

FOR INTERNAL USE ONLY

Great Lakes Financing DSCR
Underwriting Guidelines



November 2022

INVESTOR CASH FLOW

DSCR UNDERWRITING GUIDELINES

Single Family Residence

1-4 Family Residence

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1 Loan Terms

1.1 Product Types

Eligible Product:

- Fixed Rate with a 30-year term and full amortization

Ineligible Product Types:

- Interest Only, Adjustable-Rate Mortgages (ARMs), Buydowns

1.2 Lien Type

- First Lien mortgage only
- Second Liens / Subordinate Financing are not allowed

1.3 Prepayment Penalty

A prepayment penalty may be assessed (unless otherwise restricted by state law) when a payoff is requested within five (5) years of the loan origination date based on the schedule below.

Year 1 = 5% of the Unpaid Principal Balance

Year 2 = 4% of the Unpaid Principal Balance

Year 3 = 3% of the Unpaid Principal Balance

Year 4 = 2% of the Unpaid Principal Balance

Year 5 = 1% of the Unpaid Principal Balance

1.4 Loan Purpose

Borrower is financing the subject property and/or properties solely for investment purposes, including, but not limited to, for (i) retaining the property as a stabilized rental and (ii) monetizing the investment for capital gains purposes. Borrower is required to sign a certification at the time of application that the property is not owner occupied and is/will be owned solely for investment purposes.

1.5 Loan Size

Minimum Loan Amount: \$75,000

Maximum Loan Amount: \$10,000,000

*\$55,000 – \$74,999 suspended as of November 2022

1.6 Loan to Value

For Purchase Transactions: The Loan to Value (LTV) is calculated as the Loan Amount divided by the lower of the Sales Price or the Appraised Value.

For Refinance Transactions: The Loan to Value (LTV) is calculated as the Loan Amount divided by the Appraised Value.

See the Appraisal Review section for additional details on the Appraised Value.

1.7 Underwriting

All loans must be manually underwritten. Refer to this manual or call the Great Lakes Financing Underwriting Department directly.

2 Occupancy & Transactions

2.1 Occupancy Type

The subject property must be Non-Owner Occupied and used as an investment property. Also, properties are required to be stabilized (cannot be vacant) at the time of loan closing and must have an active or pending lease in place with a tenant.

- For 1-3 units, the property must be 100% occupied/leased
- For 4 units, the property must be 75% occupied/leased
- For > 4 units, the property occupancy percentage will be evaluated on a case-by-case basis
- Vacation Rentals exempt from this guideline

Properties that are Owner Occupied, either as a primary residence or second home, are ineligible.

2.2 Purchase

- The proceeds from the transaction are used to finance the acquisition of a property

2.3 Refinance

- Rate/Term Refinance: The maximum cash back to the Borrower is the lesser of 2% of the loan amount or \$2,000
- Cash-out Refinance: Cash back to the Borrower exceeds the maximum amount for a Rate/Term Refinance. A mortgage placed on a property previously owned free and clear by the Borrower is also considered a cash-out refinance.
- For a refinance of a long-term loan, a minimum of six (6) months must have elapsed since the most recent mortgage transaction on the subject property (either the original purchase transaction or subsequent refinance). This timeframe is measured from the note date of the previous transaction to the note date of the current transaction.
- For a refinance of a short-term loan (e.g., construction or bridge loans), the six (6) months seasoning requirement is not applicable. Additionally, proceeds may be used to pay off previous installment land contracts.

2.4 Delayed Financing

- Cash-out on properties initially purchased by the borrower with cash up-front and owned less than six (6) months
- Refinances to recoup cash investment are underwritten to the existing guidelines for Purchase transactions

2.5 Construction to Permanent Financing

- Eligible for both Purchase and Refinance transactions, providing the property is stabilized (cannot be vacant)
- The proceeds allow the Borrower to finance the construction costs and then convert interim construction financing to a permanent loan

Refinance and/or Purchase transactions of Consolidation, Extension and Modification Agreements (CEMAs) are ineligible.

