Wholesale Lending Division

DSCR LOAN ELIGIBILITY GUIDELINES

Version 5.0 | Effective: August 3, 2026

Debt Service Coverage Ratio — Investment Property Program

TABLE OF CONTENTS

Contents

1 INTRODUCTION

CAKE Mortgage Corp. (hereinafter referred to as "CAKE") is dedicated to serving mortgage brokers and loan officers by providing a comprehensive suite of wholesale mortgage lending solutions. As a wholesale lender, CAKE offers a diverse selection of loan products, competitive pricing, and streamlined processing — empowering mortgage professionals to deliver exceptional service to their clients.

With a commitment to building strong partnerships and providing outstanding service, CAKE works closely with brokers and loan officers to simplify the lending process and ensure timely closings. By leveraging technology and industry expertise, CAKE strives to be a trusted partner for mortgage professionals, offering the support and resources needed to succeed in today's dynamic housing market.

These Underwriting Guidelines establish the eligibility requirements for CAKE's DSCR loan program. Satisfaction of these guidelines does not constitute a commitment by CAKE to fund or close a loan. CAKE retains sole discretion in its decision to fund any loan.

Note: If a topic is not addressed within these guidelines, CAKE will align with Fannie Mae (FNMA) Chapter B3-1, Manual Underwriting guidelines.

1.1 Fair Lending Policy

CAKE complies fully with all applicable provisions of the Fair Housing Act and the Equal Credit Opportunity Act, as well as applicable federal, state, and local requirements. The Fair Housing Act prohibits discrimination in housing-related activities based on race, color, religion, national origin, sex, handicap, or familial status. The Equal Credit Opportunity Act prohibits discrimination in any aspect of a credit transaction based on sex, race, color, religion, national origin, marital status, age, receipt of public assistance, or the exercise of any right under the Consumer Credit Protection Act. CAKE does not condone discrimination in any mortgage transaction.

2 GENERAL PROGRAM OVERVIEW

The DSCR program is designed for borrowers financing non-owner-occupied investment properties. Under this program:

- Borrowers are not required to disclose employment information on the loan application (Form 1003).
- Regular employment income, retirement income, or income from other investments should not be disclosed. Tax returns are not required.
- The loan application must otherwise be fully completed, including the Schedule of Real Estate Owned (REO). For DSCR loans, the REO schedule is only required to list:
    - The borrower's primary residence.
    - The subject DSCR property.
    - Any property with a mortgage appearing on the borrower's credit report.
    - Mortgages not appearing on the credit report — other than the primary residence or subject property — may be excluded from the Form 1003 REO schedule.

3 DEBT SERVICE COVERAGE RATIO (DSCR)

Borrowers financing non-owner-occupied investment properties may qualify based on the property's ability to service the debt over the life of the loan. Property income is used to determine qualification. The DSCR program is available to Experienced Investors, First-Time Investors, and First-Time Homebuyers for either purchase or refinance of investment properties for business purposes.

The Debt Service Coverage Ratio is calculated as follows:

DSCR Formula: DSCR = Gross Rental Income ÷ Qualifying Monthly Mortgage Payment

• For fully amortizing loans: Qualifying payment = PITIA (Principal, Interest, Taxes, Insurance, Association dues)
• For Interest Only loans: Qualifying payment = ITIA (Interest, Taxes, Insurance, Association dues)

- Rounding up of the DSCR ratio is not permitted.
- Interest Only loans require a minimum FICO score as specified in the current Program Matrix.
- For business purpose loans, borrowers must execute a Business Purpose and Occupancy Affidavit attesting that the loan is intended for business purposes and not for consumer or personal use.

3.1 Purchase — Rent Qualification

- The qualifying rent figure is the higher of the FNMA Form 1007/1025 market rent or the current lease, provided the difference between the two does not exceed 20%.
- If the property is vacant, the purchaser may bring in a new tenant and use the new lease to qualify at up to 120% of the Form 1007/1025 market rent, provided the security deposit and first month's rent are documented prior to closing.
- If the Form 1007/1025 market rent exceeds the lease by more than 20%, up to 120% of the lease amount may be used to qualify (e.g., lease of $1,100 and Form 1007/1025 of $1,500 → maximum qualifying rent of $1,320).
- If the current lease from the seller exceeds the Form 1007/1025 by more than 20%, up to 120% of the Form 1007/1025 may be used to qualify with no additional documentation, OR the higher lease amount exceeding 120% of the Form 1007/1025 may be used with two (2) months of current proof of receipt from the seller.
- A copy of the lease is not required if the appraiser lists the rent amount on Form 1007/1025; otherwise, a copy of the lease must be provided.

3.2 Purchase — Short-Term Rental Qualification

When short-term rental income is documented using multiple sources, the lowest monthly income figure must be used to calculate DSCR. Refer to the program matrix for applicable LTV restrictions.

Any of the following methods may be used to determine gross monthly rental income:

- A Form 1007 or 1025 Comparable Rent Schedule prepared by the appraiser, reflecting long-term or short-term market rents. If long-term rent is used, no expense factor is applied. If short-term rent is used, the appraiser must indicate an occupancy/vacancy factor; otherwise, a 20% vacancy factor will be applied.
- An alternative market rent analysis similar to FNMA Form 1007/1025, completed by a licensed appraiser pursuant to the lender's appraisal management process. Must include the daily rental rate and occupancy percentage.
- The most recent 12-month rental history statement from a third-party rental or management service. The statement must identify the subject property, rents collected for the prior 12 months, and all vendor management fees. Qualifying income must be net of all vendor or management fees.
- The most recent 12-month bank statements from the borrower evidencing short-term rental deposits, accompanied by rental records supporting the monthly deposit amounts.

- AIRDNA (www.airdna.co) Rentalizer/Property Earning Potential Report — for purchase transactions only. Gross rents equal the revenue projection (average daily rate × occupancy rate). The forecast period must cover 12 months and be dated within 90 days of the Note date. The report must include three (3) comparable properties and reflect a market score of 60 or higher. Maximum occupancy is limited to two (2) individuals per bedroom.

3.3 Refinance — Rent Qualification

- The qualifying rent figure is the higher of the Form 1007/1025 market rent or the current lease, provided the difference does not exceed 20%.
- If the property is vacant, the borrower may bring in a new tenant and use the new lease to qualify at up to 120% of the Form 1007/1025 market rent, with the security deposit and first month's rent documented prior to closing.
- When the Form 1007/1025 exceeds the lease by more than 20%, up to 120% of the lease amount may be used to qualify.
- When the lease exceeds the Form 1007/1025 by more than 20%, up to 120% of the Form 1007/1025 may be used to qualify with no additional documentation, OR the higher lease amount exceeding 120% of the Form 1007/1025 may be used with two (2) months of current proof of receipt.
- A copy of the lease is not required if the appraiser lists the rent on Form 1007/1025; otherwise, a copy must be provided.

3.4 Refinance — Short-Term Rental Qualification

When short-term rental income is documented using multiple sources, the lowest monthly income figure must be used. Acceptable documentation methods are the same as those outlined in Section 3.2 (excluding the AIRDNA option, which is limited to purchase transactions). Refer to the matrix for applicable LTV restrictions.

