

## Simple Access® – Investor Cash Flow (DSCR)

### Program Description – Qualify Based on the Subject Property Only

Luxury Mortgage Corp. offers loans to Applicants utilizing solely the rental income on subject investment properties to determine cash flow. Loans in this program are deemed as exempt from the ATR rule as defined in section 1026.43 as they are business purpose loans. This program is designed for Applicants who are sound credit risks based on a common sense approach to underwriting.

#### Highlights include the following:

- Loan amounts up to \$2.5MM
- 5/6, 7/6 and 10/6 ARM, 15 and 30 FRM
- Interest only available with no reduction to LTV
- Multiple financed properties allowed
- No DTI developed or employment verified
- Credit scores down to 620

### Eligibility Types

<b>Applicants</b>	<ul style="list-style-type: none"> <li>• US Citizen</li> <li>• Permanent Resident Alien</li> <li>• Non-Permanent Resident Alien with the following visas: E, G, H, L, O, P, and TN (max 75 LTV)</li> </ul>
<b>Ineligible Applicants</b>	<ul style="list-style-type: none"> <li>• Irrevocable Trust</li> <li>• Diplomatic immunity</li> <li>• Applicants with any ownership in a business that is Federally illegal, regardless of if the income is not being used for qualifying may be considered on exception basis.</li> </ul>
<b>Eligible Occupancy</b>	Investment Properties
<b>Property Types</b>	<ul style="list-style-type: none"> <li>• 1-4 unit attached and detached properties</li> <li>• Warrantable Condos</li> <li>• <b>Condotels on Approved Flag List at max LTV of 75% for Purchase/Rate and Term and max 70% for Cash out-pricing adjustment and certain restrictions and requirements apply-see Underwriting Guidelines</b></li> <li>• PUDs</li> <li>• Resort Area Rural Properties up to 10 acres up to 65% LTV with min. 1.0 DSCR</li> </ul>
<b>Ineligible Property Types</b>	<ul style="list-style-type: none"> <li>• Mixed use properties</li> <li>• Properties with more than 2 acres</li> <li>• Rural Properties that do not meet the above criteria (resort area, up to 10 acres, max 65% LTV, min. 1.0 DSCR)</li> <li>• <u>See Underwriting Guidelines</u> for full list of unacceptable property types</li> </ul>
<b>Eligible Transactions</b>	<p><b>Purchase</b>, including non-arm's length transactions-<u>see Underwriting Guidelines</u></p> <p><b>Rate and Term Refinance</b></p> <ul style="list-style-type: none"> <li>• No title seasoning required</li> <li>• Payoff of first and second, where the second is seasoned &gt;6 months and not drawn &gt;\$5,000 in 12 months preceding application date unless the second was used in full to purchase the property</li> <li>• Buyout accompanied by an executed buyout agreement</li> <li>• <b>If loan being paid off was closed in the 12 months preceding the application date and was a cash out transaction, the loan will be treated as cash out unless it is the only refinance within the last 12 months and the borrower has at least 6 months ownership interest in the property.</b></li> <li>• Technical refinances/delayed financing allowed-<u>see Underwriting Guidelines</u></li> </ul> <p><b>Cash-Out Refinance</b></p> <ul style="list-style-type: none"> <li>• Refinances which do not fit into the rate and term guidelines are deemed to be cash out</li> <li>• <b>A refinance of a loan which was a cash out in the preceding 12 months will be considered a cash out refinance if there was more than one refinance in the preceding 12 month period and the borrower has at least 6 months ownership interest in the property.</b></li> <li>• Six months title seasoning require for cash out refinances.</li> <li>• <b>No limit on max cash out up to 65 LTV, max \$1MM cash out above 65 LTV</b> Value to be utilized must be supported-<u>see Underwriting Guidelines</u></li> </ul>