3 Borrower

3.1 Eligible Borrowers / Personal Guarantors

- U.S. Citizens
- Permanent Resident Aliens
- Inter-Vivos Revocable Trusts
- Foreign Nationals with a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)
- U.S. Domiciled Legal Entities including Limited Partnerships, General Partnerships, LLCs and Corporations

3.2 Ineligible Borrowers

- Irrevocable trusts
- Land trusts
- Borrowers party to a non-arm's length transaction
- Any financial felony
- Any violent crime felony
- Any open or outstanding property tax liens
- Any open or outstanding IRS tax liens
- Any open or outstanding state/local tax liens
- Any open or outstanding judgement liens

3.3 Personal Guarantees

If the Borrower is a legal entity, personal guarantees must be obtained by natural person(s) subject to the requirements in sections 3.3 and 3.4.

For properties with 1-4 units: A full recourse personal guarantee is required by individual(s) who represent an aggregate minimum 51% ownership interest in the borrowing entity.

For properties with greater than 4 units: A full recourse personal guarantee is required by individual(s) who represent an aggregate minimum 21% ownership interest in the borrowing entity.

3.4 Primary Guarantor

One designated guarantor who owns at least 21% of the borrowing entity must be identified for credit qualifying purposes. In the event that no guarantor owns a minimum of 21%, the primary guarantor will be the individual with the highest ownership percentage of the borrowing entity.

3.5 Limited Power of Attorney

Limited Power of Attorney is acceptable, e.g., to facilitate a transaction involving a trust.

3.6 Landlord Experience

Landlords must demonstrate sufficient experience owning/managing investment properties.

To demonstrate sufficient landlord experience, a Borrower must either:

- Have owned and managed at least three (3) rental properties within the most recent twelve (12) months, or
- Provide evidence showing the engagement of a professional property management company

First-time homebuyers and/or borrowers with limited to no previous rental experience are eligible.

3.7 Financed Properties

There is no limit on the number of additional financed properties a borrower can own.

3.8 Exclusionary Lists

A loan transaction is ineligible for financing if any material parties (companies or individuals) to the transaction are listed on HUD's Limited Denial of Participation (LDP) list, the Federal General Services Administration (GSA) Excluded Party List, or any other applicable exclusionary list, including FinCen and OFAC.

3.9 Fraud

An electronic fraud detection/QC report is required for each transaction. The report must cover standard areas of quality control including borrower validation, Social Security verification, OFAC checks, property information, and MERS.

3.10 Know Your Customer (KYC) Policy

As required by the USA Patriot Act, the name, date of birth, address and identification number of each borrower must be verified.

3.11 Non-Arm's Length Transactions

Non-Arm's length transactions are ineligible except in limited circumstances. With appropriate documentation, the following non-arm's length transactions may be considered:

- Family sales or transfers
- The Borrower is an employee of the originating lender, and the lender has an established employee loan program
- The Sellers or Buyers have a previously existing relationship within an LLC or other corporation and one of the members is being bought out or released from the investment property being rate/term refinanced or cash-out refinanced
- The Sellers or Buyers are representing themselves as an agent in the real estate transaction

4 Credit

4.1 Credit Report

Every Borrower and/or Guarantor who will sign the note must have:

- A Tri-Merged Credit Report
- An established credit history for a minimum of five (5) years
- A 12-month residential housing payment history, if available

The Credit Report must not be more than 90 days old at the time of loan closing.

4.2 Credit Score

The applicable credit score for a borrower is the middle score from a tri-merged credit report. If only two credit scores are obtained, the lesser of the two is used. The representative credit score for loan qualification purposes is the lowest applicable score from all Borrowers or the score from the Primary Guarantor (when the Borrower is a legal entity). See the Great Lakes Financing Program Matrix for the minimum allowable loan credit score.