3.5 Unleased Units

- No vacancy factor is applied. The gross rents reflected on Form 1007 may be used on either Purchase or Refinance transactions.
- 100% vacancy is permitted on 1-to-4-unit properties.
- A property is considered vacant if more than 50% of its units are unleased. For example, on a 4-unit property, if 3 or more units are unleased, the property is classified as vacant. This applies to 1-to-4-unit properties only.

3.6 Additional Requirements

The following requirements apply to all DSCR investment program transactions:

- Experienced Investors must provide proof of property management history for at least one (1) year. Borrowers actively employed in the property management industry also satisfy this requirement.
- Neither the borrower nor any relative of the borrower (direct or by marriage) may occupy the subject property.
- Ownership of the subject property must be for business purposes only.

3.7 Adjustable-Rate and Interest-Only Qualifying

For ARM loan transactions:

- For fully amortizing ARM programs: the Note rate is used to determine the qualifying PITIA.
- For Interest Only ARM programs: the Note rate is used to determine the qualifying ITIA.
- Refer to the matrix for applicable Index, Margin, Caps, Floor, and Reset Period details.

3.8 DSCR No Ratio

DSCR No Ratio is permitted. Refer to the matrix for program-specific overlays and LTV restrictions.

4 ELIGIBILITY

4.1 Eligible Borrowers

4.1.1 U.S. Citizens

- Eligible without restriction.

4.1.2 Permanent Resident Aliens

An individual admitted to the United States as a lawful permanent resident. Acceptable evidence of permanent residency includes:

- Alien Registration Receipt Card I-551 (Resident Alien Card); or
- A non-expired foreign passport containing a non-expired I-551 stamp valid for a minimum of three (3) 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.

4.1.3 Non-Permanent Resident Aliens

An individual admitted to the United States as a lawful temporary resident. Employment authorization must be validated via an EAD or visa permitting employment. All non-permanent resident alien borrowers must evidence legal U.S. presence using:

- Visa — Documents must be current as of the Note date. If the visa has expired, a valid USCIS Form I-797 confirming a submitted renewal application is required.
- EAD Card — Documents must be current as of the Note date. If expired, the borrower must provide evidence of an extension application or an employer letter confirming continued sponsorship.

4.1.4 ITIN Borrowers

A Non-Permanent Resident Alien without an SSN may qualify using an Individual Taxpayer Identification Number (ITIN):

- Must possess a valid ITIN card or IRS ITIN letter.
- An unexpired government-issued photo ID is required.

4.1.5 Foreign Nationals

See Section 4.6 for complete Foreign National eligibility requirements.

All non-U.S. citizen borrowers must evidence residency status by providing applicable USCIS documentation. This requirement does not apply to ITIN borrowers.

4.2 Borrower and Guarantor Experience

The underwriter determines the borrower's level of experience based on the full loan application. When multiple applicants are present, the highest level of experience among them is used. Only one experience level applies per transaction — for example, a First-Time Homebuyer does not need to satisfy First-Time Investor requirements separately.

4.2.1 Experienced Investor

An Experienced Investor has an established track record of owning and managing investment real estate.

- Must have owned a non-owner-occupied residential or commercial income-producing property for at least 12 months within the prior three (3) years.
- Borrowers actively employed in the property management industry also qualify as experienced.
- Ownership history must be documented with: a mortgage history on the credit report, a property profile report, or other third-party documentation (e.g., fraud report, Settlement Statement, Closing Disclosure).
- Refer to the matrix for applicable program overlays.

4.2.2 First-Time Investor

A First-Time Investor is a borrower who meets either of the following conditions: (1) they are purchasing their first investment property and are NOT a first-time homebuyer — meaning they currently own or have previously owned a primary residence; or (2) they currently own an investment property but have owned it for less than 12 months.

Quick Test — First-Time Investor: At least one of the following scenarios must apply.

Scenario A — First Investment Property Purchase (both must be YES):

1. Does the borrower currently own or have they previously owned a primary residence?
2. Is this their first investment property purchase?

Scenario B — Existing Investment Property Owner (both must be YES):

1. Does the borrower currently own an investment property?
2. Have they owned it for less than 12 months?

Note: If the borrower has NEVER owned any property, they are NOT a First-Time Investor — they are a First-Time Homebuyer (FTHB). See Section 4.2.3.

- If the borrower does not have 12 consecutive months of rental history or is not currently paying rent, a rent-free letter is required .
- Cash-out transactions are eligible.
- Refer to the matrix for applicable program overlays.

4.2.3 First-Time Homebuyer (FTHB)

A First-Time Homebuyer (FTHB) is a borrower who has never owned any real property — no primary residence, no investment property — and is purchasing an investment property as their very first real estate transaction.

Quick Test — First-Time Homebuyer: Answer must be YES.

1. Has the borrower never owned any real property of any kind?

Key Distinction:

- First-Time Investor — Has owned a primary residence before, but this is their first investment property.
- First-Time Homebuyer (FTHB) — Has never owned any property. This is their first real estate transaction of any kind.

- FTHB borrowers are eligible to purchase an investment property under the DSCR program.
- If the borrower does not have 12 consecutive months of rental history or is not currently paying rent, a rent-free letter is required.
- Refer to the matrix for applicable program overlays.

4.3 Guarantor Documentation

- A Personal Guarantee is required only when lending to a business entity. When lending to an individual who is vesting in a business entity, a personal guarantee is not required.
- Loan Application (Form 1003) — completed for each entity member providing a guaranty; must be signed by the individual. The entity name must appear in the "Title will be held in what Name(s)" section.
- Credit report from all guarantors.
- Note, Deed of Trust/Mortgage, and all applicable Riders — must be executed by the guarantor as an authorized signer for the entity.
- Personal Guaranty — must be full recourse and reference the Note and loan amount.

4.4 Ineligible Borrowers

- Borrowers with diplomatic immunity as defined by USCIS.
- Persons sanctioned by OFAC or from sanctioned countries. Refer to: https://sanctionssearch.ofac.treas.gov/
- 501(c)(3) organizations.
- Trusts.
- Businesses or individuals whose income derives from a federally illegal business.
- Trusts or business entities whose members include other LLCs, Corporations, Partnerships, or Trusts.
- Guardianships.

4.5 Visa Eligibility Matrix

4.5.1 Visa Classifications — Non-Permanent Resident Aliens

Visa Type	Valid EAD	Description
B1/A3/G5	C17	Non-immigrant domestic servant (Visa and Valid EAD Card must be combined)
BC-1	N	Broadcaster in the U.S. employed by the International Broadcasting Bureau
BC-2, 3	Y	Spouse or child of BC-1
C-5; C-51	N	Employment creation
C-52–53	C09	Spouse or child of C-5 or C-51
DV-1, 2, 3	N	Diversity immigrant, spouse, or child
E-1, 2 / Spouse	A17	Treaty/Trade investor or spouse
E-11/EB-1	N	Person with extraordinary ability in sciences, arts, education, business, or athletics
E-12	N	Outstanding professor or researcher
E-13	N	Multinational executive or manager
E-14/15	C09	Spouse or child of E-11, 12, or 13
E-21	N	Professional holding advanced degree or alien of exceptional ability
E-22, 23	C09	Spouse or child of E-21
E-3	N	Specialty occupation – Australia
E-31	N	Skilled worker
E-32	N	Professional holding baccalaureate degree
E-34, 35	C09	Spouse or child of E-31 or 32
EW-3	N	Other worker
EW-4, 5	C09	Spouse or child of EW-3
G-1–5	N/C04	Employees of international organizations and NATO; spouses and children
H1-B	N	Foreign nationals working in the U.S. in a specialty occupation
H-4	N/A	Spouse or child of H-type visa holder
I-5, 51	N	Investor in employment
I-52, 53	C09	Spouse or child of I-51
IH-3, 4	C09	Child adopted or to be adopted by U.S. citizen
L, L-1a, L-1b	N	Intracompany transferees
N/A	A02	Lawful temporary resident (Sections 245A or 210 of the INA)

