's employment history is present;
- Application reflects borrower assets and liabilities;
- Application includes loan terms, occupancy, and reason for any cash out if applicable;
- Demographic information section is complete in terms of the data required to be reported under HMDA;
- Declarations section of the loan application is complete; and
- Loan Originator information section of the loan application is complete.

#### 4.2.3 CREDIT

- A verified credit report or alternative credit history as applicable to loan type is present for each applicant;
- 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;
- Review all liabilities not listed on the credit report such as alimony or child support payments, lease payments, HELOCs, maintenance payments;
- Fraud Check:
  - All applicants 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 validation vendor). A copy of the findings report from the third party vendor must be provided in the loan file with all "high" alerts, or "red flags" must be addressed and/or cleared by the seller (lender). If a fraud report is not provided at time of underwriting review, Stronghill will pull report to analyze.
  - Any fraud alerts on the applicant's credit report must be addressed. Must verify that all red flags and alert messages were addressed and documented in the loan file.
- Must confirm applicant's social security number was validated. File documentation should address any discrepancies and/or include explanations. Any discrepancies must be addressed by validating the applicant's social security number with the Social Security Administration. All SSN verification and documents must be in compliance with the U.S.A. Patriot Act and the Company's identity theft prevention policy and procedures. Verify payment histories, judgments/collections and bankruptcy and foreclosure timelines meet applicable guidelines for the product/program;
- Review for applicant's 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; and
- Review Forbearance, Modification, or deferral documentation.

#### 4.2.4 EMPLOYMENT AND INCOME

- Verify the income used to qualify the loan was calculated in accordance with guidelines for the applicable product/program; and
- 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 as set forth within this Seller Guide and may include but not be limited to:

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

#### 4.2.5 ASSET REVIEW

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

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

#### 4.2.6 HAZARD/FLOOD INSURANCE/TAXES/HOA

Verify that hazard insurance on the property securing the loan meets the minimum required amount of coverage in the product/program guidelines as set forth within this Seller Guide.

The Seller must ensure that the property secured by the loan is adequately protected by flood insurance when required. Flood insurance is required when a 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). The Seller must 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.

- A hazard insurance policy declaration page;
- For condominium properties, confirm that the blanket policy meets the minimum amount of hazard insurance (and flood insurance, as applicable) coverage to meet product/program guidelines;
- Confirm that the flood certificate is for the correct borrower, subject 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, flood insurance policy declaration page;
- 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; and
- Calculating Real Estate Tax Payment:
  - Applies to both DTI and DSCR transactions;
  - For purchase and construction-related transactions, the Seller 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 or the actual tax rate applied to purchase price (as supported by certified tax bill) should be used to determine real estate taxes; and
  - For refinance transactions the Seller 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 both DTI and DSCR 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

#### 4.2.7 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 loan file accordingly, have been conditioned for or documented in the loan 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.

#### 4.2.8 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

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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) – See 7.15.3 – Acreage Limitations for program specific maximums
- in a condo project,
- in a condotel or
- 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

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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 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.

## CREDIT REVIEW DATA COMPONENTS

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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 Name              | • Property type                        | • Documentation Type |
| • Loan Purpose                           | • Subject value                        | • Assets/Reserves    |
| • Occupancy                              | • Loan To Value/Combined Loan To Value | • Residual Income    |
| • Consumer or Business Purpose           | • Debt To Income Ratio                 |                      |

### 4.3 POST CLOSE FILE DELIVERY

#### 4.3.1 COLLATERAL DELIVERY

<b>CUSTODIAN: COMPUTERSHARE – ALL LOANS</b>	
<p><b>Initial Collateral Delivery &amp; Physical Address:</b></p> <p style="text-align: center;"><b>Computershare Trust Company, N.A.</b>                      Attn: Biniam Merid – STRONGHILL NOTES                      1015 10<sup>th</sup> Ave SE                      Minneapolis, MN 55414</p>	<p><b>Notification of Transfer:</b></p> <p>Please notify the Collateral team with the Initial Collateral anticipated date of the shipment, the number of loan files to be shipped, and the tracking information.</p>
<p><b>Trailing Docs Custodian Name &amp; Physical Address:</b></p> <p style="text-align: center;"><b>Computershare Trust Company, N.A.</b>                      Attn: Biniam Merid – STRONGHILL TD                      1015 10<sup>th</sup> Ave SE                      Minneapolis, MN 55414</p>	<p><b>Notification of Transfer:</b></p> <p>Please notify the Collateral Team with the trailing documents anticipated date of the transfers, the number of loan files to be shipped, and the tracking information.</p>

Shipping instructions: The following are also located on the [Collateral Shipping Instruction Form](#):

- ✓ Documents must be placed in a legal size file folder .
- ✓ Labels must be affixed to the upper right-hand corner of the legal-size pocket file folder, reflecting the Loan # from the data tape that was issued to the Custodian, as well as the Previous Loan # (if any) and the Borrower name(s).
- ✓ Loan files must be placed in sequential, numerical loan number order inside the archive boxes.
- ✓ A packing list, consisting of a list of the loans and the box number, must be included in each box.
- ✓ Each box must be marked on the outside to identify its contents as follows:  
 Stronghill Capital-Initial / Seller / Funding Date / Box 1 of \_\_, Ln # 100000 - 100200.

#### 4.3.2 BAILEE LETTER

When delivering original promissory notes, the Seller must provide either a Bailee Letter or [Security Release Form](#).

##### BAILEE LETTER REQUIREMENTS

- Must accompany the original promissory note delivered to the custodian (see [collateral delivery instructions](#))
- A bailment arrangement is only established if a bailee letter is delivered with the original promissory note
- Allow 2 business days, following receipt, for custodian processing to make bailee letter available to Stronghill Capital for wire account setup of the loan’s purchase proceeds
- Does not require execution by Stronghill Capital and/or custodian; original note delivery under a bailee is sufficient notification of the bailee arrangement
- Must sufficiently describe the subject loan(s) so Stronghill Capital can identify the correct mortgage loan(s)

- Should contain the following information:
  - Seller's name
  - Either the Seller or Stronghill Capital loan number
  - Borrower name
  - Note amount
  - Wire instructions

#### 4.3.3 SECURITY RELEASE FORM REQUIREMENTS

- Seller (generally Financial Institutions) fund loans without a warehouse line arrangement
- [Security Release Form](#) must be executed by an authorized signer of the Seller
- Must be included in each applicable imaged file uploaded by seller to the ELEVATE Portal using document type Final Closing Package
- Must sufficiently describe the subject loan so Stronghill Capital can identify the correct mortgage loan(s).
- Must be delivered to Stronghill Capital within 24 hours after delivery of the closed loan file.
- Should contain the following information:
  - Seller's name
  - Either the Seller or Stronghill Capital loan number
  - Borrower's name
  - Note amount
  - Wiring or payment instructions

#### 4.4 INITIAL COLLATERAL DOCUMENT DELIVERY

A Closed Loan delivery package, containing credit and closed loan document images, is required to be submitted to Stronghill Capital, prior to shipping the original Note, Allonge, and supporting collateral file documents to the custodian. Collateral delivery to the custodian is due the next business day following an imaged closed loan file submission to Stronghill Capital, but no later than 3 days following the lock expiration. Sellers who use a warehouse line for funding must arrange for prompt delivery of the original Note and Bailee Letter to the Custodian.

Place collateral documents in a legal size file folder - one (1) for each loan. Ensure the following information is reflected on the upper right-hand corner of each file folder:

- Stronghill Capital Loan ID
- Seller Loan ID
- Borrower name(s)

Custodian Stacking & Packaging Instructions for [Collateral Delivery](#):

- Place loan files in sequential loan number order inside shipping package/box.
- Include a packing list/manifest, consisting of a list of the loans; if multiple boxes, specify the box number for each loan.
- Mark the exterior of each box to identify its contents as follows:
  - **Stronghill Capital-Initial/Seller Name/ Box 1 of \_\_, Ln # 100000– 100200.**
- Stack documents in the following order:
  - Bailee Letter (or Security Release Form if applicable) - **DO NOT STAPLE OR CLIP TO NOTE**
  - Original Note with an original signature, fully executed
  - Original allonge, endorsing the Note from Your Company Name to Blank (See [Allonge](#) Example).
    - Original intervening endorsements, if applicable, for an unbroken chain of title from originator to seller.
  - If not a MERS MOM loan:

- Original Unrecorded Assignment from Seller to Blank in fully executed and recordable form
- Original Executed Power of Attorney, or a copy of the original sent for recordation (if applicable) for new originations, or if seasoned, the recorded version
- Any other documents as may be applicable relevant to program, property, or business entity as borrower (Example: Original Guaranty, Loan Agreement, UCC, etc.)
- Place collateral documents in a legal size file folder; one folder per loan
- Ensure the following information is reflected on the upper right-hand corner of each pocket-file folder reflecting:
  - Stronghill Loan ID
  - Seller Loan ID

#### 4.4.1 CEMA DOCUMENTATION REQUIREMENTS

- Original Consolidated Note, with original allonge/endorsement from seller to blank.
- Consolidation Extension and Modification Agreement (CEMA) with all exhibits:
  - Exhibit A - List of all previous and current security instruments and assignments, stamped "Exhibit A".
  - Exhibit B - Legal description (matches title and security instrument, as well as previous transaction), stamped "Exhibit B".
  - Exhibit C - Copy of Consolidated Note, stamped "Exhibit C".
  - Exhibit D - Copy of Consolidated Mortgage, stamped "Exhibit D".
  - If newly originated; copy unrecorded.
  - If Seasoned =/+ 120 days: recorded original or recorded copy
    - If not MERS MOM, Original Unrecorded Assignment from Seller to Blank in fully executed and recordable form.
- Assignment from previous transaction to new transaction:
  - If newly originated; copy unrecorded.
  - If Seasoned =/+ 120 days: recorded original or recorded copy.
- Original Gap Note, if applicable, with original allonge/endorsement from seller to blank.
- Gap Mortgage, if applicable:
  - If newly originated; copy unrecorded.
  - If Seasoned =/+ 120 days: recorded original or recorded copy.

#### 4.4.2 REQUIREMENTS FOR NEWLY ORIGINATED LOANS (<120 DAYS FROM NOTE DATE)

A copy of the unrecorded mortgage and title commitment are required for loan sale/purchase settlement eligibility. Deliver the preliminary documents to Stronghill Capital, as follows:

- Upload images via the ELEVATE Portal (delivery portal) using document type 'Final Closing Package.'
- Delivery of the recorded/final versions to the custodian is required within 180 days the note date.
- See Trailing Document Delivery instructions for details.

#### 4.4.3 COLLATERAL EXCEPTIONS

Sellers are required to deliver a complete and accurate Collateral package. Collateral exceptions (if any) must be resolved prior to funding, but no later than the third day following the expiration of the rate lock. See [Section - Rate Locks and Delivery](#) for the full details.

Collateral exceptions (if any) are communicated to Sellers via the ELEVATE Portal. It is the responsibility of Sellers to monitor the ELEVATE Portal for collateral exceptions that require resolution prior to funding.

## 4.5 POST CLOSE FILE DELIVERY

### 4.5.1 SUBMISSION OF IMAGED PACKAGE

To ensure that we have all the necessary documentation needed to review your file effectively and efficiently, we have compiled a stacking order and checklist that should be used to confirm that your loan packages contain all the required documentation. Although the checklist is a representation of typically required documentation, the list is not exhaustive. It is the Seller's responsibility to provide all applicable documentation needed to confirm compliance with guidelines and all regulatory requirements (both state and federal) and to render a sound credit decision.

The submission checklist, with preferred stacking order, should be included with the submitted file, and can be found in the [Stacking Order](#) at the end of this Delivery Guide.

Once a closed loan file has been received and reviewed by a due diligence partner, the Seller will receive notification that either the file is acceptable, or a list of missing documents/conditions to be addressed will be provided.

### 4.5.2 CONDITION CLEARING REQUIREMENTS

If a loan is deemed to be eligible, the Pre-Purchase Review Summary may or may not include conditions. If conditions are present, the Seller is required to resolve the condition(s). See [Section 3.3.7 – Rate Locks and Delivery](#) for required time periods to clear conditions. The Seller will receive an updated Review Summary once all conditions have been cleared.

## 4.6 FEES

Fees will be deducted at the time of loan funding and will be reflected on the Purchase Advice. Unpaid fees associated with loans not purchased may be netted from future funding.

FEES		TAX SERVICE FEE	
Delegated - Funding Fee	\$475	<b>Loan Balance</b>	<b>Fee</b>
Delegated - Pre-Close Review Fee*	\$660	< \$499,999	\$75
Non-Delegated - Underwriting	\$500	+\$10 for every \$100,000 increase above	
Non-Delegated - Delivery Fee	\$595		
Non-Delegated – Appraisal Review*	\$120		
Non-Delegated – Entity Review*	\$125		
Non-Delegated – Condo Review*	\$275		
<i>*Fee Only incurred if Requested / Service Utilized</i>			
<b>Condition Clearing Fee (applies to all loans)</b>			

Sellers will be responsible for clearing all credit, compliance, collateral, or any other due diligence conditions by the earlier of (a) 15 calendar days after the lock expiration date; or (b) 15 calendar days after the date of the initial review results are released via the Stronghill Capital ELEVATE Seller Portal (the "Cure Period Expiration Date").

Any loan with open due diligence condition(s) as of the Cure Period Expiration Date will be subject to a 2.5 bp per calendar day reduction in price assessed from the Cure Period Expiration Date up to and including the final cure date. To the extent conditions are not cleared by close of business on the 15<sup>th</sup> calendar day following the Cure Period Expiration Date, the Purchaser may, at its option, reprice the loan to current market or cancel the commitment.



## 4.7 GENERAL POST CLOSE FILE DELIVERY REQUIREMENTS

### 4.7.1 AUTOMATED CLEARING HOUSE (ACH) PAYMENTS

Sellers are strongly encouraged to use the Stronghill Capital Automatic Payment Authorization (ACH) Form at closing to establish automated payments for the borrower. Borrowers may select a draft date within the grace period stated on the Note.

Payment and bank account data along with the imaged ACH enrollment form must be provided to the New Servicer as part of the servicing transfer.

Borrowers may need to make a manual payment if the first payment(s) are due to the Seller.

Borrowers may also contact the New Servicer directly to establish automated payments after the transfer.

A copy of the ACH enrollment form must be included in the closed loan submission package to Stronghill Capital.

Click here to see the [Automatic Payment Authorization \(ACH\) Form](#).

### 4.7.2 BORROWER CONTACT CONSENT FORM

Sellers are required to provide accurate borrower contact information to Stronghill Capital. For many borrowers, their preferred method of contact is by email, mobile phone, and text. These forms of communication require special authorization from the borrower.

Sellers are encouraged to incorporate the Stronghill Capital Borrower Contact Consent Form in the borrower's closing package and include the form in the closed loan submission package to Stronghill Capital.

Click here to see the [Borrower Contact Consent Form](#).

### 4.7.3 INTEREST CREDIT

Loans closed within the first seven (7) days of the month may reflect an interest credit to the borrower.

### 4.7.4 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, the Seller can apply a curtailment to 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.

Documentation:

If the curtailment is made at the time of closing, the amount must be clearly documented on the settlement statement. If the curtailment is applied after closing, but before delivery, the mortgage loan file (or servicing file) must be documented with the amount of the curtailment and the reason or source of the curtailment (for example, lender refund or borrower-initiated), and include any modification agreement used to reduce the monthly payment following the application of the curtailment.

#### 4.7.5 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.

#### 4.7.6 PROPERTY INSURANCE

A Property (Hazard) insurance policy is required for all loans.

##### COVERAGE REQUIREMENTS

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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 minimum hazard insurance coverage required should be equal to the lesser of:

- Replacement Cost Estimator from the property insurer or a 3rd party source (i.e., CoreLogic), if provided
- 100% Replacement Cost coverage amount (if specified on hazard insurance policy)
- Estimated cost to replace the dwelling from a recent appraisal, if provided
- The unpaid principal balance of the mortgage

##### COMMERCIAL GENERAL LIABILITY INSURANCE: 2-8 MIXED USE PROPERTIES

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Commercial General Liability Insurance for 2-8 Mixed Use Properties is required in addition to Hazard Insurance.

Commercial general liability insurance blanket policy against claims for personal injury, bodily injury, death, or property damage occurring upon, in or about any property, such insurance to be:

- Per Occurrence Minimum Coverage: \$1,000,000
- Aggregate Coverage: \$2,000,000
- At least as broad as Insurance Services Office's (ISO) policy form CG 00 01

##### FLOOD INSURANCE

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The seller must ensure that the property securing the mortgage loan is adequately protected by flood insurance when required. 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 seller/servicer must 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.

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.

## ACCEPTABLE FLOOD INSURANCE POLICIES

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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.

### 4.7.7 TITLE POLICY REQUIREMENTS

Each loan delivered to Stronghill Capital Mortgage Capital must include a title insurance policy. If the file contains the Commitment for Title Insurance, it must indicate the policy will be issued upon payment of the premium. By delivering a mortgage loan to Stronghill Capital, the Seller represents and warrants that the loan is 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.

## TERMS OF COVERAGE

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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 title insurance policy must be updated with Its Successors and/or Assigns ISAOA language. When the borrower is an Entity, the title insurance policy must provide protection regarding whether the signatories had the authority to validly execute the mortgage document. 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.

## EFFECTIVE DATE OF COVERAGE

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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.

## AMOUNT OF COVERAGE

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

## MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS)

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If a mortgage is registered with MERS and is originated naming MERS as the original mortgagee of record, solely as nominee for the Seller named in the security instrument and the note, and the Seller's successors and assigns, then the "insured mortgage" covered by the title insurance policy must be identified in the title insurance policy as the security instrument given to MERS, solely as nominee for the Seller and Seller's successors and assigns. However, under no circumstances may MERS be named as the insured of a title policy.

## OTHER REQUIREMENTS

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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.

## CHAIN OF TITLE

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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.

## CONDOMINIUM OR PLANNED UNIT DEVELOPMENTS (PUD)

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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 ensure 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.

## TITLE EXCEPTIONS

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Stronghill Capital will not purchase or securitize 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 Seller 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.

## MINOR IMPEDIMENTS TO TITLE

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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. 5 PURCHASING AND FUNDING****5.1 LOAN PURCHASE PROCEDURES**

Stronghill Capital requires a review of the closed loan file prior to purchase. The review consists of three (4) parts: Credit, Closing Package, Collateral and Payment History. The collateral package is reviewed by our document custodian. The payment history is reviewed for accuracy and confirmation that the loan is current. Loan funding occurs after the following:

- The funding conditions reviewed, doc expiration dates are not expired, and all conditions have been cleared.
- All collateral documents have been reviewed and all conditions have been cleared.
- A review of the payment history unpaid principal balance, next payment due date and escrow impounds has been performed by Stronghill Capital.

Upon completion of these three (3) steps, a Purchase Advice will be generated and delivered to the Seller.

**5.2 PURCHASE ADVICE**

Stronghill Capital will purchase a scheduled principal balance. The first payment date due to Stronghill Capital and the Servicing Transfer Date will be specified on the Purchase Advice.

Interest to be credited or debited at the time of loan purchase is based upon a 30/360 calendar.

Stronghill Capital will provide a notification when a Loan Purchase Advice is ready for review.

The Seller may review the Purchase Advice in its entirety within the ELEVATE Portal. If there are any questions about the Purchase Advice, reply to the Stronghill Capital notification or contact the Stronghill Capital Lock Desk.

Once the funds are received, the Seller should reconcile the wire amount to ensure that the appropriate funds were received. If a discrepancy is identified, the Seller must notify the Lock Desk within five (5) days of the loan purchase. The Seller must provide documentation supporting the discrepancy.

**5.3 WIRE INSTRUCTIONS**

Wiring Instructions for each of the Seller's warehouse bank must be on file with Stronghill Capital prior to funding.

## 5.4 TRAILING DOCUMENT DELIVERY

Sellers are responsible for the submission of original recorded documents, free of exceptions, to the Custodian after the loan has been purchased.

<b>CUSTODIAN: COMPUTERSHARE TRUST COMPANY</b>
<b>Custodian Name &amp; Physical Address:</b>
<b>Computershare Trust Company, N.A.</b> ATTN: Biniam Merid 1015 10 <sup>th</sup> Ave SE Minneapolis, MN 55414

Stronghill Capital requires the submission of these final documents in a timely manner but no later than 180 days after the note date.

Monthly trailing-document status reports will be delivered to Sellers via the ELEVATE Portal to aid in trailing document management and exception resolution. It is the Seller's responsibility to reconcile the trailing-document status reports to its delivery records for discrepancies. Communicate discrepancies for research to [Collateral@Stronghill.com](mailto:Collateral@Stronghill.com); include the Stronghill Capital loan ID, Seller loan ID, shipping date, shipping address, and courier tracking number.

### 5.4.1 TRAILING DOCUMENTATION

The following documents must be submitted as trailing documents on all newly originated loans (due prior to purchase for loans seasoned > 180 days from note date):

- Recorded Security Instrument and all applicable riders
- Title Policy, with all endorsements\*
- Other documents as may be applicable, some examples:
  - Recorded Power of Attorney
  - Recorded Loan Agreement
  - Recorded UCC

\* Fees for title policy endorsements are the responsibility of the Seller.

Stronghill Capital reserves the right to assess fees for documents not delivered to the Custodian, or document exceptions not resolved, as set forth in the Agreement. Any documents not provided, or exceptions not resolved, within this timeframe will be addressed by Stronghill Capital through other means at a cost to the Seller of \$75 per document. Stronghill Capital reserves the right to demand a repurchase of the loan according to the terms of the Purchase and Sale Agreement.

#### Preparing Trailing Documents for Delivery:

- Include a cover sheet with the Seller and Stronghill Capital Loan IDs for each trailing document or use a manifest to identify each document and its corresponding Seller and Stronghill Loan IDs. When using a manifest, the documents must be stacked in the same order as indicated on the manifest.



- Individual documents with multiple pages may be stapled or clipped together.
  - Do **NOT** staple/clip multiple documents together.
- Mark the exterior of the package(s)/box(es) to identify its contents as follows:

**Custodian Delivery Address:**

 Computershare Trust Company, N.A.  
 Attn: Biniam Merid-STRONGHILL  
 1015 10th Ave SE  
 Minneapolis, MN 55414

**SHC-Trailing Docs / Seller Name / Box 1 of \_\_, Ln # 100000 - 100200.**

## 5.5 POST-PURCHASE ADJUSTMENTS

It is the Seller’s responsibility to review the Purchase Advice as soon as possible to ensure that the net funding is correct. Following the sale of a loan to Stronghill Capital, if there is a discrepancy between the loan data in the system and the Seller’s loan records, a post-purchase adjustment may be required.

To initiate a post-purchase adjustment for a whole loan:

STEP	ACTION
<b>1</b>	Research the discrepancy and request a post-purchase adjustment via email to the Stronghill Capital lock desk. Requests exceeding <b>60</b> days will not be considered for post-purchase pricing adjustments.
<b>2</b>	Assemble documentation to support the post-purchase adjustment. Documentation should include: <ul style="list-style-type: none"> <li>• Detailed explanation of the discrepancy and the corrective action requested.</li> <li>• Copy of the funding notification ('Purchase Advice').</li> <li>• Additional documentation supporting your request, as applicable (i.e., HUD-1, CD etc.).</li> </ul>
<b>3</b>	Securely submit the request form and supporting documentation to <a href="mailto:PostPurchase@Stronghill.com">PostPurchase@Stronghill.com</a> . Stronghill Capital will research the request and provide a response within one (1) business week of receipt.

