

KeySelect Primary Residence						
Loan Amount	FICO	Full Doc		Alt Doc		Max DTI
		Purchase & R&T	Cash-Out	Purchase & R&T	Cash-Out	
<\$1,000,000	740	90	80	90	80	55%
	720	90	80	90	80	
	700	85	80	85	80	
	680	85	75	85	75	
	660	80	75	80	75	
\$1,000,001 - \$2,000,000	740	90	80	90	80	50%
	720	90	80	90	75	
	700	85	80	80	75	
	680	80	75	80	70	
	660	75	70	75	70	

KeySelect Second Home & Investor						
Loan Amount	FICO	Full Doc		Alt Doc		Max DTI
		Purchase & R&T	Cash-Out	Purchase & R&T	Cash-Out	
<\$1,000,000	740	80	75	80	75	50%
	720	80	75	80	75	
	700	80	75	80	75	
	680	80	75	80	75	
	660	80	75	80	75	
\$1,000,001 - \$2,000,000	740	80	75	80	75	50%
	720	80	75	80	75	
	700	80	75	80	75	
	680	80	75	80	75	
	660	75	70	75	70	

This information is provided by Keystone Funding, Inc. and intended for Mortgage Professional use only. It is not intended for public use or distribution. Keystone Funding, Inc. does not guarantee, warrant, ensure or promise that information provided is accurate. Terms and conditions of programs and guidelines are subject to change at any time without notice. This is not a commitment to lend. Keystone Funding, Inc. is an Equal Housing Lender. NMLS ID# 144760



Alt Doc is any loan qualified with 1099 or bank statement income.

Other Requirements	
Housing Lates	0X30X12
SS/FC/BK/DIL	48 Months Seasoning
Reserves	6 Months
Condo	85% Max LTV
2-4 Unit	80% Max LTV
Minimum Loan Balance	\$150,000

<p>Underwriting</p>	<ul style="list-style-type: none"> • Refer to the Fannie Mae Selling Guide for any topic not specifically addressed herein. • Manual review required. • Use the Fannie Mae Cash Flow Analysis 1084 • All credit documents, including title commitment, must be no older than 90 days from the note date • The IRS form 4506-C is required for all Borrowers on Full Doc loans • All loans that are subject to Regulation Z must comply with the Ability-To-Repay (ATR) rule provisions in the Truth in Lending Act
<p>Products</p>	<p>Eligible Products</p> <ul style="list-style-type: none"> • 30 Year Fixed <p>Ineligible Products</p> <ul style="list-style-type: none"> • High Cost Loans (Federal, State or Local) • Balloons • Graduated Payments • Temporary Buy Downs
<p>Transaction Types</p>	<p>Purchase</p> <ul style="list-style-type: none"> • A purchase money transaction is one in which the proceeds finance the acquisition of a property <p>Rate and Term Refinance</p> <ul style="list-style-type: none"> • Rate and Term refinance transactions must meet the following requirements: <ul style="list-style-type: none"> ○ Payoff an existing first mortgage loan and the financing of closing costs and prepaid items ○ Max cash-back to the borrower is 1% of the new loan amount of \$5,000, whichever is higher ○ Payoff subordinate liens (no seasoning or HELOC max draw requirements) <p>Cash-Out Refinance</p> <ul style="list-style-type: none"> • Payoff any existing mortgage loan or be a new mortgage when the subject property is free and clear • Borrower(s) must have owned the property for at least 6 months from the note date • Properties listed for sale within the past 3 months are not eligible • Max cash-out is \$500,000 and can be used for reserves
<p>Ineligible Transactions</p>	<p>Ineligible Transactions Include:</p> <ul style="list-style-type: none"> • First Time Homebuyer (borrower has not owned a home in the last 3 years) on investment property. • Subject loan being used as a bridge loan (i.e., short term) • Cross-Collateralized Loan • Non-Arm's Length (NAL) transactions on investment properties • Properties listed for sale within the past 3 months on cash-out refinance • Refinance of a loan in Forbearance (see Forbearance section)

<p>Non-Arm's Length Transactions</p>	<p>A NAL transaction exists whenever there is a personal or business relationship (outside of the subject transaction) with any of the parties to the loan. This may include the seller, builder, real estate agent, appraiser, lender, title company or other interest parties. These transactions must be fully disclosed and are not allowed for:</p> <ul style="list-style-type: none"> • Investment Properties • Purchase property not listed on the MLS • LTV > 80%
<p>Occupancy Types</p>	<p>Primary Residence</p> <ul style="list-style-type: none"> • A property that the borrower uses as their primary residence. Only 1 borrower needs to occupy and take title to the property <p>Second Home</p> <ul style="list-style-type: none"> • A second home is restricted to one-unit dwelling and must meet the following: <ul style="list-style-type: none"> ○ Must be occupied by the borrower for some portion of the year ○ Must be suitable for year-round occupancy ○ The borrower must have exclusive control and access to the property ○ Must not be a rental property or timeshare arrangement ○ Cannot be subject to any agreement that gives a management firm control over the occupancy of the property <p>Note: A property generating periodic rental income may still be eligible for delivery as a second home (e.g, VRBO). The property cannot be subject to any mandatory rental agreement and cannot use the rental income to qualify.</p> <p>Investment Property</p> <ul style="list-style-type: none"> • An investment property is not occupied by the borrower and does not meet the requirements of a second home.
<p>Borrower Eligibility</p>	<p>Eligible Borrowers</p> <ul style="list-style-type: none"> • U.S. (United States) Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens <ul style="list-style-type: none"> ○ Eligible classifications include E, G, H, L, O, P & TN • Non-Occupant Co-Borrowers (True Blended ratios allowed) <ul style="list-style-type: none"> ○ Max LTV/CLTV 80% • First Time Homebuyer (borrower has not owned a home in the last 3 years) on primary and second homes only • Partnership, Corporation, LLC (Allowed on investment property only) <ul style="list-style-type: none"> ○ See "Business Entity" section for requirements • Max financed properties <ul style="list-style-type: none"> ○ Primary Residence – No Limit ○ Second Home / Investment – 15 ○ DSCR Program (Coming Soon) – 20 • KFI maximum exposure to an individual borrower is the lesser of 5 loans of \$5,000,000 • Maximum 4 borrowers on 1 loan