Visa Type	Valid EAD	Description
N/A	A03	Refugee
N/A	A05 or SSN	Asylum granted
N/A	A12	Temporary protected status
N/A	A13	IMMACT Family Unity beneficiary
N/A	A14	LIFE Act Family Unity beneficiary
N/A	All	Deferred Enforced Departure
N/A	A10	Granted withholding of Deportation or Removal
N/A	C11	Alien paroled into the U.S. in the public interest
N/A	C12	Spouse of an E-2 CNMI investor (CNMI only)
N/A	C14	Alien granted deferred action
N/A	C16	Registry applicant
N/A	C19	Temporary Protected Status
N/A	C31	Principal beneficiary of approved VAWA self-petition
N/A	C33	DACA
N/A	C10	Nicaraguan Adjustment & Central American Relief Act
N/A	C08	Asylum applicant, status pending
N-8 or N-9	A07	Parent or child of international org. employee granted permanent residence
NATO-1–6	C07	NATO members, staff, and families for temporary stay
O	N	Extraordinary ability in science, education, arts, business, or athletics
R-1	N	Religious workers
R-5, 51	N	Investor in pilot program
R-52, 53	C09	Spouse or child of R-51
SD-1	N	Religious workers
SD-2, 3	C09	Spouse or child of SD-1
SE-1	N	Employees or former employees of the U.S. Government abroad
SE-2, 3	C09	Spouse or child of SE-1
SF-1	N	Former employees of the Panama Canal Company or Canal Zone Government
SF-2	C09	Spouse or child of SF-1
SG-1	N	Former U.S. Government employees in the Panama Canal Zone
SG-2	Y	Spouse or child of SG-1
SH-1	N/A	Certain former Panama Canal Company employees as of April 1, 1979
SH-2	C09	Spouse or child of SH-1
SI	N	Interpreters
SJ-1	N	Foreign medical graduate
SJ-2	C09	Spouse or child of SJ-1
SK-1	N	Retired international organization employee
SK-2	C09	Spouse of SK-1
SK-3	C09	Unmarried child of an international organization employee

Visa Type	Valid EAD	Description
SK-4	C09	Surviving spouse of a deceased international organization employee
SN-1	N	Retired NATO-6 civilian
SN-2, 3	C09	Spouse or child of NATO-6 civilian employee
SN-4	C09	Surviving spouse of deceased NATO-6 civilian employee
SQ	N	Iraqi or Afghan nationals who worked on behalf of the U.S. Government
SR-1	N	Religious workers
SR-2, 3	C09	Spouse or child of SR-1
T-1–4	A16/C25	Victim, spouse, child, or parent of victim of human trafficking
T-5, 51	N	Employment creation
T-52, 53	C09	Spouse or child of T-51
TC NAFTA/TN/TD	N	Canadian or Mexican citizens working in the U.S.
U-1–4	A19/A20	Victim or family member of victim of criminal activity

4.5.2 Visa Types — Foreign Nationals

Visa Type	Valid EAD	Description
B-1, 2	N/A	Business visitor
B-11, B-16	C09	Unmarried son or daughter of U.S. citizen
B-12, B-17	C09	Child of B-11 or B-16
B31–33	C09	Married son or daughter of U.S. citizen; spouse or child of B-31
C-21–25	C09	Spouse or child of permanent resident or FX-1
C-31–33	C09	Spouse or child of U.S. citizen
CR-1–2, 5	C09	Spouse or child of U.S. citizen
CX-1–3	C09	Spouse, child, or stepchild of lawful permanent resident
F-3, 4, 11–25, 31–33, 41–43, F-2A&B	C09	Family members of permanent residents or U.S. citizens
F-1	C03	Student
FX-1–3	A09	Spouse or child of permanent resident or FX-1
H-2 A&B	N/A	Temporary workers
H-3	N/A	Temporary training
IR-1–5	C09	Spouse, child, or child to be adopted of U.S. citizen
J-1, J-2	N	Cultural exchange visitor
K-1 or 3	A06	Fiancée of U.S. citizen
L-2, 3	A18	Spouse or child of L-1
M-1	C06	Student seeking practical training after completing studies
P-1, P-2	N/A	Non-immigrants performing in athletics or entertainment
Q	A15	Cultural exchange program
V-1, 2, 3	—	Married to or child of a legal permanent resident, awaiting LPR status

4.6 Foreign Nationals

A Foreign National is a non-resident alien who is not authorized to live or work in the United States but may periodically visit for vacation or business purposes. To be eligible:

- The borrower must live and work in another country and be a legal resident of that country.
- If the borrower resides in a country other than the one that issued their passport, they must verify legal residency in that country.
- Any borrower or guarantor identified on the OFAC sanction list is ineligible.

4.6.1 Foreign Residency

- A complete loan application (FNMA Form 1003 or equivalent) is required, reflecting the borrower's foreign primary residence address, including full legal name, phone number, flat/floor/unit number, street name, city, province/state, and postal code.

4.6.2 Foreign National Documentation Requirements

The following are required to evidence legal U.S. presence:

- A valid, unexpired passport.
- One of the following: a valid Visa (see Visa Matrix); an ESTA (Electronic System for Travel Authorization) for eligible countries; or eligibility under the State Department's Visa Waiver Program (click link to see participating countries).
  - Citizens of Canada traveling to the United States do not require a nonimmigrant visa.
- For DSCR transactions where a non-U.S. citizen is co-borrowing with a U.S. citizen, foreign national documentation requirements do not apply.
- OFAC screening is required for all individuals.
- Documents signed outside the United States must be notarized by a U.S. embassy or consular official (including embassy/consular seal). If unavailable, a notary is acceptable if the signing country is a Hague Convention member and the documents are accompanied by an Apostille.
- Power of Attorney (POA) is not permitted for Foreign National borrowers.

4.6.3 Foreign National Credit Requirements

A U.S. credit report should be obtained for Foreign National borrowers with a valid SSN. For borrowers with an ITIN (for passive income tax reporting only, with no U.S. employment), an ITIN is acceptable. A traditional U.S. credit report is not required.

Foreign National borrowers without an SSN or ITIN may still proceed under this program. The URLA should reflect 999-99-9999 in the SSN field.

For borrowers without qualifying U.S. credit, the following alternative documentation is acceptable:

- An international credit report; or
- An original credit reference letter from an internationally recognized financial institution (payment histories are not required); or
- Bank statements documenting a foreign banking relationship for the prior 60 days.

4.6.4 Foreign National Housing History

A housing history for the borrower's foreign primary residence is not required.

4.6.5 ACH Authorization

An Automatic Payment Authorization (ACH) Form is required for all Foreign National borrowers. Funds must be held in a U.S. bank account.