### 5.5.1 WHEN A POST-PURCHASE ADJUSTMENT OCCURS

- When a Seller submits a post-purchase data change to a price-impacted field and the resulting price is lower than the purchase price, the difference in price is billed to the Seller.
- When a Seller submits a post-purchase data change to a price-impacted field and the resulting price is higher than the purchase price, the difference in price is remitted to the Seller.

## 5.6 MERS REGISTRATION AND TRANSFER

The MERS MIN must be properly registered on the MERS® System. The Seller must be listed as the current Servicer and Investor at least 24 hours prior to Stronghill Capital purchase and provide a copy of the mortgage loan registration screen in the closing/legal package.

The Seller is responsible for initiating the MERS® Transfer of Rights, within five (5) calendar days of the purchase date (i.e., purchase settlement), as follows:

- Investor: **1015170**
- Servicer: **1015170**

Sellers may contact Stronghill Capital’s MERS desk for additional assistance at [MERS@Stronghill.com](mailto:MERS@Stronghill.com).

*Note: Stronghill Capital reserves the right to charge an administrative fee of \$25.00 for any loan not transferred accurately within five (5) calendar days.*

## CH. 6 SERVICING

### 6.1 SERVICING TRANSFER INSTRUCTIONS

#### 6.1.1 INTERIM SERVICING RESPONSIBILITIES

Loans sold to Stronghill Capital (“Purchaser”) require that the Seller sub-service the loans for the interim period between the Stronghill Capital purchase date and the servicing transfer date. In accordance with the Correspondent Mortgage Loan Purchase Agreement (MLPA), the Seller shall service and administer the mortgage loans on behalf of the Purchaser from the purchase date until the designated Servicing Transfer Date, as specified by Stronghill Capital.

The interim servicing obligations of the Seller shall include payment collection and escrow disbursements as well as responding to servicing-related activities, which include 1098 reporting for payments collected and calculation of payoff statements during the interim servicing period.

#### 6.1.2 SERVICING TRANSFER CONTACTS

The Stronghill Capital Servicing Transfer Team will assist Sellers throughout the servicing transfer process.

STRONGHILL CAPITAL MORTGAGE CAPITAL - SERVICING TEAM CONTACT INFORMATION	
Servicing Manager	Daniela Carney <a href="mailto:Daniela@stronghill.com">Daniela@stronghill.com</a>
Collateral Manager	Daniela Carney <a href="mailto:Daniela@stronghill.com">Daniela@stronghill.com</a>
Collateral Shipping	Daniela Carney <a href="mailto:Daniela@stronghill.com">Daniela@stronghill.com</a>
STRONGHILL CAPITAL MORTGAGE CAPITAL - SERVICING & COLLATERAL GENERAL BOXES	
Collateral Support Contact	<a href="mailto:Collateral@stronghill.com">Collateral@stronghill.com</a>
Servicing Support Contact	<a href="mailto:ServicingTransfers@stronghill.com">ServicingTransfers@stronghill.com</a>

#### 6.1.3 SERVICING TRANSFER GENERAL INFORMATION

Servicing transfers occur on flow basis.

Loans will transfer too either

- The New Servicer name and new loan number are listed on the Stronghill Capital Purchase Advice; or
- The servicing transfer date is listed on the Stronghill Capital Purchase Advice.

The transfer process will comply with all RESPA laws and Consumer Financial Protection Bureau (CFPB) best practices.

#### 6.1.4 SERVICING TRANSFER PROCESS

The servicing transfer process will follow one of these two methods:

- Servicer to Servicer transfer; or
- Stronghill Capital Assisted transfer

The best transfer method will be mutually agreed upon at the time of purchase.

## 6.2 SERVICER TO SERVICER TRANSFERS

Servicer to Servicer transfers are the Stronghill Capital preferred method.

If at the time of purchase the loans are currently serviced by a sub-servicer (“Current Servicer”), that servicer is responsible for providing loan boarding data, loan document images, and an updated payment history to the Stronghill Capital sub-servicer (“New Servicer”). Specific servicing transfer instructions will be provided by the New Servicer.

If the loans are currently serviced by the Seller, and the Seller’s servicing system can provide the required servicing data and images to the new servicer, then the Servicer-to-Servicer transfer process will apply.

Stronghill Capital will coordinate the transfer process with the Seller, the Current Servicer, and the New Servicer.

TRANSFER TIMELINE	TRANSFER DELIVERABLE
Prior to Sale of First Loan to Stronghill Capital	<ul style="list-style-type: none"> <li>• Stronghill Capital Servicing Team and Seller have an initial servicing call</li> </ul>
Loan Purchase Date	<ul style="list-style-type: none"> <li>• Stronghill Capital purchases loan from Seller</li> <li>• The Purchase Advice is generated. The Purchase Advice identifies the New Servicer Name, New Loan Number and Servicing Transfer Date</li> <li>• The Current Servicer continues their interim servicing responsibilities</li> </ul>
5 Days After the Purchase Date	<ul style="list-style-type: none"> <li>• The Current Servicer completes the MERS transfer</li> </ul>
20 Days Prior to Transfer Date	<ul style="list-style-type: none"> <li>• The Current Servicer submits a sample Goodbye Letter to Stronghill Capital and the New Servicer</li> <li>• The Current Servicer provides preliminary servicing transfer data and images to the New Servicer</li> </ul>
15 Days Prior to Transfer Date	<ul style="list-style-type: none"> <li>• The Current Servicer mails the approved Goodbye Letter</li> </ul>
Servicing Transfer Date	<ul style="list-style-type: none"> <li>• The Current Servicer provides final servicing transfer data and images to the New Servicer</li> <li>• The Current Servicer sends escrow funds to the New Servicer</li> <li>• The New Servicer begins their servicing responsibilities</li> </ul>
Within 15 Days After Transfer Date	<ul style="list-style-type: none"> <li>• The New Servicer mails their Welcome Letter</li> </ul>

### 6.2.1 SERVICER TO SERVICER TRANSFERS – ESCROW

The Current Servicer is responsible for paying all taxes and insurance due prior to the servicing transfer date and for the 30 days following the transfer date. The Current Servicer must take advantage of any early payment discounts.

The Current Servicer will be responsible for the payment of any penalty and/or interest assessed due to non-payment or due to failure to forward tax or insurance bills to the New Servicer timely.

Penalties or interest incurred by the New Servicer due to Current Servicer's failure to pay tax or insurance disbursements as described above, may be billed back to the Seller.

The Current Servicer will transfer the remaining escrow funds to the New Servicer on the Servicing Transfer Date.

### 6.2.2 SERVICER TO SERVICER TRANSFERS – PAYMENTS RECEIVED AFTER THE TRANSFER DATE

The Current Servicer is responsible for collecting any payments that are due to them during the interim servicing period. The Current Servicer must stop collection efforts after the servicing transfer date.

If the Current Servicer receives a payment after the transfer date, they must forward the payment on to the New Servicer within 48 hours. Payments can be forwarded by wire or by check.

### 6.2.3 SERVICER TO SERVICER TRANSFERS – FORCE PLACED INSURANCE

If Force Placed Insurance is in effect at the time of servicing transfer, the Current Servicer will include in their transfer data a report of the Force Placed Insurance including the amount and date of the last disbursement.

The Current Servicer will cancel the policy on the transfer date.

## 6.3 STRONGHILL CAPITAL ASSISTED TRANSFERS

If the loans are currently serviced by the Seller, and the Seller's operating system cannot accommodate a servicing transfer, Stronghill Capital can assist with the transfer requirements. Contact the Stronghill Capital Servicing Team for the special arrangements with this process. **This does not relieve the Seller of the interim servicing obligations.**

### 6.3.1 STRONGHILL CAPITAL ASSISTED TRANSFERS - ESCROW

Escrow funds based on the scheduled purchase balance will be netted by Stronghill Capital at the time of purchase. The netted amount will be included on the Purchase Advice.

The Seller is responsible for paying all taxes and insurance due prior to the servicing transfer date and for the 30 days following the transfer date. The Seller must take advantage of any early payment discounts.

Stronghill Capital recommends that the Seller pay at closing any tax or insurance due within 60 days of the closing date to ensure there is no lapse in payment. If a tax bill or hazard renewal is not available at closing, but is due within 60 days of closing, the Seller should ensure that an adequate escrow deposit is collected at closing.

The Seller will be responsible for the payment of any penalty and/or interest assessed due to non-payment or due to failure to forward tax or insurance bills to the New Servicer timely.

Penalties or interest incurred by the New Servicer due to Seller's failure to pay escrow disbursements as described above, may be billed back to the Seller.

### 6.3.2 STRONGHILL CAPITAL ASSISTED TRANSFERS – PAYMENTS DUE TO THE SELLER

The Seller is responsible for collecting any payments that are due to them during the interim servicing period. Sellers must stop collection efforts on the servicing transfer date.

Sellers must self-report to Stronghill Capital if payments due to them in the interim servicing period are uncollected (delinquent) at the time of Servicing Transfer. Sellers must self-report to the Stronghill Capital Servicing Team at [ServicingTransfers@Stronghill.com](mailto:ServicingTransfers@Stronghill.com) no later than five (5) days after the servicing transfer date. The Stronghill Capital Servicing Team will correct the scheduled balance and next due date with the New Servicer.

Sellers who receive a payment due to them after the 5-day self-reporting cutoff must forward the payment on to the New Servicer within 48 hours. Payments can be forwarded by wire or by check.

Stronghill Capital will then process a funding adjustment to reimburse the seller per the new scheduled balance. Reimbursement requests for payments or escrow funds received greater than 60 days after the service transfer date may be denied.

For information on where to send the funds, click here to see the [New Servicer Reference Guide](#).

### 6.3.3 STRONGHILL CAPITAL ASSISTED TRANSFERS - PAYMENTS DUE TO STRONGHILL CAPITAL

All payments and/or curtailments collected by the Seller after the transfer date that are due to Stronghill Capital must be forwarded to the New Servicer within 48 hours of receipt. Payments can be forwarded by wire or by check.

For information on where to send the funds, click here to see the [New Servicer Reference Guide](#).

## 6.4 NON-SUFFICIENT FUNDS (NSF) PAYMENTS

If a payment due to the Seller is reported as Non-Sufficient Funds (NSF) or returned by the bank after the service transfer, the Seller or Current Servicer must provide supporting documentation and request payment reimbursement from the New Servicer and include the Stronghill Capital Servicing team at [ServicingTransfers@Stronghill.com](mailto:ServicingTransfers@Stronghill.com).

For information on where to send the request, click here to see the [New Servicer Reference Guide](#).

[Requests for NSF reimbursement must be submitted within 60 days of the service transfer date. Aged NSF reimbursement requests greater than 60 days after the servicing transfer date may be denied.](#)

## 6.5 AUTOMATED CLEARING HOUSE (ACH) PAYMENTS

Sellers are strongly encouraged to use the Stronghill Capital Automatic Payment Authorization (ACH) Form at closing to establish automated payments for the borrower. Borrowers may select a draft date within the grace period stated on the Note.

Payment and bank account data along with the imaged ACH enrollment form must be provided to the New Servicer as part of the servicing transfer.

Borrowers may need to make a manual payment if the first payment(s) are due to the Seller.

The initial draft after the servicing transfer may be delayed a few days while the New Servicer activates the loans, or will not be processed if borrower does not provide New Servicer with necessary information to re-enroll in ACH. Once provided and confirmed by the Servicer, all subsequent drafts will occur on the borrower's selected draft date.

Borrowers may also contact the New Servicer directly to establish automated payments after the transfer.

A copy of the ACH enrollment form must be included in the closed loan submission package to Stronghill Capital.

Click here to see the [Automatic Payment Authorization \(ACH\) Form](#).

## 6.6 BORROWER CONTACT CONSENT FORM

Sellers are required to provide accurate borrower contact information to Stronghill Capital. For many borrowers, their preferred method of contact is by email, mobile phone, and text. These forms of communication require special authorization from the borrower.

Sellers are encouraged to incorporate the Stronghill Capital Borrower Contact Consent Form in the borrower's closing package and include the form in the closed loan submission package to Stronghill Capital.

Click here to see the [Borrower Contact Consent Form](#).

## 6.7 FORWARDING TAX AND INSURANCE BILLS

After the Servicing Transfer Date, the Seller should forward all tax bills, insurance premium renewal notices, and insurance policy documents that they received to the New Servicer within one (1) business day.

For information on where to send trailing tax or insurance documents, click here to see the [New Servicer Reference Guide](#).

## 6.8 SUPPLEMENTAL TAX BILLS

Supplemental tax bills are the borrower's responsibility to pay. As most supplemental tax bills are mailed only to the borrower and are not escrowed, the New Servicer is not required to track or to pay the supplemental tax bills from the borrower's escrow account.

## 6.9 FLOOD CERTIFICATES

Stronghill Capital requires Life of Loan Flood Certificates for all first liens. The Stronghill Capital preferred flood certificate provider is CoreLogic Flood Services. A copy of the flood certificate must be included in the closed loan submission package to Stronghill Capital. Any loan requiring Flood Insurance must include: an insurance policy that is in compliance with HFIAA and an escrow/impond account for the insurance premium.

## 6.10 TAX TRACKING

Stronghill Capital requires fully transferrable and life of loan tax service on each first lien. The Seller should obtain this at closing. The Stronghill Capital required tax vendor is CoreLogic. The Seller must provide the tax certificate number to Stronghill at the time of purchase.

Loans that do not have a life of loan transferrable tax certificate number established will be charged the applicable CoreLogic new certificate set-up fee at the time of Stronghill purchase. For details, see [Section – Fees](#) of this Guide. The fee will be netted by Stronghill Capital at the time of purchase.

## 6.11 MORTGAGEE CHANGE REQUIREMENTS

The Seller will insure that policies are updated with Its Successors and/or Assigns ISAOA language

- Hazard insurance payee
- Flood insurance payee
- Taxing authority, or the Seller’s tax service vendor
- Title insurance policy

## 6.12 LOSS DRAFT REQUIREMENTS

If a claim is in process prior to the Servicing Transfer Date, the Seller should continue to process the claim. On the Servicing Transfer date, any remaining undisbursed funds and all claim documentation received by the Seller for the claim should be forwarded to the New Servicer.

## 6.13 YEAR END TAX / IRS REPORTING

The Seller or Current Servicer is responsible for providing 1098 reporting to the mortgagor for the period they serviced the loan.

The New Servicer is responsible for providing 1098 reporting to the mortgagor for the period they serviced the loan.

## 6.14 PAYOFFS

### 6.14.1 PAYOFFS PRIOR TO SERVICING TRANSFER

Payoff requests received prior to the Servicing Transfer Date must be provided by the Seller or Current Servicer. Payoff calculations must include any applicable prepayment penalty amounts.

All payoff funds received before the Servicing Transfer Date should be wired within 24 hours to the New Servicer. Notification of payoffs should be sent to: [ServicingTransfers@Stronghill.com](mailto:ServicingTransfers@Stronghill.com).

For wire information, click here to see the [New Servicer Reference Guide](#).

### 6.14.2 PENDING PAYOFFS

If the Seller or Current Servicer has issued a payoff statement prior to the Servicing Transfer Date, then they must provide to the New Servicer a list of accounts with a valid payoff statement pending at the time of servicing transfer. Include the following information:

- Loan Number
- Payoff amount
- Good-through date

Copies of all valid payoff statements issued for which funds have not been received must be provided to the New Servicer.

For information on where to send trailing document images, click here to see the [New Servicer Reference Guide](#).

#### 6.14.3 EARLY PAYOFF (EPO) PREMIUM RECAPTURE

Loans paying off early, as defined in the Seller's Mortgage Loan Purchase Agreement, will be subject to Premium Recapture.



## CH. 7 NON-QUALIFIED MORTGAGES

The Non-QM programs offer loans with features beyond the criteria established for Qualified Mortgages. Features include alternative income documentation for self-employed borrowers, interest only, and loan qualification for investment properties using the subject property cash flow. Non-QM loans submitted to Stronghill Capital must meet the criteria of the current published Eligibility Guide as of the file submission date for review.

### 7.1 PRODUCT MATRICES

(See attached Loan Matrices Document)

### 7.2 ELIGIBLE PRODUCTS

The following Non-QM loan products are eligible for purchase by Stronghill Capital:

PRODUCT	QUALIFYING RATE*	TERM	I/O TERM	AMORT TERM	INDEX	CAPS
5/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	2/1/5
7/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
10/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
15 YR FIXED	Note Rate	180	NA	180	NA	NA
30 YR FIXED	Note Rate	360	NA	360	NA	NA
30 YR FIXED I/O	Note Rate	360	120	240	NA	NA
40 YR FIXED I/O	Note Rate	480	120	360	NA	NA

Additional ARM Criteria			
Adjustment Reset Period	Lookback Period	Margin	Floor
6-months	45-days	See Rate Sheet	Margin

### 7.3 QUALIFYING PAYMENT

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

The qualifying payment is based on the amortization term. For interest-only loans, using standard or Alt documentation, this is the remaining term after expiration of the interest-only period. Single asset DSCR loans secured by 1–8-unit properties can be qualified using the interest only payment (ITIA).

## 7.4 LOAN-TO-VALUE / CREDIT SCORE RESTRICTIONS

INCOME ACHIEVER	CREDIT ACHIEVER	INVESTMENT ACHIEVER	INVESTMENT ACHIEVER (Foreign National)	INVESTMENT ACHIEVER (Multi-Family)	ASSET ACHIEVER
All Occupancy	All Occupancy	Investment	Investment	Investment	All Occupancy
Min Credit Score: 660	Min Credit Score: 620	Min Credit Score: 640	Min Credit Score: 680 US or None	Min Credit Score: 660	Min Credit Score: 660
Max LTV/CLTV: 90%	Max LTV/CLTV: 85%	Max LTV/CLTV: 80%	Max LTV/CLTV: 75%	Max LTV/CLTV: 75%	Max LTV/CLTV: 90%

## 7.5 LOAN AMOUNTS

INCOME ACHIEVER	CREDIT ACHIEVER	INVESTMENT ACHIEVER	INVESTMENT ACHIEVER (Foreign National)	INVESTMENT ACHIEVER (Multi-Family)	ASSET ACHIEVER
Minimum: \$150,000	Minimum: \$150,000	Minimum: \$100,000	Minimum: \$150,000	Minimum: \$350,000	Minimum: \$150,000
Maximum: \$3,000,000	Maximum: \$2,000,000	Maximum: \$3,000,000	Maximum: \$1,000,000	Maximum: \$2,000,000	Maximum: \$3,000,000

## 7.6 SOLAR PANEL REQUIREMENTS

### Properties with Solar Panels

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:

- Borrower-owned panels,
- Leasing agreements,
- Separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); or
- Power purchase agreements

Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible for delivery if the PACE loan is not paid in full prior to or at closing.

Lenders are responsible for determining the ownership and any financing structure of the subject property's solar panels in order to properly underwrite the loan and maintain first lien position of the mortgage. When financing is involved, lenders may be able to make this determination by evaluating the borrower's credit report for solar-related debt and by asking the borrower for a copy of all related documentation for the loan.

The lender must also review the title report to determine if the related debt is reflected in the land records associated with the subject property. If insufficient documentation is available and the ownership status of the panels is unclear, no value for the panels may be attributed to the property value on the appraisal unless the lender obtains a UCC "personal property" search that confirms the solar panels are not claimed as collateral by any non-mortgage lender.

**Note:** A Uniform Commercial Code (UCC) financing statement that covers personal property and is not intended as a “fixture filing” must be filed in the office identified in the relevant state’s adopted version of the UCC.

The following sections summarize some of the specific underwriting criteria that must be applied depending on the details of any non-mortgage financing for the solar panels.

### **Scenario 1 – Solar Panel(s) Affixed to Real Estate**

If the solar panels are financed and collateralized – the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing has been filed for the panels in the real estate records.

The lender must:

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing, related promissory note and related security agreement that reflects the terms of the secured loan;
- Include the debt obligation in the DTI ratio calculation;
- Provided that the panels cannot be repossessed for default on the financing terms, instruct the appraiser to consider the solar panels in the value of the property (based on standard appraisal requirements); and
- Include the solar panels in other debt secured by the real estate in the CLTV ratio calculation because a UCC fixture filing is of record in the land records.

Note: If a UCC fixture filing is in the land records as a priority senior to the mortgage loan, it must be subordinated.

### **Scenario 2 – Solar Panel(s) Not Affixed to Real Estate**

Financed and collateralized – the solar panels are reported to be collateral for separate (non-mortgage) debt used to purchase the panels, but do not appear on the title report.

The lender must:

- Obtain and review documentation sufficient to confirm the terms of the secured loan (such as copies of the credit report, title report, and any UCC financing statement, related promissory note or related security agreement);
- Include the debt obligation in the DTI ratio calculation;
- Instruct the appraiser not to provide contributory value of the solar panels towards the appraised value because the panels are collateral for another debt;
- Not include the panels in the LTV ratio calculation; and
- Not include the debt in the other debt secured by the real estate in the CLTV ratio calculation since the security agreement of any UCC financing statement treat the panels as personal property not affixed to the home.

## **7.7 LOAN DOCUMENTATION**

### **7.7.1 NOTE AND SECURITY INSTRUMENT FORMS**

For consumer loan transactions, the current version of the Uniform Residential Loan Application (URLA) should be used. For business purpose loan transactions, the lender may utilize the URLA.

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>. In instances when Fannie Mae® doesn’t offer current documentation (e.g., interest only), a document vendor, such as Doc Magic or Ellie Mae should be used to obtain forms.

### 7.7.2 HYBRID CLOSING

Stronghill Capital will purchase loans using a Hybrid closing method. The definition of Hybrid Closing is as follows:

- E-signed documents may be delivered for all documents in the file with the following exceptions:
  - Original wet signed note and associated endorsement/allonge
- The copy of the mortgage/deed of trust can be digitally signed ***provided that the jurisdiction allows for the digital closing and recording***. The digital portion of the closing includes the use of a remote notary service.
- The system used for the remote online notarization must meet the following minimum standards:
  - At least two-factor identity authentication, using a combination of at least two of the following factors:
    - Remote presentation of a government-issued photo ID that has a signature
    - Credential analysis
    - Identity-proofing (i.e., knowledge-based authentication)

If the hybrid closing is used, the collateral submission at the time of post-close submission must include the proof of digital signatures.

Stronghill Capital cannot purchase loans closed with an Enote and Evault, also known as a full E-Closing.

## 7.8 AGE OF DOCUMENT REQUIREMENTS

### 7.8.1 CREDIT REVIEW DOCUMENTATION

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):

- Title commitment / preliminary report / binder
- Credit Report

Any credit review documents exceeding these timeframes must be updated.

### 7.8.2 APPRAISAL

**Residential Appraisals (1-4 units):** The appraisal must be dated within 360 days of the Note date. Recertification of value required if the report would exceed 120 days of the Note Date. See complete appraisal requirements in [Section 7 – Appraisal Requirements](#).

**Commercial Appraisals (5-8 multi-family, 2-8 mixed use):** Appraisals dated fewer than 120 days prior to the note date are acceptable. After 120 days, a new appraisal is required.

### 7.8.3 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.

## 7.9 BORROWER ELIGIBILITY

### 7.9.1 RESIDENCY

#### US CITIZEN

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Eligible without guideline restrictions.

#### PERMANENT RESIDENT ALIEN

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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-551 (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

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An individual 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. For Stronghill programs, lenders must validate the borrower has employment authorization. This may be documented with either an EAD or a VISA permitting employment.