This information is provided by Keystone Funding, Inc. and intended for Mortgage Professional use only. It is not intended for public use or distribution. Keystone Funding, Inc. does not guarantee, warrant, ensure or promise that information provided is accurate. Terms and conditions of programs and guidelines are subject to change at any time without notice. This is not a commitment to lend. Keystone Funding, Inc. is an Equal Housing Lender. NMLS ID# 144760

	<p>Ineligible Borrowers:</p> <ul style="list-style-type: none"> • Foreign National • Irrevocable Trusts / Life Estate / Blind Trust • Borrowers with diplomatic immunity • Land Trust • Borrowers with ownership in a federally illegal business (Marijuana) • Borrowers without a social security number • Borrowers less than 18 years of age
<p>Business Entity</p>	<p>Ownership or title vesting in the name of an LLC, partnership, or corporation (collectively 'Entity') is acceptable on investment property transactions only.</p> <p>General Requirements</p> <ul style="list-style-type: none"> • Business purpose and activities are limited to ownership and management of real estate (see articles of incorporation) • Entity must be domiciled in the U.S. (United States) • Entity is limited to 4 owners or members • The borrower(s) on the loan application (1003) must be the managing member(s) and have verified authority to sign on behalf of the entity • LLCs with other entities as a member are not allowed • Each Entity owner or member of the Entity must receive notice of the loan and its terms prior to closing <p>Required Documentation</p> <ul style="list-style-type: none"> • Operating Agreement or Articles of Incorporation/Organization • Tax Identification Number • Articles of Incorporation • Certificate of Good Standing • Certificate of Authorization for the person executing all documents on behalf of the Entity • Single Member or Multiple Member Borrower Certificate (see forms) <p>Documents to be completed and signed:</p> <ul style="list-style-type: none"> • Loan Application (1003) to be completed for each individual member of the Entity providing a personal guaranty (sign as an individual) • Personal Guaranty <ul style="list-style-type: none"> ○ Required for each borrower on 1003 ○ Spousal Consent to Pledge required for community property states • Business Purpose and Occupancy Affidavit to be signed by each borrower on 1003 • All closing documents and disclosures must be signed by each individual member of the Entity providing a personal guaranty • Note and Deed of Trust/Mortgage – signed by each individual member of the Entity providing a personal guaranty

Credit

Useable Credit Score:

- Primary wage earner score is the representative score for the loan (except DSCR – Coming Soon)
- Lowest usable score for all borrowers is the representative score for the DSCR program (Coming Soon)
- Usable score for each borrower is determined by:
 - The middle score of the three credit reporting agencies are provided
 - Lower score when two credit reporting agencies are provided
- All borrowers must have a minimum usable score that matches the matrices for the product selected
- See KFI eligibility matrix for specific FICO requirements

Minimum Tradelines

- Option 1: Three tradelines:
 - All reporting for 12+ months, and
 - One with activity in the last 12 months
- Option 2: Two tradelines
 - One tradeline reporting for 24 + months with activity in the last 12 months
 - Other tradeline reporting for 12+ months
- Each borrower contributing income for qualifying must meet the minimum tradeline requirements
- Authorized user accounts are not considered an acceptable tradeline
- Non-traditional credit is not considered an acceptable tradeline

Mortgage/Rental History Requirements

- If the borrower(s) has a mortgage or rental history in the most recent 12 months, a satisfactory rating must be obtained. The rating may be on the credit report or VOM/VOR. Applies to all borrowers on the loan.
- If the mortgage holder or landlord is a private party, canceled checks, bank statements, or equivalent documentation is required for verification

Forbearance

Borrowers who have obtained mortgage forbearance after March 1, 2020, may be eligible for a new mortgage with the following criteria:

- Forbearance plan expired with a maximum of 3 missed payments:
 - Repayment plan with at least 3 consecutive timely payments
 - Term modification not exceeding the length of forbearance period with at least 3 consecutive timely payments
- Borrowers who “opted out” of the forbearance plan without missing any payments are eligible under standard guidelines
- Borrowers who remained current throughout the plan (all contractual payments were made) are eligible under standard guidelines
- Borrowers who received a rate modification or principal forgiveness are not eligible
- Borrowers still in forbearance are not eligible