4.6.6 Assets Held in Foreign Accounts

- Assets must be verified in U.S. Dollar equivalency using the current exchange rate from xe.com or the Wall Street Journal conversion table.

- Sufficient funds to close must be transferred to a U.S. bank account or held by the Escrow/Closing Agent at least three (3) days prior to any closing date.
- The two (2) most recent statements from the foreign account are required. Seasoning of funds is not required.
- Bank statements not in English must be translated.

4.7 Eligible Title Vesting and Ownership

4.7.1 Acceptable Forms of Vesting

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

4.7.2 Business Entity Vesting

Ownership or title vesting in a U.S. domestic LLC, partnership, or corporation (collectively, an "Entity") is acceptable for business purpose investment property transactions under the DSCR program.

To vest in an Entity while closing in the name of a natural person, the following requirements must be met:

- Business purpose and activities are limited to ownership and management of real estate.
- Entity limited to a maximum of four (4) owners.
- Minimum of 25% of Entity ownership must be represented as borrowers on the loan, each completing a Form 1003.
- Qualification and pricing are based on the loan application, credit report, income (if applicable), and assets of each borrowing Entity owner.

Required Entity documentation:

- Entity Articles of Organization, Partnership Agreement, and Operating Agreement (if applicable).
- EIN Verification Form.
- Certificate of Good Standing.
- Certificate of Authorization for the authorized signer.
- Entity documentation for both the state of formation and the state of the subject property, when they differ.

4.7.3 Borrowing Entities (Lending to the Entity)

U.S. domestic LLCs are permitted as Borrowing Entities under the DSCR program. A Personal Guarantor is required when lending to an entity. The entity's business purpose is limited to ownership and management of real estate, with a maximum of four (4) owners.

Required documentation for Borrowing Entities:

- Entity Articles of Organization, Partnership Agreement, and Operating Agreement (if applicable).
- EIN Verification Form.
- Certificate of Good Standing.
- Certificate of Authorization for the authorized signer.
- Entity documentation for both the state of formation and the state of the subject property, when they differ.

Documents must be completed and signed by an authorized entity member, including: Business Purpose & Occupancy Affidavit, Loan Application (Form 1003), Closing Disclosure, Note, Deed of Trust/Mortgage and all attached Riders, and a Guaranty signed by members representing at least 51% cumulative ownership.

4.7.4 Personal Guarantors

Personal guarantees must be provided by members or managers representing at least 51% cumulative ownership of the entity, including the borrower's ownership percentage. At least one Personal Guarantor is required when lending to an entity.

Personal Guarantors must meet credit requirements outlined in Section 6 (DSCR Credit). The credit report of the Personal Guarantor is used for qualification and pricing.

Ineligible Guarantors:

- Individuals with diplomatic immunity or otherwise excluded from U.S. jurisdiction.
- Residents of any country prohibited from transacting business with U.S. companies.
- Trusts or Land Trusts.
- Individuals under the age of 18.

4.7.5 Layered LLCs

- Permitted up to two (2) layers.
- Entities layered with a trust are NOT eligible.
- The Personal Guarantor must own at least 51% of the Borrowing Entity and all subsequent ascending LLCs, and must have signing authority for all levels of the ownership structure.
- LLC documentation per Section 4.7.3 is required for all ascending LLCs. A Certificate of Good Standing is required from the state of formation for each LLC in the chain.

5 ELIGIBLE TRANSACTIONS

5.1 Purchase

- A purchase transaction uses loan proceeds to finance the acquisition of a property.
- LTV/CLTV is based on the lesser of the sales price or appraised value.
- Assignment of contract or finder's fees are limited to no greater than $30,000 and must be included in the sales price for the LTV/CLTV calculation.
- Non-arm's length transactions are permitted. See Section 5.5.
- 1031 Exchange transactions are permitted.

5.2 Rate/Term Refinance

- A Rate/Term Refinance changes the interest rate and/or term without advancing new money on the loan.
- Closing costs, prepaid items (interest, taxes, insurance), and prepayment fees may be added to the new loan amount.
- Delinquent property taxes 60 or more days past due may not be paid through a Rate/Term Refinance.
- At least one borrower must be on title at the time of initial application. Exceptions apply for inheritance, divorce, or inter vivos revocable trust beneficiaries.
- Payoff of a purchase money second deed of trust is permitted without seasoning.
- Payoff of a subordinate loan not used in the original acquisition: at least 12 months of seasoning for closed-end loans; at least 12 months of seasoning and total draws below $2,000 for HELOCs.
- Incidental cash-out: maximum cash back is the greater of 1% of the new loan amount or $2,000.
- If the property was listed for sale within the 90 days preceding the application date, the lower of the appraised value or listing price must be used. The property must be removed from active listing prior to approval. A one-year prepayment penalty is required if listed within 90 days of application.

5.3 Cash-Out Refinance

- Any refinance that does not meet the Rate/Term definition, including transactions in which the borrower receives cash proceeds.
- A mortgage on a property owned free and clear is treated as cash-out.
- The payoff of delinquent real estate taxes (60 or more days past due) is treated as cash-out.
- Net proceeds from a cash-out transaction may be used to satisfy reserve requirements.
- Current appraised market value is used regardless of acquisition date.
- If the property was listed for sale within the 90 days preceding the application date, the lower of the appraised value or listing price must be used. The property must be removed from active listing prior to approval. A one-year prepayment penalty is required if listed within 90 days of application.
- At least one borrower must be on title at the time of initial application..
- For properties owned less than 90 days (measured from acquisition date to Note Date), the following restrictions apply: 1) Transferred appraisals not allowed, 2) Guidelines for Flip Transactions apply
- Cash-out with seasoning of 90 days or less is permitted when the borrower acquired the property through inheritance or legal award (divorce, separation, dissolution of domestic partnership).
- No portion of the loan proceeds may be used to acquire, payoff or renovate a primary residence or second home. However, cash-out proceeds can be used for non-business related purposes provided these uses do not exceed 49% of the cash-out amount. As an example, payoff of an IRS tax lien on title is considered to be for non-business related purposes but would be acceptable to payoff provided the payoff amount does not exceed 49% of the cash-out proceeds.

5.4 Delayed Financing

Delayed financing is eligible when a property was purchased for cash within 90 days prior to the Note date. The transaction is treated as a cash-out refinance for pricing and eligibility purposes, with no cash-in-hand limits.

- The original purchase was an arm's length transaction.
- The source of funds for the purchase is documented.
- Maximum LTV/CLTV is based on the lesser of the current appraised value or the purchase price plus documented improvements.
- The preliminary title report must confirm no existing liens.
- The new loan amount may not exceed the documented amount of the borrower's initial investment.

Note: Funds received as gifts and used to purchase the property may not be reimbursed through proceeds of the new mortgage loan.

5.5 Non-Arm's Length Transactions

A non-arm's length transaction is a purchase in which there is a relationship or business affiliation between the buyer and seller. Examples include: relatives (by blood, marriage, stepchild, adoption, or legal guardianship), business-related parties, real estate brokers/agents, and employer/employee relationships.

- Proof of non-default on any existing mortgage(s) is required (VOM, most recent mortgage statement, or payoff demand that shows due for the current payment).
- A Letter of Explanation describing the relationship between the parties is required.