Credit Requirements	
<b>Trade Lines</b>	Each Applicant must have three trade lines and a credit history covering 24 months. One trade line must have been active within the last 6 months. At least one trade line must be seasoned 24 months. The same trade line may be used to cover both the 24 month history and active requirement. If an Applicant's spouse is the only Co-Applicant listed, only one Applicant is required to meet this guideline. See <u>Underwriting Guidelines</u> for more details and alternatives.
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>• Credit scores allowed down to 620 (all applicants), subject to loan amount and LTV restrictions</li> <li>• Use lowest middle score of all Applicants for pricing and guideline purposes</li> </ul>
<b>Housing Payment History</b>	<p>Housing payment history no greater than 1x30x12 for all mortgages/rental verifications. Note that 1 30 day late may be subject to a price adjustment and will limit the maximum CLTV to 80.</p> <p><b>First Time Home Buyer (FTHB)</b> Not allowed</p>
<b>Significant Credit Events</b>	<p>Applicants with any of the following major credit events (bankruptcy, foreclosure, modification, short sale, short pay, deed in lieu, and 120 day or greater mortgage late) are subject to the below requirements, measured from event completion date or discharge/dismissal to note date:</p> <p>Credit Event other than a Foreclosure:</p> <ul style="list-style-type: none"> <li>• 0-2 years removed: Not Eligible</li> <li>• 2-4 years removed: Max 70, and max \$1.5MM loan amount</li> <li>• &gt;4 years removed: Standard Guidelines</li> </ul> <p>Foreclosure:</p> <ul style="list-style-type: none"> <li>• 0-3 years removed: Not Eligible</li> <li>• 3-4 years removed: Max 70 LTV, max \$1.5MM loan size</li> <li>• &gt;4 years removed: Standard Guidelines</li> </ul> <p>Additional Requirements:</p> <ul style="list-style-type: none"> <li>• Active NOD or Lis Pendens not allowed. An historic NOD or Lis Pendens is not against guidelines, however the underlying event will be evaluated against the Significant Credit Event and Housing Payment History requirements guidelines.</li> <li>• Judgment/Tax Lien: must meet one of the following: <ul style="list-style-type: none"> <li>○ Paid off prior to or at closing, or</li> <li>○ Show 6 month satisfactory payment history, include payment in the DSCR (if attached to the subject property), subordinate if recorded</li> </ul> </li> <li>• Collections/Charge-Offs: May be excluded if individually less than \$2,500 or in aggregate less than \$10,000. Any greater that may affect title must be paid off prior to or at closing.</li> </ul>
Income and Assets	
<b>DSCR</b>	No DTI is developed for this product. Qualification is based solely on the Debt Service Coverage Ratio (DSCR) of the subject property only. The minimum DSCR is 1.000 for standard guidelines.
<b>Applicant Eligibility</b>	All Applicants must either own their current primary residence or own an investment property. At least one Applicant must be able to demonstrate a 12 month history of ownership and management of rental properties. It does not need to be in the most recent 3 year period. Commercial properties are acceptable for this purpose, as long as the Applicant was a majority owner of the property. Applicants who are not able to meet this requirement may be eligible if the below criteria is met.
<b>Landlord Waiver</b>	<p>If Applicants meet all of the below criteria, they are not required to document a previous 12 month history of owning and managing rental properties.</p> <p><u>Purchase Transactions:</u></p> <ul style="list-style-type: none"> <li>• 680 FICO</li> <li>• 1.0 DSCR based on applicable qualifying payment</li> <li>• 0x30x12 on all housing trade lines as of the application date</li> <li>• Own current primary residence</li> <li>• No mortgage forbearances with a missed payment in the most recent 12 months prior to the application date</li> </ul> <p><u>Refinance Transactions:</u></p>

	<ul style="list-style-type: none"> <li>• 680 FICO</li> <li>• 1.0 DSCR based on applicable qualifying payment</li> <li>• 0x30x12 on all housing trade lines as of application date</li> <li>• Own current primary residence</li> <li>• No mortgage forbearances with a missed payment in the most recent 12 months prior to the application date</li> <li>• Subject property must have been acquired in the last 12 months</li> <li>• At least 3 consecutive months receipt of rent from the property are provided prior to application date</li> <li>• On Multi-Unit Properties (for requirements above) only 1 unit is required to be verified</li> </ul>
<b>Calculation Method</b>	<p>The DSCR is defined as the gross rents divided by the qualifying PITIA on the subject property</p> <p><b>Determination of Rents</b></p> <p>Purchase:</p> <ul style="list-style-type: none"> <li>• Use 100% of the lesser of current or market rents as determined by the appraiser. For rented properties, provide leases in place.</li> <li>• If vacant, 100% of market rents may be utilized.</li> <li>• See below for short-term rental income requirements</li> </ul> <p>Refinance:</p> <ul style="list-style-type: none"> <li>• Use 100% of the lesser of current or market rents as determined by the appraiser. For rented properties, Applicant must provide leases in place.</li> <li>• If the property is leased for more than the appraiser's opinion of market rents, the lease amount may be used provided the lease will continue for at least 6 months after the note date and the 2 months of rents due prior to the application date are documented as received timely.</li> <li>• 1 Unit vacant properties are eligible if there is proof of renovation completed within the past 6 months as noted on the appraisal and property is listed for rent at or above market rent (90% of long-term market rent on appraisal to be utilized for qualifying), multi unit properties must be &gt;=50% occupied with no rents attributed to the vacant units-see Underwriting Guidelines for additional information</li> </ul> <p>Purchase Short-Term Rental Income:</p> <p>Properties rented on a short-term basis may be eligible under the following circumstances:</p> <ul style="list-style-type: none"> <li>• Defined as rental subject with a leased term of less than six months</li> <li>• Borrower must provide proof of short-term ownership management</li> <li>• Proof property is listed on short-term rental site</li> <li>• Proof property is located in a market that supports short-term rentals</li> <li>• Proof short term rental is allowed in the subject property municipality</li> <li>• 12-month income statement must not be borrower generated</li> <li>• Use the lesser of 12-month income statement or 90% of market rent based on third party rental estimate (AirDNA "Rentalizer Tool")</li> <li>• Property use as short-term rental for minimum 12 months prior to closing required for both purchase and refinance</li> <li>• Minimum DSCR 1.0</li> </ul> <p><b>Refinance Short-Term Rental</b></p> <ul style="list-style-type: none"> <li>• Defined as rental subject with a leased term of less than six months</li> <li>• Borrower must provide proof of short-term ownership management</li> <li>• Proof property is listed on short-term rental site</li> <li>• Proof property is located in a market that supports short-term rentals</li> <li>• Proof short term rental is allowed in the subject property municipality</li> <li>• 12-month income statement for the period preceding the application will be developed-must not be borrower generated</li> <li>• A 25% vacancy factor applies to the DSCR calculation, AND</li> <li>• The gross rents may not be declining more than 10% 6 months over 6 months</li> <li>• Minimum DSCR 1.0</li> </ul> <p><b>IO Payment Qualification</b></p> <p>The interest only payment on a loan with an interest only payment feature may be used in lieu of an amortizing payment to calculate the Qualifying Payment and the DSCR, provided the LTV does not exceed 75 and the FICO score on the file is not less than 700. The amortizing payment described in the Qualifying Payment section must be used on loan which does not meet the criteria laid out here.</p>