Significant Derogatory Credit			
Housing Lates			
KeySelect	KeyAdvantage	KeyInvest (DSCR)	
OX30X12	OX60X12	OX60X12	
Waiting Period Summary			
Event	KeySelect	KeyAdvantage	KeyInvest (DSCR)
Bankruptcy Chapter 7 or 11	4 Years	2 Years	3 Years
Bankruptcy Chapter 13	4 Years discharge date 4 Years dismissal date	2 Years discharge date 2 years dismissal date	3 Years discharge date 3 Years dismissal date
Multiple Bankruptcies	4 Years	4 Years	4 Years
Foreclosure	4 Years	2 Years	3 Years
DIL, SS, Charge-Off	4 Years	2 Years	3 Years
<p>The waiting period starts on the completion, discharge, or dismissal of the applicable even and end on the note date.</p> <p>Party to a Lawsuit</p> <p>If the 1003, or any other documentation in the loan file, indicates the borrower is a party to a lawsuit, additional documentation is required to determine there will be no negative impact on the borrower's ability to repay the loan.</p>			
Liabilities	<p>Monthly Debt Obligations (Refer to Fannie Mae if not addressed below)</p> <ul style="list-style-type: none"> • Alimony, Child Support, and Separate Maintenance – must be included in the DTI if there are more than 10 monthly payments remaining. • Note: Alimony and separate maintenance payments may be subtracted from the income, in lie of including it as a monthly payment in the calculation of the DTI ratio • Authorized User Account – not considered in DTI • Business Debt – not considered in the DTI with the following: <ul style="list-style-type: none"> ○ No history of delinquency ○ Evidence that the obligation was paid by the business for the past 12 months, and 		

This information is provided by Keystone Funding, Inc. and intended for Mortgage Professional use only. It is not intended for public use or distribution. Keystone Funding, Inc. does not guarantee, warrant, ensure or promise that information provided is accurate. Terms and conditions of programs and guidelines are subject to change at any time without notice. This is not a commitment to lend. Keystone Funding, Inc. is an Equal Housing Lender. NMLS ID# 144760

	<ul style="list-style-type: none"> ○ Payment was considered in the business cash flow analysis • Installment – use the payment on the credit report or account statement if there are more than 10 monthly payments remaining • Lease – must use the recurring monthly payment regardless of the number of monthly payments remaining on the lease • Loan secured by Financial Assets (401K, IRA, Equities, etc.) – not considered in the DTI if can document the financial asset used as collateral for the loan. If the asset is also being used for reserve requirements, must reduce the value of the asset by the loan amount • Open 30-Day Charge Account – not considered in the DTI with the following” <ul style="list-style-type: none"> ○ Balance must be subtracted from liquid assets for the purpose of calculating cash to close and reserves, or ○ The verification an account has been paid off • Revolving – use the payment on the credit report, minimum payment on the account statement, or greater than \$10 or 5% of the balance • Student Debt – use the payment on the credit report. If the credit report does not reflect the correct payment, use the payment on the student loan documentation (e.g., most recent statement). If the credit report does not provide payment, or it shows \$0 as the monthly payment, use one of the following options: <ul style="list-style-type: none"> ○ For an income-driven plan, obtain student loan documentation to verify the actual monthly payment is \$0 ○ For deferred loans or loans in forbearance, use 1% of the outstanding balance or ac fully amortized payment using the documented repayment terms <p>Debt Paid Off</p> <ul style="list-style-type: none"> • Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the DTI • Revolving account balances being paid off at or prior to closing do not need to be included in the DTI
<p>Secondary Financing</p>	<ul style="list-style-type: none"> • Institutional Financing only. No private party financing • Subordinate financing must be recorded and clearly subordinate to the new mortgage • Must consider all subordinate liens secured by the subject property when calculating CLTV ratios. This includes business loans (e.g., SBA) • For HELOC, use the total credit line limit when calculating the CLTV • Employer subordinate financing allowed. Refer to Fannie Mae B2-1.2-04 • Negative amortization is not allowed
<p>Debt-to-Income Ratio (DTI)</p>	<p>Maximum DTI</p> <ul style="list-style-type: none"> • Per KFI eligibility matrix <p>Qualifying Rate</p> <ul style="list-style-type: none"> • Fixed Rate: Note Rate
<p>Income / Full Doc</p>	<p>Stable monthly income must meet the applicable requirements to be considered for qualifying. Use the Fannie Mae Cash Flow Analysis (Form 1084) or equivalent for income calculation and refer to the Fannie Mae Selling Guide for any topic not addressed.</p>

Residual Income

Residual income is required for all primary and second home transactions (Gross Monthly Income – Total Monthly Obligations)

- Residual income of \$3500 is required for DTI > 50%
- Residual income of \$2500 is required for the KeySelect program
- Residual income of \$1500 for the KeyAdvantage program
- Additional \$150 per dependent must also be included for both programs

Declining Income

Declining income sources should be closely reviewed to determine if the income can be used for qualifying:

- If the trend was declining, but has since stabilized, the current lower income may be used,
- If the trend is declining, but has not stabilized, the income may not be used

The employer or the borrower should provide an explanation for the decline and the underwriter should provide written justification for including the declining income for qualifying.

Verbal Verification of Employment

Lenders must obtain a verbal verification of employment (VVOE) for each borrower using employment or self-employment income to qualify. The VVOE must be obtained within 10 business days prior to the note date for employment income, and within 30 calendar days prior to the note date for self-employment.