5.6 Subordinate Financing

Subordinate financing is not permitted, except for solar panel financing. If solar is being subordinated, the payment must be factored into the DSCR ratio.

5.7 CEMA Loans

Consolidation, Extension, and Modification Agreement (CEMA) loans are available for New York refinance transactions only, and must close through a licensed attorney.

5.8 Power of Attorney

A Power of Attorney (POA) is permitted for U.S. Citizens and Permanent Residents only, subject to the following:

- Not permitted when vesting into an LLC, General Partnership, or Corporation.
- Must be transaction-specific and reference the subject property address.
- Eligible for Purchase and Rate/Term Refinance transactions only. Not eligible for cash-out transactions or Foreign National borrowers.
- Must be recorded with the Mortgage or Deed of Trust.
- Must contain an expiration date.
- May be used to execute final loan documents only.
- The borrower who executed the POA must have signed the initial Form 1003.
- Interested parties to the transaction may not act as Power of Attorney.

5.9 Prepayment Penalty — Investment Properties

Where permitted by law, a prepayment charge may be assessed on investment properties within one (1) to five (5) years following the Note execution date.

5.10 Ineligible Transactions

- Assumable loans.
- Construction-to-Permanent loans.
- Builder Bailouts.
- Conversion Loans.

- Lease Options or Rent-to-Own arrangements.
- Land Contracts.
- Assignments of contract to another buyer in excess of $30,000.
- Graduated Payment Mortgage loans.
- Loans in which more than three (3) monthly payments are paid in advance from mortgage proceeds.

6 CREDIT

A credit report is required for each individual borrower, including any member of an entity providing a personal guaranty. A tri-merged report or Residential Mortgage Credit Report (RMCR) is required.

6.1 General Requirements

- Credit bureaus must comply with the Fair Credit Reporting Act (FCRA).
- Appropriate borrower authorization is required prior to obtaining credit.
- Credit supplements must be included in and made part of the credit report.
- The credit report may not reflect a security freeze. If credit is unfrozen after the original report date, a new tri-merged report must be obtained.
- The credit report must be dated within 120 days of the Note and Mortgage.
- A written explanation for credit inquiries is not required for DSCR loans.
- Past due accounts must be brought current.

6.2 Credit Score Requirements

- A minimum of two (2) credit scores is required unless otherwise specified in a product matrix. No FICO or single-FICO scoring is available on a limited basis as noted in the product matrix (no tradeline requirement must be met other than the requirements listed in the product matrix).
- The qualifying credit score is the lower of two scores or the middle of three scores.
- For two or more borrowers: determine the middle score for each borrower; the highest of those middle scores is the representative qualifying score.

6.3 Tradeline Requirements

If at least one borrower has three (3) credit scores reporting, the minimum tradeline requirement is waived. Otherwise, each borrower must meet the minimum requirements below.

Minimum tradeline requirements:

- At least three (3) tradelines reporting for a minimum of 12 months, with activity within the last 12 months; or
- At least two (2) tradelines reporting for a minimum of 24 months, with activity within the last 12 months.

Alternative tradeline option (for borrowers with at least two credit scores who do not meet the above):

- At least eight (8) tradelines, including one (1) mortgage or rental history.
- At least one (1) tradeline open and reporting for a minimum of 12 months.
- An established credit history of at least four (4) years.

Alternative tradelines that may be used:

- 12- or 24-month rent verification (Professional Management Company VOR, or Private VOR plus 12 months of canceled checks).
- 12- or 24-month utility bill verification.
- 12- or 24-month phone bill verification.
- 12- or 24-month HOA bill verification.

Unacceptable tradelines:

- Liabilities in deferment.
- Accounts discharged through bankruptcy.
- Authorized user accounts.
- Charge-offs.
- Collection accounts.

- Foreclosures.
- Pre-foreclosure sales.
- Short sales.

6.4 Collections, Charge-Offs, Judgments, Liens, and Garnishments

- Judgments, garnishments, and liens (including mechanics' and materialmen's liens) must be paid off prior to or at closing (see Section 5.3 – Cash-Out Refinance for additional requirements).
- For DSCR transactions: charge-offs and collection accounts may be ignored and do not need to be paid off, unless they are title-impacting. A charge-off or collection is considered title-impacting if it could result in a lien being placed on the subject property.

6.5 Significant Adverse Credit Events

Adverse credit events, including forbearance, deferred payments, and loan modifications, are subject to the following:

- A borrower may not currently be in a forbearance plan.
- Refer to the matrix for seasoning requirements for Bankruptcy, Foreclosure, Short Sale, Deed-in-Lieu, and Modifications.
- A mortgage modification resulting in the following is subject to Housing Event seasoning: principal/interest forgiveness; principal curtailment to simulate forgiveness; conversion of debt to a "soft" subordinate mortgage; or conversion of secured debt to unsecured.

Modifications involving only interest rate, term, or amortization changes are not subject to Housing Event seasoning — they require only that payment history criteria are met.

6.6 Consumer Credit Counseling Services (CCCS)

- CCCS enrollment is permitted when at least 12 months have elapsed and timely payments for the most recent 12 months are evidenced.
- The CCCS administrator must provide a letter authorizing the borrower to seek new financing while enrolled.
- The completion date must appear on the credit report or be verified by the counseling agency.

6.7 Housing History

Acceptable housing history requires evidence of housing payments for at least the prior 12 months, meeting CAKE DSCR program requirements. For DSCR, housing history verification is limited to the borrower's primary residence and the subject property (for refinance transactions).

For the primary residence and subject property, VOMs are required on all outstanding mortgages, including private mortgages. No additional documentation (e.g., canceled checks) is required to support a VOM.

- Primary residence and subject property mortgages must be rated within 45 days of the application date.
- For the subject property, evidence must confirm the mortgage is current as of the closing date.
- Properties owned free and clear are considered 0x30 for each month owned free and clear.
- Any housing event reported on the credit report for any property owned by the borrower must be included in the housing history eligibility determination.
- For non-subject, non-primary mortgages not reporting to credit bureaus, additional housing history is not required. Those reporting to bureaus are subject to the housing rating per the matrix.

For borrowers renting their primary residence, the following are acceptable:

- VOR completed by the landlord or property management company (preferred; no additional documentation required).
- If a VOR cannot be obtained: an executed lease agreement plus either 12 months of bank statements showing recurring rent debits or 12 months of canceled checks.

6.7.1 Rolling Delinquency

For 30-day late events: up to six (6) occurrences are counted as one (1) event. Events above 30 days late are each counted individually.

6.8 No Housing History or Less Than 12 Months Verified

- Borrowers who have owned their primary residence or any other property free and clear for a minimum of 12 months are acceptable.
- Experienced investors who are living rent-free are acceptable, provided they own other REO with acceptable 12-month mortgage payment history within the prior 3 years.

6.9 Gap Credit Report

A gap credit report is not required for DSCR loans.