4.3 Tradelines

All Borrowers and/or Guarantors must meet the following tradeline requirements:

- A minimum of three (3) tradelines that have been open for at least 24 months
- At least two (2) of the tradelines must show activity within the past twelve (12) months
- A minimum of twelve (12) months of housing pay history, if available

Authorized user accounts and non-traditional credit are not considered as acceptable tradelines.

4.4 Verification of Mortgage / Verification of Rent

The following are acceptable methods of verifying housing payment history:

- Credit Bureau Report
- Twelve (12) months cancelled rent checks
- Bank statements
- An acceptable attestation letter, e.g., from mortgagor, landlord, property management company, etc.

Housing payment history must reflect:

- No lates in the last 12 months
- Maximum of one (1) late in the last 24 months
- Maximum of two (2) lates in the last 36 months

A letter of explanation for exceptions may be submitted for formal review by Great Lakes Financing.

If the Borrower has rented for less than 12 months or has been living rent free, the twelve (12) months housing payment history requirement may be waived at the underwriter's discretion based upon compensating factors.

4.5 Housing Events

The minimum seasoning requirement for a Bankruptcy, Foreclosure, Deed in Lieu of Foreclosure, and/or Short Sale is three (3) years. If the event occurred less than seven (7) years ago, additional documentation requirements (e.g., Letter of Explanation) must be submitted for formal review by Great Lakes Financing and will be evaluated on a case-by-case basis prior to loan approval. The seasoning timeline is based upon the discharge date for bankruptcies and the foreclosure sale date for foreclosures.

All tax liens and judgments attached to Title must be brought current at the time of loan closing.

5 Income

5.1 Disclosure of Employment and Income

The Borrower/Guarantor is not required to disclose employment information on the application (Form 1003). Income derived from regular employment, retirement, or other investments should not be disclosed.

5.2 Debt Service Coverage Ratio (DSCR)

Property income (rent) is used to qualify the transaction.

DSCR = Monthly Gross Income / Monthly Payment

Gross Income is calculated as the lower of the rent from an executed lease agreement or the Market Rent from the appraisal. If the lease agreement reflects higher rents than the appraisal, the lease amount may be used for purposes of gross income if proof of three (3) months' rent received is verified or an acceptable Attestation Letter is provided.

Monthly Payment or PITIA is calculated as principal + interest + taxes + insurance (including flood insurance, as applicable) + homeowner's association dues (as applicable).

The minimum DSCR requirement = 1.25%

5.3 Lease Requirements

- Lease durations are required to be for a term of not less than twelve (12) months
- Expired 12 month or longer Leases that have converted to month-to-month leases are acceptable if; the month-to-month period is less than 12 months. In the event the month-to-month period is longer than 12 months a letter of explanation (LOE/LOX) from the landlord is required along with an occupancy letter signed by the tenant.
 - Ex: 'Tenancy has been converted to a month-to-month tenancy, effective (date) with monthly rent of (dollar amount).'
- Lease Terms may be demonstrated by the appraiser notation of lease agreements
- Acceptable forms of rent payment verification include copies of checks from the tenant, annotated bank statements showing the deposited rent, third-party property management statements, or an acceptable Rent Attestation Letter
- Tax returns are not required for rental verification purposes
- Vacation Rentals exempt from this guideline

6 Assets

6.1 Asset Documentation

Sufficient funds must be evidenced from acceptable sources for down payment, closing costs, prepaid items, and applicable reserves. All funds must come from a U.S. domiciled account.

Assets must be sourced for sixty (60) days and should be verified with:

- Written Verification of Deposit (VOD) completed by the financial institution, which includes the current balance and average balances for the preceding two (2) months; or
- Most recent and consecutive account statements covering a period of two (2) months for each bank, brokerage, mutual fund account or investment portfolio, indicating open and closing balances to reflect a full sixty (60) days of asset verification

Account statements must provide all of the following information:

- Borrower/Guarantor as the account holder
- Account number
- Statement date
- Time period covered
- Current balance in US Dollars (\$)

6.2 Age of Asset Documentation

The most recent bank statement must not be older than 30 days at the time of loan closing. Investment statements provided should be the most recent produced by the financial institution and must not be older than 365 days at the time of loan closing. If the investment statement is older than 30 days, a supplemental written VOD or thirty (30) day transaction history with the current balance should be provided.