W-2 Wage Earners / 1099 Contractor

- Independently obtain a phone number and, if possible, an address for the borrower's employer via the internet (Google Search), or by contacting the applicable licensing bureau
- Verbally contact the employer to confirm the borrower is employed at the time of verification
- Document the conversation and include the following:
 - Name and title of the person who confirmed the employment for the lender and the employer
 - Date of the call, and
 - Source of the phone number

Self Employed

- Verify the existence of the borrower's business within 30 calendar days prior to the note date using:
 - Third-party, such as CPA, regulatory agency, or the applicable licensing bureau, or
 - Phone listing and address using an internet search (Google Search)
- Document the source of the information obtained and the name and title of the lender's employee who obtained the information

Full Doc (2-Year)

- Wage earner – YTD Paystub and W-2s covering the most recent 2-year period
- Self-Employed - YTD P&L/balance sheet and signed individual and business federal income tax returns for the most recent 2-Years
- W2 transcripts or tax transcripts if applicable
- VVOE

Full Doc (1-Year)

- Wage earner – YTD paystub and W2 covering the most recent one (1) year period
- Self-Employed – YTD P&L/balance sheet and signed individual and business federal income tax returns for the most recent year
- W2 transcripts or tax transcripts if applicable
- VVOE

Capital Gain/Losses

- Consistent gains from similar asset types for 2 continuous years may be considered as qualifying income
- Losses do not have to be deducted from income if all other sources of income are not considered passive
- Verify income with 2 year's personal tax returns
- Must document assets similar to the ones that generated the capital gains to support the continuance

Dividend and Interest Income

- Consistent income from similar asset types for 2 continuous years may be considered as qualifying income
- Verify income with 2 year's personal tax returns
- Must document assets similar to the ones that generated the dividends/interest to support the continuance

K-1 Income / Loss on Schedule E

- If the income is \$0 or positive, and not being used for qualifying, the K-1s are not required
- If the income is negative, K-1s are required. If ownership is < 25%, losses do not have to be deducted from income if all the other sources of income are not considered passive
- If ownership is 25% or more, the income must be reviewed according to standard self-employment requirements

Note Income

- Copy of the note to establish the amount, frequency, and duration of the payment
- Documented regular receipt for the most recent 12 months, and
- Evidence income can be expected to continue for a minimum of 3 years from the note date

Rental Income

- Refer to Fannie Mae for detailed rental income guidelines (B3-3.1-08)

Short-Term Rental

When the subject or non-subject property is a seasonal rental, vacation rental, or another short-term rental, the following requirements apply:

- Copy of the most recently filed 1-year tax return reflecting the property on Schedule E:
 - Calculation based on Fannie Mae cash flow analysis
- If tax returns are not available, provide evidence of 12 month's receipt from property management or an online marketplace company:
 - Calculation based on 75% of gross rental revenues minus PITIA
- Evidence the county/city where the property is located does not prohibit or restrict short-term rentals
- Evidence the HOA allows short-term rentals (Condos & PUDs)

- Copy of the property management or online marketplace agreement to confirm the property is still being marketed

RSU Income

Can be used as qualifying income with the following documentation and calculation:

- Verify 2-year history of receipt with pay stubs, W2s, or other documentation
- Verify income can continue for at least 2 years after the note date with the vesting schedule:
 - $RSU\ Income = (Usable\ Stock\ Price) \times 2\ Year\ Future\ RSU\ Vesting$
24 months
 - Usable stock price equals the lower of the 52-week average vs. current stock price
- Qualifying income is the lesser of the 2 years historical monthly average vs. 2-year future monthly average
- File cannot contain any indication that future awards will be inconsistent with historical awards
- Must be employed by the same employer issuing the RSUs
- Must be publicly traded stock

Retirement Income

Document current receipt of the income with any of the following:

- A statement from the organization providing the income
- A copy of retirement award letter or benefit statement
- A copy of financial or bank account statement
- A copy of signed federal income tax return
- An IRS W-2 form or
- An IRS 1099 form

If the retirement income is a distribution from a 401(k), IRA, or Keogh retirement account:

- Verify the income can continue for at least 3 years from the mortgage note date with the account statements
- Eligible retirement account balances (from a 401(k) may be combined for the purpose of determining continuance
- Discount marketable securities (e.g., stocks) to 80% for the purpose of calculating continuance
- Assets available beyond the continuance requirement may be used as reserves
- The borrower must have unrestricted access to the accounts without a penalty

Trust Income

Trust income can be used for qualification with the following requirements

- Copy of the trust agreement or the trustee's statement to confirm the amount, frequency, and duration of payments
- Trust must be irrevocable
- Verification the trust income will continue for at least 3 years from the mortgage note date and
- Documented regular receipt of the trust income for the past 6 months