	<p><b>Multi-Year Lease</b> An Applicant who owns a rental property which is subject to a long term lease adjusting within 12 months and which will continue for at least 12 months may use the step up in the lease amount. The amount of the increase that may be utilized is limited to the lesser of the increased lease amount or market rents.</p>
<b>Asset Accounts</b>	<ul style="list-style-type: none"> <li>• Use 100% of cash and cash equivalents</li> <li>• Use 100% of face value for non-retirement asset accounts for reserve calculation. Proof of liquidation not required if asset balance is at least 120% of funds needed to close.</li> <li>• Use 100% of retirement assets if for reserve calculation-must obtain terms and conditions verifying borrower ability to withdraw without restriction and proof of liquidation if required if utilizing for closing costs</li> <li>• If Applicant is liquidating funds, document liquidation and end balance</li> <li>• 529 accounts at 60% of face value with copy of plan confirming savings plan and not pre-paid tuition plan.</li> <li>• 1031 exchanges eligible for investment properties-see <u>Underwriting Guidelines</u></li> <li>• Business funds may be used provided the Applicant(s) own(s) a minimum of 50% combined ownership of the business. The amount of funds that may be utilized is based on the Applicant's percentage of ownership. Applicant(s) must provide either: <ul style="list-style-type: none"> <li>○ A letter from Applicant's CPA, EA, or licensed tax preparer stating that the Applicant(s) may access the business funds and that the withdrawal will have no adverse impact; or</li> <li>○ A letter from the Applicant(s) stating that they may access the business funds and Cash Flow Analysis to document that the withdrawal will have no adverse impact-see <u>Underwriting Guidelines</u></li> </ul> </li> <li>• Cash out proceeds MAY be used to meet the reserve requirement.</li> <li>• Eligible cryptocurrency (<b>Bitcoin only</b>) may be used but requires liquidation of proceeds for reserves or funds to close. See <u>Underwriting Guidelines</u> for allowable types of cryptocurrency and requirements</li> </ul>
<b>Gifted Funds</b>	<ul style="list-style-type: none"> <li>• Gift funds are allowed for funds to close. A 5% contribution from Applicant's own funds is required.</li> <li>• Gifts must be documented in compliance with FNMA requirements and be from immediate family members-see <u>Underwriting Guidelines</u>.</li> <li>• Gifts of equity are not allowed.</li> </ul>
<b>Liabilities</b>	
Not Applicable to this program.	
<b>Other Highlights</b>	
<b>Appraisal / Valuation</b>	<p><b><u>Purchases and Refinances:</u></b></p> <ul style="list-style-type: none"> <li>• Loan amount up to \$2MM, one appraisal required</li> <li>• Loan amount over \$2MM, two appraisals required</li> </ul> <p>All appraisals are subject to underwriting review and acceptance. Additional appraisal due diligence may be required at the discretion of underwriting.</p> <ul style="list-style-type: none"> <li>• <b>Purchase:</b> lesser of purchase price or appraised value</li> <li>• <b>Refinance (all types):</b> For Rate and Term transactions utilize the appraised value regardless of seasoning. For Technical Refinance/Delayed Financing use lesser of purchase price plus documented improvements or appraised value. However, on properties owned more than 6 months and less than 12 months prior to the mortgage loan application date, use the lesser of the purchase price at time of acquisition or the current appraised value unless the appraiser can justify the increase in value over the period of ownership. If utilizing the current value, the underwriter should comment on the 1008</li> </ul>
<b>Geographic Eligibility</b>	<p>The following states are eligible: AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, IL, LA, MA, MD, ME, MI, MN, NC, NH, NJ, NM, NY, OH, OR, PA, RI, SC, TN, TX, UT, VA, WA, WI, WY.</p> <p>Restrictions: TX CO Refinances-see <u>Underwriting Guidelines</u> Properties which are identified by the appraiser to be in a declining market will be subject to a 5% LTV Reduction from maximum LTV for loan amounts up to \$2.5MM and a 10% LTV reduction from maximum for loan amounts above \$2.5MM.</p>
<b>Reserve Requirement</b>	<ul style="list-style-type: none"> <li>• Loan amount up to \$1MM: 6 months PITIA</li> <li>• Loan amount above \$1MM and up to \$2MM: 9 months PITIA</li> <li>• Loan amount above \$2MM and up to \$2.5MM: 12 months PITIA</li> <li>•</li> </ul>