- Borrower Eligibility Requirements:
  - Residing in U.S. for at least 2 years; and
  - Must have been employed in the U.S. for at least 2 years as evidenced on the loan application; and
  - Must have valid Social Security Number(s); and
  - Must have established U.S. credit, see Section – Credit
- Employment Status Documentation is required for all borrowers, and may consist of one of the following:
  - Employment Authorization Documents
    - A valid current Employment Authorization Document (EAD), Form I-765, is required for US employment if the borrower is not sponsored by a current employer.

- If the EAD 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 EAD renewal. The employer on the loan application must be the same as on the unexpired EAD. The EAD documentation is acceptable up to 540 days if an automatic extension has been granted.
- If EAD is not provided, employment authorization may be evidenced by certain VISA types. Some common VISAs allowing employment include:
  - E-3, H-1B, L, O, and P
- Asylum – Individuals granted asylum are eligible, documentation includes one of the following:
  - Form I-765 Employment Authorization referencing C08
    - After being granted asylum in the United States, DHS issues a Form I-94, Arrival/Departure Record, to asylees. Form I-94 will contain a stamp or notation, such as “asylum granted indefinitely” or the appropriate provision of law (8 CFR 274a.12(a)(5) or INA 208) to show their employment authorization. The asylee does not need to present a foreign passport with this Form I-94. An asylee can also present an electronic Form I-94 with an admission class of “AY.”
- Guideline restrictions:
  - Standard or Alt Documentation limited to 24 months only. Maximum LTV/CLTV limited to 80%
  - DSCR Documentation (Investment Only): Maximum LTV/CLTV 75%
  - Non-occupant co-borrowers are not allowed.
  - Gift funds are not allowed.
    - US credit requirements detailed under the [Section - Credit](#) of this guide should be used.

#### *DEFERRED ACTION FOR CHILDHOOD ARRIVALS*

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Deferred Action for Childhood Arrivals (DACA) - On June 15, 2012, the Secretary of Homeland Security announced that certain people who came to the United States as children and meet several guidelines may request consideration of deferred action for a period of 2 years, subject to renewal. They are also eligible to request work authorization. Deferred action is an exercise of prosecutorial discretion to defer removal action against an individual for a certain period of time. Deferred action does not provide lawful status.

Individuals who can provide documentation of current DACA status along with work authorization are eligible for financing under the same criteria as a non-permanent resident. The individual is required to have a valid Social Security number, or proof of application for a SSN, along with a 2-year U.S. credit and employment history. Eligible forms of documentation may include the following:

- Consideration of Deferred Action for Childhood Arrivals – Form I-821D
- Application for Employment Authorization – Form I-765
- Worksheet – Form I-765WS

#### **FOREIGN NATIONAL**

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A Foreign National is a non-resident alien who is not authorized to live or work in the U.S. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence or second home.

Foreign Nationals are only eligible under the following program:

- Investment Achiever DSCR (1-4 Family)

- See Program Matrix for additional overlay information.

Citizens and individuals from any OFAC sanctioned countries, or Russia and Belarus are not eligible under the Foreign National product or any other product.

#### *FOREIGN RESIDENCY*

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A foreign national borrower must evidence their primary residence for the country issuing their Passport. Foreign National borrowers may not occupy the subject property as a primary residence.

- A complete loan application (FNMA Form 1003) is required on all loan files reflecting the borrowers address for their primary residence in their country of origin.
- The application must include the borrower's full legal name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code.
- Borrower to provide a third-party document with an address that matches the primary residence on the application e.g., lease agreement, utility bill, financial statement.
- The Borrower Contact Consent Form is required.

#### *AUTOMATIC PAYMENT AUTHORIZATION (ACH)*

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Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a U.S. Bank. The executed (ACH) enrollment form must be included in the closed loan submission package. The (ACH) enrollment form must include the bank routing number, account number, and account type. Borrowers may select a date within the grace period stated on the Note.

#### *FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS*

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- The following are required as evidence the borrower is in the U.S legally:
  - Copy of the borrowers valid and unexpired passport (including photograph)
- If a non-U.S. citizen is borrowing with a U.S. citizen, foreign national documentation requirements still apply.
- All parties (borrowers and property sellers) involved in the transaction must be screened through exclusionary lists and must be cleared through OFAC's SDN list. A search of Specially Designated Nationals & Blocked Persons list may be completed via the US Department of Treasury: <http://sdnsearch.ofac.treas.gov/>.
- Borrowers from OFAC sanctioned countries are ineligible <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.
- Individuals with Diplomatic immunity are not eligible, immunity status is listed on the reverse side of the U.S. issued ID card or at: <https://2009-2017.state.gov/s/cpr/rls/dpl//index.htm>
- Closing Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal. If the U.S. embassy or consular official is unavailable, a notary is acceptable if the country, where signing is taking place, is part of the Hague Convention and the signed documents are accompanied by an Apostille. See the following link to determine if the country is part of the Hague Convention:  
<https://travel.state.gov/content/travel/en/records-and-authentications/authenticate-your-document/apostille-requirements.html>

Model Apostille forms can be found on the following link:

<https://www.hcch.net/en/instruments/specialised-sections/apostille>

- Power of Attorney (POA) is not allowed.

#### *QUALIFYING U.S. CREDIT FOR FOREIGN NATIONAL BORROWERS*

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- For foreign national borrowers with a valid Social Security number, a credit report should be obtained. Requirements found in the Credit section of this guide apply.
- Restrictions when qualifying with U.S. credit:
  - Minimum Credit Score: 680
  - Investment property only

#### *QUALIFYING FOREIGN CREDIT FOR FOREIGN NATIONAL BORROWERS*

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- Foreign national borrowers without qualifying U.S. credit (Including borrowers without a valid Social Security number and borrowers with or without an Individual Tax Identification Number) must provide evidence of two (2) open tradelines reporting for two (2) years with activity in the most recent 12 months. No derogatory credit history is permitted within the 2-year history under review. ANY combination of the following is acceptable to arrive at the tradeline requirement:
  - Tradelines evidenced via a U.S. credit report; AND/OR
  - Alternative Tradelines consisting of two of the following:
    - Credit Reference letter(s) from a verified financial institutions in the borrower’s country of origin
      - A reference letter must be from an internationally known financial institution.
      - Each letter of reference must state the type and length of the relationship, how the account is held, payment amount, outstanding balance and status of account including a minimum 12-month payment history.
      - A single reference source may provide verification of multiple accounts. Individual account detail must be provided.
      - The letter must mention the borrower by name.
      - Name, title & contact information of the person signing the letter must be included.
      - Currency must be converted to U.S. Dollars and signed and dated by certified translator.
      - All documents must be translated into English.
    - Credit Card Statements – minimum of twelve (12) recent credit card statements reflecting a timely payment history.

#### *HOUSING HISTORY – FOREIGN NATIONAL*

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A housing history for the borrower’s primary residence is not required. Refinance transactions (including cash out) require the most recent 12-month housing history for the subject property.

#### *FOREIGN NATIONAL INCOME*

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- DSCR Income Doc Type – See Section Debt Service Coverage (Investment Property) for specific criteria.

#### *FOREIGN NATIONAL ASSETS*

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##### **RESERVES**

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Six (6) months of reserves are required.



## ASSETS HELD IN FOREIGN ACCOUNTS

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements.

One of the following options may be utilized:

- Transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing unless funds are held in a foreign bank with U.S. branches insured by the FDIC; or
- Verified funds for closing to be wired directly to the closing agent. Wire transfer to include bank name, accountholder name, and account number. Bank used as source of wire transfer must match the bank holding the assets verified in the loan file.

Documenting Assets Held in Foreign Accounts:

- Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either [www.xe.com](http://www.xe.com) or the Wall Street Journal conversion table
- A copy of the most recent statement of that account.
- See the - Asset Documentation section of this guide for eligible sources and types of assets.
- Reserves may remain in a foreign bank account.

### 7.9.2 NON-OCCUPANT CO-BORROWERS

Non-occupant borrowers are credit applicants on a principal residence transaction who do not occupy the subject property.

- Primary Purchase transactions only.
- Full Doc only for both the occupant and non-occupant borrower(s).
- Occupying borrower(s) must have a DTI ratio of 60% or less. This excludes the income/debts of non-occupant borrower(s).
  - Overall DTI for all borrower must adhere to the requirements per the program matrix.
- The non-occupant co-borrower must be included on title of the subject property.
- Borrower(s) and co-borrower(s) must complete and sign a Non-Occupant Co-Borrower Certification similar to the example of a Non-Occupant Co-Borrower Certification in this guide.

### 7.9.3 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.
- Minimum 680 credit score.
- DTI may not exceed 45%.
- Minimum six (6) months of reserves.

- 12-month rental history is required, reflecting 0x30.
  - First-time homebuyers without a documented 12-month rental history:
    - DTI may not exceed 43%.
    - LTV may not exceed 80%.

#### 7.9.4 INELIGIBLE BORROWERS

- 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.

#### 7.9.5 TITLE VESTING AND OWNERSHIP

##### VESTING FOR CONSUMER AND BUSINESS PURPOSE LOANS

Ownership may be fee simple or leasehold title. For more information regarding leaseholds, see [Section - Leasehold Properties](#).

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
- IRAs

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, or a copy of the Trust Agreement.
- 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

### VESTING FOR BUSINESS PURPOSE LOANS (INVESTMENT OCCUPANCY ONLY)

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A Business Purpose Loan where the borrower is an entity is limited to the following structures:

Limited Liability Companies (LLC), Partnerships and Corporation.

To vest a loan in an Entity, the following requirements must be met:

- Restricted to single-purpose entities for the ownership of business purpose investment property. Multi-level entity structures are allowed subject to entity documentation requirements met for all entities.
- Vesting/Closing Entity must be domiciled in a US State.
- Any business structure is limited to a maximum of four (4) owners or members.
- Personal guaranties (full recourse) must be provided by members representing at least 50% ownership of the entity. A Personal Guaranty form is available on the Stronghill Capital website: [www.stronghill.com](http://www.stronghill.com).
- A guarantor must have authority to execute loan documents on behalf of the entity.
- Each Entity member providing a personal guaranty must complete a Uniform Residential Loan Application (URLA) indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guaranty needs to be reflected on the URLA loan application. The application of each member providing a personal guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.
- No Correspondent Seller shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the members of the Entity.

### GUARANTOR(S) DOCUMENTATION

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- Loan Application (e.g., FNMA Form 1003 or other application)
  - Completed for each member of the Entity providing a guaranty
  - Section labelled "Title will be held in what Name(s)" should be completed with only the LLC name
    - Signed by Individuals
- Credit report from each guarantor identified on the Loan Application. See Section - Credit Reports
- Loan documents
  - Business purpose loan disclosures as applicable (e.g., GFE, TIL, LE, CD, ECOA)

- Any state or federally required settlement statement as applicable
- Note, Deed of Trust/Mortgage, and all applicable Riders must be executed by the guarantor in their capacity as authorized signer for the entity. See exhibit for Entity Signature Examples
- Personal Guaranty
  - The guaranty must be full recourse
  - The guaranty must reference the Note and loan amount
  - Personal guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge. See Spousal Consent Form

## ENTITY DOCUMENTATION REQUIREMENTS

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The following Entity documentation must be provided:

- Limited Liability Company
  - Entity Articles of Organization or Partnership
  - Evidence of good standing –
    - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
      - Evidence of Good Standing as determined by Secretary of State website, indicating a status category of “Active”, “Good Standing”, or “Approved”.
  - Certificate of Authorization for the person executing all documents on behalf of the Entity. The authorization may be determined in an Operating Agreement or other corporate documents. If not, a Borrowing Certificate is required.
    - Borrowing Certificate ([LLC Borrowing Certificate - Single Member](#) or [LLC Borrowing Certificate - Multiple Member](#))
  - Corporate/Entity documents that contain a list of owners, title, and ownership percentage, e.g., organization structure
  - Tax Identification Number (Employer Identification Number - EIN)
    - Single Member LLC may use EIN or the guarantor social security number
    - All multi-member LLCs must have an EIN
- Corporation
  - Filed Certificate/Articles of Incorporation (and all amendments)
  - By-Laws (and all amendments)
  - Certificate of Good Standing (Issued by the Secretary of State (SOS) where the Corporation is incorporated)
  - Evidence of Good Standing as determined by a status category of “Active”, “Good Standing”, or “Approved”.
  - Tax Identification Number (EIN)
  - Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
  - Receipt of current year franchise tax payment or clear search
- Partnership
  - Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
  - Partnership Agreement (and all amendments)
  - Certificate of Good Standing (Issued by the SOS where the partnership is registered)
  - Tax Identification Number (EIN)

- Limited partner consents (where required by partnership agreement).

Documents must be completed and signed as follows:

- Signed as an individual by all members of the Entity that are on loan application:
  - Loan Application (Uniform Residential Loan Application (URLA))
    - Completed for each individual member of the Entity that is on loan application.
    - Section labelled “Title will be held in what Name(s)” should be completed with **only** the LLC name.
    - Signed by Individuals
  - Personal Guaranty
    - Completed for each individual member of the entity that is on loan application.
    - The guaranty should be executed at loan closing and dated the same date as the Note.
    - Spousal Consent to Pledge (Required for all loan amounts of \$1,000,000 or greater)
    - Personal Guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge. See [Spousal Consent Form](#).
- Signed by the authorized signer for the entity:
  - Disclosures (e.g., GFE, TIL, ECOA)
  - Any state or federally required settlement statement
  - Note, Deed of Trust/Mortgage, and all Riders

## EXAMPLES - SIGNATURE REQUIREMENTS

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[Authorized Signatory] may be replaced by a different title as specified in the Member Consent (e.g., Managing Member, Member, etc.).

### SAMPLE 1:

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**Borrower:** JJ Investors, LLC by James Johnson, Single Member of LLC

**Note, Security Instrument, and all Riders:**

Signature Block

JJ INVESTORS, LLC a [\_\_\_\_] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

### SAMPLE 2:

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**Borrower:** JJ Investors, LLC, by James Johnson and Jane Nelson, two Members of LLC;

**Both Members are Authorized Signatories of LLC.**

**Note, Security Instrument, and all Riders:**

Signature Block

JJ INVESTORS, LLC a [\_\_\_\_] limited liability company

James Johnson,

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [\_\_\_\_] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

#### 7.9.6 POWER OF ATTORNEY

A limited Power of Attorney is acceptable when all the following are met:

- It is specific to the transaction;
- It is recorded with the Mortgage/Deed of Trust;
- It contains an expiration date;
- It is used to execute only the final loan documents; and
- The Borrower who executed the POA signed the initial URLA, and
- An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.
- Not eligible for cash-out transactions or with Foreign National borrowers.
- Meets all agency and investor requirements

#### 7.9.7 OCCUPANCY TYPES

- Primary Residence – A primary residence is a property that the borrower occupies as his or her principal residence. May also be referred to as owner-occupied.
- Second Home – A second home is a property occupied by the borrower for some portion of the year. The following criteria applies:
  - Restricted to one-unit dwellings
  - Must be suitable for year-round occupancy
  - The borrower must have exclusive control over the property. Cannot be subject to any agreements giving control over occupancy to a management firm, rental pools, or timeshare arrangement.
- Investment Property – An investment property is owned but not occupied by the borrower. The primary purpose of the loan is commercial or business.

#### 7.9.8 BORROWER STATEMENT OF OCCUPANCY

The borrower must acknowledge the intended occupancy of the subject property (“Primary Residence”, “Second Home”, or “Investment”) by completing and signing the appropriate sections of the “Occupancy Certification” found in the [Occupancy Certification](#) of this guide.

#### 7.9.9 BORROWER STATEMENT OF BUSINESS PURPOSE (DSCR - INVESTMENT PROPERTY)

All DSCR transactions require the borrower to acknowledge the loan is a business purpose loan by completing and signing the appropriate sections of the [Borrower Certification of Business Purpose](#) form in this guide. Stronghill Capital reserves the right to decline any loan that may indicate the property is not intended exclusively for investment purposes.

Common occupancy red flags include, but are not limited to:

- Subject property value significantly exceeds the value of the borrower’s primary residence.
- The borrower is a first-time homebuyer and currently living rent free or renting his/her primary residence.
- Subject property could reasonably function as a second home.
- Borrower documents show subject property as current residence.

## 7.10 TRANSACTION TYPES

### 7.10.1 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.
- Assignment of contract or finder’s fees reflected on the purchase contract are not eligible to be included in the sales contract price or associated with the LTV/CLTV calculation.
- 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 1% of the new loan amount or \$2,000 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

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- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- See Loan/LTV Matrices 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.
- If the cash-out is for personal, family, or household use, the loan must also meet all applicable federal and state requirements of a consumer loan transaction even if the borrower is a company or the loan was initially intended for business purposes, including but not limited to the requirements of the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).
- Cash-out eligible to satisfy the reserve requirements.
- Loans not eligible for cash-out:
  - Primary Residence or Second Home properties listed for sale in the past six (6) months.
  - Investment properties listed for sale in the past six (6) months, unless a three (3) year prepay penalty, per requirements in [Section - Prepayment Penalty](#) are met.
  - There has been a prior cash-out transaction within the past six (6) months
  - Payoff of a Land Contract/Contract for Deed.
  - Non-Owner-Occupied investment property transactions (Investor DSCR) when proceeds from the loan transaction are used for consumer purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property.

## CASH-OUT SEASONING

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Cash-Out Seasoning is defined as the time 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.
  - LTV ≥ 65% cash out proceeds to borrower cannot exceed \$500,000 standard.
  - LTV < 65% cash out proceeds to borrower cannot exceed \$1,000,000 standard.
- If the cash-out seasoning is less than 12 months, but greater than 6 months, the transaction property value is limited to the following options:
  - Option 1
    - Use lower of cost basis or appraised value for all properties.
    - Cash out proceeds cannot exceed \$500,000 standard



- Option 2
  - Use Appraisal Value
  - LTV > 65%, cash out proceeds to borrower cannot exceed \$250k
  - LTV < 65%, cash out proceeds to borrower cannot exceed \$500k
- Cash-out seasoning of six (6) months or less is only allowed under the following scenarios:
  - Use the Lower of cost basis or appraised value to calculate LTV, or
  - If appraised value does not exceed purchase price by more than 20%, then use appraised value
  - The current appraisal value may be used for LTV calculation, but the loan amount is limited to the cost basis plus the documented rehabilitation cost up to 100% LTC, when the following documentation requirements are met:
    - If the appraised value exceeds purchase price by more than 20% and the subject property is currently owned for less than 6 months (at time of application date), the appraiser must provide detailed and substantial commentary to support the increase in value, OR
    - The borrower must provide a complete list of improvements and costs for review. If greater than 20% (based on original cost) of the rehabilitation work was completed on the property as evidence by an as-is appraisal, then the appraised value can be used to calculate the LTV.
    - Inability to provide full documentation from the borrower or write-up on the appraisal will result in use of the Lower of the cost basis or appraised value to calculate the LTV.
  - Or, If the Lender has documented that the borrower acquired the property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
  - Cash out proceeds to borrower cannot exceed \$250k

## DELAYED FINANCING

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- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application.
  - The transaction is considered cash out refinance for pricing and eligibility. Cash-in-hand limits do not apply except for Foreign Nationals.
    - Foreign Nationals are subject to max cash-in-hand limits per the Foreign National section of the Matrix.
  - The original purchase transaction was an arms-length transaction.
  - 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 adjustors 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.

### 7.10.2 LISTING SEASONING

For all refinances:

Primary/Second Home properties previously listed for sale must be seasoned at least six months from the listing contract expiration date to the loan application date. The value will be based on the lesser of the lowest list price or appraised value.

For investment properties, a listing expiration of less than six months is permitted with a prepayment penalty. If a property is listed for sale, the listing must be cancelled prior to the note date. The value will be based on the lesser of the lowest list price or appraised value.

### 7.10.3 NON-ARM'S LENGTH TRANSACTIONS

#### NON-ARM'S LENGTH TRANSACTION

A non-arm's length transactions are purchase transactions in which 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)).

#### ELIGIBLE NON-ARM'S LENGTH 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.
  - 12 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 requires a gift letter, and the equity gift credit is to be shown on the CD.
  - 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 RESTRICTIONS

- Primary residences only.
- Borrower to provide verification of 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.
- Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves.

### 7.10.4 INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

#### Owner Occupied

- Maximum contribution:

- 6% for LTVs  $\leq$  80%
- 4% for LTV > 80%

#### Non-Owner Occupied

- May not exceed 3%

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

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

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.

Lender credits associated with Premium Pricing are not considered an interested party contribution. Lender credits associated with Premium Pricing cannot exceed the total amount of closing costs and pre-paid expenses.

#### 7.10.5 ESCROWS - IMPOUND ACCOUNTS

Escrow funds/impound accounts are required to be established for all HPML loans purchased by Stronghill Capital. Escrows 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 and flood), water/sewer taxes and ground rents.

Escrow funds/impound accounts can be waived, with the exception of Flood Insurance Premium, for non-HPML loans or exempt business purpose loans when the following requirements are met:

- LTV less than 80%
- Minimum decision credit score of 720
- Minimum 6-months of reserves
- Pricing adjustment may apply, see rate sheet.

#### 7.10.6 SECONDARY FINANCING

Secondary financing must be institutional. Private Party secondary financing not allowed. Secondary financing must be subordinated and included in CLTV

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.

#### 7.10.7 PREPAYMENT PENALTY

### INVESTMENT PROPERTY ONLY

Where permitted by applicable laws and regulations on an investment property, a prepayment charge may be assessed in the period between one (1) and five (5) years following the execution date of the Note. The following prepayment structures may be used:

- 5% fixed percentage - The prepayment charge will be equal to a fixed percentage and applied to any [curtailment](#) or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.
- Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%) - The prepayment charge will be equal to the percentage in effect and applied to any [curtailment](#) or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.
- Rhode Island Properties Only: 2% fixed percentage for 12-months.

See rate sheet for further detail. The prepayment penalty can be disclosed within the body of the Note or in a separate rider.

The following state restrictions apply:

- Prepayment penalties are not allowed in AK, KS, MI, MN, & NM .
- Prepayment penalties are not allowed on loans vested to individuals in IL and NJ.
- Pennsylvania - Prepayment penalties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For calendar year 2024 the amount is \$312,159.
- Only declining prepayment penalty structures are allowed in MS.
- See rate sheet for additional guidance and program specific restrictions.

## 7.11 CREDIT

### 7.11.1 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.

### 7.11.2 GAP CREDIT REPORTING

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. Business purpose DSCR transactions excluded from this requirement.

### 7.11.3 FRAUD CHECK

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. 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” addressed and/or cleared by the seller (lender). If fraud report not provided at time of underwriting review, Stronghill will pull report to analyze.

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 Capital may request additional documentation to address high fraud risk.

Fraud Reports for loans secured by multiple properties (Cross Collateral) do not need to reference every property, all other requirements apply.

#### 7.11.4 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, DSCR transaction excluded. 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.

#### 7.11.5 HOUSING HISTORY

- For all non-DSCR transactions, a housing payment mortgage history is required for all Real Estate Owned evidencing the payment activity for the most recent 12-months.
- DSCR transactions require a 12-month housing payment history for primary residence and subject property (if refinance). See [Section – Housing History – DSCR](#) for DSCR specific Housing History requirements)
- All required payment history will be used for program eligibility (See Product Matrix for specific Housing History eligibility requirements.)
- Housing payments must be paid current as of 45 days of the loan application date
- Any Real Estate Owned free & clear requires a Property Profile Report or similar document
  - Property taxes, hazard insurance, and homeowner’s association dues (if applicable) are to be verified and included in DTI
- Borrower(s) who sold a primary residence within the past six (6) months, currently residing rent-free, and purchasing a new primary residence are allowed.
  - 12-month mortgage history required on previous primary residence.
- Less than 12-month history is allowed with the following restrictions:
  - DTI may not exceed 43%.
  - LTV may not exceed 80%.
  - Any available portion of a 12-month housing history must be paid as agreed.
- If the borrower is renting current residence, then a most recent rental history is required reflecting paid as agreed.