	<p>Asset Amortization Income – <u>Handled on a Case by Case Basis</u></p> <p>Asset Amortization is the creation of an income stream from specific asset types. It can be used with other sources of income or independently.</p> <p>Asset Amortization Income Calculation - <u>Handled on a Case by Case Basis</u></p> <ul style="list-style-type: none"> • Net eligible assets / 120 months (no rate of return) <p>Eligible Assets</p> <table border="1" data-bbox="435 520 1411 842"> <thead> <tr> <th>Type</th> <th>Percentage of Asset</th> </tr> </thead> <tbody> <tr> <td>Depository Accounts</td> <td>100%</td> </tr> <tr> <td>Marketable Securities (publicly traded)</td> <td>80%</td> </tr> <tr> <td>Retirement Accounts (>= 59.5)</td> <td>80% (100% if depository)</td> </tr> <tr> <td>Cryptocurrency</td> <td>50%</td> </tr> </tbody> </table> <p>Currently allowing Bitcoin and Ethereum and can only represent 25% of the net eligible assets.</p> <p>Ineligible Assets</p> <ul style="list-style-type: none"> • Non-marketable securities (e.g., private investments) • Cash Value of life insurance and annuities • Stock Options • Custodial Accounts • Foreign Assets • Business Assets • Gift Funds <p>Additional Requirements</p> <ul style="list-style-type: none"> • Verify 3 months of consecutive statements within 60 days of the note date • Deposits exceeding 50% of the total qualifying income must be documented and come from an eligible source, • Assets used for the down payment, closing costs, and reserves must be excluded • All individuals on the account must be a borrower on the loan • Assets cannot be used as another source of income (e.g., capital gain) 	Type	Percentage of Asset	Depository Accounts	100%	Marketable Securities (publicly traded)	80%	Retirement Accounts (>= 59.5)	80% (100% if depository)	Cryptocurrency	50%
Type	Percentage of Asset										
Depository Accounts	100%										
Marketable Securities (publicly traded)	80%										
Retirement Accounts (>= 59.5)	80% (100% if depository)										
Cryptocurrency	50%										
<p>Income Alt Doc</p>	<p>Bank Statements (Personal & Business)</p> <p>Eligible deposits on bank statements are used to determine the income of a self-employed borrower. Can use 12 or 24 months of bank statements.</p> <p>General Criteria</p> <ul style="list-style-type: none"> • Verification borrower has a minimum of 50% ownership in the business: <ul style="list-style-type: none"> ○ Letter from the CPA, tax preparer, or equivalent (e.g., operating agreement) • Verification borrower has been self-employed in the same line of business for the last 2 years: <ul style="list-style-type: none"> ○ Letter from the CPA, tax preparer, regulatory agency, or equivalent • Provide a signed written business narrative. Must include: <ul style="list-style-type: none"> ○ What the business does and who the customer is ○ Number of full-time employees ○ Description of operations and 										

- Any other information that would help determine eligible deposits and expenses
- Provide complete and consecutive bank statements within 60 days of the note date:
 - Multiple accounts allowed
 - Cannot have business expenses on a personal account
 - All parties listed on the bank account must be a borrower on the loan
- Personal Bank Statements Only
 - Provide the most recent two months' business bank statements in conjunction with the personal bank statements. This is to confirm that the borrower maintains separate accounts for business and personal.
 - Evidence of the business expenses/activity is not allowed unless the qualification is based on the business bank statement program/calculation
- 1099s may be used to replace business bank statements for a calendar year with the following:
 - IRS wage and income transcripts, and
 - YTD business bank statements
- Ineligible Deposits Include
 - Transfers from other borrower bank accounts
 - Refunds (e.g., tax refund)
 - Payroll deposits from other income sources
 - Advances on or loan proceeds
 - Large deposits and
 - Any recognizable non-business-related deposits.
- Business expenses must be reasonable for the type of business when using the P&L or CPA expense ratio calculation (applies to Business BS Loan only)
- Satisfactory LOE required for all NSF activity (max 5 in last 12 months)
- Satisfactory LOE required for decreasing deposit trends
- Rental Income must be documented with a current lease agreement and the most recent 2 months receipt. Calculate income using:
- 75% of lease agreement minus PITIA

Personal BS Income Calculation

- Lower of the eligible deposit average and income on the initial signed 1003

Business BS Income Calculation

- Fixed Income Expense Ratio
 - Lower of 1) the applicable average of eligible deposits x 50% (12 or 24 months) x ownership percentage and 2) income on initial signed 1003
- P&L
 - Lower of 1) the net income on P&L x ownership percentage and 2) income on initial signed 1003
 - Provide qualified third-party prepared P&L statement covering the same period as the bank statements (must be signed by the borrower and the tax preparer)
 - Eligible deposits on the bank statements must be within 15% of the gross revenues listed on the P&L
- CPA Tax Preparer Expense Ratio
 - Lesser of 1) the applicable average of eligible deposits x expense percentage (12 or 24 months) x ownership percentage and 2) income on initial signed 1003
 - Provide a signed statement from a third-party tax preparer indicating the expense ratio of the business based on the most recent year's tax returns (must be signed and cannot contain exculpatory language)

	<p>1099 Income</p> <p>Allowed for borrowers with a 2-year history of 1099 income, or who have recently converted from W2 to 1099, and have at least 2 years employment history in the same industry:</p> <ul style="list-style-type: none"> • Provide 1099 and or W2 for the last 2 years from the same employer • Provide YTD earnings (pay voucher, WVOE, or equivalent third-party documentation) • Employer to confirm borrower has no known job-related expenses • Income calculation: YTD + prior year earnings / applicable months
<p>DSCR Program (Coming Soon)</p>	<p>The Debt Service Coverage Ratio (DSCR) program (Coming Soon) is designed for investment property transactions that are designated for business purpose only. The qualification is based on the cash flow from the subject property. Borrower employment and income are not required, and therefore no DTI ratio is calculated. Refer to the applicable guideline section for any topic not addressed in DSCR requirements.</p> <p>General Requirements</p> <ul style="list-style-type: none"> • Investment Properties only • Loan must be deemed business purpose loans and be exempt from the ATR, QM and HPML requirements • 6 months reserves (based on subject PITIA) – cash out not eligible as reserves • Minimum DSCR = 0.75 (see DSCR matrix) • DSCR <1.1 requires additional 3 months of reserves • Business Purpose & Occupancy Affidavit (see forms) • Insurance must include 6 month rent loss coverage • No NAL (includes leasing to a family member) • Verification of primary residence <ul style="list-style-type: none"> ○ 12-month housing history ○ Rent Free (not allowed) • Lowest usable score for all borrowers is the representative score <p>Borrower Eligibility</p> <ul style="list-style-type: none"> • First Time Homebuyers (FTHB) are not allowed • First Time Investor (has not owned an investment property for 12 months in the last 3 years) allowed with the following: <ul style="list-style-type: none"> ○ Must own (not rent) a primary residence ○ Minimum DSCR 1.1 ○ Max LTV 70% • See Borrower Eligibility & Business Entity sections for all other eligible borrowers <p>Lease Requirements</p> <p>Refinance</p> <ul style="list-style-type: none"> • Copy of the lease and appraisal form 1007 (SFR) or 1025 Multi-Family • Vacant Properties are not acceptable <p>Purchase</p> <ul style="list-style-type: none"> • Copy of the lease and appraisal form 1007 (SFR) or 1025 Multi-Family • If no current tenant, no lease is required <p>Short Term Rental – Refinance Only (e.g., VRBO, Airbnb)</p> <ul style="list-style-type: none"> • Provide evidence of 12 months receipt from a property management or online marketplace company

