



## Simple Seconds (Fixed Closed End Second Mortgage)

### Program Description – Concurrent and Standalone Second Mortgage

Luxury Mortgage Corp. offers Second Lien/Fixed Rate loans to Applicants under expanded underwriting guidelines. Loans in this program consider all factors as required in the Ability to Repay Rule as defined in section 1026.43. This program is based on a common sense approach to underwriting.

#### Highlights include the following:

- Loan amounts up to \$1,000,000
- Fixed Rate Terms 15 and 30 years
- Stand Alone and Concurrent Seconds
- DTI up to 50 allowed
- Credit scores down to **680**
- Primary, Second and Investment
- Full Doc, Bank Statements, 1099 and DSCR Programs

### Eligibility Types

<b>Applicants</b>	<ul style="list-style-type: none"> <li>• US Citizen</li> <li>• Permanent Resident Alien</li> </ul>
<b>Ineligible Applicants</b>	<ul style="list-style-type: none"> <li>• Non-Permanent Resident Alien</li> <li>• EAD Card Holders</li> <li>• ITIN Borrowers</li> <li>• Foreign Nationals</li> <li>• Non-Occupying Co-Applicants</li> <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>	<ul style="list-style-type: none"> <li>• Primary</li> <li>• Second Home</li> <li>• Investment Properties</li> </ul>
<b>Property Types</b>	<ul style="list-style-type: none"> <li>• SFR Attached and Detached properties               <ul style="list-style-type: none"> <li>○ Warrantable Condos</li> <li>○ Established projects only</li> </ul> </li> <li>• Townhouse</li> <li>• PUDs</li> </ul>
<b>Ineligible Property Types</b>	<ul style="list-style-type: none"> <li>• Mixed Use properties</li> <li>• Cooperatives</li> <li>• Non-Warrantable Condos</li> <li>• Condotels</li> <li>• Properties with more than 10 acres</li> <li>• Rural Properties</li> <li>• 2-10 units</li> <li>• Properties listed for sale within the last 6 months</li> </ul> <p>See <u>Underwriting Guidelines</u> for full list of unacceptable property types</p>
<b>Seasoning</b>	<ul style="list-style-type: none"> <li>• 6 months seasoning required for refinance transaction types</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.
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	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 Underwriting Guidelines for more details and alternatives.
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>• Credit scores allowed down to 680, subject to loan amount and CLTV restrictions</li> <li>• Use middle score of the primary income earner (lowest middle score when borrowers are 50/50 owners) for pricing and guideline purposes. Minimum score for all borrowers 680.</li> </ul>
<b>Housing Payment History</b>	<ul style="list-style-type: none"> <li>• Housing payment history no greater than 0x30x24 for all mortgages/rental verifications. If a complete 24-month housing history is not available an exception will be required and evaluated on a case-by-case basis. No housing history will not be considered.</li> </ul>
<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 or discharge/dismissal date to note date:</p> <p>Credit Event including Foreclosure</p> <ul style="list-style-type: none"> <li>• 0-5 years removed: Not eligible</li> </ul> <p>Additional Requirements</p> <ul style="list-style-type: none"> <li>• Active NOD or Lis Pendens not allowed. 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 DTI, subordinate if recorded <ul style="list-style-type: none"> <li>○ Collections/Charge-Offs: May be excluded if individually less than \$5,000 or in aggregate less than \$15,000. Any that are greater or which may affect title must be paid off prior to or at closing.</li> </ul> </li> </ul> </li> </ul>
<b>Income and Assets</b>	
<b>DTI/DSCR</b>	<ul style="list-style-type: none"> <li>• Maximum DTI: 50.000</li> <li>• Minimum DSCR 1.00 for Long Term Rental</li> <li>• Minimum DSCR 1.15 for Short Term Rental</li> <li>• If Senior Lien is an Interest-Only Loan, the fully amortizing payment will be used to qualify</li> </ul>
<b>Income</b>	<p><b>Documentation Requirements</b></p> <p>Please refer to UW Guidelines for documentation requirements for Full Doc, Bank Statement (Methods 1-3 Only), 1099 and DSCR income verification.</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 marketable securities 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 for reserve calculation-must obtain terms and conditions verifying borrower ability to withdraw.</li> <li>• If Applicant is liquidating from retirement accounts, document the 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.</li> <li>• Business funds may be used provided the Applicant(s) own(s) a minimum of 25% combined ownership of the business with letter from all other owners stating borrower has full access to funds for stated purpose. 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 underwriter's to document that the withdrawal will have no adverse impact-<u>see Underwriting Guidelines</u></li> </ul> </li> <li>• Eligible cryptocurrency may be used but requires liquidation of proceeds for funds to close. <u>See 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 not allowed for funds to close, down payment or reserves.</li> </ul>