6.3 Acceptable Funds

The following are acceptable funds for down payment, cash to close and reserves:

Asset Type	Weight Consideration <i>(after applicable reductions for any outstanding loans, withdrawal penalties, etc.)</i>
Checking, Savings, and Money Market Accounts	100% of the value of the account
Cash Value of Life Insurance	100%
Annuities	75% of the vested amount*
401(K)	75% of the vested amount*
Individual Retirement Accounts (IRA, SEP, Keough)	75% of the vested amount*
Publicly Traded Stocks, Bonds, and Mutual Funds	75% of the value
Non-Vested or Restricted Stock Accounts	0%
Sale of Assets	100% of net proceeds

*100% of the account value may be used for Borrowers over the age of 59 ½.

6.4 Reserves

A minimum of three (3) months of Principal and Interest is required as cash reserves for the subject property.

Net proceeds from a cash-out transaction may be used to meet reserve requirements.

6.5 Large Deposits

Large or irregular deposits inconsistent with the Borrower's earning and saving profile must be explained and sourced with acceptable documentation.

6.6 Joint Accounts

Funds held jointly with a non-borrowing spouse are considered the Borrower's funds. Funds held jointly with any other non-borrowing person may be considered if the joint account holder is also a title holder on the subject property or a written verification of deposit is provided showing the Borrower has authorized access to all funds as though they solely belong to the Borrower.

6.7 Sale of Assets

Net proceeds from the sale of a residence or other personal assets may be used as acceptable funds.

If funds are from the sale of a residence, an executed closing statement verifying sufficient net proceeds must be obtained.

If funds are from the sale of other personal assets, the individual purchasing the asset must not be a party to the property sale or mortgage financing transaction.

The following must be verified and documented:

- Borrower's ownership of the asset
- Value of the asset, as determined by an independent and reputable source
- Transfer of ownership of the asset, as documented by either a bill of sale or a statement from the purchaser
- Borrower's receipt of the sale proceeds from documents such as deposit slips, bank statements, or copies of the purchaser's canceled check

6.8 Cash Value of Life Insurance

Net proceeds from a loan against the cash value or from the surrender of a life insurance policy are an acceptable source of funds for the down payment, closing costs, and reserves.

The underwriter must assess repayment or additional obligation considerations to determine any impact on borrower qualification or reserves.

To document borrower receipt of funds from the insurance company, a copy of the check from the insurer or copy of the payout statement issued by the insurer must be obtained.

6.9 401 (K)/IRA/Keogh Withdrawals

Vested funds from retirement accounts (IRA/Keogh and 401(k) accounts) are acceptable sources of funds for down payment, closing costs, and reserves. Because funds from these sources may be subject to early withdrawal penalties and income tax, only the calculated amounts per Table 6.3 for withdrawals may be used.

Verification includes:

- Most recent statement
- Copy of the disbursement check
- Deposit receipt showing deposit of the funds into the borrower's account

Terms and conditions under which funds may be withdrawn or borrowed from the account must be documented. Retirement accounts that do not allow any type of withdrawal may not be considered.

When retirement funds are needed for closing, the underwriter must verify the borrower's actual receipt of the funds from the liquidation of the assets. When retirement funds are used for reserves, funds are not required to be withdrawn from the account(s).

6.10 Funds Borrowed Against Assets

Funds borrowed against acceptable sources of funds, i.e., marketable securities, 401(k) plans, etc. may be used as acceptable funds. On assets that do not have a third party documented monetary value; the determination of value must be provided from an independent and reputable source. The terms of the loan must be verified in writing and the transfer of funds to the borrower should be documented. The individual providing the secured loan cannot be a party to the transaction.