	<ul style="list-style-type: none"> Evidence the county/city where the property is located does not prohibit or restrict short term rentals Evidence the HOA allows short-term rentals (Condos & PUDs) Copy of the property management or online marketplace agreement to confirm the property is still being marketed <p>DSCR Calculation</p> <ul style="list-style-type: none"> 100% Gross Rents/ Proposed PITIA = DSCR Gross Income: <ul style="list-style-type: none"> Lower of the executed lease agreement or market rent on form 1007 or 1025 Can use a higher monthly rent reflected on a lease if within 20% of the market rent and proof of 3 months recent receipt Short Term Rentals – 90% Gross Rents / Proposed PITIA = DSCR Interest-Only Qualifying payment is based on the fully amortizing principal & interest using the applicable amortization period <p>Assets</p> <ul style="list-style-type: none"> Refer to Assets Section <p>Business Purpose Requirements</p> <ul style="list-style-type: none"> Business Purpose & Occupancy Affidavit 1-4 Family Rider / Assignment of Rents LOE on cash-out refinance to state proceeds being used for a business purpose File cannot contain any indication that subject property is not being used for business purposes 								
<p>Tax Transcripts (Not required on the bank statement or DSCR – Coming Soon)</p>	<table border="1"> <thead> <tr> <th>Income Source</th> <th>Transcript Requirement</th> </tr> </thead> <tbody> <tr> <td>Self Employed</td> <td rowspan="2">Tax Return Transcripts (1040) for the year(s) of qualifying income</td> </tr> <tr> <td>Other types of income</td> </tr> <tr> <td>Wage Earner & 1099</td> <td>Wage & Income Transcripts for the years(s) of qualifying income</td> </tr> </tbody> </table>	Income Source	Transcript Requirement	Self Employed	Tax Return Transcripts (1040) for the year(s) of qualifying income	Other types of income	Wage Earner & 1099	Wage & Income Transcripts for the years(s) of qualifying income	<ul style="list-style-type: none"> If tax transcripts are not available due to a recent filing for the current year, provide the following: <ul style="list-style-type: none"> IRS notice showing “No record of return filed” and Proof the tax return was electronically filed, or IRS officially stamped return If tax transcripts are not available due to fraud, provide the following: <ul style="list-style-type: none"> IRS Reject (Code 10) message received by the vendor, and Proof of receipt of refund or payment on the amount owed All other scenarios will be considered on a case-by-case basis
Income Source	Transcript Requirement								
Self Employed	Tax Return Transcripts (1040) for the year(s) of qualifying income								
Other types of income									
Wage Earner & 1099	Wage & Income Transcripts for the years(s) of qualifying income								
<p>Assets</p>	<p>Assets being used for down payment, closing costs, debt payoff, and reserves must be verified with account statements for the most recent 2 months, and reflect a consecutive 60 days of asset verification.</p> <p>Large Deposits</p>								

This information is provided by Keystone Funding, Inc. and intended for Mortgage Professional use only. It is not intended for public use or distribution. Keystone Funding, Inc. does not guarantee, warrant, ensure or promise that information provided is accurate. Terms and conditions of programs and guidelines are subject to change at any time without notice. This is not a commitment to lend. Keystone Funding, Inc. is an Equal Housing Lender. NMLS ID# 144760

Documentation and or explanation for large deposits is required for certain transaction types (defined as a single deposit that exceeds 50% of the total monthly qualifying income):

- Full Doc Refinance – Not Required
- Full Doc Purchase – Documentation & LOE is required
- Bank Statement – LE required
- DSCR (Coming Soon) – Documentation, and LOE are required
 - A large deposit on the DSCR program is defined as any single deposit exceeding 5% of the loan amount

The seller is responsible for verifying a large deposit did not result in any undisclosed debt.

Interested Party Contributions (IPC)

- May be used for closing costs and prepaid expenses
- IPCs that exceed the limits below are considered sales concessions
- Value of sales concessions must be deducted from the sales price when calculating the LTV

Occupancy	LTV/CLTV	Max IPC
Primary & Second Home	90%	6%
Investment	80%	2%

Business Funds

Allowed for down payment, closing costs and reserves with the following:

- If the borrower does not own 100% of the business, the other owners must provide a letter confirming access to the funds
 - Assets multiplied by ownership percentage equals usable funds
- Cash flow analysis using tax returns or most recent 3 months business bank statements to determine no negative impact on the business
- Business bank statements cannot reflect any NSF's

Gift Funds

Allowed for down payment, closing costs and reserves with the following:

- >80% - a minimum of 5% of their own funds is required on purchase transaction
- <80% - a minimum contribution from the borrower is not required
- Gift funds are not allowed on investment properties