<b>Title Vesting</b>	<ul style="list-style-type: none"> <li>• Individual names as joint tenants, community property, or tenants in common</li> <li>• Living trusts meeting FNMA's requirements</li> <li>• Blind Trusts-<u>see Underwriting Guidelines</u></li> <li>• Limited Liability Corporations-<u>see Underwriting Guidelines</u></li> <li>• Partnerships/Corporations-<u>see Underwriting Guidelines</u></li> </ul>
<b>ARM Terms</b>	<ul style="list-style-type: none"> <li>• Margin = 6.000%</li> <li>• Index = 30 Day Average of SOFR</li> <li>• Caps <ul style="list-style-type: none"> <li>○ 5/6 ARM: 2/1/5</li> <li>○ 7/6 and 10/6 ARM: 5/1/5</li> </ul> </li> <li>• Floor Rate = Note Rate</li> <li>• Adjustment Period = 6 Months</li> </ul>
<b>Interest Only</b>	Interest Only features are allowed on 7/6 and 10/6 ARMs and FRMs. The IO period is 10 years. Min FICO of 680 for a loan with an IO feature, regardless of how qualified.
<b>Qualifying Payment</b>	To determine the P&I component of the Qualifying Payment, utilize the below (except as otherwise specified): <ul style="list-style-type: none"> <li>• Fixed Rate: Utilize the start rate over the full term of the loan</li> <li>• Amortizing ARM: Utilize the start rate over the full term of the loan</li> <li>• FRM/ARM with IO Feature: Utilize the start rate over a 30 year term.</li> </ul>
<b>Prepayment Penalty</b>	Prepayment penalties may be placed where allowed by state and federal law. Prepayment penalty terms are available for terms of 1 to 5 years, with pricing implications applying based on length of prepayment penalty selected. The prepayment penalty will equal six months' interest on the amount(s) prepaid in any 12 month period which exceed 20% of the loan's original principal balance, to the extent permitted by state and federal law. See Underwriting Guidelines for requirements.
<b>Min/Max Loan Amounts</b>	Minimum: \$150,000 Maximum: \$2.5MM (all transaction types)

<b>LTV AND LOAN AMOUNTS REQUIREMENTS</b>							
<b>PURCHASE/RATE &amp; TERM REFINANCE</b>				<b>CASH-OUT REFINANCE</b>			
<b>Investment Property &gt;=1.00 DSCR</b>				<b>Investment Property &gt;=1.00 DSCR</b>			
<b>FICO</b>	<b>LTV*</b>	<b>CLTV*</b>	<b>Loan Amount</b>	<b>FICO</b>	<b>LTV*</b>	<b>CLTV*</b>	<b>Loan Amount</b>
700	75%	75%	\$ 2,500,000	700	70%	70%	\$ 2,500,000
	80%	80%	\$ 1,500,000		75%	75%	\$ 1,500,000
680	70%	70%	\$ 2,500,000	680	65%	65%	\$ 2,500,000
	80%	80%	\$ 1,500,000		75%	75%	\$ 1,500,000
660	65%	65%	\$ 2,500,000	660	65%	65%	\$ 2,500,000
	75%	75%	\$ 1,500,000		70%	70%	\$ 1,500,000
640	70%	70%	\$ 1,500,000	620	65%	65%	\$ 1,500,000
620	65%	65%	\$ 1,500,000				

Max CO Proceeds: No limit up to 65 LTV and up to \$1M for LTV above 65