## MORTGAGE VERIFICATION

### *MORTGAGE(S) ON CREDIT REPORT*

The seller must review the credit report to determine the payment status of all reported mortgage accounts for the previous 12 months. Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

If a complete 12-month mortgage history is not reported on the credit report, the lender must use one of the following to complete the borrower's payment history:

- Credit supplement; or
- Request for Verification of Mortgage Form completed by the creditor; or
- Loan payment history from the servicer; or
- Borrower's proof of payment (e.g., cancelled check, ACH payment, bank transfer, etc.)

#### MORTGAGE(S) NOT REPORTING ON CREDIT REPORT

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The seller must document mortgage history not reporting on credit report, by the following:

- Request for Verification of Mortgage Form completed by the creditor OR Loan payment history from the Loan servicer.
  - A 12-month mortgage history is required for Income Achiever, Asset Achiever, and Credit Achiever programs, for all properties owned.
  - A 12-month mortgage history is required for Investment Achiever DSCR and Investment Achiever DSCR Multi/Mixed, for only the borrower/guarantor's primary residence and subject property (if refinance).
- For private or individually held mortgages, or those not serviced by a national servicing platform, additional documentation is required:
  - Evidence of monthly payments made by the borrower for most recent 6 months
    - Cancelled checks, ACH payment, bank transfer, etc.
    - Payments made in cash are not eligible.
- If subject transaction is a refinance, mortgage payoff statement is required from the creditor.

#### RENTAL VERIFICATION

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A 12-month rental history is required for all Stronghill Capital programs when the borrower is renting their current primary residence. The following documents are required:

- A verification of rent (VOR) is required for any file when the borrower is currently renting.
  - For rental verification a standard VOR completed by a professional management company is required.
  - Any VOR completed by a private party, or any non-institutional landlord must be supported by alternative documentation showing the most recent 12-months bank statements or canceled check's, and a lease agreement to document the term and payment.

#### LIVING RENT-FREE

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Borrowers who live rent-free or without a complete 12-month housing history are allowed, with the following restrictions:

- DTI may not exceed 43%
- Any available portion of a 12-month housing history must be paid as agreed.

- For investment properties, the borrower must be an experienced real estate investor with a documented minimum of 12 months ownership and management of income-producing residential or commercial real estate within the past 24 months.
- Borrower(s) who own their primary residence free and clear are not considered living rent-free.
- Borrower(s) who sold a primary residence within the past six (6) months and are currently residing rent-free until subject transaction closes are not considered living rent-free.

#### Documentation Requirements

- Signed letter from the owner/landlord that confirms that the borrower is occupying the property and does not have a required monthly housing/rent obligation.
- Borrower(s) identification and address documentation should match.

#### DEPARTURE RESIDENCE

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- If the borrower's current principal residence is pending sale but the transaction will not close prior to the subject transaction, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be excluded provided the credit file is documented with the following:
  - The executed sales contract for the current residence, and
  - Confirmation that any financing contingencies have been cleared.
- If the borrower plans to convert their departure residence to a rental property, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be excluded provided the credit file is documented with all the following:
  - Market Rent Analysis, Single Family Comparable Rent Schedule (Fannie Mae® Form 1007)
  - Copy of a current lease
  - Evidence of proof of receipt of damage deposit and first month's rent.

#### 7.11.6 CONSUMER CREDIT

##### INSTALLMENT DEBT

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Installment debt is a monthly obligation with fixed payments and terms. Payments on installments must be included in the borrower's debt-to-income (DTI) ratio.

Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

Installment debt paid in full or prior to closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

##### LEASE PAYMENTS

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Lease payments must be considered as recurring monthly debt obligations and included in DTI ratio calculation. This is regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.

## STUDENT LOANS

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If a monthly student loan payment is provided on the credit report, the Seller may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the Seller may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the Seller must determine the qualifying monthly payment. For deferred loans or loans in forbearance, the Seller may calculate:

- a payment equal to 1% of the outstanding balance (even if this amount is lower than the actual fully amortizing payment), or
- a fully amortizing payment using the documented loan repayment terms.

## DEFERRED INSTALLMENT DEBT

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Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the Seller must obtain copies of the borrower's payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations.

## REVOLVING DEBT

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Revolving debt is open-ended debt in which the principal balance may vary from month to month. The minimum required payment, as stated on the credit report or current account statement, should be used to calculate the debt-to-income ratio. If no payment is stated on the credit report, the greater of \$10 or 5% of the current balance should be included in the DTI ratio calculation.

Equity lines of credit secured by real estate should be included in the housing expense. If the credit report does not show a minimum payment amount, the Seller must use 5% of the outstanding balance to be included in the DTI ratio calculation.

Revolving accounts can be paid off prior to or at closing in order to exclude the payment from the debt ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

- Paid off Prior to Closing – Requires a Credit Refresh or other supporting documentation, dated as of the day of closing, indicated debt has and is still paid in full.
- Paid off at Closing - Requires payoff statement for day of closing.

Any non-mortgage account can be no more than 30 days delinquent at time of application. Any delinquent account must either be brought current or paid off at closing.

All mortgage accounts must be current at application and remain paid as agreed through closing.

## OPEN 30-DAY CHARGE ACCOUNTS

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For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, lenders must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves.

## TIMESHARES

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Timeshare obligations will be treated as a consumer installment loan.



## BUSINESS DEBT

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A business debt is a financial obligation of a business but may also be the responsibility of the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt, and it must be included in the debt-to-income ratio. When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report (such as a Small Business Administration loan) is being paid by the borrower's business, the lender must confirm that it verified that the obligation was actually paid out of company funds to exclude the debt.

Any of the following supporting documentation can be included in the credit file to exclude business debt:

- Most recent six (6) months of cancelled checks drawn against the business account
- Tax returns reflecting the business expense deduction
- Business bank account statement showing assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt.

If the debt is less than six (6) months old, the payment must be included in the DTI ratio.

## CONTINGENT LIABILITY ON COSIGNED OBLIGATIONS (DEBT PAID BY OTHERS)

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Contingent liability applies, and the debt must be included in the underwriting analysis, if an individual applying for a mortgage is a cosigner/co-obligor on:

- Car loan
- Student loan
- Mortgage
- Any other obligation

If the Seller obtains proof that the borrower is not the party who is repaying the debt, the Seller may exclude the debt. In order to exclude debts from the borrower's DTI ratio, the Seller must obtain the most recent 12 months' canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments.

## CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

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Delinquent credit, such as charge-offs of non-mortgage accounts and collections, have the potential to affect loan position or diminish borrower equity.

- Individual collection and non-mortgage charge-off accounts equal to or greater than \$250, and accounts that total more than \$2,000, must be paid in full prior to or at closing. See below for exception.
- Medical collections may remain open with a max cumulative balance of \$10,000.
- A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination, based on the charge-off date.
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded from the DTI calculation. Evidence of expiration must be documented.
- For DSCR transactions, charge-offs and collections can be ignored unless title impacted.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (subject to program DTI restrictions). If a payment amount is not known, 5% of the balance may be used as the payment.
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

### CONSUMER CREDIT COUNSELING SERVICES

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Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12 months have elapsed on the plan, and evidence of timely payments for the most recent 12 months is provided. The CCCS Administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

A monthly CCCS plan payment must be included in the DTI calculation.

### JUDGMENT OR LIENS

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

### INCOME TAX LIENS

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All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:

- The file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due (Only one plan allowed).
- A minimum of two (2) payments has been made under the plan with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date.
- The maximum payment required under the plan is included in the DTI calculation.
- The balance of the lien, or repayment plan, must be included when determining the maximum CLTV for the program.
- Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property.

### DISPUTED TRADELINES

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Disputed Tradelines are allowed. All guidelines based on the type of account in dispute must still met:

- Revolving account: See Section - Revolving Debt
- Installment account: See Section - Installment Debt
- Mortgage account: Housing history restrictions apply
- Collection/charge-off account: See Section - Consumer Credit Charge-Offs and Collections

#### 7.11.7 BANKRUPTCY HISTORY

Recent bankruptcies are not allowed. All bankruptcies must be settled a minimum of twelve (12) months. Specific programs may have longer periods, see Product Matrices for details. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

#### 7.11.8 FORECLOSURE SEASONING

Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Product Matrices for details. 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.

#### 7.11.9 SHORT SALE / DEED-IN-LIEU SEASONING

Short Sales and Deeds-in-Lieu of Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Product Matrices for details.

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.

#### 7.11.10 FORBEARANCE, MODIFICATION, OR DEFERRALS

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

**Greater than 12 Months from Note Date:**

Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated greater than 12 months from the Note date of the subject transaction and having a 0x30x12 Housing History are allowed under all programs.

**Within 12 Months of Note Date:**

- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction will be treated as a 0x90x12 under Credit Achiever Housing History for eligibility and pricing.
- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction are not eligible under any program except for Credit Achiever
- Refer to Investment Achiever guidelines and matrix for applicable Housing History and Credit Event Seasoning restrictions related to these programs.

#### 7.11.11 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 a loan file with one borrower, that borrower's score is the decision credit score.

For loan files with multiple borrowers:

- Standard and Alt Documentation: The borrower with the higher monthly income is considered the primary borrower and their credit score can be used as the Decision Credit Score. When both borrowers are self-employed and jointly own the business, use the lowest score amongst the borrowers as the decision credit score.
- Asset Utilization and DSCR Documentation Options: Use lowest score amongst all borrowers who will be on the loan as the decision credit score.

#### 7.11.12 TRADELINES

## STANDARD TRADELINES

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**Income Achiever / Credit Achiever/Asset Achiever:** If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived. For loans when the primary borrower has less than three credit scores, each borrower must meet the minimum tradeline requirements, unless the co-borrower is the spouse of the borrower. In that case, only one spouse is required to meet the minimum tradeline requirements outlined below.

**Investment Achiever – DSCR:** For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually). Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below.

The minimum tradeline requirements are as follows:

- At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
- At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 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®
- self-reported tradeline
- any liabilities in deferment status
- accounts discharged through bankruptcy
- authorized user accounts
- charge-offs
- collection accounts
- foreclosures
- deed-in-lieu of foreclosure
- short sales
- pre-foreclosure sales

### 7.11.13 OBLIGATIONS NOT APPEARING ON CREDIT REPORT

#### HOUSING AND MORTGAGE-RELATED OBLIGATIONS

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Housing and mortgage-related obligations include property taxes, insurance premiums, ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard on the Schedule of Real Estate Owned (REO) section of the URLA loan application. These obligations must be verified (subject to the program criteria) using reasonably reliable records such as taxing authority or local government records, homeowner’s association billing statements, or information obtained from a valid and legally executed contract.

#### CURRENT DEBT OBLIGATIONS, ALIMONY, AND CHILD SUPPORT

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A Seller may use a credit report to verify a borrower’s current debt obligations, unless the Seller has reason to know that the information on the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae® guidelines.

When the borrower is required to pay alimony, child support, or separate maintenance payments under a divorce decree, separation agreement, or any other written legal agreement - and those payments must continue to be made for more than 10

months - the payments must be considered as part of the borrower's recurring monthly debt obligations. However, voluntary payments do not need to be taken into consideration and an exception is allowed for alimony. For alimony obligations, the Seller has the option to reduce the qualifying income by the amount of the alimony obligation in lieu of including it as a monthly payment in the calculation of the DTI ratio. If the Seller exercises this option, a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan file.

## 7.12 ASSETS

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

### 7.12.1 ASSET REQUIREMENTS

Acceptable asset documentation is required to be included in each loan file. The borrower must meet the minimum contribution amount per the program requirements. Assets should be liquid or able to be liquidated without restriction by the borrower. The documentation requirement for all transactions is a single account statement covering a one (1) month period and dated within 90-days of the loan note date.

### 7.12.2 ASSET DOCUMENTATION

The following may be used as asset documentation for down payment, closing costs, and reserves. See applicable Loan/LTV matrix for minimum reserve requirement. Number of required months of reserves is calculated after accounting for down payment and closing costs.

- Account statements (e.g., checking, savings, share, or brokerage accounts)
  - Statements must include the following:
    - Name of financial institution
    - Reflect borrower as the account holder (Funds held jointly with a non-borrowing spouse are considered 100% of the borrower's funds)
    - Account number
    - Statement date
    - Time period covered by the statement
    - Available balance in U.S. dollar denomination
  - Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at the current exchange rate via either <http://www.xe.com> or the Wall Street Journal conversion table.
- Assets held in in a Trust require the following:
  - Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee, and
  - Document the conditions under which the borrower has access to the funds
- Accounts verified using a third-party vendor participating in the Fannie Mae Day 1 Certainty<sup>®</sup> process.
- Verification of Deposit completed by the verifying financial institution (Fannie Mae<sup>®</sup> Form 1006).
- Borrowed funds secured by an asset are an acceptable source of funds for the down payment, closing costs, and reserves, since borrowed funds secured by an asset represent a return of equity. The monthly payment must be included in the debt to income calculation.

Large deposits on any of the above asset documentation must be sourced. Large deposits are defined as any single deposit that represents more than 50% of the borrower's qualifying monthly income. Large deposits do not need to be sourced on Investment Achiever – DSCR loans.

- Stocks/bonds/mutual funds - 100% of the account(s) value may be considered for assets.
- Vested retirement account (e.g., IRA, 401k, Keogh, 403b) - 70% of the vested balance may be considered for assets. For downpayment and closing costs, if funds haven't been liquidated, confirm the borrower can access/withdraw funds.
- Business accounts may be considered for assets. The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
- Cash Value of Life Insurance - 100% of the cash surrender value less any loans may be considered for assets.
- Non-regulated Financial Assets
  - Crypto Currency – Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. Crypto is not an eligible liquid asset for asset utilization/depletion.
    - Down payment and closing costs: currency must be liquidated and deposited into an established US bank account.
- Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30-days of the loan Note date, can only be determined from the Coinbase exchange. 60% of the current valuation will be considered eligible funds.

The following are not acceptable as asset documentation:

- Non-vested or restricted stock accounts
- Cash-on-hand
- Sweat equity
- Gift or Grant funds which must be repaid
- Down payment assistance programs
- Unsecured loans or cash advances

### 7.12.3 RESERVES

- All Stronghill Capital loan program requires minimum reserves as outlined on the Stronghill Capital Loan\LTV matrices.
- Net proceeds from a cash-out transaction may be used to meet reserve requirements on all programs except Jumbo and Multi/Mixed-Use DSCR. See matrix for restrictions.
- Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount.
- 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.
- Gift funds may not be used to meet reserve requirements.
- Reserve requirements are waived for Rate-And-Term Refinance transactions (Applies to loans under Income Achiever, Asset Achiever, Credit Achiever, and Investment Achiever DSCR secured by a 1-4 unit property) when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND housing history is 1x30x12 or better. Waiver not eligible for DTI greater than 50%. For an Interest Only loan, the reduction is based on the amortizing payment used for loan qualification.

### 7.12.4 GIFT FUNDS

Aside from, Stronghill Capital's specific Minimum Borrower Contribution Requirements, as outlined in the following section, if not explicitly stated within these guidelines - donor eligibility, documentation requirements & verification of and transfer of gift funds must meet all current Fannie Mae eligibility requirements.

## MINIMUM BORROWER CONTRIBUTION AND ELIGIBILITY

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Unless otherwise specified, 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.
  - 100% Gift Funds are allowed for Income Achiever and Asset Achiever using Alt Doc 24-month Bank Statements or Credit Achiever using Full Doc, with a maximum LTV of 75%. Borrower(s) must meet both reserve and residual income requirements.
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

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A gift can be provided by:

- a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
- a fiancé, fiancée, or domestic partner.
- For any gift provided by a non-US citizen, the donor must be screened against the OFAC Specially Designated Nationals (SDN) list.

The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

## DOCUMENTATION REQUIREMENTS

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Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must:

- specify the dollar amount of the gift;
- specify the date the funds were transferred;
- include the donor's statement that no repayment is expected; and
- indicate the donor's name, address, telephone number, and relationship to the borrower.

When a gift from a relative or domestic partner is being pooled with the borrower's funds to make up the required minimum cash down payment, the following items must also be included:

- A certification from the donor stating that he or she has lived with the borrower for the past 12 months and will continue to do so in the new residence.
- Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include but are not limited to a copy of a driver's license, a bill, or a bank statement.

## VERIFYING DONOR AVAILABILITY OF FUNDS AND TRANSFER OF GIFT FUNDS

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The lender must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account and reflected on the most recent bank statement. Acceptable documentation includes the following:

- a copy of the donor's check and the borrower's deposit slip,
- a copy of the donor's withdrawal slip and the borrower's deposit slip,
- a copy of the donor's check to the closing agent, or
- a settlement statement showing receipt of the donor's check.

When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check.

- Gift funds may not be used to meet reserve requirements.
- Gift of Equity allowed for Primary Residence or Second Homes. Must meet all other guidelines for Gift Funds.

## 7.13 INCOME

### 7.13.1 INCOME ANALYSIS

**THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.**

#### EMPLOYMENT/INCOME VERIFICATION

- A minimum two (2) year employment history is required to be documented on the loan application (URLA). When the borrower has less than a two-year history of employment, the Seller should document positive factors to offset the shorter employment history, such as education or training.
- 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 URLA at the Stronghill Capital purchase date, Stronghill Capital will not purchase the loan.

#### STABILITY OF INCOME

- Stable monthly income is the borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three (3) years. The Seller must determine that both the source and the amount of the income are stable.
- A two-year employment history is required for the income to be considered stable and used for qualifying.



- When the borrower has less than a two-year history of receiving income, the Seller must provide a written analysis to justify the stability of the income used to qualify the borrower.
- While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.

## EARNINGS TRENDS

Year-to-date (YTD) income amounts must be compared to prior years' earnings using the borrower's W-2 forms, signed federal income tax returns, or bank statements. The earnings trends are addressed as follows:

- Stable or increasing: The income amounts should be averaged.
- Declining but stable: If the 24-month earnings trend shows a decline in borrower income, but the most recent 12-month earning has stabilized and there is no reason to believe the borrower's employment will change, the most recent 12-month average of income should be used.
- Declining: If the trend is declining, the income is not eligible.

### 7.13.2 DEBT-TO-INCOME (DTI) RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Stronghill Capital guidelines and the inclusion of all income and liability expenses. See the most recent program matrix for applicable details.

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 determination and must remain current throughout the transaction.

The maximum DTI ratio for all income documentation types is 50%. A DTI of up to 55% is allowed in some cases for a primary residence, with 24-months of income documentation, and with a minimum residual income of \$3,500. See the Product Matrices for specific program restrictions.

### 7.13.3 RESIDUAL INCOME

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt.

The Minimum Residual Income requirements are calculated using the table below; \$250 is added for the first dependent and \$125 for each additional dependent. A dependent is any person other than the borrower or spouse in the household.

OCCUPANCY	MAXIMUM LTV	MINIMUM RESIDUAL INCOME
Income Achiever - Primary	90%	\$2,500
Credit Achiever – Primary	85%	\$1,250

Income Achiever – Second (Alt Doc)	80%	\$2,500
Credit Achiever – Second	80%	\$2,500

## 7.13.4 DOCUMENTATION OPTIONS

Full and Alt Doc income documentation options are available depending on program chosen. In addition to wage/salary income, Full documentation includes various other types of income. [Other Sources of Income](#) for documentation requirements. Income should be calculated and documented according to Stronghill Capital guidelines. If a specific source of income is not referenced in the Stronghill Capital Guide, the Fannie Mae® guidelines for that income source may be used.

### IRS FORM 4506-C

A signed copy of IRS Form 4506-C is required in every Full Documentation credit file. See specific income documentation type if transcripts are required.

- 4506-C and Tax Return Transcripts are not required for Alternative Documentation Income Sources
  - Alt Doc income may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as wage income from spouse or domestic partner. When wage income is combined with Alt Doc income, a tax return is not required for the standard full income documentation. If the 4506-C form is provided, Box 8 should be checked to obtain a transcript of W-2 earnings.

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 Capital Mortgage Capital 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 Capital version or their own version of the document in all loan files that include tax returns.

## 7.13.5 FULL DOCUMENTATION

The Full Income Documentation option is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories.

## RESTRICTIONS

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- See the Stronghill Capital Matrices for maximum LTV/CLTV and DTI.
- A minimum credit score of 620 (Credit Achiever Only)
- A minimum two (2) year history of receipt of wage/salary or self-employment income is required.

## FULL DOCUMENTATION (24 OR 12 MONTHS)

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- Eligibility and pricing differences exist for the 24 or 12-month documentation options, see Loan/LTV Matrices and rate sheets for details.

### WAGE/SALARY INCOME

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- The borrower's most recent paystubs reflecting 30 days of pay and YTD earnings, along with IRS W-2 forms or W-2 transcripts covering the most recent one (1) or two (2) years depending upon documentation option selected; or
- Income verification provided by a FNMA approved 3rd party Vendor (e.g., The Work Number®) evidencing income from the most recent 1 or 2 years (as applicable) along with year-to-date earnings.
  - FNMA WVOE Form 1005 is not eligible for standard income documentation (see Alt Doc Written VOE).
- When tax returns are required, as in the case of income earned from subject or non-subject investment property REO, the most recent one (1) or two (2) years of tax returns should be provided. The definition of "most recent" is the last return scheduled to have been filed with the IRS. Any borrower who applied for a tax return extension must provide a copy of the extension in the credit file along with the prior one (1) or two (2) years of tax returns based upon the documentation method selected.

### SELF-EMPLOYMENT INCOME

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- Tax transcripts for the most recent one (1) or two (2) years. In certain cases, tax returns will be required as transcripts will not provide the details required to establish eligible qualifying income for the borrower, or
- The most recent one (1) or two (2) years of tax returns (including evidence of filing). If applicable, both personal and business (including all K-1s and schedules), signed and dated by each borrower.
  - Evidence of filing may include one of the following:
    - IRS Form 8879 e-File Signature Authorization for the provider that prepared the return, or
    - E-mail provided from the software used to prepare the return showing successful submission of the return to the IRS.
    - If evidence of filing is not provided, tax transcripts for personal and corporate (IRS Form 1120) returns are required.
- If the borrower pays themselves wage income, a YTD paystub must be included in the file.
- When analyzing tax returns, the following may be added back to the applicant's income calculation:
  - Depreciation
  - Depletion
  - Business use of home
  - Amortization/casualty loss
  - Ordinary income (loss) from other partnerships
  - Nonrecurring other (income) loss

- Any expense(s) that can reasonably be documented to be one-time and non-recurring
- Net operating loss carryforwards from years prior to the tax returns provided
- If the tax return date exceeds 90 days from the note date, a YTD Profit and Loss Statement (P&L), signed and dated by the borrower, up to and including the most recent month preceding the loan application date and two (2) business checking account statements for the two (2) most recent months reflected on the P&L. The P&L may be either: prepared by a 3<sup>rd</sup> party or prepared by the borrower. If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns; the P&L is used to determine the stability of that income. The bank statements for the two (2) most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the prior year(s) tax returns.

## EMPLOYMENT STATUS

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In all cases, the borrower's current employment status is required. Employment status can be established as follows:

Wage/salary borrowers:

- A YTD paystub dated within 30 days of Note date, or
- A verbal VOE dated no more than 10 calendar days prior to Note date. Sellers may use any type of verification form. The VOE should include the following data:
  - Borrower name
  - Loan ID number
  - Current position
  - Verification that borrower's employment is currently active
  - Employer name/company name
  - Employer contact name and title
  - Name of individual who completed the VOE
  - Business phone number must be independently verified

Self-Employed Borrowers:

- If the most recent tax return in the file is dated within 90-days of the note date, no additional verification required.