If the same financial asset is also used as part of the Borrower's financial reserves, adequacy of the borrower's reserves must be determined after taking into consideration the net value of the asset after it has been reduced by the proceeds from the secured loan (and any related fees).

6.11 Trust Assets

The Borrower or Guarantor must have full and immediate access to the trust account funds. A copy of the complete trust or a written letter from the trustee providing the value of the trust account and conditions under which the Borrower has access to the funds must be obtained.

6.12 Business Funds

Business funds may be used for down payment, cash to close and reserves as long as:

- The Borrower or Guarantor has access to the funds; and
- The Borrower or Guarantor is the sole proprietor or 100% owner of the business (or all Borrowers/Guarantors combined own 100% of the business)

6.13 Financing & Sales Concessions

Interested party contributions may not exceed 10% of the sales price. Amounts contributed may only be used for closing costs or for prepaid items.

For any financing and sales concessions beyond the 10% limit, the appraised value must be reduced by the concession amount for purposes of calculating the LTV.

6.14 Trade Equity IRS 1031 Exchange

Assets for the down payment from a “like-kind exchange,” also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031.

6.15 Unacceptable Funds

- Actual Cash
- Funds not located in a U.S. depository institution
- Non-Vested or Restricted Stock Account
- Gift Funds – Some exceptions may be considered

7 Property

7.1 Eligible Property Types

- Single Family Residences (including Planned Unit Developments)
- 2-4 Family Residences
- Warrantable Condominiums
- Townhomes (under common ownership)
- Row Homes (under common ownership)
- Vacation Rentals

7.2 Ineligible Property Types

- Manufactured or mobile homes
- Cooperatives
- PUDs that do not meet Fannie Mae eligibility criteria
- Non-Warrantable Condominiums
- Condo-hotel units (condotels)
- Timeshares
- Unique Properties
- Working farms and ranches
- Unimproved land and property currently in litigation
- Commercial Enterprise (e.g., bed and breakfast, boarding house, hotel)
- Zoning violations including residential properties zoned commercial
- Properties with less than 500 square feet of living area
- Properties with more than two (2) acres – Some exceptions may be considered
- Properties encumbered by purchase option (i.e., Rent to Buy or Contract for Deed)
- Geodesic domes
- Modular homes
- Log homes
- Rural Properties (less than 5,000 population per residentially zoned area)
- Properties with values significantly in excess of the predominant value of the subject's market area may be ineligible

7.3 Condominiums & Townhomes

All condominium transactions must have a completed Homeowners' Association (HOA) Certification and a valid project approval. The HOA certification may not be greater than 120 days old at the time of closing.

All condominium projects must meet the following requirements:

- The sustainability, marketability and financial stability of the project must be supported
- Project must be located in an area where acceptability of condominium ownership is demonstrated
- The project must be in compliance with all applicable state and local laws; the homeowners' association must be incorporated in the state in which the project is located
- Condo projects must have acceptable insurance coverage
- All common areas and amenities within the project or subject phase must be complete
- Subject unit must have at least 600 square feet of living space
- No more than 20% of the total square footage of the project may be used for commercial purposes
- No single entity, the same individual, investor group, partnership, or corporation may own more than 20% of the total units in the project; in the case of a project that has fewer than ten (10) units, no single entity may own more than one (1) unit
- Projects with pending or threatened litigation are typically ineligible; litigation may be acceptable if it is determined to be minor and immaterial
 - Details of the litigation must be submitted to Great Lakes Financing with project review documentation to determine acceptability
- An environmental hazard assessment is required for condo projects if an environmental problem is identified by the originator or Loan Purchaser through performance of its project underwriting or due diligence
 - The solution to the problem must be deemed acceptable by Loan Purchaser
- The project must be located on one contiguous parcel of land; the project may be divided by a public street
- The structures within the project must be within a reasonable distance from each other; common elements and facilities, such as recreational facilities and parking, must be consistent with the nature of the project and competitive in the marketplace
- All programs are limited to a maximum number of units purchased by Loan Purchaser within one project of 20% or twenty (20) loans, whichever is less
- No more than 15% of the total units in a project may be 60 days or more past due on their HOA dues
- HOA certification reflects the funding of replacement reserves for capital expenditures and deferred maintenance that is at least 10% of the budget