Cash-Out for Reserves

Allowed on all programs except DSCR (Coming Soon)

	Documentation & Reserves		
	Reserves		
	KeySelect	KeyAdvantage	KeyInvest (DSCR)
	6 months	3 months	6 months
	Eligible Assets		
	Type		Percentage of Asset
	Depository Accounts		100%
	Marketable Securities (publicly traded)		80%
	Retirement Accounts		80%
	Cryptocurrency		50%
<p>Currently allowing Bitcoin and Ethereum can only represent 25% of net eligible assets</p> <p>Ineligible Assets</p> <ul style="list-style-type: none"> • Non-marketable securities (e.g., private investments) • Cash value of life insurance and annuities • Stock Options • Custodial accounts • Foreign Assets • Business Assets • Gift Funds <p>Cryptocurrency</p> <ul style="list-style-type: none"> • Down payment or closing costs <ul style="list-style-type: none"> ○ An account statement with 60 days of activity verifies the borrower's ownership and value of the asset, and ○ Document the sale and receipt of funds into the borrower's bank account • Reserves <ul style="list-style-type: none"> ○ Currently allowing Bitcoin and Ethereum ○ Must be discounted to 50% of value due to volatility ○ Account statement with 60 days of activity verifying the borrower's ownership and value of the asset from a publicly traded exchange/custodial (e.g., Coinbase) or a recognized digital wallet, and ○ The most recent statement must be within 60 days of the note date 			
Appraisal	<p>Appraisal Forms (B4.1.2-01)</p> <ul style="list-style-type: none"> • Appraisals must be completed on the correct Fannie Mae appraisal form and include all applicable appraisal exhibits • Property Inspection Waivers (PIW) are not allowed • Investment Property transactions (including DSCR program – Coming Soon) required form 1007 (SFR) or 1025 (multifamily) 		

This information is provided by Keystone Funding, Inc. and intended for Mortgage Professional use only. It is not intended for public use or distribution. Keystone Funding, Inc. does not guarantee, warrant, ensure or promise that information provided is accurate. Terms and conditions of programs and guidelines are subject to change at any time without notice. This is not a commitment to lend. Keystone Funding, Inc. is an Equal Housing Lender. NMLS ID# 144760

	<p>Number of Appraisals</p> <ul style="list-style-type: none"> • < \$1,500,000 – One Appraisal • \$1,500,000 – Two Appraisals from separate appraisers and AMCs • Note: Loan subject to 12 C.F.R. & 1026.35 of Regulation Z may be subject o additional appraisal requirements (See HPML section) <p>Value of LTV/CLTV Calculation on Refinance</p> <ul style="list-style-type: none"> • If property is owned less than 6 months, the LTV/CTLV is based on the lesser of the original purchase price or the appraised value • When 2 appraisals are obtained, use the lower value for LTV/CLTV calculation <p>Appraisal Review</p> <p>A desk review from Clear Capital is required on all loans unless</p> <ul style="list-style-type: none"> • The CU score is < 2.5 or • The loan has two appraisals <p>The value on the Desk Review must be within 10% of the appraised value, or the following:</p> <ul style="list-style-type: none"> • Clear Capital BPO with Reconciliation of Value Supporting the original appraised value or • Use the lower of the appraisal or desk review value for LTV/CLTV calculation <p>Age of Appraisal</p> <ul style="list-style-type: none"> • The property must be appraised within 12 months of the note date • Appraisal Update and/or Completion Report (Form 1004D) is required when the appraisal report will be greater than 4 months old on the date of the note 				
<p>Property</p>	<table border="1"> <thead> <tr> <th data-bbox="435 1087 922 1150">Eligible Properties Include</th> <th data-bbox="922 1087 1409 1150">Ineligible Properties Include</th> </tr> </thead> <tbody> <tr> <td data-bbox="435 1150 922 1696"> <ul style="list-style-type: none"> • 1-4 unit residential • PUD • Condos (Warrantable) • Leasehold estate (must meet Fannie Mae criteria) </td> <td data-bbox="922 1150 1409 1696"> <ul style="list-style-type: none"> • C5/C6 condition properties • 5+ unit • Commercial Use (e.g., assisted living facility etc.) • 2-4-unit Second Home • Condotels • Manufactured Homes / Mobile Homes • Agricultural including working farm, ranch, or orchard (hobby farm allowed) • Properties > 20 acres • Co-Op • Unique Properties (e.g., dome homes, berm home, earth home) • Mixed Use • Properties listed for sale within the last 3 months </td> </tr> </tbody> </table>	Eligible Properties Include	Ineligible Properties Include	<ul style="list-style-type: none"> • 1-4 unit residential • PUD • Condos (Warrantable) • Leasehold estate (must meet Fannie Mae criteria) 	<ul style="list-style-type: none"> • C5/C6 condition properties • 5+ unit • Commercial Use (e.g., assisted living facility etc.) • 2-4-unit Second Home • Condotels • Manufactured Homes / Mobile Homes • Agricultural including working farm, ranch, or orchard (hobby farm allowed) • Properties > 20 acres • Co-Op • Unique Properties (e.g., dome homes, berm home, earth home) • Mixed Use • Properties listed for sale within the last 3 months
Eligible Properties Include	Ineligible Properties Include				
<ul style="list-style-type: none"> • 1-4 unit residential • PUD • Condos (Warrantable) • Leasehold estate (must meet Fannie Mae criteria) 	<ul style="list-style-type: none"> • C5/C6 condition properties • 5+ unit • Commercial Use (e.g., assisted living facility etc.) • 2-4-unit Second Home • Condotels • Manufactured Homes / Mobile Homes • Agricultural including working farm, ranch, or orchard (hobby farm allowed) • Properties > 20 acres • Co-Op • Unique Properties (e.g., dome homes, berm home, earth home) • Mixed Use • Properties listed for sale within the last 3 months 				