If the tax return exceeds 90-days of the note date, a YTD Profit & Loss Statement (P&L) dated within 90 days of note date, along with the two most recent months of bank statements.

## OTHER SOURCES OF INCOME

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### *ALIMONY OR CHILD SUPPORT*

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Alimony or child support income is allowed with third-party documentation evidencing receipt of at least six (6) months. Document the support will continue for at least three (3) years by one of the following:

- Copy of final divorce decree or final separation agreement describing the payment terms.
- Any other type of written legal agreement or court decree describing the payment terms.

### *AUTO ALLOWANCE*

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The borrower must have received payments for at least two (2) years. Add the full amount of the allowance to monthly income and the full amount of the lease or financing expenditure to the monthly debt obligations.

#### *CAPITAL GAINS*

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Capital Gains income must be averaged over two (2) years and documented with the following:

- Most recent two (2) years of personal tax returns, including an IRS Form 1040, Schedule D.
- Third-party documentation to evidence that additional assets may be sold to support the qualifying income.
- The third-party documentation must evidence the capital gain income will continue for a minimum of three (3) years.

Capital losses do not have to be considered.

#### *DISABILITY INCOME – LONG TERM*

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Generally, long-term disability will not have a defined expiration date and should be expected to continue. Obtain a copy of the borrower's disability policy or benefits statement to verify the following:

- eligibility for the benefits,
- amount and frequency of payments, current proof of receipt,
- and if there is a contractually established termination or modification date.

#### *EMPLOYED BY A RELATIVE*

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Income for borrowers who are employed by a relative must be verified using Full Documentation for two (2) years, including the following:

- Federal income tax returns for the most recent two (2) years
- W-2s for the most recent two (2) years
- Paystub(s) covering the most recent 30-day period.

Clarification of the potential ownership of family-owned businesses by the borrowers may also be required. A borrower may be an officer of a family-operated business, but not an owner. Verification of a borrower's status should be provided by written confirmation obtained from a CPA or legal counsel.

#### *EMPLOYMENT OFFERS OR CONTRACTS*

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For borrower(s) starting new employment, the loan file must contain a copy of an executed offer or contract plus the first paystub. The first paystub must be dated prior to the Note date.

#### *FOREIGN INCOME*

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Foreign income is income earned by a borrower (US Citizen or Perm Resident Alien) who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if they provide copies of the following:

- Signed federal income tax returns or transcripts for the most recent two (2) years that include foreign income.
- Standard documentation requirements based upon the source and type of income.
- Any documents not in English or US currency must be translated.

#### *FOSTER CARE INCOME*

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Income received from a state or county sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the following requirements are met:

- Verify the foster-care income with letters of verification from the organizations providing the income.
- Document that the borrower has received foster care income for a minimum one-year period.
- Qualifying income is based upon the current amount received.

#### *HOUSING/PARSONAGE INCOME*

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Housing or parsonage income may be considered qualifying income if there is documentation that the income has been received for the most recent 24 months and the allowance is likely to continue for the next three (3) years. The following documentation is required:

- The two (2) most recent years of tax returns are required.
- Written documentation, such as a Written Verification of Employment (WVOE) provided by the church, must be obtained.
- The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the borrower's IRS Form 1040 should include the housing allowance paid.

The housing allowance may be added to income but may not be used to offset the monthly housing payment.

#### *INTEREST/DIVIDENDS*

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Verify the borrower's ownership of the assets on which the interest or dividend income was earned. Documentation of asset ownership must be in compliance with the [Age of Document Requirements](#) section.

- Document a two-year history of the income, as verified by copies of the borrower's federal income tax returns.
- Develop an average of the income received for the most recent two (2) years.
- Subtract any assets used for down payment or closing costs from the borrower's total assets before calculating expected future interest or dividend income.

#### *NON-TAXABLE INCOME*

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If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, the seller may develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income.

#### *NOTES RECEIVABLE INCOME*

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Note receivable income may be used for qualifying income subject to the following:

- Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage application.
- Obtain a copy of the Note to establish the amount and length of payment.
- Document regular receipt of income for the most recent 12 months using either cancelled checks, bank statements, or federal tax returns.
- Payments on a Note executed within the past 12 months, regardless of the duration, may not be used as stable income.

### *PENSION, RETIREMENT, ANNUITY*

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If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three (3) years after the date of the mortgage Note. In addition, the borrower must have unrestricted access to the accounts without penalty. Document regular and continued receipt of the income with the following:

- Pension/Social Security/VA
  - Award letter(s) from the organizations providing the income,
  - Two prior years 1099-R will be acceptable in lieu of award letter,
  - 30-days current proof of receipt
- 401K/Keogh/IRA
  - Account Statement(s) reflecting available balance for withdrawals.
  - One prior years 1099-R forms,
  - One-month proof of current receipt.
  - Minimum history of withdrawals for 12-months required.
  - Income will be averaged based upon withdrawals over the past 12-months.

### *RENTAL INCOME*

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Rental income may be used for qualifying income subject to the following documentation requirements:

- Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for properties where rental income is being used to qualify and the property was acquired during or subsequent to the most recent tax filing year or the rental property was out of service for an extended period. For commercial properties a copy of the lease or rent roll is required
- Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property
- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 2 months or the time period after the lease expired
- A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying
- Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial
- Application of Rental Income:
  - Primary Residence
    - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
    - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
  - Investment Property
    - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
    - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
    - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.

- The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

### *RESTRICTED STOCK UNITS*

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Restricted stock units (RSUs) are issued to an employee through a vesting plan and distribution schedule. RSUs give an employee interest in company stock but have no tangible value until vesting is complete. The RSUs are assigned a fair market value when they vest and are considered ordinal income with a portion of the shares withheld to pay income taxes upon vesting. The employee receives the remaining shares and can sell them at their discretion. Restricted stock options may be used as qualifying income when all the following requirements are met:

- Income has been consistently received for the prior two (2) years and will continue.
- RSU income is calculated using the past two (2) year average.
- If the RSU income is declining, proof of stability must be provided, and the most conservative average used for qualifying.
- RSU income must be likely to continue.
- Borrower must be employed at the same company that issued the RSUs.
- Employer must be a publicly traded entity (e.g., a Fortune 500 company).
- Non-vested restricted stock is not an acceptable source of income or reserves.
- Vested RSUs may not be considered as qualifying income if they are also used for down payment, closing costs, and/or reserves.

The following documentation is required:

- Evidence that stock is publicly traded.
- The most recent vesting schedule or issuance agreement showing continuance of RSU income.
- Evidence of the payouts of RSUs for the past two (2) years. Acceptable verification includes any of the following:
  - Tax returns for the last two (2) years, reflecting RSU income.
  - Year-end paystubs reflecting the RSU payout.
  - An employer-provided statement paired with a brokerage or bank statement, showing the transfer of shares or funds, that includes the (a) date of the payout and (b) the number of vested shares and their cash equivalent distributed to the borrower.

### *ROYALTY INCOME*

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- Obtain copies of the following:
  - Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income.
  - The borrower's most recent signed federal income tax return, including IRS Form 1040 and Schedule E.
- Confirm that the borrower has received royalty payments for at least 12 months and that the payments will continue for a minimum of three (3) years after the date of the mortgage Note.

### *TEACHER INCOME*

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Teachers are paid on a 9-month, 10-month, or 12-month basis. The pay structure should be determined before calculating the monthly income. If unable to determine the pay frequency, documentation such as a copy of their contract or documents from the school district's personnel office may be required.

### *TIP INCOME*

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Tips and gratuity income may be considered if the receipt of such income is typical for the borrower's occupation (i.e., waitperson, taxi driver, etc.). Tip income should be received for at least two (2) years and documented through the most recent year-to-date paystubs and federal income tax returns for the most recent two (2) years. Income should be averaged over the time-period verified. If the tip income is not reported on the paystubs or tax returns, then it may not be included in qualifying income.

#### *TRUST INCOME*

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Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the amount, frequency, and duration of payments:

- Trustee statement evidencing borrower is a beneficiary and income will continue for three (3) years.
- If the borrower creates the trust as trustee, the assets within the trust must be verified with 3<sup>rd</sup> party documentation (i.e., bank statements). Income will be calculated using asset utilization methodology.
- Unless this income is received monthly, documentation of current receipt of the income is not required if the income is on the borrower's most recent tax return.

#### *UNEMPLOYMENT BENEFIT INCOME*

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Income derived from unemployment compensation is generally not allowed due to the limited duration of its receipt. Seasonal unemployment, however, can be considered if the borrower is employed in a field where weather affects the ability to work, and where unemployment compensation is often received (i.e., construction). The income can be used to qualify with a two-year employment history in the same field of work and a two-year history of receipt of unemployment compensation. Income should be averaged over the time-period verified.

#### *VA BENEFITS*

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Document the borrower's receipt of Veteran Administration (VA) benefits with a letter or distribution form from the VA, along with a one-month proof of receipt. Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage Note. (Verification is not required for VA retirement or long-term disability benefits.) Education benefits are not acceptable income because they are offset by education expenses.

#### *VARIABLE – OVERTIME/BONUS/COMMISSION*

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Variable earnings must be averaged over the most recent two (2) years and documented with the following:

- Most recent year-to-date pay stub reflecting the variable earnings;
- W-2 forms covering the most recent 2-year pay period;
- A completed Written Verification of Employment - Fannie Mae® Form 1005 detailing base, overtime, commission, or bonus earnings.

Variable income earned less than two years may be considered with a minimum 2-year history of receiving variable in the same line of work. Variable income earned for less than one year may not be used for qualifying income.

#### *INELIGIBLE INCOME SOURCES*

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- Boarder income
- Educational benefits
- Gambling winnings
- Illegal income
- Mortgage Credit Certificates
- Mortgage Differential Payments
- Refunds of federal, state, or local taxes

### 7.13.6 ALT DOC - BANK STATEMENTS

Personal bank statements or business bank statements may be used to document self-employed income.

Bank statements may be obtained from the borrower, or the Seller can use a third-party asset vendor participating in the Fannie Mae Day 1 Certainty<sup>®</sup> process.

The Stronghill Capital Business Bank Statement calculator is available for download from the <https://stronghill.com/residential-loans/> website.

### RESTRICTIONS

#### *APPLIES TO PERSONAL/BUSINESS BANK STATEMENTS AND P&L METHODS*

- See the Stronghill Capital Matrices for maximum LTV and DTI.
- Borrowers must be self-employed for at least two (2) years. Employment section of the URLA must be completed with a minimum of two (2) years self-employment history.
- The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:
  - CPA Letter, or
  - Business License, or
  - Bank statement from 24 or month months prior to note date reflecting activity, or
  - Other reasonable evidence of business activity.
- Minimum credit score is 660.
- Nonprofit Entity not eligible
- Funds/Deposits in a IOLTA (Trust) ineligible source

### BANK STATEMENT OPTIONS/INCOME ANALYSIS

In addition to the factors described in the [Section – Income Analysis](#) section of this guide, Sellers should consider the following:

- Deposits should be reviewed for consistency.
- Deposits from alternative payment processing applications (i.e., Square, Venmo) are eligible.
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of an inconsistent or large deposit is any deposit exceeding 50% of the average monthly sales of the business.
- Changes in deposit pattern must be explained.
- Income documented separately, but included as deposits in the statement under review, must be backed out of deposits.

#### **PERSONAL BANK STATEMENT REVIEW**

A personal bank account is held in the individual borrower(s) name. The following documentation requirements and analysis methods apply:

##### **Documentation Requirements**

- 24 or 12 months of consecutive PERSONAL bank statements, the most recent statement dated within 90-days of the note date.

- Most recent two (2) months of BUSINESS bank statements.
- Verify that the borrower owns 20% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.

#### Calculation Method

- Only transfers or deposits from the business account(s) are eligible deposits. Qualifying income calculated using the sum of total eligible deposits from the statements reviewed divided by the number of statements. The most recent bank statement must be consistent with the qualifying income.
- If the personal account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced.
- ATM deposits may be included if a consistent pattern of such deposits is present.
- Two (2) months of business bank statements, which must:
  - Evidence activity to support business operations.
  - Reflect transfers to the personal account.

#### BUSINESS AND CO-MINGLED BANK STATEMENT REVIEW

A business bank statement used for ongoing operations of the business must reflect the name of the business as completed on the URLA or loan application.

- Verify that the borrower has ownership of at least 25% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- Net income from the analysis of the bank statements is multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

A co-mingled bank account is a personal account used by a borrower for both business and personal use. A separate business account is not required.

- Verify that the borrower has 100% ownership of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- The borrower must be the sole owner of the business listed on the URLA or loan application
- Borrower and spouse with combined 100% ownership of the account are eligible
- Non-Business related deposits will be excluded from Income Calculation.

Standard Expense Ratio – (50%)

#### Documentation Requirements

- A standard 50% expense factor will be applied to the total of eligible deposits.
- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date.

If the business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then an expense factor from a CPA/accountant, IRS Enrolled Agent, tax preparer or P&L may be used to determine qualifying income.

- Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by 50%, multiplied by ownership percentage, divided by the number of bank statements reviewed.



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- Deposits x (.50) x (ownership %) / 24 or 12 = qualifying income
  - Example:  $\$360,000 \times .50 = \$180,000 \times 1.00 = \$180,000 / 12 = \$15,000$

## 3<sup>rd</sup> Party Prepared Business Expense Statement Letter

### Documentation Requirements

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- Business expense statement letter to include:
  - Name of the business
  - Business expenses as a percentage of the gross annual sales/revenue
  - Prepared or reviewed by a 3<sup>rd</sup> party with knowledge of the business (e.g., CPA/accountant, IRS Enrolled Agent, or tax preparer)
  - Signed by the 3<sup>rd</sup> party preparer/reviewer

### Income Calculation Method

- Total expenses are calculated by multiplying the total deposits by the expense factor provided (subject to a minimum total expense percentage of 10%), multiplied by ownership percentage, divided by the number of bank statements.
- Deposits x (expense ratio) x (ownership %) / 24 or 12 = qualifying income.
  - Example:  $\$360,000 \times .75 = \$270,000 \times .50 = \$135,000 / 12 = \$11,250$

## 3<sup>rd</sup> Party prepared P&L Statement

### Documentation Requirements

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- P&L covering 24 or 12 months (determined by the months of bank statements provided)
- Prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or licensed tax preparer. Documentation is required to evidence the preparer's business.
- Signed by the 3<sup>rd</sup> Party preparer/reviewer

### Income Calculation Method

- P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L. The bank statements and P&L must cover the same time period. If the deposits support the sales, qualifying income is the lower of:
  - The Net Income indicated on the P&L divided by the number of statements (24 or 12), or
  - Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (24 or 12).
- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
  - Depreciation
  - Depletion

○ Amortization/casualty loss

### 7.13.7 NON-SUFFICIENT FUNDS

Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection fees associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:

- Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer, and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.
- Occurrences included in the analysis are subject to the following tolerances:
  - An occurrence is defined as one or more checks returned the same day.
  - If there are one (1) or more occurrences in the most recent two-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
  - If there are zero (0) occurrences in the most recent three-month time period, up to five (5) occurrences in the most recent 12-month time period are acceptable.
- Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.
- The underwriter must consider the financial strength of a self-employed borrower's business.

### 7.13.8 ALT DOC – RENTAL INCOME

Rental income may be included in loan qualification for Alt Doc income types. To be considered the following documentation must be provided:

- Long Term Rental:
  - A copy of the lease(s) for the rental property.
  - Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
    - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
    - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio.
- Short Term Rental:
  - Property leased on a short-term basis utilizing an on-line service such as Airbnb gross monthly rents can be determined by using a 12-month look back period to account for seasonality.

- Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties owned, statements from an online service must be provided to associate rents received with the specific property.
  - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
- A screen shot of the online listing must show the property(s) activity marketed as a short-term rental
- Alt Doc Written Verification of Employment not eligible to use the above rental income documentation.
- Application of Rental Income:
  - Primary Residence
    - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
    - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
  - Investment Property
    - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
    - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
    - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
    - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

#### 7.13.9 ALT DOC – CPA/EA PROFIT AND LOSS STATEMENT ONLY

Permitted for self-employed borrowers with a minimum of 25% ownership of the business.

The Profit & Loss Statement (P&L) must be prepared by a 3rd party Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), or a CTEC registered tax preparer.

- Required documentation:
  - 24 or 12-Month CPA, EA, or CTEC prepared P&L Statement representing total business sales and expenses for the time period covered by the P&L Statement.
  - Preparer to provide a signed document with the following:
    - Confirmation of review or completion of the most recent tax return or financial statement(s); and
    - Indicate borrower's ownership percentage of the business.
    - Current/active state CPA license number as verified by license or screenshot from state licensing authority.
  - Current/active IRS Enrolled Agent (EA) certification from IRS (e.g., screenshot of IRS web site).
  - Current/active CTEC certification from California (e.g., screenshot of CTEC web site).
- Qualifying income:
  - Net income from the P&L Statement divided by the time period covered (24 or 12-months) multiplied by the borrower's ownership percentage.
  - Expenses on the P&L must be reasonable for the industry, Stronghill reserves the right to request additional information.

- The following may be added back to the qualifying income calculation:
  - Depreciation.
  - Depletion.
  - Amortization/casualty loss.

#### 7.13.10 ALT DOC - IRS FORM 1099

Permitted for individual(s) earning 100% commission or for independent contractors.

- 1-year or 2-years of 1099s or 1099 transcript(s) permitted
  - One of the following Business expense analysis methods:
    - 90% Net Margin (10% Expense Factor)
    - 3<sup>rd</sup> Party prepared P&L (CPA, EA, accountant, tax preparer)
- A minimum 2-year self-employment history is required (e.g., 1099 income).
- Qualifying income is the 12 or 24 monthly average from the total number of 1099's minus the expense factor from the method chosen above
- YTD earnings must be documented to support the ongoing receipt of income showing on the 1099s by:
  - Checks or a single check stub(s) with YTD totals if available, or
  - Bank statements (YTD).
    - The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings.
- The Alt Doc Loan/LTV matrix should be utilized, see the Product Matrices.

#### 7.13.11 ALT DOC – WRITTEN VERIFICATION OF EMPLOYMENT

A written Verification of Employment may be utilized when the only source of earnings is wages/salary. The following criteria applies:

- Two-year history with same employer is required.
- Completed Fannie Mae<sup>®</sup> Form 1005
- Primary Residence Only
- 24-month 0x30 housing history required.
- Paystubs and W-2's not required.
- Eligible for Income Achiever Only
- Must be completed by Human Resource, Payroll Department or Officer of the Company.
- Two (2) Months Personal Bank Statements required to support the WVOE. The bank statements must reflect deposits from the employer supporting at least 65% of gross wage/salary reflected on the WVOE.
- FTHB maximum LTV 70%, no gift funds allowed.
- Borrower(s) employed by family members or related individuals are not eligible.
- An internet search of the business is required with documentation to be included in the credit file to support the existence of the business.
- Only eligible source of income is limited to Wage/Salary. Supplemental income sources such as rental income will be documented via full documentation channel.

### 7.13.12 ALT DOC - ASSET UTILIZATION

Asset Utilization may be used as the sole source of income for loan qualification or to supplement other income sources. When used to supplement other income sources, the minimum asset requirements under qualification method are waived.

#### RESTRICTIONS

- See Stronghill Capital Matrices for the max LTV
- Non-occupant co-borrowers not allowed
- Max 50% DTI
  - First-time homebuyer (FTHB): 45%
  - Less than 12-month housing history: 43%
- Minimum 660 credit score
- Gift funds not eligible

#### ASSET UTILIZATION QUALIFYING METHOD

Debt Ratio Calculation: Minimum Eligible Assets required is the lower of \$1,000,000 or 150% of the loan balance. Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 84. Maximum DTI 50%.

#### ASSET UTILIZATION INCOME DOCUMENTATION

- All individuals listed on the asset account(s) must be on the Note and Mortgage.
- Assets considered for this program must be verified with most recent three (3) monthly account statements, quarterly statement, or a VOD;
- Assets must be seasoned 120-days;
- Income other than Asset Utilization must be documented in accordance with the Income Achiever program.

#### ASSETS ELIGIBLE FOR DEPLETION

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the funds:

- 100% of Checking, Savings, and Money Market Accounts, and US Treasuries with maturity < 1-year;
- 100% of the cash surrender value of life insurance less any loans may be considered for assets;
- 70% of Stocks, Bonds, and Mutual Funds;
- 70% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½);
- 60% of Retirement Assets: Eligible if the borrower is not of retirement age.

Eligible trust assets include:

- Assets held in a revocable trust where the trustee to the trust is the borrower.
- Assets in an irrevocable trust where the borrower is the beneficiary, and the borrower has immediate access to the assets of the trust.
- Based upon the assets held in the trust, the above asset percentages apply.

#### ASSETS INELIGIBLE FOR DEPLETION

- Equity in Real Estate;
- Privately traded or restricted/non-vested stocks;
- Any asset which produces income already included in the income calculation:



- Any assets held in the name of a business.

## 7.14 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

Debt Service Coverage Ratio transactions are available to experienced investors purchasing or refinancing investment properties for business purposes. The typical borrower is expected to have a history of managing income-producing rental properties or has a significant equity down payment in a purchase transaction. The borrower is required to execute a Borrower Certification of Business Purpose and an Occupancy Certification. For examples of these forms, see the following links: [Borrower Certification of Business Purpose](#) / [Occupancy Certification](#).

DSCR transactions are considered business purpose loans and monthly cash flow is used to determine a DSCR ratio. A DSCR ratio greater than 1.00 reflects a positive monthly cash flow and a DSCR ratio less than 1.00 reflects a negative monthly cash flow but is typically offset by the value of the property securing the loan.

### 7.14.1 1-4 FAMILY RESIDENTIAL PROPERTY

#### PROPERTY INCOME ANALYSIS

Gross monthly rents are used to determine the DSCR. A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required on all DSCR transactions. See the appropriate Long Term or Short Term requirements below for rental income documentation and DSCR calculation.

#### RENT DOCUMENTATION REQUIREMENTS

##### *LONG TERM RENTAL*

- Purchase Transactions
  - Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents.
  - If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent.
  - A vacant or unleased property is allowed without LTV restriction.
- Refinance Transactions
  - Required documentation:
    - FNMA Form 1007 or 1025 reflecting long term market rents, and lease agreement.
    - If the lease has converted to month-to-month, then provide most recent two (2) months proof of receipt to evidence continuance of lease. If unable to provide evidence of receipt, the unit will be treated as vacant and subject to the following.
      - Eligibility (LTV) must use the DSCR < 1.00 matrix. Pricing is based upon the DSCR from the gross rents on the 1007.
    - For new construction properties or delayed financing transactions closing under the Investment Achiever/DSCR Program, a lease with a starting date within 30-days after the note date can be utilized with evidence of receipt of security deposit and first month's rent to support tenant occupancy of the property.
      - Evidence must include both the image of cancelled check and the full month's bank statement showing the deposit OR receipts/rent ledgers (or other similar documentation) provided by third-party property management company.
      - Leases that start beyond 30-days of the note date or the inability to provide all required evidence documentation will result in the property being evaluated as vacant.

- Monthly Gross Rents are determined by the higher of actual lease amount or market rent from 1007/1025. If using a higher monthly actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007 or 1025. If the actual rent exceeds the market more than 120%, the rents are capped at 120%.
- A vacant or unleased property is allowed. Eligibility (LTV) must use the DSCR < 1.00 matrix for all properties with any unleased (vacant) units. Pricing is based upon the DSCR from the gross rents on the 1007.
- DSCR Calculation
  - Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See the Stronghill Capital Eligibility Matrix for required Debt Service Coverage Ratios.
  - Gross rents divided by PITIA = DSCR

### SHORT TERM RENTAL (E.G., AIRBNB, VRBO, FLIPKEY)

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Short term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis.