7.4 Hazard Insurance

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

Hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such limitations or exclusions, unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Hazard insurance coverage should be in the amount of the lesser of:

- 100% of the insurable value of improvements, as established by the property insurer; or
- The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

For purchase transactions, the policy must be effective for at least 365 days after the date of closing (does not apply to condominium projects insurance policies). Installment payments of premiums are prohibited. Evidence of Insurance may be provided in one of the following forms:

- Policy
- Certificate of Insurance (COI)
- Insurance Binder

For refinance transactions, Great Lakes Financing must verify that the premium has been paid or will be paid at closing if the existing policy expires within 30 days of the closing.

Evidence of Insurance must provide the following information:

- Names of borrowers reflected the same as the names on the note
- Property address as listed on the note/security instrument
- Policy number
- Loan number
- Name of insurance company
- Insurance agent information
- Effective and expiration dates of coverage
- Premium amount
- Coverage amounts and deductible
- Loss payee clause, as applicable
- Signed and dated by the agent

7.5 Flood Insurance

The minimum amount of flood insurance required for most first mortgages secured by 1-unit properties and individual PUD units is the lower of:

- 100% of the replacement costs of the insurable value of the improvements;
- The maximum insurance available from the National Flood Insurance Program (NFIP), which is currently \$250,000 per dwelling; or
- The unpaid principal balance of the mortgage

7.6 Escrows/Impounds

Escrow/Impound accounts are required on all transactions (escrow waivers are not allowed). One twelfth (1/12) of the annual property taxes and one twelfth (1/12) of the annual hazard insurance (homeowners, flood, etc.) premium are to be paid with the monthly principal and interest payments.

7.7 Funds Required to Close

Twelve (12) months of insurance for purchase transactions (funds required for refinance transactions will be calculated based upon premium due dates), any back due taxes, and one (1) month of PITI will be collected at closing. Additional escrow account funds may be collected as required by state and local tax timelines.

7.8 Litigation

For litigation associated with the property or litigation that would negatively impact Great Lakes Financing's lien position on the property, corresponding documentation must be provided for review on a case-by-case basis.

7.9 Disaster Areas

This policy applies to properties located in Presidential/State or FEMA declared disaster areas. The list can be found on FEMA's website at <http://www.fema.gov/news/disasters.fema>.

For loans secured by properties appraised prior to the Presidential/State declaration, the following post-disaster guidelines apply:

- An interior and exterior inspection of the subject property is required
- The original appraiser must perform the inspection and provide a certification stating:
 - Subject property is free from damage and is in the same condition as previously appraised
 - Marketability and value remain the same
- The Borrower must sign a certification of acceptable property condition

For loans secured by properties appraised after the Presidential/State declaration, the appraiser must note any damage and its effect on marketability and value.

7.10 State Restrictions

State restrictions are based upon Great Lakes Financing's licensed State footprint.

- Great Lakes Financing currently operates exclusively in the State of Ohio
 - NMLS # 1856709
 - RM 804.508.000

8 Appraisals

8.1 Appraiser Selection

Appraisals must be ordered from an Appraisal Management Company (AMC) approved by Great Lakes Financing. The AMC must use random selection when assigning an appraiser. CDA (Collateral Desktop Analysis) products must also be obtained from an approved AMC.

8.2 Appraisal Requirements

All appraisals must conform to the Uniform Standards of Professional Appraisal Practice (USPAP). One full appraisal (with interior photos and exterior property inspection) completed on one of the following appraisal forms is required:

- 1-Unit Properties
 - Form 1004 Uniform Residential Appraisal Report (or Form 1073 for attached Condos); and
 - Form 1007 Single-Family Comparable Rent Schedule
- 2-4 Unit Properties
 - Form 1025 Small Residential Income Property Appraisal Report
- 5+ Unit Properties
 - Form 1025 Small Residential Income Property Appraisal Report

8.3 Quality and Condition

The appraiser must assign the standardized Quality and Condition ratings when identifying the quality and condition of the subject property and comparable sales. Great Lakes Financing will only permit transactions on properties with the following ratings:

- Quality – Q1 to Q5
- Condition – C1 to C4

Properties rated as Q6, C5 or C6 are not permitted.