Liabilities	
<b>Alimony/Child Support</b>	Alimony may be deducted from income rather than included as a liability, provided the alimony payments are tax deductible to the payor. Otherwise, include as a liability. Child support must be included as a liability.
<b>Installment Debt</b>	Installment loans must be included in the DTI. Installment debt with less than 10 months' worth of payments remaining may be excluded from DTI, as long as the Applicant has the assets to make the remaining payments. Applicants may pay down the debt such that the remaining balance is less than the sum of 10 months' worth of payments. The assets used must be sourced. Loans secured by financial assets (margin loan, 401(K) loan, etc.) do not need to be included in the DTI provided the asset balance exceeds the loan balance.
Other Highlights	
<b>Appraisal / Valuation</b>	<p><b><u>Purchases and Refinances:</u></b></p> <ul style="list-style-type: none"> <li>• <b>One</b> full appraisal required. If a loan is HPML and is categorized as a flip then a second appraisal not paid for by the borrower will be required.</li> </ul> <p>All appraisals are subject to underwriting review and acceptance. Combined loan amounts &gt;\$1.5MM and up to \$3MM may not utilize a CU score of 2.5 or below in lieu of a CDA. CDA is required if CLTV&gt;80 regardless of CU score. Additional appraisal due diligence may be required at the discretion of underwriting.</p> <ul style="list-style-type: none"> <li>• <b><u>Purchase:</u></b> lesser of purchase price or appraised value</li> <li>• <b><u>Refinance (all types):</u></b> For 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>Transaction Types</b>	<ul style="list-style-type: none"> <li>• Must be an Arm's Length Transaction.</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, NE, NH, NJ, NM, NV, NY* (no subprime), OH, OR, PA, RI, SC, TN, TX (no Primary, Second Home and NOO only), UT, VA, VT, WA, WI, WY Properties</p> <p>Restrictions:</p> <ul style="list-style-type: none"> <li>• Properties which are identified by the appraiser to be in a declining market will be subject to a 5% CLTV reduction from maximum CLTV for combined loan amounts (first and second) up to \$2.5MM and a 10% reduction from maximum CLTV for combined loan amounts (first and second) above \$2.5MM</li> </ul>
<b>Reserve Requirement</b>	<ul style="list-style-type: none"> <li>• Loan amount up to \$750k: 6 months PITIA on 1<sup>st</sup> and 2<sup>nd</sup></li> <li>• Loan amount above \$750k: 9 months PITIA on 1<sup>st</sup> and 2<sup>nd</sup></li> </ul>
<b>Title Vesting</b>	<ul style="list-style-type: none"> <li>• Individual names as joint tenants, community property, or tenants in common if both title holders are on the loans as borrowers</li> <li>• Living trusts meeting FNMA's requirements</li> <li>• Limited Liability Corporations-<u>see Underwriting Guidelines</u></li> <li>• Partnerships/Corporations-<u>see Underwriting Guidelines</u></li> </ul>
<b>Solar Panel UCC</b>	<p>UCC Filings do not need to be calculated in the CLTV with the following documentation:</p> <ul style="list-style-type: none"> <li>• Copy of account statement to ensure obligation is accounted for in the DTI if not reporting on credit</li> </ul> <p><b>**NOTE:</b> UCC filings that are paid through tax assessments (such as HERO and PACT loans) are not eligible and must be paid in full with proceeds**</p>
<b>Prepayment Penalty</b>	Not permitted

<b>Escrows</b>	Not required
<b>Mortgage Insurance</b>	Not required
<b>Min/Max Line Amounts</b>	<p>Minimum: \$150,000  Maximum: \$1,00,000  Minimum percentage of second is 15% of first mortgage  Max total financing is limited to the below:  \$2,000,000 over 80% CLTV (total amount of 1st and 2nd lien combined)  \$3,000,000 up to 80% CLTV (total loan amount of 1<sup>st</sup> and 2<sup>nd</sup> lien combined)</p>
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>▪ Not permitted</li> </ul>
<b>Ineligible Senior Lien</b>	<ul style="list-style-type: none"> <li>▪ Senior liens with high-risk features which can include, but are not limited to: <ul style="list-style-type: none"> <li>▪ Loans in forbearance or deferment</li> <li>▪ Negative Amortization</li> <li>▪ Balloon, if the balloon payment becomes due during the amortization period of our new 2nd lien</li> <li>▪ Reverse Mortgages</li> <li>▪ Private Mortgages</li> </ul> </li> </ul>

## CLTV and Loan Amount Requirements

### SECOND MORTGAGE NON-QM PURCHASE/RATE & TERM REFI

Primary Residence					Second Home					Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI
740	85	85	\$ 500,000	50	740	80	80	\$ 500,000	50	740	70	70	\$ 750,000	50
720	75	75	\$ 1,000,000	50	720	70	70	\$ 1,000,000	50	720	65	65	\$ 1,000,000	50
	80	80	\$ 750,000	50		75	75	\$ 750,000	50		70	70	\$ 750,000	50
700	75	75	\$ 750,000	50	700	70	70	\$ 750,000	50	700	65	65	\$ 750,000	50
680	75	75	\$ 500,000	50	680	70	70	\$ 500,000	50	680	65	65	\$ 500,000	50

### CASH-OUT REFINANCE

Primary Residence					Second Home					Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI
740	80	80	\$ 500,000	50	740	75	75	\$ 500,000	50	740	65	65	\$ 750,000	50
720	70	70	\$ 1,000,000	50	720	65	65	\$ 1,000,000	50	720	60	60	\$ 1,000,000	50
	75	75	\$ 750,000	50		70	70	\$ 750,000	50		65	65	\$ 750,000	50
700	70	70	\$ 750,000	50	700	65	65	\$ 750,000	50	700	60	60	\$ 750,000	50
680	70	70	\$ 500,000	50	680	65	65	\$ 500,000	50	680	60	60	\$ 500,000	50

SECOND MORTGAGE DSCR PURCHASE/RATE & TERM REFINANCE			
DSCR Investment Property			
FICO	LTV	CLTV	Loan Amount
740	65	65	\$ 750,000
720	60	60	\$ 1,000,000
	65	65	\$ 750,000
700	65	65	\$ 500,000
680	60	60	\$ 500,000

CASH-OUT REFINANCE			
DSCR Investment Property			
FICO	LTV	CLTV	Loan Amount
740	60	60	\$ 750,000
720	55	55	\$ 1,000,000
	60	60	\$ 750,000
700	60	60	\$ 500,000
680	60	60	\$ 500,000