- Short Term Rental Income – Purchase and Refinance Transactions
  - DSCR calculation:
    - Monthly gross rents based upon a 12-month average to account for seasonality required.
    - Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property.
    - If the rental documentation referenced below includes actual expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used.
    - If the rental documentation referenced below only includes estimated expenses (and not actual), utilize the standard 20% expense factor.
    - (Gross Rents \* .80) divided by PITIA = DSCR.
  - Any of the following methods may be used to determine monthly rental income:
    - A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting short-term market rents. Short Form Narrative of rents included on the appraisal will be considered on a case-by-case basis.
    - A most recent 12-month rental history statement from the rental service that identifies the subject property/unit. The rental income will exclude all vendor or management fees.
      - The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees.
    - The most recent 12-month bank statements from the borrower evidencing short term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.

### DEBT SERVICE COVERAGE RATIO (DSCR)

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Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA (Loans with an interest only feature may use the PITIA payment) of the subject property. See the Stronghill Capital Eligibility matrix for required Debt Service Coverage Ratios, LTV, & FICO limits.

- 1-4 Family Limits
  - Minimum DSCR: No Ratio
  - Maximum LTV 80%
  - Minimum FICO 640

## EXAMPLE: DEBT SERVICE COVERAGE RATIO

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Single Family Purchase Money Transaction

Monthly PITIA = \$650

Estimated Monthly Market Rent (Fannie Mae® Form 1007) = \$850

Existing Lease Monthly Rent = Not Available

Use Market Rent of \$850 (*Estimated Monthly Market Rent when a lease is not available for a purchase transaction*).

Gross Rents (**\$850**) ÷ PITIA (**\$650**) = **DSCR (1.30)**

## BORROWER EXPERIENCE

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### EXPERIENCED INVESTOR

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- An experienced investor is an individual borrower having a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years. For files with more than one borrower, only one borrower must meet the definition.
- Experience can be documented by one of the following:
  - Complete the REO schedule on the URLA loan application, or
  - Provide a property profile report, or
  - Other 3<sup>rd</sup> party documentation

### FIRST-TIME INVESTOR

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First-Time Investor is a borrower not meeting the Experienced Investor definition, but who currently owns a primary residence for at least one (1) year.

First Time Investors are eligible subject to the following restrictions:

- Minimum credit score: 680
- o Maximum LTV/CLTV Purchase 75%, Refinance 70% No mortgage late payments during the past thirty-six (36) months.
- Minimum of 36-months seasoning from any credit event
- Cash-out transactions not eligible
- First time homebuyers not eligible
- Short-Term Rental Income: 5% Reduction in LTV required

## HOUSING HISTORY – DSCR

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Housing history for the DSCR Doc type is limited to verifying the borrower's primary residence and the subject property if a refinance transaction. The documentation requirements under [Section – Housing History](#) should be followed for verification.

Housing History

- Any housing event reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility.
- Primary residence housing history is not required for Foreign Nationals.

- For any non-subject property, non-primary mortgages not reporting to the credit bureau, additional housing history is not required.

## RESTRICTIONS

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- See the Stronghill Capital Matrices for the maximum LTV/CLTV.
- No rural properties as defined by the appraisal.
- Maximum 2-acres.
- Gift funds permitted after a minimum 10% borrower contribution, documented per [Section – Asset Documentation](#)
- Neither the borrower, or the borrower’s immediate family shall occupy the subject property at any time.
- Cash-out on an investment property where loan proceeds are used for consumer purpose.

## BORROWER APPLICATION

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- The borrower information section of the loan application (URLA) should be completed.
- The borrower’s contact information must be provided on the loan application URLA).
- No proof of borrower income is required.

## DEFAULT EVENT

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If a loan payment is delinquent for 60 days, Stronghill Capital’s loan servicer will enforce the following provision from the 1-4 Family Rider (Fannie Mae® Form 3170): Paragraph “G” - Assignment of Leases.

### 7.14.2 5-8 RESIDENTIAL AND 2-8 MIXED USE PROPERTY

#### PROPERTY INCOME ANALYSIS

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- Minimum DSCR  $\geq 1.00$
- DSCR = Eligible monthly rents/PITIA (Loans with an interest only feature may use the ITIA payment)
- Loan amounts  $\geq \$1,500,000$  require DSCR  $\geq 1.10$  and Debt Yield of 9% or greater (Net operating income/Loan amount = 9% or greater)
- Leased - Use lower of Estimated market rent or lease agreement.
- If the lease has converted to month-to-month, then provide most recent two (2) months proof of receipt to evidence continuance of lease. If unable to provide evidence of receipt, the unit will be treated as vacant
- Vacant Unit(s) – Use 75% of market rents. Max: 1 vacancy on 2-3 Unit properties: 2 vacancies on 4+ Units.
- Reduce qualifying rents by management fee reflected on appraisal report (management fee must be disclosed in appraisal)
- Copies of any existing leases must be provided (Purchase and Refinance transactions).
- Income from commercial space must not exceed 49% of the total property income.
- Short Term Rental Income – Not Eligible for Multi-Family and Mixed Use Properties
- Neither the Borrower(s) nor the borrower’s immediate family shall at any time occupy the property.

#### BORROWER EXPERIENCE

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- Experienced Investors only, borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years.

- First-time investors not eligible.

## OCCUPANCY

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- Residential unit(s) not permitted to be occupied by the borrower or the borrower's immediate family.
- Commercial unit(s) may be occupied by the borrower's business.
- Occupancy Affidavit to be executed by borrower at initial application & closing.

## ELIGIBLE PROPERTY

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- Residential 5 – 8 Units (Max 2-acres)
- Mixed use 2 – 8 Units
  - Commercial usage limited to Retail/Office/Restaurant
    - 2-3 Units: Max 1 commercial Unit
    - 4-5 Units: Max 2 commercial Units
    - 6-8 Units: Max 3 commercial Units
  - Commercial space must not exceed 49% of the total building area
  - Commercial space cannot be used as Marijuana/THC Dispensary. Commercial space may be used for CBD store/business, however, borrower cannot be store/business owner.
  - Unleased Units
    - Maximum 1-unit on 2-3 unit property
    - Maximum 2-units on 4+ unit property

## PROPERTY CONDITION

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- No Fair or poor ratings.
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat , chemical storage, fuel station, auto body repair)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

## PREPAYMENT PENALTY

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Eligible prepayment penalties limited to either a fixed percentage or declining percentage style

## ELIGIBILITY REQUIREMENTS

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- Maximum loan term cannot exceed 30-years.

## ASSETS

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For asset documentation requirements, follow Investment Achiever - DSCR 1-4 Family Residential guidelines. Gift funds are not allowed for 5-8 Residential and 2-8 Mixed Use properties.

## 7.15 PROPERTY ELIGIBILITY

## 7.15.1 APPRAISALS

### APPRAISAL REQUIREMENTS 1-4 UNIT RESIDENTIAL

Stronghill Capital reserves the right to review all valuation reports and determine if the subject property value is supported.

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 Capital 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.

Appraisal Delivery Requirements for 1-4 Unit Residential Appraisals:

- E-Consent in File: Must document that the appraisal has been sent to the borrower.
- E-Consent not Available: Must document that the appraisal has been sent to the borrower AND that the borrower has acknowledged receipt of the appraisal.

### APPRAISER LICENSE AND CERTIFICATION

The appraisal report forms identify the appraiser as the individual who:

- Performed the analysis, and
- Prepared and signed the original report as the appraiser.

This does not preclude appraisers from relying on individuals who are not state-licensed or state-certified to provide significant professional assistance, such as an appraiser trainee.

An unlicensed or uncertified appraiser, or trainee (or some other similar classification) may perform a significant amount of the appraisal (or the entire appraisal if they are qualified to do so). If an unlicensed or uncertified individual provides significant professional assistance, they must sign the left side of the appraisal certification as the Appraiser if:

- They are working under the supervision of a state-licensed or state-certified appraiser as an employee or sub-contractor,
- The right side of the appraiser certification is signed by that supervisory appraiser, and
- It is acceptable under state law.

#### APPRAISAL AGE

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The appraisal should be dated no more than 360 days prior to the Note date.

When an appraisal report will be more than 120 days old on the date of the Note, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D).

- If the appraiser indicates on the Form 1004D that the property value has declined, then the seller must obtain a new appraisal for the property.
- If the appraiser indicates on the Form 1004D that the property value has *not* declined, then the seller may proceed with the loan in process without requiring any additional fieldwork.

Not eligible for Stronghill Capital 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 Capital will consider purchase if the issue has been corrected prior to loan funding and with proper documentation.

#### SECOND APPRAISAL

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

- The loan balance exceeds \$2,000,000.
- 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

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#### NEIGHBORHOOD ANALYSIS

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- 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*

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- 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 Capital.
- Permanent and Functioning Heat Source – A permanent heat source is required except for properties located in geographic areas where it is typical not to have heat source and has no adverse effect on marketability.

#### *SUBJECT SECTION*

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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*

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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*

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Stronghill Capital 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 may be permitted on a case-by-case basis
- 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.
- If zoning (current or grandfathered) permits an accessory unit the rental income may be included, subject to the following:
  - Appraisal reflects the accessory is legal and the appraisal report includes at least one comp with an accessory unit.
  - The market rent for the accessory unit should be documented on FNMA Form 1007 and for refinances the file must include a copy of a current lease with two (2) months proof of current receipt.
  - Short Term Rental Income – Only allowed for consideration with a 12-month documented history of the ADU Income.

## OUTBUILDINGS

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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

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Appraisal transfers are permitted with approval from Stronghill Capital to ensure compliance with the Home Value Code of Conduct (HVCC) and Appraiser Independence requirements and are subject to the following requirements:

- Appraisal must have been completed by an AMC.
- The appraisal must be less than 60-days old (less than 120-days at closing) and completed by an Appraisal Management Company.
- AIR Certification should be attached to the appraisal.
- Borrower to confirm in writing they received a copy of the appraisal.

Appraisal transfers that do not meet these requirements will require a new appraisal to be ordered.

## APPRAISAL REQUIREMENTS 5-8 RESIDENTIAL AND 2-8 MIXED USE

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### *5-8 UNIT RESIDENTIAL PROPERTIES*

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A full interior inspection with photos is required for all units. The sales comparison approach should be used as the appraised value.

The following appraisal forms are acceptable:

- FHLMC Form 71A, FNMA Form 1050 or similar short form can be used to appraise 5+ residential properties, or
- A narrative report for complex higher value property; appraisers may require the report to be in narrative form to adequately cover the scope of the project.

### *2-8 MIXED USE PROPERTIES*

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Commercial use limited to retail or office space. Residential or commercial zoning acceptable.

- General Purpose Commercial Forms (i.e., GP Commercial Summary Form available from CoreLogic a la mode)
- A full interior inspection with photos is required for all units.
- Commercial space must not exceed 49% of the total building area.
- The sales comparison approach should be used as the appraised value.

### *APPRAISAL ATTACHMENTS REQUIRED (APPLIES TO RESIDENTIAL AND MIXED USE):*

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- Rent Roll
- Income and Expense Statement
- Photos of subject including exterior/interior and street scene
  - Interior photos of all units should be included.
- Aerial photo
- Sketch or floor plan of typical units
- Map
- Plot plan or survey
- Appraiser qualifications

### *PROPERTY CONDITION*

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- No fair or poor ratings
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

## APPRAISAL REVIEW REQUIREMENTS

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## APPRAISAL REVIEW PRODUCTS 1-4 RESIDENTIAL PROPERTY

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An appraisal review product is required on every loan file unless a second appraisal is obtained. The appraisal review product should provide an “as is” value for the subject property (the “Appraisal Review Value”) as of the date of the subject loan transaction.

For files requiring an appraisal review product, four (4) options are available:

- The Seller may submit the appraisal report to Collateral Underwriter® (CU®) or Loan Collateral Advisor® (LCA). An eligible score is 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). (Only one score required, if both scores (CU & LCA) provided, both required to be 2.5 or less).
- An enhanced desk review product from one of the following choices:
  - ARR from Pro Teck
  - CDA from Clear Capital
  - ARA from Computershare
  - CCA from Consolidated Collateral Analysis
- An desk review product, ordered through an approved AMC.
- 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 CU® or LCA score exceeds 2.5 or 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, a second appraisal, or utilizing the lower value for calculating LTV. For field review or second appraisal, these must be from a different appraisal company and appraiser than the original appraisal.

## APPRAISAL REVIEW PRODUCT 5-8 RESIDENTIAL AND 2-8 MIXED USE

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- A commercial sales and income Broker Price Opinion (BPO) is required. The appraised value is considered valid if the BPO is greater than or not more than 10% below the value of the appraisal. If the BPO is more than 10% below the appraised value, then the BPO value is used to determine the loan LTV.
- In Pennsylvania and North Carolina, a commercial evaluation product is used instead of the BPO product.

## MINIMUM PROPERTY REQUIREMENTS

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MINIMUM SQUARE FOOTAGE		
Single Family 700 sq. ft.	Condominium 500 sq. ft.	2-8 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.

## PERSONAL PROPERTY

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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.

### ESCROW HOLDBACKS

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

### DECLINING MARKETS

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If the trend of property values is downward, a “Declining Market” exists. This requires a 5% LTV reduction from the regular LTV matrix for LTVs greater than 70%.

## 7.15.2 PROPERTY TYPES

### ELIGIBLE PROPERTIES

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- Single Family Detached
- Single Family Attached
- 2-4 Unit residential properties
- 5-8 Unit residential properties (DSCR only)
- 2-8 Mixed Use (DSCR only)
  - 2-3 Units: Max 1 commercial Unit
  - 4-5 Units: Max 2 commercial Units
  - 6-8 Units: Max 3 commercial Units
- Condominium
- Condo hotels
- Modular homes
- Properties of 20 acres or less ([See 7.16.3 Acreage Limitations](#) for limits based on loan program)
- Leaseholds (in areas where leaseholds are common)
- Properties with corporate leases in place (leases and terms must be consistent with typical market standards and will be subject to standard market rent verification)

### INELIGIBLE PROPERTIES

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- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy, regardless of location
- Agricultural properties (including farms, ranches, or orchards)
- Manufactured or Mobile homes
- 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
    - The following two (2) conditions exist:
      - The property is located on a gravel road and
      - Two of the three comparable properties are more than 5 miles from the subject property.

### 7.15.3 ACREAGE LIMITATIONS

Limitations based on loan program.

- A maximum of 20 acres – Income Achiever, Asset Achiever, & Credit Achiever programs
- A maximum of 2 acres – Investment Achiever & Investment Achiever Multi-Family programs
- A maximum of 15 acres - Jumbo Achiever program
- No truncating allowed
- Rural property allowed based on the following programs and restrictions.

### 7.15.4 RURAL PROPERTY ELIGIBILITY

A property is classified as rural if:

- The appraiser indicates in the neighborhood section of the report a rural location; or
- The following two (2) conditions exist:
  - The property is located on a gravel road and
  - Two of the three comparable properties are more than 5 miles from the subject property.

A rural property is only allowed under the following conditions:

Owner-Occupied (Primary / Second Homes) Occupancy Only

### 7.15.5 STATE ELIGIBILITY

#### DELEGATED CORRESPONDENT:

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##### **Eligible States:**

Nationwide - excluding Puerto Rico, Guam, and the US Virgin Island. Appropriate License required where applicable.

#### NON-DELEGATED CORRESPONDENT:

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**Eligible States:**

Except as identified below. Appropriate License required where applicable.

**Ineligible States:****OWNER-OCCUPIED (PRIMARY + SECOND HOME) INELIGIBLE STATES:**

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- Alaska
- Connecticut
- Delaware
- Hawaii
- Maine
- Massachusetts
- New Hampshire
- New Jersey
- New York
- Rhode Island
- West Virginia
- Puerto Rico
- Guam
- US Virgin Island

**INVESTMENT OCCUPANCY (BUSINESS PURPOSE) INELIGIBLE STATES:**

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**Ineligible States:****1-4 Family -**

- Puerto Rico
- Guam
- US Virgin Islands

**Ineligible States:****Multi-Family/Mixed Use**

- Puerto Rico
- Guam
- US Virgin Islands

**TEXAS HOME EQUITY LOANS 50(A)(6)**

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A Texas Section 50(a)(6) mortgage is a home equity loan originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. All loans must comply with the requirements listed in the Texas Constitution. Sellers should not rely on Stronghill Capital Mortgage Capital categorization of refinance loans for purposes of determining whether compliance with the provisions of Texas Constitution Section 50(a)(6) is required. Sellers should consult with their counsel to determine the applicability of Texas Constitution Section 50(a)(6) to a specific transaction.

**NEW YORK – CEMA**

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Consolidation, Extension, and Modification Agreement (CEMA) may be utilized for refinance transactions secured by property located in the State of New York. Attorney's experienced in reviewing and preparing CEMA documentation should be utilized. See specific requirements under CEMA Documentation.

**7.15.6 PROPERTY FLIPPING (TILA HIGHER PRICED MORTGAGE LOANS (HPML) APPRAISAL RULE 1026.35(A)(1)**

Applies to covered HPML transactions.

- Qualified Mortgages (QM) are excluded.
- Investment Occupancy types are excluded.

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.

## 7.15.7 LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the Seller's title policy.

The Seller must provide documentation and leaseholds must meet all Fannie Mae® eligibility requirements (i.e., term of lease).

## 7.15.8 STRONGHILL CAPITAL EXPOSURE – BORROWER LIMITATIONS

Stronghill Capital's exposure to a single borrower shall not exceed \$5,000,000 in current unpaid principal balance (UPB) or ten (10) loans unless reviewed and approved by Stronghill Management on a case-by-case basis.

## 7.15.9 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 [www.fema.gov/disasters](http://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.

### APPRAISALS COMPLETED PRIOR TO DISASTER

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An 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

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- 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

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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.

#### 7.15.10 CONDOMINIUMS

A condominium project is one in which individual owners hold title to units in the project along with an undivided interest in the real estate that is designated as the common area for the project. The units in the project must be owned in fee simple and the unit owners must have the sole ownership interest in and rights to the use of, the project's facilities, common elements, and limited common elements.

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

- All Loan secured by condominium projects require a completed Homeowners Association (HOA) questionnaire and condominium review except for:
  - Site Condominium
    - Projects consisting entirely of detached (site) units will not require a project review and is eligible for single-family dwelling LTV/CLTV
  - 2-4 Unit project provided the following are met:
    - Project is not ineligible. See section 5.5.8.4 - Ineligible Projects.
    - Evidence of sufficient hazard, flood, and walls-in insurance coverage if the subject unit has individual coverage. If the insurance covers the entire project, it must be sufficient in the event of a total loss.
    - Homeowner's association dues to be included in DTI/DSCR if applicable
- Special assessment information is to be provided to determine if there is a critical repair. Provide purpose, amount, term, balance, status, and cost per unit.
- 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.
- Florida Condominiums:
  - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects greater than 5

stories. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.

- Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements
- Projects with an unacceptable or no inspection are ineligible
- See the current Loan/LTV matrix for maximum LTV/CLTVs and loan amounts.
- Stronghill Capital's project exposure maximum shall be \$5,000,000 or 20% of the total units in the project, whichever is lower.
- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Subject Unit Minimum Requirements: Minimum 500 Square Feet, Full Size Kitchen, minimum of one (1) bedroom.
  - Full-Sized Kitchen – functioning sink, appliances to include a cooktop/stove/oven, and space for a full-sized standard refrigerator.
- Commercial space less than 50% of project.
- No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees.
- For condominium projects consisting of five or more units, single entity ownership allowed up to 20% of the project.
- Investor concentration allowed up to 60%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated.
- The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame.
- Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense.
- 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 (unless condo master insurance policy contains "wall in" coverage).
- 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.

#### *ESTABLISHED PROJECTS*

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- 90% of the total units in the project must be sold and conveyed to the unit owners.
- 40% of the total units in the project must be owner occupied.
- All phases are complete.
- HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed.
- All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.

### NEW PROJECTS

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- 50% of the total units in the project or subject's phase must be sold and conveyed to the unit owners AND at least 50% of the units must be owner occupied.
- Project or subject's legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete.
- Project may be subject to additional phasing.
- HOA should be in control – project under Developer or Builder control will be considered on a case-by-case basis only.

### WARRANTABLE CONDO

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- For pricing purposes, a condo is warrantable, if it meets Fannie Mae's warrantability criteria, including owner-occupancy rates, financial health of the condo association, limits on single-entity ownership, absence of litigation affecting the complex, and specific insurance requirements.
- Warrantability is documented through an approved status for the condo project as found within Fannie Mae's Condo Project Manager (CPM) system.

### NON-WARRANTABLE CONDO

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- For pricing purposes, a condo is non-warrantable if it does not meet Fannie Mae established criteria and when it does not fall under the Condominium Hotel classification.

### CONDOMINIUM HOTELS

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- Condominium Hotel – (a.k.a. Condo Hotel, Condotel)
  - Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
  - A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis.
  - Occupancy Type: Primary, Second Home, or Investment.
  - Investor concentration, within the subject project, may exceed established project criteria, up to 100%.
  - Maximum LTV/CLTV may vary by program – see Loan/LTV matrix.
  - Maximum Loan Amount: \$1.5 million
  - Minimum Loan Balance: \$150,000
  - Gross rents (for all income doc types) reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property.
  - Minimum square footage: 500
  - Fully functioning kitchen –appliances to include a refrigerator and cooktop/stove/oven
  - Separate Bedroom, with door required
  - Florida Condominiums:
    - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects greater than 5 stories. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.
      - Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.
    - Projects with an unacceptable or no inspection are ineligible.

## INELIGIBLE PROJECTS

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- A project subject to the rules and regulations of the US Securities and Exchange Commission.
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- 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.
- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
- 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, quarter share).
- 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).
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.
- Any project in need of critical repairs with one of the following characteristics:
  - mold, water intrusions or potentially damaging leaks to the project's building(s); or
  - unfunded repairs costing more than \$10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Any project with significant deferred maintenance or has received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions.

## CONDOMINIUM INSURANCE REQUIREMENTS

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### *COVERAGE*

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- Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Project meets all Fannie Mae insurance requirements for property, liability, and fidelity coverage.

### *FIDELITY OF EMPLOYEE DISHONESTY INSURANCE FOR CONDOMINIUMS*

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For condominium projects consisting of more than 20 units, fidelity insurance coverage equaling at least sum of three months of assessments on all units in the project is required.

### *HO-6*

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If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or "walls-in" coverage. The HO-6 insurance policy must provide coverage in an amount as established by the HO-6 insurer.

### *DEDUCTIBLE*

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The maximum deductible amount must be no greater than 5% of the face amount of the policy.