8.4 Appraisal Review Process

In addition to a full appraisal (with interior photos and exterior property inspection), Great Lakes Financing requires a supplemental appraisal review product to substantiate the original appraised value for all loan amounts greater than \$75,000.

- The first supplemental appraisal review product within the Great Lakes Financing Appraisal Review Waterfall is an AVM
 - If the AVM value is within 10% (higher or lower) of the original appraised value, the original appraised value will be utilized for qualifying purposes (i.e., LTV calculation)
 - If the AVM value is outside of a 10% tolerance from the original appraised value, the Great Lakes Appraisal Review Waterfall requires that a Collateral Desktop Analysis (CDA) product be completed by a different, independent appraiser to substantiate the original appraised value¹
- If the CDA is within 10% (higher or lower) of the original appraised value, then Great Lakes Financing will utilize the higher of the original appraised value or CDA value for qualifying purposes (i.e., LTV calculation)
- If the CDA is outside of a 10% tolerance from the original appraised value, then Great Lakes Financing will evaluate the scenario on a case-by-case basis
 - Where two (2) full appraisals are obtained, appraisals must be completed by different, independent appraisers. The lower of the two (2) appraised values will be utilized for qualifying purposes (i.e., LTV calculation)
- Additional considerations:
 - Field reviews and/or 2nd full appraisals may be ordered in lieu of supplemental appraisal review products identified in above Appraisal Review Waterfall
 - All flip transactions (regardless of loan amount) require a supplemental appraisal review product to substantiate the original appraised value
 - All approved loan amount exceptions require two (2) full appraisals to substantiate value
 - Where LTV is less than 50%, the requirement for a supplemental appraisal review product may be waived based upon underwriter discretion
 - In scenarios where the Company is refinancing a loan initially originated through Great Lakes Financing, additional discretion may be applied to the Great Lakes Financing Appraisal Review Waterfall

¹ At Great Lakes Financing's sole discretion, a deviation from the Appraisal Review Waterfall may be considered in lieu of a CDA being ordered. In such instances, a letter of explanation will be provided by Great Lakes Financing, and the approved loan amount may be lowered accordingly.

8.5 Age of Appraisal and Appraisal Updates

The Appraisal must be completed within 120 days of closing date. After 120 days, an appraisal recertification can be utilized in lieu of a new appraisal, as long as the original appraisal does not exceed 365 days. If the appraisal is dated 365 days or more at the time of closing, a new full appraisal is required.

When utilized, a Collateral Desktop Analysis (CDA) product or appraisal recertification must be completed within 90 days of closing date.

8.6 Recent Listings

For Rate/Term Refinances, the property cannot be listed for sale on the date of the loan application.

For Cash-Out Refinances, the property cannot be listed for sale by the current owner within twelve (12) months from the date of the loan application. Properties listed for sale inside of the most recent twelve (12) months that have been owned and operated by the current owner for greater than twelve (12) months may be considered on case-by-case basis.

8.7 Redlining

Prohibited bases such as race, ethnicity, gender, minority geography or any other prohibited basis category must not be included as an appraisal factor or considered when reviewing an appraisal. As a matter of policy, appraisal reports which make reference to a prohibited basis category (e.g., race or minority geography) are not acceptable.

The use of code phrases as proxies for race, which are not necessarily descriptive of value or risk, is a poor appraisal practice and is unacceptable. The information in the appraisal report must support in an objective manner any statement or conclusion contained in the report.