7 ASSETS

Assets do not require seasoning for DSCR loans. The following established assets may be used to determine borrower liquidity:

- Checking and Savings Accounts (100%).
- Certificates of Deposit (100%).
- U.S. Savings Bonds — 100% if fully matured; otherwise 80%.
- Marketable Securities — 100% of vested account value (margin excluded). Defined as publicly traded stocks, bonds, or mutual funds.
- Restricted Stock Units (RSU) — Refer to the RSU guide for details.
- IRA, Keogh, and 401(k) Retirement Accounts — 70% of vested balance if age 59½ or older; 50% if under age 59½. Terms of withdrawal are not required.
- Pension Plans (70%) — Only amounts accessible within a 30-day window. Account statements must include a transaction history dated within 30 days of the Note date.
- Annuities (70%) — Only amounts accessible within a 30-day window.
- Assets held in a Trust — Obtain written documentation of trust account value and conditions of access from the trust manager or trustee.
- Business Accounts — Borrower must own the contributing business. Documentation must include the most recent bank statement. If the borrower owns less than 100% and intends to use funds exceeding their ownership percentage, a signed letter from the remaining owners granting access to those additional funds is required.
- Cash Value of Life Insurance.
- Spousal Accounts — May be used for down payment and closing costs only; not eligible for reserves.
- Cryptocurrency (Bitcoin and Ethereum only) — Must be held in a reputable exchange (e.g., Coinbase, Binance US, Gemini, Kraken, Robinhood). For down payment/closing costs: must be liquidated and deposited into a U.S. bank account. For reserves: 60% of current valuation (documented within 30 days of Note date) is eligible.
- Delayed 1031 Exchange funds for "like-kind exchange" are eligible for earnest money deposits, down payment, and closing costs. 1031 Exchange funds are not eligible for reserves.

7.1 Asset Verification

Acceptable asset verification methods include:

- Verification of Deposit (VOD) from the financial institution (FNMA Form 1006 or equivalent). A 2-month average is not required.
- Large deposits do not need to be sourced on DSCR loans.
- Complete bank or investment portfolio statements from the most recent 30 days prior to the application date. Summary statements are not acceptable.

Statements must reflect: the borrower as account holder, account number(s), statement period, all deposit and withdrawal transactions, and beginning, current, and ending balances. Retirement statements must reflect the borrower's vested amount and terms.

7.2 Gift Funds

- The borrower must demonstrate 10% of their own funds for the down payment, though those funds do not need to be contributed to the transaction.
- Gifts may be provided by any third party. 100% gift is permitted.
- Gifts may be applied toward down payment, closing costs, reserves, and debt payoff.
- Gift of Equity is permitted for non-arm's length transactions only and may not be applied to reserves.
- Permitted on Purchase, Rate-and-Term, and Cash-Out transactions.

7.3 Reserves

- Reserve requirements are waived for Rate-and-Term Refinance transactions that produce a payment savings of 10% or more. For Interest Only loans, the reduction is based on the fully amortized payment. This supersedes matrix reserve requirements.
- For all other transactions, refer to the matrix for program-specific reserve requirements.
- Cake does not require "stacking" of reserves in multi-pack situations (i.e. one borrower is simultaneously closing multiple loans on different properties). Cumulative down payment/cash to close for all transactions must be netted out of the assets total whereby the remaining total is applied to each loan on an individual basis

7.4 Seller Concessions

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, Loan Estimate, and Closing Disclosure.

- Maximum contribution for Non-Owner-Occupied: 6% of all LTVs.
- Contributions may only be applied to closing costs and prepaid expenses; they may never be applied to the down payment or reserve requirements.
- Contributions in excess of the stated limit must be deducted from the purchase price for the LTV/CLTV calculation.

8 COLLATERAL

8.1 Appraisals

A full appraisal includes a complete interior and exterior inspection. Appraisal reports must follow FNMA and FHLMC standards, including Uniform Appraisal Dataset (UAD) specifications. Required forms vary by property type:

- Uniform Residential Appraisal Report — FNMA/FHLMC Forms 1004/70
- Small Residential Income Property Report — FNMA/FHLMC Forms 1025/72
- Individual Condominium Unit Appraisal Report — FNMA/FHLMC Forms 1073/465
- Appraisal Update and/or Completion Report — FNMA/FHLMC Forms 1004D/442
- Single Family Comparable Rent Schedule — FNMA/FHLMC Forms 1007/1000
- Manufactured Home Appraisal Report — FNMA/FHLMC Forms 1004C/70B
- 5-to-10-Unit Properties — FHLMC Form 71A or a narrative report

8.1.1 Appraiser Independence

- Appraisers must have no direct or indirect interest in the property or involved parties.
- All appraisals must be ordered through an Appraisal Management Company (AMC).
- Appraisals from appraisers affiliated with the lender, borrower, or any transaction party will not be accepted.

8.1.2 Second Appraisals

Loan amounts of $2,000,000 or greater require a second appraisal. The lower of the two values must be used for LTV calculations.

8.1.3 Appraisal Review Requirements

- An appraisal review product is required on every loan unless a second appraisal is obtained.
- Eligible review products include: Collateral Underwriter® (CU®) with a score of 2.5 or less, or Loan Collateral Advisor® (LCA) with a score of 2.5 or less. The file must include the Submission Summary Report (SSR).
- If the score exceeds 2.5 or is indeterminate: an AVM, enhanced desk review (CDA from Clear Capital or ARA from Computershare), field review, or second appraisal — in that order.
- If the AVM or enhanced desk review reflects a value more than 10% below the appraised value, a field review or second appraisal is required.
- AVM must include an FSD score within 90%.
- CAKE reserves the right to require an additional level of review at its sole discretion.

8.1.4 Accessory Dwelling Units (ADU)

- ADU classification is determined by the county and appraiser — not by the physical unit count alone.
- Multiple ADUs are allowed and are not restricted to a 1-unit property. However, from a qualification and pricing standpoint, CAKE evaluates the total number of units + the total number of ADUs to determine how a property is classified. For example, in order to qualify as a 1-4 unit property, an SFR can have up to 3 ADUs. A 2-unit can have up to 2 ADUs. A 3-unit can have only one ADU, and a 4-unit can have no ADUs.
- In any scenario where a property has a combination of units and ADUs that exceeds 4 units/ADUs (e.g. a 2-unit with 3 ADUs), the property is considered to be a 5-to-9 unit multifamily property and must qualify/price accordingly. See Section 9.
- ADUs must be constructed in a workmanlike manner and appraised as zoning-compliant. A permit is not required.
- The appraisal must demonstrate improvements are typical for the market, supported by at least one comparable property with an ADU.
- For rental income: Refinance — a copy of the lease is not required if the appraiser lists the rent on Form 1007/1025; otherwise, a copy is required. Purchase — qualifying rent is the higher of the Form 1007/1025 rent or the current lease, provided the difference does not exceed 20%.

8.1.5 Appraisal Age

- Appraisals must be dated no more than 120 days prior to the Note date.
- Appraisals exceeding 120 days at the Note date require a recertification of value per FNMA Form 1004D or FHLMC Form 442.
- If the recertification reflects a decline in value, a new appraisal must be obtained.

8.1.6 Transferred Appraisals

- Transfers are permitted for appraisals completed prior to closing.
- The appraisal must be less than 60 days old at transfer (and no more than 120 days at closing), ordered through an AMC, and AIR-compliant. However, if the transferred appraisal is aged 60 days or more, it is still acceptable with a supportive AVM or enhanced desk review (see Section 8.1.3 for requirements).
- A transfer letter on company letterhead from the original lender is required.
- The borrower must receive the appraisal within three (3) business days of report completion. CAKE may deliver directly if prior lender confirmation cannot be obtained, provided it is also no less than three (3) business days before consummation.
- 1004D Recertification of Value is NOT permitted on transferred appraisals.