#### *FLOOD INSURANCE*

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- The condominium homeowners' owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:
  - Building Coverage must equal the lesser of:
    - 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure); or
    - The total number of units in the condominium building times \$250,000
  - Contents Coverage must equal the lesser of:
    - 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or
    - The maximum amount of contents coverage sold by the NFIP for a condominium building

TERM	DEFINITION
<b>Adjustable-Rate Mortgage (ARM)</b>	A mortgage loan that permits the lender to periodically adjust the interest rate on the basis of changes in a specified index.
<b>Allonge</b>	An attachment to a legal document that is used to insert language or signatures when there is no space for them on the document itself. Frequently used to add endorsements to the mortgage note.
<b>American Land Title Association (ALTA)</b>	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.
<b>Application Date</b>	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.
<b>Appraisal</b>	A report that sets forth an opinion or estimate of value.
<b>Automated Clearing House (ACH)</b>	An electronic drafting system that debits (or credits) an authorized bank account and electronically transfers funds to (or from) another designated account.
<b>Best Efforts</b>	A secondary market rate lock is an agreement between a seller and the investor which allows the seller 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.
<b>Borrower</b>	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> .
<b>Cash-Out Refinance</b>	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.
<b>Co-Borrower</b>	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> .
<b>Condominium (condo)</b>	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.
<b>Credit Score</b>	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.
<b>Curtailment</b>	A financial term for a partial or an extra principal payment.
<b>Custodian (Document Custodian)</b>	A financial institution that maintains custody of certain mortgage documents on behalf of Stronghill Capital.
<b>Debt-To-Income Ratio (DTI)</b>	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."
<b>Escrow Account</b>	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.
<b>Federal Emergency Management Agency (FEMA)</b>	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.
<b>First-Time Home Buyer</b>	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.
<b>Higher-Priced Covered Transaction</b>	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.
<b>Higher-Priced Mortgage Loan</b>	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.
<b>Lease</b>	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.
<b>Loan-To-Value (LTV) Ratio</b>	The relationship between the original loan amount of the first mortgage and the property's appraised value (or sales price, if it is lower).
<b>Lock Expiration</b>	A mandatory mortgage lock requires that the seller either deliver the product to the buyers by a specific date or incur a fee, called a pair-off fee.

<p><b>Mandatory</b></p>	<p>A mandatory mortgage lock requires that the seller 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>
<p><b>Preparer Tax Identification Number (PTIN)</b></p>	<p>The IRS requires anyone who prepares tax returns for compensation to register and obtain a PTIN. There are no qualifications to obtain a PTIN, it's simply used for preparer identification.</p>
<p><b>Prepayment Penalty</b></p>	<p>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.</p>
<p><b>Rate lock</b></p>	<p>A secondary market rate lock is an agreement between a seller and the investor which allows the seller 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.</p>
<p><b>Sales Contract</b></p>	<p>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.</p>
<p><b>Standard / Full Documentation</b></p>	<p>When referencing Income Documentation type, Standard Documentation and Full Documentation types are interchangeable.</p>
<p><b>Texas Section 50(a)(6) Loan</b></p>	<p>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).</p>





## CH. 9 APPENDIX: FORMS

### 9.1 ALLONGE – SAMPLE

#### ALLONGE

Loan Number: (as printed on the note) \_\_\_\_\_

Borrower(s): \_\_\_\_\_

Property Address: \_\_\_\_\_

Note/Loan Amount: \$ \_\_\_\_\_

Note/Loan Date: \_\_\_\_\_

Pay to the order of: \_\_\_\_\_ without recourse  
*(Leave blank)*

Seller Company Name \_\_\_\_\_

Signature: \_\_\_\_\_

Print Signer's Name: \_\_\_\_\_

Signer's Title: \_\_\_\_\_

## 9.2 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.

## 9.3 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

## 9.4 BORROWER CERTIFICATION OF BUSINESS PURPOSE (NON-QM ONLY)

### Borrower Certification of Business Purpose

This BORROWER CERTIFICATION OF BUSINESS PURPOSE LOAN is being executed and made effective as of **[LOAN CLOSING DATE]**. The undersigned borrower(s) and, if applicable, guarantor (collectively the “Borrower”) certifies and represents to **[SELLER NAME]** (“Seller”) all of the following:

1. Borrower has requested that Seller make a loan in the original principal amount of **[LOAN AMOUNT]** (“Loan”), which is evidenced by that certain Promissory Note of even date herewith made in favor and payable to the order of Seller, which is secured by that certain Mortgage, Deed of Trust or Security Deed (“Security Instrument”) of even date herewith encumbering all that certain real property referenced in the Security Instrument and commonly known as **[PROPERTY ADDRESS]** (“Property”).
2. Borrower has previously represented to Seller that the purpose of the Loan is solely for business or commercial purposes and not for any personal, family, or household purposes.
3. As previously represented, all proceeds from the Loan are to be used solely for business or commercial purposes and not for any personal, family, or household purposes.
4. The Property is not the principal or secondary residence of (i) the Borrower (including, for avoidance of doubt, any guarantors), or (ii) if the Borrower is not a natural person, any person who has a direct or indirect ownership interest in the Borrower.
5. Certain consumer protection laws, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.), do not apply to the origination of the Loan.
6. The Borrower has read and understands the contents of this Borrower Certification of Business Purpose.

IN WITNESS WHEREOF, this Certification has been duly executed by the Borrower as of the date first above written.

Borrower(s):

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Type/Print Name

\_\_\_\_\_  
Type/Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date



Type/Print Name

Type/Print Name

## 9.5 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

If you reside outside the United States

Borrower (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

(\_\_\_\_) \_\_\_\_\_

Co-Borrower (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_  
(Area code) phone number

(\_\_\_\_) \_\_\_\_\_  
(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 \_\_\_\_\_

## 9.6 COLLATERAL SHIPPING INSTRUCTIONS

### Bailee or Security Release

When delivering original promissory notes, the Seller must provide either a Bailee Letter or a Security Release Form as follows:

<p>Bailee Letter Requirements</p>	<ul style="list-style-type: none"> <li>○ Must accompany the original promissory note delivered to the custodian (see collateral shipping instructions in next section)             <ul style="list-style-type: none"> <li>● A bailment is only established if a bailee letter is delivered with the original promissory note</li> </ul> </li> <li>○ Does not require execution by Stronghill Capital and/or custodian; original note delivery under a bailee is sufficient notification of the bailee arrangement</li> <li>○ Allow 2 business days, following receipt, for custodian processing to make bailee letter available to Stronghill Capital for wire account setup of the loan's purchase proceeds</li> <li>○ Must sufficiently describe the subject loan(s) so Stronghill Capital can identify the correct mortgage loan(s); should contain the following information:             <ul style="list-style-type: none"> <li>● Seller's name</li> <li>● Borrower name</li> <li>● Wire instructions</li> <li>● Either the Seller or Stronghill Capital loan number</li> <li>● Note amount</li> </ul> </li> </ul>
<p>Security Release Form Requirements</p>	<ul style="list-style-type: none"> <li>○ Seller must be pre-approved for self-funding; if not, contact the Stronghill Capital sales associate to initiate self-funding approval process</li> <li>○ Submit a Security Release form, executed by an authorized signer of the Seller</li> <li>○ Must be included in each applicable imaged file uploaded by seller to the ELEVATE Portal using document type 'Credit Package Document'</li> <li>○ Must be delivered to Stronghill Capital within 24 hours after loan delivery</li> <li>○ Must sufficiently describe the subject loan(s) so Stronghill Capital can identify the correct mortgage loan(s); should contain the following information:             <ul style="list-style-type: none"> <li>● Seller's name</li> <li>● Borrower name</li> <li>● Wire instructions</li> <li>● Either the Seller or Stronghill Capital loan number</li> <li>● Note amount</li> </ul> </li> </ul>

### Initial Collateral Shipping

<p>Custodian Mailing Address</p>	<p><b>Computershare Trust Company, N.A.</b>  <b>Attn: Biniam Merid – STRONGHILL NOTES</b>  <b>1015 10<sup>th</sup> Ave SE</b>  <b>Minneapolis, MN 55414</b></p>
<p>Custodian Stacking &amp; Packaging Instructions</p>	<ul style="list-style-type: none"> <li>○ Place loan files in sequential loan number order inside shipping package/box.</li> <li>○ Include a packing list/manifest, consisting of a list of the loans; if multiple boxes, specify the box number for each loan.</li> <li>○ Mark the exterior of each box to identify its contents as follows:             <ul style="list-style-type: none"> <li>● Stronghill Capital-Initial/Seller Name/ Box 1 of __, Ln # 100000– 100200.</li> </ul> </li> <li>○ Stack documents in the following order:             <ul style="list-style-type: none"> <li>● Bailee Letter (or self-assurance letter if applicable) (do not staple or clip to Note)</li> <li>● Original Note, with an original signature, fully executed</li> <li>● Original allonge, endorsing the Note from Your Company Name to Blank (See Guide Exhibit for Allonge Example)</li> <li>● If not a MERS MOM loan:</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>▫ Original Unrecorded Assignment from Seller to Blank</li> <li>• Original Executed Power of Attorney (if applicable)</li> <li>• Any other documents as may be applicable relevant to program, property, or business entity as borrower (Example: Original Guaranty, Loan Agreement, POA, etc.)</li> <li>○ Place collateral documents in a pocket file folder (legal size); one folder per loan</li> <li>○ Affix a label to the upper right-hand corner of each pocket-file folder reflecting: <ul style="list-style-type: none"> <li>• Stronghill Loan ID</li> <li>• Seller Loan ID</li> <li>• Borrower Name</li> </ul> </li> </ul>
Newly originated loans (< than 120 days from note date):	<ul style="list-style-type: none"> <li>○ The <b>copy of the unrecorded mortgage and title commitment are required to be eligible for loan sale/purchase settlement.</b> Deliver the preliminary documents to Stronghill Capital, as follows: <ul style="list-style-type: none"> <li>• Upload images to Stronghill Capital via the ELEVATE Portal (delivery portal) using document type 'Credit Package Document'; AND <ul style="list-style-type: none"> <li>▫ Security Instrument (MERS MOM), with all riders &amp; schedules, sent for recordation</li> <li>▫ If not a MERS MOM loan, each original or copy of the recorded intervening assignment(s), evidencing a complete chain of title from Originator to Seller (if applicable)</li> <li>▫ Title Commitment/Binder/Prelim Title</li> <li>▫ Power of Attorney, or a copy of the original sent for recordation (if applicable)</li> </ul> </li> <li>• Delivery of the recorded/final versions to the custodian is required within 180 days of loan sale/purchase settlement date. See Trailing Document Delivery instructions.</li> </ul> </li> </ul>

Contact the Stronghill Capital collateral desk for additional assistance at: [Collateral@Stronghill.com](mailto:Collateral@Stronghill.com)

MERS Registration and Transfer of Servicing and Beneficial Rights	<ul style="list-style-type: none"> <li>○ Provide screen shot of MIN Summary to evidence registration is in active status &amp; ownership rights are held by seller. <ul style="list-style-type: none"> <li>• Must be included in each applicable imaged file uploaded by seller to the ELEVATE Portal using document type 'Final Closing Package'</li> <li>• Must be delivered to Stronghill Capital within 24 hours after loan delivery</li> </ul> </li> <li>○ Seller is responsible for initiating the MERS® Transfer of Rights, within 5 calendar days of loan sale/purchase settlement.</li> <li>○ Initiate a TOS/TOB combo transaction to Stronghill Capital, as follows: <ul style="list-style-type: none"> <li>• Investor: 1015170</li> <li>• Servicer: 1015170</li> </ul> </li> </ul> <p><i>Note: Stronghill Capital reserves the right to charge an administrative fee of \$25.00 for any loan not transferred accurately within the required 5 calendar days.</i></p>
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Contact the Stronghill Capital MERS desk for additional assistance at: [MERS@Stronghill.com](mailto:MERS@Stronghill.com)

### Trailing Document Delivery (for loans < 3 months seasoned at loan sale/purchase settlement)

Custodian Delivery Address	<p><b>Computershare Trust Company, N.A.</b>  <b>Attn: Biniam Merid – STRONGHILL TD</b>  <b>1015 10<sup>th</sup> Ave SE</b>  <b>Minneapolis, MN 55414</b></p>
Document Packaging	<ul style="list-style-type: none"> <li>○ Include a cover sheet with seller and Stronghill Loan IDs for each trailing document; or use a manifest to identify each document and its corresponding seller and Stronghill loan IDs. If using a manifest, the documents must be stacked in the same order as represented on the manifest</li> <li>○ Individual documents with multiple pages may be stapled or clipped together <ul style="list-style-type: none"> <li>• Do <b>NOT</b> staple/clip multiple <i>documents</i> together</li> </ul> </li> <li>○ Mark the exterior of the package(s)/box(es) to identify its contents as follows: SHC-Trailing/Seller Name/ Box 1 of __, Ln # 100000– 100200.</li> </ul>



Contact the Stronghill Capital collateral desk for additional assistance at: [Collateral@Stronghill.com](mailto:Collateral@Stronghill.com)

## 9.7 CONDOMINIUM PROJECT QUESTIONNAIRE

### CONDOMINIUM PROJECT QUESTIONNAIRE

<b>Project Name:</b>		<b>Date:</b>	
<b>Project Street Address:</b>		<b>HOA Taxpayer ID:</b>	
<b>Unit Address:</b>		<b>Loan Number:</b>	
<b>HOA Representative:</b>		<b>Lender Name:</b>	

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
<b>Note: If unable to provide number of second homes, provide number of off-site addresses:</b>							

- 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 _____
- Does the Project have any characteristics listed below? Please check all that apply:
 

<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
- What year was the Project built or converted? \_\_\_\_\_
- How many stories or floors does the Project have? \_\_\_\_\_
- What is the maximum number of units allowed in the Project? \_\_\_\_\_
- Are at least 90% of the total units sold and closed?  Yes  No
- 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? \_\_\_\_\_
- 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



# STRONGHILL CAPITAL

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:** \_\_\_\_\_



**9.8 LLC BORROWING CERTIFICATE - MULTIPLE MEMBER (NON-QM ONLY)****LIMITED LIABILITY COMPANY BORROWING CERTIFICATE****TO: [INSERT SELLER LEGAL NAME]**

The undersigned, being all the members of [\_\_\_\_\_, a \_\_\_\_ limited liability company] (“Borrower”), do hereby certify that they are all of the managers and members of Borrower and, under the Borrower’s [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned are each authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower’s act and deed:

1. To borrow money from [SELLER LEGAL NAME] (“Seller”) and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Seller; Borrower shall be bound to Seller by and Seller may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower, provided that Seller believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower’s real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments, and other evidence of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower’s obligations to Seller, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$\_\_\_\_\_] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Seller and shall continue in full force and effect until Seller shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Seller prior to Seller’s receipt of such notice.

We further certify that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower’s continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [\_\_\_\_\_, 20\_\_].

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Signature

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Signature





# STRONGHILL CAPITAL

Printed Name \_\_\_\_\_  
Title \_\_\_\_\_

Printed Name \_\_\_\_\_  
Title \_\_\_\_\_

Signature \_\_\_\_\_  
Printed Name \_\_\_\_\_  
Title \_\_\_\_\_

Signature \_\_\_\_\_  
Printed Name \_\_\_\_\_  
Title \_\_\_\_\_

**9.9 LLC BORROWING CERTIFICATE - SINGLE MEMBER (NON-QM ONLY)****LIMITED LIABILITY COMPANY BORROWING CERTIFICATE****TO: [INSERT SELLER LEGAL NAME]**

The undersigned, being the sole member of [\_\_\_\_\_, a \_\_\_\_\_ limited liability company] ("**Borrower**"), does hereby certify that they are the sole and only member of Borrower and, under the Borrower's [Operating Agreement] [Limited Liability Company Agreement] and by these presents, the undersigned is authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [SELLER LEGAL NAME] ("**Seller**") and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Seller; Borrower shall be bound to Seller by and Seller may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Seller believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments, and other evidence of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Seller, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$\_\_\_\_\_] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Seller and shall continue in full force and effect until Seller shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Seller prior to Seller's receipt of such notice.

The undersigned further certifies that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [\_\_\_\_\_, 20\_\_].

---

By (Signature)

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Name (Printed)

Title

## 9.10 NEW SERVICER REFERENCE GUIDE

Please reference SLS Loan Number (if known) or Stronghill Loan Number, Borrower Name and Property Address in all correspondence with the servicer.

*Borrowers should be prepared to provide last 4-digits of SSN or EIN (for Entity closed loans) for identity verification purposes when contacting the servicer directly.*

Servicing Item:	Specialized Loan Servicing (NMLS ID 2168)
<b>Address for Borrower Payments:</b>	<ul style="list-style-type: none"> <li>• Regular Mailing               <ul style="list-style-type: none"> <li>○ Specialized Loan Servicing LLC P.O Box 60535 City of Industry, CA 91716-0535</li> </ul> </li> <li>• Overnight Mail &amp; Payoff Mail               <ul style="list-style-type: none"> <li>○ Specialized Loan Servicing LLC 6200 S. Quebec St., Suite 300 Greenwood Village, CO 80111 Attn: Cashiering Department</li> </ul> </li> </ul>
<b>Address for Correspondence:</b>	<ul style="list-style-type: none"> <li>• Specialized Loan Servicing LLC P.O Box 630147 Littleton, CO 80163-0147</li> </ul>
<b>Forwarding Trailing Payments or Escrow Funds by Mail:</b>	<ul style="list-style-type: none"> <li>• Specialized Loan Servicing LLC 6200 S Quebec Street Greenwood Village, CO 80111 Attn: Cashiering</li> </ul>
<b>Address for Payoff Funds by Mail:</b>	<ul style="list-style-type: none"> <li>• Overnight Mail &amp; Payoff Mail               <ul style="list-style-type: none"> <li>○ Specialized Loan Servicing LLC 6200 S. Quebec St., Suite 300 Greenwood Village, CO 80111 Attn: Cashiering Department</li> </ul> </li> </ul>
<b>Customer Service Information:</b>	<ul style="list-style-type: none"> <li>• Toll-Free: 1-800-315-4757</li> <li>• Website: <a href="https://sls.servicingloans.com/Login">https://sls.servicingloans.com/Login</a></li> <li>• Hours: 6am MT – 6pm MT</li> </ul>
<b>Loss Payee Clause:</b>	<ul style="list-style-type: none"> <li>• Specialized Loan Servicing LLC Its Successors and/or Assigns ATIMA PO Box 4500 Springfield, OH 45501</li> </ul>



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<b>Requests for VOM:</b>	<ul style="list-style-type: none"> <li>• Email: Select “Contact Us” through the borrower web (link above)</li> <li>• Fax: Specialized Loan Servicing LLC 1-720-241-7218 Attention: Customer Care Support</li> </ul>
<b>Send NSF Reimbursement Requests &amp; supporting documentation to:</b>	<ul style="list-style-type: none"> <li>• Email: <a href="mailto:NASLSServAqcCashOps@computershare.com">NASLSServAqcCashOps@computershare.com</a>; <a href="mailto:Loantransfers@sls.net">Loantransfers@sls.net</a> <ul style="list-style-type: none"> <li>○ Original returned or dishonored check or other evidence of non-payment</li> <li>○ Explanation of how applicable funds were applied by Transferor (copy of payment history)</li> </ul> </li> </ul>
<b>Forward Trailing Tax or Insurance Documents to:</b>	<ul style="list-style-type: none"> <li>• <b>Tax</b> – Email <a href="mailto:Tax.Notifications@sls.net">Tax.Notifications@sls.net</a></li> <li>• <b>Insurance</b> – Upload to <a href="http://www.mycoverageinfo.com/agent">www.mycoverageinfo.com/agent</a></li> </ul>
<b>Forward All Other Trailing Loan Documents to:</b>	<ul style="list-style-type: none"> <li>• <b>Email:</b> <a href="mailto:records.management@computershare.com">records.management@computershare.com</a></li> <li>• <b>Docs via Mail:</b> Specialized Loan Servicing LLC 6200 S Quebec Street Greenwood Village, CO 80111 Attn: Records Management</li> </ul>
<b>MERS ORG ID</b>	<ul style="list-style-type: none"> <li>• SLS MERS Org ID: 1003225</li> <li>• Transfer must occur no later than the transfer of servicing date</li> </ul>
<b>Tax Vendor Name &amp; ID</b>	<ul style="list-style-type: none"> <li>• CoreLogic</li> <li>• ID: 11146</li> </ul>
<b>Wiring Instructions:</b>	<ul style="list-style-type: none"> <li>• Wiring Instructions: <ul style="list-style-type: none"> <li>○ Swift Number : WFBIUS6S</li> <li>○ Bank Name : Wells Fargo</li> <li>○ Bank Address : 420 Montgomery Street San Francisco, CA 94104</li> <li>○ Account Number : 2000042928232</li> <li>○ Bank ABA Number : 121000248</li> <li>○ Account Name : SLS Wire Clearing</li> </ul> </li> <li>• *Reference Wire Details Instructions below*</li> </ul>
<b>Wire Detail:</b>	<ul style="list-style-type: none"> <li>• Please reference the SLS Loan Number, Borrower Name and Property Address on the wire. An email with wire detail can also be sent to <a href="mailto:NASLSServAqcCashOps@computershare.com">NASLSServAqcCashOps@computershare.com</a></li> <li>• Please structure the Subject line of the email as follows: <ul style="list-style-type: none"> <li>○ Loan # 123456789 - \$123,456.78 (Wire Amount)</li> <li>or</li> <li>○ Bulk Loans - \$123,456.78 (Wire Amount)</li> </ul> </li> </ul>

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**9.11 NON-OCCUPANT CO-BORROWER CERTIFICATION (NON-QM ONLY)**

**NON-OCCUPANT CO-BORROWER CERTIFICATION**

Borrower \_\_\_\_\_

Co-Borrower(s) \_\_\_\_\_

Property Address \_\_\_\_\_

I/We the undersigned certify that:

- I am/We are the co-borrower(s) of the Promissory Note associated with the first mortgage loan that is being made to the above Borrower(s).
- I/We attest that my/our income is/are being taken into account for qualifying purposes only.
- I/We attest that we do not currently, nor will ever occupy the above-mentioned Subject property.
- I/We attest that we will sign the mortgage or deed of trust note at closing.
- I/We understand that upon consummation of this transaction I/we will have joint liability for the note with the Borrower(s).
- I/We do not have an interest in the property sales transaction, such as the property seller(s), the builder(s), or the real estate broker(s).

**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 Seller 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





## 9.12 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 Seller 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 Seller 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
_____	_____	_____	_____



## 9.13 SECURITY RELEASE FORM

### Security Release Form

Date: \_\_\_\_\_

Seller Name: \_\_\_\_\_

Seller Address: \_\_\_\_\_

\_\_\_\_\_ (“Seller”) hereby acknowledges that it has exclusive right, title and interest in the mortgage loans referenced in Schedule A (“Mortgage Loans”) attached hereto and that the Mortgage Loans or any interest therein have not been pledged or assigned to any financial institution or other party. Seller further acknowledges that the bank account designated below is the Seller’s business bank account. Immediately upon Purchaser receiving confirmation of the payment of the purchase proceeds to the account designated below, the Seller hereby agrees that all right, title and interest in the Mortgage Loan shall be released to the Purchaser.

Wire Instructions: \_\_\_\_\_

Bank Name: \_\_\_\_\_

City State: \_\_\_\_\_

ABA #: \_\_\_\_\_

Account #: \_\_\_\_\_

Account Name: \_\_\_\_\_

\_\_\_\_\_  
By (Signature)

\_\_\_\_\_  
Name (Printed)

\_\_\_\_\_  
Title







# STRONGHILL CAPITAL

## 9.14 SPOUSAL CONSENT FORM (NON-QM ONLY)

### CONSENT OF SPOUSE

I, **[Name of Spouse]**, spouse of **[Name of Guarantor]**, acknowledge that I have read the **[Guaranty]**, dated as of **[Closing Date]**, by **[Name of Guarantor]** (the "Guaranty"), and that I know the contents of the Guaranty. I am aware that the Guaranty contains provisions guaranteeing amounts for the benefit of **[Name of Borrower]** ("Borrower") and in support of that certain promissory note incurred by Borrower and payable to the order of **[Name of Seller]** ("Seller"), as well as other obligations under the Guaranty:

I hereby expressly approve of the Guaranty in its entirety, including, but not limited to, that my spouse guarantees to Seller the full and prompt payment when due, whether at the Maturity Date or earlier, the entire amount due under the promissory note (as defined in the Guaranty).