9 Title

9.1 Title Vesting

Fee Simple with Title Vesting as:

- Individual
- Joint Tenants
- Tenants in Common
- Limited Liability Company (LLC) / Corporation
 - All Guarantors/borrowers that hold 21% or higher interest must sign the Deed of Trust/Mortgage as individuals and as authorized signers of the LLC / Corporation
 - Leasehold Estates are allowed in areas where leasehold estates are commonly accepted

9.2 LLC/Corporation Documentation Requirements

The following documents are required when the Borrower is an LLC or Corporation:

- Copy of the filed articles of organization to evidence the existence of the LLC / Corporation
- Corporate bylaws, if applicable
- Copy of the fully executed operating agreement reflecting the Guarantor is an authorized signer on behalf of the LLC / Corporation and has the power to pledge the property as collateral for the purpose of securing a loan
- Organizational meeting minutes may be required if the operating agreement does not clearly identify the powers of the managing partners

9.3 Title Insurance

Loans must be covered by a title insurance policy or other approved form of title evidence that has been paid in full, and is valid, binding and remains in full force and effect. All Title documents must be dated within 60 days of loan closing.

The title insurer must be qualified to do business in the state where the subject property is located. The title insurer and policy must conform to Fannie Mae / Freddie Mac requirements.

The following general requirements apply:

- The title policy must be written on one (1) of the following forms:
 - The 2006 American Land Title Association (ALTA) standard form; or
 - The ALTA short form; or
 - The ALTA form with amendments required by state law in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted, provided those amendments are acceptable to Fannie Mae or Freddie Mac
- The amount of title insurance coverage must be at least equal to the original principal amount of the mortgage
- All transactions require a 24-month chain of title
- Borrower name must be indicated on the title commitment
- If Borrower's marital status appears to be different than listed on the 1003, the discrepancy must be addressed
- Seller's name must be cross referenced to the purchase agreement and chain of title
- Title policy must ensure the Originator or the Originator's correspondent is identified as its name appears in the security instrument and must also include the language "its successors and assigns as their interest may appear." MERS cannot be named as the title policy beneficiary

Appendix

Loan Package Document List:

- Affidavit of Occupancy
- Assignment of Leases
- Borrower Certification & Authorization
- Borrower Consent of Tax Return Use
- Certification Regarding Leasing, Non-Owner Occupancy and Business Purpose
- Cognovit Promissory Note
- Disbursement Instructions
- Final Settlement Statement
- First Payment Letter
- Flood Certification
- Hazard Insurance Authorization and Disclosure
- Instructions to Escrow / Title
- Limited Power of Attorney
- Loan Application
- Mortgage Loan Final Approval
- OPEN-END Mortgage Agreement
- Prepayment Penalty Rider
- Rate Lock Agreement
- Servicing Disclosure
- Servicing Transfer Disclosure
- Signature Name Affidavit
- Unconditional Guaranty
- Underwriting and Transmittal Summary
- W-9

Underwriting Document List:

- Approval – MLFA
- Appraisal CDA Invoice
- Appraisal CDA
- Appraisal Invoice
- Appraisal
- Background OFAC
- Background Check
- Bank Statements or Funds for Closing
- Business Articles of Organization or Incorporation
- Business Operating Agreement or By-Laws
- Certificate of Good Standing
- Credit Report
- DSCR Calculation
- Flood Certificate
- HOI Request
- HOI Invoice
- HOI Declarations Page
- Lease Agreement(s)
- Payoff Statement (For a previous mortgage on a refinance)
- Photo ID
- Pre-Approval & 1008
- Proof of Rent Payments – Attestation Letter in Lieu of proof of Rent Payments
- Property Management Company Agreement
- Purchase Agreement
- Title Property Tax Bill (Proof current taxes are paid current)
- Title Chain of Title
- Title Closing Protection Letter (CPL)
- Title Commitment
- Title Final Settlement Statement
- Title E&O
- Title Wire Instructions
- Track Record for Property Management
- VOM Subject Property
- VOM or Rent Residence
- W-9 for LLC

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