8.1.7 Properties Located in a Condominium Project

- For properties located in a condominium project with 20 or more units, the appraisal must contain at least one comparable sale from the subject's project. If no suitable comparable exists, the appraiser must provide commentary explaining why and whether or not there is any impact to marketability as a result.

8.2 Escrow Holdbacks

Escrow holdbacks are not permitted. All repairs required by the appraiser must be completed prior to loan funding.

8.3 Solar Panels

Solar panels must conform to FNMA guidelines. PACE loans or similar instruments with payments included in property taxes or carrying lien priority are not eligible.

8.4 Eligible Property Types

- Single-Family Detached
- Single-Family Attached
- 2–4 Unit Residential Properties
- 5–8 Unit Residential Properties (DSCR only)
- Condominium
- Non-Warrantable Condominiums
- Condotels
- Manufactured Homes
- Modular Homes
- Properties up to 20 acres
- Leaseholds (in areas where leaseholds are common)
- Properties containing an Accessory Dwelling Unit (ADU) — refer to Section 8.1.4
- There are no minimum GLA requirements for any of the eligible property types, however, GLA of the subject property must be considered common, must be supported by comparables in the appraisal, and present no market resistance. Any property with a GLA less than 400 square feet requires management review.

8.5 Ineligible Property Types

- Assisted Living, Elderly Care, Recovery and Treatment facilities
- Group Homes
- Agricultural Properties
- Barndominiums

- Boarding Houses
- Properties with a C5 or C6 condition rating
- Units in a Cooperative (Co-op) development
- Properties with fractional ownership or timeshares
- Properties not accessible by roads meeting local standards
- Properties not suitable for year-round occupancy
- Properties with nonresidential income-producing structures on-site (e.g., billboards, cell towers, commercial workshops)
- Mixed-Use Properties
- Log Homes
- Houseboats
- Geodesic Domes
- Commercial Properties
- Properties Under Construction
- Rural properties exceeding 20 acres
- Hawaii Lava Zones 1 and 2

8.6 Leasehold Properties

- Documentation must be provided and leaseholds must meet all FNMA eligibility requirements.
- The lease term must extend at least five (5) years beyond the loan's maturity date, unless fee simple title vests in the borrower earlier.

8.7 Declining Markets

Properties in declining markets are subject to LTV restrictions. Refer to the matrix for applicable LTV/CLTV overlays.

8.8 Flip Transactions

A transaction is a "flip" when the subject property is resold within 180 days of the seller's acquisition and the sales price has increased more than 10%. The 180-day period is measured from the seller's acquisition date to the execution date of the purchase agreement.

- All transactions must be arm's length, with no identity of interest between buyer and seller.
- No pattern of flipping activity within the prior 6 months is permitted.
- The property must have been marketed openly through an MLS, auction, FSBO offering, or developer marketing.
- If the purchase price exceeds the appraised value by more than 5%, a signed borrower acknowledgement letter is required.
- Flip transactions must comply with HPML appraisal rules under Regulation Z.
- A second full appraisal is required when: the sales price increased more than 10% and the seller acquired the property within the prior 90 days, or the sales price increased more than 20% and the seller acquired the property within the prior 91 to 180 days.

8.9 Disaster Areas

These guidelines apply to properties in FEMA-declared disaster areas eligible for individual assistance www.fema.gov/disasters) and properties near known adverse events such as earthquakes, floods, tornadoes, or wildfires. The requirements below are applicable to loans in process that have not yet funded.

Appraisals completed before a disaster:

- A post-disaster exterior inspection report with new photographs and a street view is required. The appraiser must confirm if the property is free of damage, is in the same condition as the prior inspection, and that value and marketability are unchanged.
- Any damage must be repaired and re-inspected prior to funding.

Appraisals completed after a disaster:

- The appraiser must comment on the adverse event and any effect on marketability or value.
- Damage that impacts the safety or habitability of the property must be repaired prior to funding.

8.10 Condominium Projects

The UW file must include attestation or documentation confirming whether the project is warrantable or non-warrantable. If an approved Fannie Mae CPM report is provided, an HOA questionnaire is not required.

California and Florida: Condominiums require HOA attestation regarding required structural inspections. No further documentation is required.

8.10.1 Warrantable Condominium Projects

FNMA-eligible warrantable projects are permitted. Site condominiums meeting the FNMA definition are eligible for single-family LTV/CLTV. The condo review is waived. Unless a waiver of project review is otherwise eligible per FNMA guidelines, a Full Review is required (unless an acceptable CPM report is provided as noted in Section 8.10 above).

8.10.2 Non-Warrantable Condominium Projects

Non-warrantable condominiums are eligible subject to the following criteria. Refer to the Credit Matrix for LTV restrictions.

CHARACTERISTIC	EXCEPTION CONSIDERATION
Commercial Space	The subject unit must be 100% residential. Commercial space within the project must be less than 50% of the total. Any commercial space must be typical for the marketplace with no negative impact on marketability. The commercial percentage is determined by the appraiser. A commercial entity may not control the HOA.
Completion Status	The project or the subject's legal phase (along with other phases) must be complete. All common elements must be 100% completed. At least 50% of units must be sold or under a bona fide contract. If LTV is below 80% and the credit score exceeds 680, a minimum presale of 30% is acceptable.
Condotels	Units must be individually owned with hotel amenities (on-site registration, housekeeping, hospitality services). Daily, weekly, or monthly rentals are permitted. At least 50% of units must be sold or under contract, all common elements must be 100% complete, and investor concentration may reach 100%. Minimum unit size is 500 sq. ft. A fully functioning kitchen is required. Studios are permitted.
Delinquent HOA Dues	No more than 35% of total units in the project may be 60 or more days past due on HOA assessments.
HOA Control	The developer may retain control of the HOA provided the Master Agreement establishes a mechanism for homeowners to assume control upon reaching a predetermined percentage of unit sales or within a defined time period.
HOA Reserves	The annual budget must allocate a minimum of 5% to replacement reserves. If the allocation is less than 3%, a completed HOA questionnaire, annual budget, and a reserve study completed within the prior 5 years by a CPA, General Contractor, or Property Manager with at least 3 years of experience are required.
Litigation	Pending litigation may be considered on a case-by-case basis. Litigation involving structural issues, health and safety concerns, or items likely to impact project marketability will not be accepted.
Mandatory Membership Dues	Golf course projects where mandatory membership dues are paid to a third party organization are acceptable.

CHARACTERISTIC	EXCEPTION CONSIDERATION
New Projects	The project or the subject's legal phase must be complete. All common areas must be 100% complete, and a minimum of 50% of units must be sold or under contract. If LTV is below 80% and the credit score exceeds 680, a minimum presale of 30% is acceptable.
Single Entity Ownership	Single entity ownership within the project may not exceed 50%.
Insurance Deductible	For non-warrantable projects, a master insurance deductible exceeding 10% of the policy face amount may be acceptable, provided the project demonstrates strong HOA financials — including adequate reserves and no significant delinquency. Supporting documentation is required.

8.10.3 Condominium Insurance Requirements

All projects must meet FNMA insurance requirements for property, liability, and fidelity coverage. The HOI Policy must be effective as of the funding date.