	Max Financed Properties																					
	Occupancy Type	Max Financed Properties																				
	Primary Residence	No Limit																				
	Second Home / Investment	15																				
	DSCR (Coming Soon)	20																				
	Escrow Holdbacks Not allowed																					
Condominium	<p>Follow Fannie Mae for all project types and project review standards.</p> <ul style="list-style-type: none"> Projects that do not meet Fannie Mae eligibility are not eligible. Fannie Mae form 1076 or equivalent project questionnaire required on all reviews, except: <ul style="list-style-type: none"> Detached Condo Units 2-4 Unit Project Litigation that doesn't meet Fannie Mae requirements may be considered as an exception on a case-by-case basis 																					
Non-Warrantable Condominium	<p align="center">Non-Warrantable Condos will be handled on a Case by Case Basis</p> <table border="1"> <thead> <tr> <th colspan="3">Non-Warrantable Condo</th> </tr> <tr> <th>Near-Prime</th> <th>Non-Prime</th> <th>KeyInvest (DSCR)</th> </tr> </thead> <tbody> <tr> <td align="center">Allowed</td> <td align="center">Allowed</td> <td align="center">Allowed</td> </tr> </tbody> </table> <p>Non-Warrantable Features:</p> <table border="1"> <thead> <tr> <th>Topic</th> <th>Requirements</th> </tr> </thead> <tbody> <tr> <td>Commercial Space</td> <td>o 50% allowed (Fannie Mae 35%)</td> </tr> <tr> <td>Investor Concentration</td> <td>o 80% investment allowed (Fannie Mae 50%) o Unlimited for primary residence and second home</td> </tr> <tr> <td>HOA Control</td> <td>o 30% presale allowed for second home and Primary residence only (Fannie Mae 50%)</td> </tr> <tr> <td>Single Entity Ownership</td> <td>o 25% allowed (Fannie Mae 20%)</td> </tr> </tbody> </table>			Non-Warrantable Condo			Near-Prime	Non-Prime	KeyInvest (DSCR)	Allowed	Allowed	Allowed	Topic	Requirements	Commercial Space	o 50% allowed (Fannie Mae 35%)	Investor Concentration	o 80% investment allowed (Fannie Mae 50%) o Unlimited for primary residence and second home	HOA Control	o 30% presale allowed for second home and Primary residence only (Fannie Mae 50%)	Single Entity Ownership	o 25% allowed (Fannie Mae 20%)
Non-Warrantable Condo																						
Near-Prime	Non-Prime	KeyInvest (DSCR)																				
Allowed	Allowed	Allowed																				
Topic	Requirements																					
Commercial Space	o 50% allowed (Fannie Mae 35%)																					
Investor Concentration	o 80% investment allowed (Fannie Mae 50%) o Unlimited for primary residence and second home																					
HOA Control	o 30% presale allowed for second home and Primary residence only (Fannie Mae 50%)																					
Single Entity Ownership	o 25% allowed (Fannie Mae 20%)																					

This information is provided by Keystone Funding, Inc. and intended for Mortgage Professional use only. It is not intended for public use or distribution. Keystone Funding, Inc. does not guarantee, warrant, ensure or promise that information provided is accurate. Terms and conditions of programs and guidelines are subject to change at any time without notice. This is not a commitment to lend. Keystone Funding, Inc. is an Equal Housing Lender. NMLS ID# 144760

		Reserves	<ul style="list-style-type: none"> ○ 7% of the budget must be for the funding of replacement reserves for capital expenditures and deferred maintenance. (Fannie Mae 10%) 	
		HOA Dues	<ul style="list-style-type: none"> ○ No more than 20% can be 60 days or more past due. (Fannie Mae 15%) 	
<p>Disaster Areas</p>	<p>KFI is responsible for identifying areas impacted by a disaster and ensuring the subject property has not been adversely affected. The disaster area policy applies to properties located in:</p> <ul style="list-style-type: none"> • A FEMA declared disaster area (available on the FEMA website) or • Areas where there is knowledge of an adverse event occurring near and around the subject property location <p>The guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA.</p> <p>Appraisal dated prior to the disaster</p> <ul style="list-style-type: none"> • An interior and exterior inspection of the subject property, performed by the original appraiser, if possible, is required • The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same. <p>Disaster between loan closing and sale</p> <ul style="list-style-type: none"> • Disaster Inspection must be ordered -Post Disaster Inspection (PDI) Report form Clear Capital • 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 <p>Any damage noted must be repaired and re-inspected by the appraiser prior to purchase.</p>			
<p>HPML</p>	<p>For definition of an HPML loan, please follow CFPB guidance (See Regulation-Z section 1026.35 for the most current details).</p> <p>HPML loans are allowed, provided the following requirements are met:</p> <ul style="list-style-type: none"> • Taxes and Insurance are escrowed • The loan complies with the HPML appraisal rules in Reg-Z (The full Reg-Z revisions can be found on the CFPB website) • Note: under Reg-Z, a second appraisal is required in the following circumstances: <ul style="list-style-type: none"> ○ Greater than 10% increase in sales price if the seller acquired the property in the past 90-days ○ Greater than 20% increase in sales price if the seller acquired the property in the past 91-180 days 			