I am aware that the legal and related matters contained in the Guaranty are complex and that I have been advised to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or determined after reviewing the Guaranty carefully that I will, and hereby do, waive such right.

Signed \_\_\_\_\_

Name of Spouse \_\_\_\_\_

Spouse Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

State of \_\_\_\_\_

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me on this \_\_\_\_\_, 20\_\_ by \_\_\_\_\_ (spouse).

(Notary Seal)

\_\_\_\_\_  
Signature of Notary Public

## 9.15 STACKING ORDER PRE-PURCHASE REVIEW

STACKING ORDER			
<b>Loan Information</b>		<b>Seller Information</b>	
<b>Loan Number:</b>		<b>Company Name:</b>	
<b>Borrower Name:</b>		<b>Contact:</b>	
<b>Property Address:</b>		<b>Contract Email:</b>	
<b>Closing Documents</b>			
	Original Note with Endorsement/Allonge		
	Security Instrument with riders/addendums; including legal description		
	Closing Disclosure (CD)		
	Title Commitment and/or Binder		
	Hazard Insurance Policy and/or Binder		
	Flood Insurance		
	Flood Insurance Policy and/or Binder		
	Right of Rescission if applicable		
	All Federal and State Disclosures		
	Amortization Schedule		
	W9 – EIN if applicable		
	Borrower Certification of Business Purpose on Investor Solutions product		
	Personal Guarantee if applicable		
	Loan Agreement if applicable		
	Occupancy Certifications as applicable		
<b>Loan Information</b>			
	Note Rate Lock between Client & Borrower(s)		
	Ability to Repay confirmation & UW ATR worksheet		
	Final 1008 (Uniform Underwriting Transmittal Summary)		
	Final URLA (Uniform Residential Loan Application)		
	Initial URLA		
<b>Credit</b>			
	Credit Report with Credit Expiration if applicable		
	Verification of Mortgage and/or Rent		
	CD for Previous property sale		
<b>Income</b>			
	Verification of Employment, Pay Stubs, W-2s, Tax Returns, Retirement/Fixed Income (Social Security, Pension)		
	Bank Statements if uses to determine income: 24- or 12-months business or personal		
	Profit & Loss Statement or Expense Letter if applicable		
	Verbal Verifications of Employment		
	Rental/Lease Agreements		
	Signed IRS Form 4506C if applicable		
	Transcripts if applicable		
<b>Assets</b>			
	Verifications of Deposit, Bank Statements, Brokerage/Retirement Statements		
	Verification of Earnest Money Deposit		
	Gift Letter and Proof of receipt		
<b>Property</b>			
	Executed Sales Contract		
	Appraisal(s)		
	Enhanced Desk		
	Final Inspection if applicable		
	Condo/PUD Information including project review determination		
<b>Additional Underwriting/QC Documents</b>			
	Loan Estimate and all Federal and State Disclosures		
	All Automated Fraud & Data Check Results		
	Any other documentation used to make underwriting /loan decision		
	04/25/2022		

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

Loan: \_\_\_\_\_

Borrower: \_\_\_\_\_

Date: \_\_\_\_\_

I understand, acknowledge, and agree that \_\_\_\_\_ (“Seller”) 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 Seller includes the Seller’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.

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Borrower

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Co-Borrower

## 9.17 STRONGHILL CAPITAL CONTACT FORM

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

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

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

## CH. 11 APPENDIX: VERSION CONTROL

Auth or	Section	Date	Update
SHC	DSCR – ALL	9.15.2022	Revised: <ul style="list-style-type: none"> <li>• Minimum DSCR Ratio: 1.10</li> <li>• First Time Investor Minimum DSCR: 1.15</li> </ul>
SHC	STATE ELIGIBILITY	10.05.2022	Added: <b>Idaho</b> as a NMLS Licensed State
SHC	STATE <a href="#">ELIGIBILITY</a>	11.15.2022	Added: <ul style="list-style-type: none"> <li>• <b>Florida</b> as a NMLS Licensed State</li> <li>• State <b>Ineligibility</b> for Business Purpose/DSCR loan types</li> </ul>
SHC	Multiple	12.01.2022	Added: <ul style="list-style-type: none"> <li>• <b>North Dakota &amp; South Carolina</b> as a NMLS Licensed States</li> <li>• Investment Achiever Multi-Family/Mixed Use - program rolled out.</li> </ul>
SHC	Multiple	1.03.2023	Revised: <ul style="list-style-type: none"> <li>• Collateral Delivery Shipping Address</li> <li>• Investment Achiever Max LTV to 80%</li> <li>• Investment Achiever Min Loan Amount to \$100,000</li> <li>• Credit Achiever Min FICO to 620</li> <li>• Investment Achiever Min DSCR to 1.00</li> </ul> Added: <ul style="list-style-type: none"> <li>• State Eligibility/Ineligibility List by Program</li> <li>• Clarification that Short Term Rental Income is Ineligible for Investment Achiever Multi-Family program.</li> </ul>
SHC	STATE <a href="#">ELIGIBILITY</a>	01.10.2023	Added: <ul style="list-style-type: none"> <li>• <b>Minnesota</b> as a NMLS Licensed State. Now eligible for all loan programs.</li> </ul>
SHC	Prepayment Penalties  <a href="#">Cash-Out Seasoning</a>	01.24.2023	Updated: <ul style="list-style-type: none"> <li>• 2023 Conforming Loan Limits = Jumbo Minimum Loan Amount</li> <li>• 2023 Prepayment Penalty Limit in PA</li> <li>• Removed OH Prepayment Penalty Restriction</li> </ul> Revised Cash-Out Refinance Seasoning Value Calculations: <ul style="list-style-type: none"> <li>• If the cash-out seasoning is less than 12 months, but greater than 6 months, the transaction property value is limited to the following options: <ul style="list-style-type: none"> <li><u>Option 1</u> <ul style="list-style-type: none"> <li>○ Use lower of cost basis or appraised value for all properties.</li> </ul> </li> </ul> </li> </ul>

			<ul style="list-style-type: none"> <li>○ Cash out proceeds cannot exceed \$500,000 standard</li> </ul> <p><u>Option 2</u></p> <ul style="list-style-type: none"> <li>○ Use Appraisal Value</li> <li>○ LTV &gt; 65%, cash out proceeds to borrower cannot exceed \$250k</li> <li>○ LTV &lt; 65%, cash out proceeds to borrower cannot exceed \$500k</li> </ul>
SHC	Multiple	02.27.2023	<p>Updated:</p> <ul style="list-style-type: none"> <li>● Added Bulk Bid Process Section</li> <li>● Updated Title Policy Requirements Section – Added policy to be updated with ISAOA language.</li> <li>● Added clarification to Tax Tracking section</li> <li>● Updated Non-Occupant Co-Borrower sections to clarify the co-borrower must be included on title.</li> <li>● State Eligibility Section – Expanded Eligibility on DSCR products.</li> <li>● Listing Seasoning Section</li> <li>● Forbearance, Modification, or Deferrals Section</li> <li>● 3<sup>rd</sup> Party Prepared P&amp;L Statement Documentation Requirements. Add backs</li> <li>● Alt Doc – Rental Income Section – Application of Rental Income enhanced</li> <li>● DSCR, 1-4 Family Residential Property Income Analysis &amp; Rent Documentation Requirements.</li> <li>● Condominium Hotels – Added Gross Rents reduction to reflect extraordinary costs.</li> <li>● Jumbo Loan Amounts – Updated with 2023 Limits</li> </ul> <p>Full Red-Lined Changes document available upon request.</p>
SHC	Multiple	05.05.2023	<p>Updated:</p> <ul style="list-style-type: none"> <li>● Standard Documentation: Clarified a minimum 2-year history of receipt of wage/salary or self-employment income is required for eligibility.</li> <li>● Added clarification around DSCR calculation for short term rentals.</li> <li>● Lowered minimum DSCR ratio to 0.75</li> <li>● Updated Minimum requirements for First time investor: <ul style="list-style-type: none"> <li>○ Min credit score to 680 from 700</li> <li>○ Max LTV to 75% from 70%</li> <li>○ Removed minimum loan amount requirement</li> </ul> </li> <li>● Added California as Eligible State for Investment Achiever – SF and MF. WHOLESALE Only.</li> <li>● Updated Max LTV on Condo Hotel: <ul style="list-style-type: none"> <li>○ Purchase 70% from 65%.</li> <li>○ R/T + C/O to 65% from 60%</li> </ul> </li> <li>● Added <a href="mailto:IncomeReview@stronghill.com">IncomeReview@stronghill.com</a> email distribution box.</li> <li>● Updated <a href="#">New Servicer Reference Guide</a>, Section 10.10</li> <li>● Expanded on Transfer of Appraisal requirements.</li> <li>● Vesting Loan in an Entity – Updated to only require guarantors that own 51% or more to apply.</li> <li>● Split Jumbo Guidelines out to their own document.</li> </ul>
SHC	Multiple	08.07.2023	<p>Updates:</p> <ul style="list-style-type: none"> <li>● State Eligibility:</li> </ul>



			<ul style="list-style-type: none"> <li>○ Revised State Eligibility List &amp; Structure, eligibility now tied to, Property Occupancy, and Property Type providing expanded coverage: <ul style="list-style-type: none"> <li>▪ Correspondent Delegated: Nationwide</li> <li>▪ Correspondent Non-Del: Expanded Eligibility</li> </ul> </li> <li>• Collateral Shipping: Clarified with additional details</li> <li>• Non-Permanent Resident: <ul style="list-style-type: none"> <li>○ Increased max LTV to 75% for Investment Achiever - DSCR</li> <li>○ Added L-1A visa as eligible</li> </ul> </li> <li>• Assets: <ul style="list-style-type: none"> <li>○ Clarified access to retirement funds is only required if needed for downpayment and closing costs.</li> <li>○ Asset Utilization: Added Sources: 100% of cash value of life insurance &amp; 100% of US Treasuries with maturity &lt; 1-year to checking/savings/money market</li> </ul> </li> <li>• Income: <ul style="list-style-type: none"> <li>○ Pension/Retirement/Annuity - Updated 401K/IRA distributions to now require only one year of forms and history of withdraws.</li> <li>○ Bank Statement – Clarified requirements and options available for verifying existence of business. Clarified eligible deposits when using personal bank statements.</li> </ul> </li> <li>• Housing History <ul style="list-style-type: none"> <li>○ Rental Verification: Clarified Requirements for VOR and alternative supporting documentation. 12-month history.</li> <li>○ Living Rent-Free: For investment properties transactions, borrower must be an experience real estate investor.</li> </ul> </li> <li>• DSCR- First Time Investor: <ul style="list-style-type: none"> <li>○ Removed minimum DSCR requirement.</li> </ul> </li> <li>• DSCR – Restrictions: <ul style="list-style-type: none"> <li>○ Added requirement for minimum DSCR ratio of 1.25 on loan amounts less than \$150,000</li> </ul> </li> <li>• DSCR – Long Term Rents: <ul style="list-style-type: none"> <li>○ Clarified if the actual rents exceed the market rent by more than 120%, use the 120% cap amount for eligibility</li> <li>○ Clarified that if unable to provide 2-months proof of receipt for a lease that has converted to month-to-month, the property will be treated as vacant/unleased. Subject to 5% LTV reduction.</li> <li>○ Short Term Rents: Clarified when to utilize the 20% extraordinary expense factor versus actual or estimated expenses if provided on statements.</li> <li>○ Short Term Rents: Added information on use of short-form narrative on 1007.</li> </ul> </li> <li>• DSCR - 5-8 &amp; 2-8: <ul style="list-style-type: none"> <li>○ Clarified requirements that copies of existing leases are required for all transactions.</li> </ul> </li> <li>• Appraisal Review Requirements: <ul style="list-style-type: none"> <li>○ Clarified the need for only one appraisal review product. Two can be provided but both must meet guidelines.</li> </ul> </li> <li>• Appraisal Review Requirements (CORR ONLY): <ul style="list-style-type: none"> <li>○ MU/MF clarified requirements for PA and NC, that a commercial evaluation product is used instead of traditional BPO.</li> </ul> </li> <li>• Property Flipping:</li> </ul>
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			<ul style="list-style-type: none"> <li>○ Clarified which transactions are covered under Property Flipping - TILA HIGHER PRICED MORTGAGE LOANS (HPML) APPRAISAL RULE 1026.35(A)(1)</li> </ul>
SHC	Multiple	08.21.2023	<p>Updates:</p> <ul style="list-style-type: none"> <li>• Addition of Foreign National citizenship eligibility guidelines. <ul style="list-style-type: none"> <li>○ Now eligible under Investment Achiever 1-4 Family.</li> </ul> </li> <li>• Expansion of Cash-Out Seasoning guidelines to allow more options for determining home value when seasoning is less than 6-months.</li> <li>• Changed all references of “TPO Portal” to “ELEVATE Portal”.</li> </ul>
SHC	Multiple	10.16.2023	<p>Updates:</p> <ul style="list-style-type: none"> <li>• Interest Credits: <ul style="list-style-type: none"> <li>○ Updated to allow an Interest Credit for loans closed within the first 7 days of the month, instead of the first 5.</li> </ul> </li> <li>• Investment Achiever Multi-Family: <ul style="list-style-type: none"> <li>○ Minimum Loan amount lowered to \$350,000</li> </ul> </li> <li>• Vesting Loan in an Entity – Updated to require personal guaranties by members representing at least 50% on the entity. (From 51%)</li> <li>• Cash-Out Seasoning – Added Clarification around calculating Value when seasoned less than 6-months and added max cash-out of \$250k.</li> <li>• Prepayment Penalty State Eligibility <ul style="list-style-type: none"> <li>○ Updated to allow for a 2% fixed percentage for 12-months prepayment penalty option, for properties located in Rhode Island.</li> </ul> </li> <li>• Expansion of Standard/Full Documentation Guidelines <ul style="list-style-type: none"> <li>○ Full Doc now available on Income Achiever</li> <li>○ Updated formatting around Standard Documentation Income Section, splitting into a Wage/Salary section and a Self-Employment Income Section</li> </ul> </li> <li>• Other Sources of Income - Pension, Retirement, Annuity – <ul style="list-style-type: none"> <li>○ Added Minimum history of withdrawal for 12-months in required.</li> </ul> </li> <li>• Borrower Experience – First Time Investor: <ul style="list-style-type: none"> <li>○ Clarified Max LTV for Purchase and Refinances</li> <li>○ Added 5% LTV reduction for Short-Term Rental Income</li> </ul> </li> <li>• DSCR Restrictions <ul style="list-style-type: none"> <li>○ Removed &lt;\$150,000 overlay requiring 1.25 DSCR.</li> </ul> </li> <li>• Accessory Units- <ul style="list-style-type: none"> <li>○ Revised to allow for Income from Accessory Unit Income to be considered in states other than California, provided the same requirements can be met.</li> <li>○ Updated to only allow STR income from an Accessory Unit to be considered with a 12-month documented history of income.</li> </ul> </li> <li>• NMLS State Licensing and State Eligibility <ul style="list-style-type: none"> <li>○ Added State Licenses: Ohio, Tennessee, Vermont</li> <li>○ Revised State Eligibility List as appropriate.</li> </ul> </li> <li>• Various grammatical and punctuations corrections.</li> </ul>
SHC	Multiple	2.01.2024	<ul style="list-style-type: none"> <li>• Added North Carolina as NMLS approved state.</li> <li>• Updated Fees to align with ratesheet/Quick Reference Guides</li> <li>• Added CEMA Documentation Requirements section</li> </ul>

- Property Insurance
  - Added Verbiage stating that Hazard Insurance Policy is explicitly required for all loan–
  - 2-8 Mixed Use - Clarified requirement stating that Hazard Insurance is required in addition to Commercial General Liability Insurance
- MERS Registration – Added clarification around MIN transfer and requirements prior to purchase.
- Clarified interim servicing responsibilities for the Seller regarding IRS Form 1098
- SHC Assisted Transfers - Added parameters for reimbursement requests on payments or escrow funds
- **NSF Payments** - Added parameters for reimbursement requests
- ACH Payments - Added information for initial draft and subsequent drafts
- Payoffs Prior to Servicing Transfer – Added Payoff calculations must include any applicable prepayment penalty amounts
- Revised credit report age to 120 days, aligning with Fannie Mae.
- Non-Permanent Resident Alien VISA - Modified requirements for EAD and VISA documentation, and provided clarification on eligibility. Added Asylum status as eligible
- Foreign National -
  - Reserves - Reduced reserve requirement from 12 months to 6 months, removed 5% LTV reduction
  - Removed VISA requirement, now only need valid passport
  - Assets Held In Foreign Accounts - Added wire transfer option
- First-Time Home Buyer - Added criteria for individuals without a documented 12 Mth rental history. Max DTI 43%, max LTV 80%.
- Title Vesting and Ownership - Reorganized section by Consumer Purpose and Business Purpose. Clarified that vesting in entity is allowed only for Business Purpose Loans. Clarified entity documentation requirements and added sub-headers for clarification.
- Delayed Financing - Not subject to cash-out limits, except for Foreign National Program
- Secondary Financing - Clarified private party secondary financing not eligible
- Housing History - Updated requirement for housing payment to be paid current as of 45 days of the loan application date. Updated section headers and re-organized requirements w/ bullet points.
- Disputed Accounts/Tradelines - Updated requirements
- Asset Documentation - Added trust asset eligibility and requirements
- Reserves – Clarified that gift funds are not eligible for reserves.
  - Added reserve requirement waiver, available only for R/T refinance of 1-4 unit property, when meeting specific criteria.
- Business and Co-Mingled Bank Statement Review – Re-organized and updated to help add clarification. Updated minimum ownership percentage for business from 50% to 25%. Clarified that Business Expense Letter calculation method must be prepared and signed by a 3<sup>rd</sup> party.
- Asset Utilization Restrictions - Updated DTI requirements for FTHB and <12 Months Housing History.
- Alt Doc – CPA/EA P&L Only
  - Re-organized section to clarify requirements. Updated to emphasize P&L statements are to be prepared by acceptable 3<sup>rd</sup> party source.
- DSCR 1-4 Achiever: Minimum ratio removed. No Ratio DSCR now eligible. See matrix and ratesheet for overlays and applicable LLPA’s.

			<ul style="list-style-type: none"> <li>• DSCR 1-4 Achiever: Minimum FICO lowered to 640. See matrix and ratesheet for overlays and applicable LLPA's.</li> <li>• DSCR Long Term Rental –             <ul style="list-style-type: none"> <li>○ Updated unleased property requirements. Vacant units now utilize the &lt;1.0 DSCR grid.</li> <li>○ Outlined specific requirements for new construction and delayed financing refinances with leases starting after the note date.</li> </ul> </li> <li>• DSCR 5-8 MF/2-8 Mixed Use–             <ul style="list-style-type: none"> <li>○ Updated commercial usage to include restaurants.</li> <li>○ Clarified additional environmental property conditions issues which are ineligible.</li> </ul> </li> <li>• Appraisal Requirements 1-4 Unit Residential - Existing Construction - Added direction for permanent and functioning heat source.</li> <li>• Condominiums -             <ul style="list-style-type: none"> <li>○ Clarified that a condo questionnaire is not required for projects consisting of 2-4 units</li> <li>○ Added special assessment requirements</li> <li>○ Added critical repair parameters</li> <li>○ Updated Florida condominium requirements.</li> <li>○ Clarified different project type options: Warrantable, Non-Warrantable.</li> <li>○ Clarified separate bedroom required on Condo hotels.</li> <li>○ Updated Ineligible projects to include those with critical reports or significant deferred maintenance.</li> </ul> </li> <li>• Clarified that Listing Seasoning applies to all Refinances (not just cash-out)</li> <li>• Updated Prepayment Penalty Section with 2024 values.</li> <li>• Gift Funds – Added Clarification relating back to Fannie Mae guidelines.</li> <li>• Clarified which programs are ineligible for cashout to be used towards reserves</li> <li>• Glossary – Added PTIN. Added Standard/Full Documentation</li> <li>• Standard Doc vs Full Doc – Replaced all references to Standard Documentation with Full Documentation (intended to be interchangeable verbiage).</li> <li>• Minor grammatical corrections and updates.</li> </ul>
SHC	Multiple	3.27.2024	<ul style="list-style-type: none"> <li>• 4.2.6 – Hazard/Flood Insurance/Taxes/HOA – Added verbiage to allow for property taxes on California purchase to be calculated using actual tax rate</li> <li>• 4.2.8 - Property Eligibility Review – Corrected max acreage to match other areas of policy (20 acres dependent on loan program)</li> <li>• 4.7.6 – Property Insurance – Added additional bullet point to allow for 100% replacement cost coverage when determine minimum hazard insurance required</li> <li>• 7.9.5 – Entity Documentation Requirements – Added verbiage to clarify that only members of entity on loan application are required to sign loan application and personal guaranty.</li> <li>• 7.10.3 – Non-Arm's Length Transactions – Revised payment history requirements from 24 months to 12 months for renter purchasing from landlord</li> <li>• 7.10.4 – Interested Party Contributions - Added verbiage to address lender credits associated with Premium Pricing</li> <li>• 7.11.6 – Disputed Tradelines – Removed aggregate balance threshold</li> <li>• 7.13.4 – 4506-C – Added verbiage to state that 4506-C and tax return transcripts are not required for Alt-Doc income sources. Also, moved bullet point RE: full doc income sources paired with alt-doc sources from 7.13.6 to this section.</li> </ul>

			<ul style="list-style-type: none"> <li>• 7.13.6 – Alt Doc – Bank Statements – Moved Bullet point RE: Full Doc Income sources paired with Alt-Doc sources to 7.13.4 and removed bullet point RE: 4506-C/Tax Returns</li> <li>• 7.13.8 – Alt-Doc Rental income – Minor grammar/punctuation corrections</li> <li>• 7.13.9 – Profit and Loss Statement Only – Minor grammatical correction</li> <li>• 7.13.11 – Alt-Doc Written VOE – Removed reference to 4506C/Tax Returns (covered under bullet point moved to 7.13.4)</li> <li>• 7.13.12 – Asset Utilization Documentation – Corrected verbiage to state that income other than Asset Utilization must be documented in accordance with Income Achiever program.</li> <li>• 7.14.1 – 1-4 Residential DSCR Housing History – Added verbiage to exclude Foreign Nationals from primary residence housing history requirement (to match Foreign National section of policy)</li> <li>• 7.14.1 – Rent Documentation Requirements – Added clarification to specify that new construction/delayed financing documentation requirements apply to scenarios where lease is starting after note date. Also, added verbiage to allow for documentation from third-party property management company</li> <li>• 7.14.1 – Restrictions – Removed reference to required FICO score as this information is already disclosed in earlier section of 7.14.1 (Debt Service Coverage Ratio) and in 7.4 (Loan to Value/Credit Score Restrictions)</li> <li>• 7.14.2 – 5-8 Residential &amp; 2-8 Mixed Use Properties – Clarified that management fee must be disclosed in appraisal. Also, added verbiage to address commercial space requirements related to marijuana and CBD.</li> <li>• 7.15.1 – Appraisal Requirements 1-4 Unit Residential – Added verbiage to address appraisal delivery requirements</li> <li>• 7.15.2 – Eligible Properties – Added bullet point to allow for properties with corporate leases in place</li> <li>• 7.15.8 – Stronghill Capital Exposure – Added verbiage to review of borrower exposure/limitations on a case-by-case basis</li> <li>• 7.15.10 – Condominiums – Added clarification to this section that HO-6 policy is only required if Master policy does not include “walls-in” coverage</li> </ul>
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