Evidence of Insurance Requirements:

- Borrower names as they appear on the Note/Security Instrument.
- Property address matching the Note/Security Instrument.
- For primary residence loans: mailing address matching the property address.
- Policy Number, Loan Number, insurance company name, and agent information.

Master Insurance: Must cover common elements and residential structures on a replacement cost basis, with the exception of roofs. Roofs must be insured, but do not have to be insured on a replacement cost basis. Actual cash value policies are otherwise not acceptable. Master liability must be at least $1,000,000 per occurrence.

Fidelity or Employee Dishonesty Insurance: Required for projects with more than 20 units; coverage must equal at least three (3) months of HOA assessments on all units.

HO-6 Insurance: Required when the master policy does not provide interior unit coverage. Coverage must include flooring, wall coverings, cabinets, fixtures, built-ins, and unit improvements.

Flood Insurance: An NFIP RCBAP is required. Building coverage must equal the lesser of 100% of insurable value or total units × $250,000. Flood insurance escrows may never be waived.

8.11 Hazard Insurance

- Insurance must cover fire and hazards under the standard extended coverage endorsement.
- A declaration page is required prior to closing for all loans.
- On refinance transactions, if the coverage expiration date falls within 60 days of closing, evidence of continuing coverage is required.
- A loss payable endorsement is required on all transactions.
- Claims must be settled on a replacement cost basis. Actual cash value policies are not acceptable.
- Extended coverage must include, at minimum: wind, civil commotion (including riots), smoke, hail, and damage from aircraft, vehicles, or explosions.
- Coverage should equal the lesser of: the replacement cost estimate (from the insurer or a third-party source such as CoreLogic), the estimated replacement cost from a recent appraisal, or the unpaid principal balance of the mortgage(s).
- Maximum deductible: 5% of the face amount of the policy.
- Policies excluding windstorm, hurricane, hail, or other standard extended coverage perils are not acceptable.

9 MULTIFAMILY COLLATERAL (5–9 UNITS)

9.1 Multifamily Program Requirements

- Minimum DSCR ≥ 1.00.
- Vacant Units: use 75% of market rents. Maximum of two (2) vacant units permitted.
- Loan amounts of $2,000,000 or greater: require DSCR ≥ 1.00 and a Debt Yield of 9% or greater (Net Operating Income ÷ Loan Amount ≥ 9%).
- A Commercial Exterior Only Broker Price Opinion (BPO) based on the sales approach is required, unless two full appraisals are provided. If the BPO value is within 10% of the appraised value, the appraised value is used for LTV purposes. If the BPO value is more than 10% below the appraised value, the BPO value is used for LTV purposes. As an alternative in the case of a BPO value that is more than 10% below the appraised value, it is acceptable to obtain a second appraisal whereby the lesser of the two appraised values must be used for LTV purposes.
- Leased Units: use the lower of estimated market rent or the lease agreement. Reduce qualifying rents by any management fee reflected on the appraisal.
- Refinance: Copies of all existing leases must be provided. If a lease has converted to month-to-month, provide the most recent two (2) months of rent receipts to evidence continuance. Purchase: Lease copies and rent receipts are not required.
- Short-term rental income is not eligible for 5-to-9-unit multifamily properties.
- Neither the borrower nor their immediate family may occupy the property at any time.
- Minimum reserves: 6 months (12 months for Foreign National borrowers).
- A multifamily property may not be located on rural or agricultural zoning.

9.2 Borrower Experience

Refer to the applicable product matrix for borrower experience requirements. First-Time Homebuyers are not eligible for 5-to-10-unit multifamily transactions.

9.3 Eligible Property

- Residential units may not be occupied by the borrower or the borrower's immediate family.
- Residential 5- to 9-unit properties (maximum 2 acres).

9.4 Property Condition

The following conditions render a property ineligible:

- Fair or poor condition ratings.
- Environmental issues.
- Health or safety issues (as noted by the appraiser, e.g., broken windows, unsafe stairs).
- Excessive deferred maintenance that could become a health or safety issue for tenants.
- Structural deferred maintenance (e.g., foundation, roof, electrical, plumbing issues).

9.5 Required Appraisal Attachments

- Rent Roll.
- Income and Expense Statement.
- Photographs of the subject property — exterior, interior, and street view.
- Aerial photo.
- Sketch or floor plan of typical units.
- Map.
- Appraiser qualifications.

10 TITLE INSURANCE

10.1 Title Insurance Requirements

- Coverage must be provided by ALTA or an equivalent association. Either a Standard or Short Form Policy is acceptable.
- The effective date of the title commitment must be dated within 120 days of the Note date. For Texas loans, the commitment must be dated within 90 days. If the limit is exceeded, the title company must provide gap coverage or an updated commitment.
- Title insurance is required in an amount equal to the loan amount.
- All title vesting must be reviewed to confirm it matches the application.
- All title holders must authorize the transaction. Non-applicant title holders must sign applicable closing documents.
- For trust-held properties, the trust agreement must be reviewed and approved by the title company and underwriters.
- For purchase loans, vesting must reflect the seller's name(s) and match the purchase contract. A deed transferring title is required at closing.
- The title commitment must be countersigned by an authorized representative of the title company.
- All outstanding mortgages must be identified, paid off, and released at or before closing, or meet subordination requirements if remaining open.
- Liens and Judgments — All federal tax liens, mechanics' liens, and judgments must be paid off prior to closing. Solar liens must be subordinated or paid off. HERO liens must be paid.
- Easements — Rights pertaining to public utilities, mineral rights, beach rights, or riparian rights generally do not affect lien position and may remain as title exceptions.
- Encroachments — May remain as title exceptions if the title company insures against loss from enforced removal.
- Surveys — All survey exceptions must be cleared on all loan products.
- Lis Pendens — All lis pendens must be removed prior to approval, or the application will be denied.

11 MISCELLANEOUS REQUIREMENTS

11.1 Age of Document Requirements

The following documents may not be more than 120 days old at closing (as measured by the Note date):

- Mortgage or rental verification.
- Asset documents and bank statements.
- Credit Report.
- Title Commitment, Preliminary Report, Binder, or O&E.

For appraisal age requirements, refer to Section 8.1.5. Any credit review documents exceeding these timeframes must be updated prior to closing.

11.2 Fraud Report

- All loans must be submitted to an automated fraud and data verification tool (e.g., FraudGuard, DataVerify, etc.).
- All transaction participants must be included: Borrowers/Guarantors, Property Sellers, Brokers, Loan Officers, Appraisers, Real Estate Agents, and Settlement Agents.
- A copy of the findings report and documentation resolving all identified deficiencies or red flags must be included in the loan file.

11.3 OFAC and Watchlist Screening

- Documentation must confirm that borrowers, entities as borrowers, sellers, real estate agents, settlement companies/agents, appraisers, and appraisal companies were screened against applicable watchlists.
- For refinance transactions: borrowers, entities as borrowers, settlement companies/agents, appraisers, and appraisal companies must be included.

11.4 Escrows

Escrow waivers are permitted. Refer to the matrix for program-specific requirements.

Escrow waivers are NOT permitted for:

- Properties located in flood zones.
- HPML loans.

11.5 Remote Online Notarizations (RON)

Remote Online Notarizations (RON) are permitted in accordance with Section A2-4.1-03 of Fannie Mae's Selling Guide. Use of a Power of Attorney is not permitted for RON closings.