

## Simple Prime

### Program Description – Prime Credit Jumbo Loans with Flexible Guidelines

Luxury Mortgage Corp. offers full documentation loans to prime credit Applicants under common sense underwriting guidelines. Loans in this program consider all factors as required in the Ability to Repay Rule as defined in section 1026.43 and meet all QM requirements.

#### Highlights include the following:

- Loan amounts up to **\$2MM**
- DTI up to 43%
- Credit scores down to **700**
- All occupancy types allowed
- 5/6, 7/6, 10/6 ARM, 15, 20 and 30 Year Fixed
- Non-Warrantable Condos may be considered

### 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: H1B, H1C, H4, G1-4, E1-3, L1A, L1B, L2, P1, R1, TN, and O-1 (must have two years' employment/residence/credit/US income on filed tax returns)</li> <li>• First time home buyer-see <u>Housing Payment History guideline below</u></li> <li>• Non-Occupant Co-Applicants-see <u>Underwriting Guidelines</u></li> </ul>
<b>Eligible Occupancy</b>	Primary, Second Home <b>(not allowed on 2-4 units)</b> , and Investment Properties
<b>Property Types</b>	<ul style="list-style-type: none"> <li>• 1-4 unit attached and detached properties</li> <li>• Warrantable Condos-Note must meet guideline requirements for warrantable</li> <li>• Non-Warrantable Condos may be acceptable as specified in our <u>Underwriting Guidelines</u> with a pricing adjustment</li> <li>• <b>Special Approval Condos: see rate sheet for any pricing implications that may apply and LTV limitations</b></li> <li>• PUDs</li> </ul>
<b>Eligible Transactions</b>	<p><b>Purchase</b>, including non-arm's length transactions-see <u>Underwriting Guidelines</u></p> <p><b>Rate and Term Refinance</b></p> <ul style="list-style-type: none"> <li>• Payoff of first and second, where the second is seasoned &gt;12 months and not drawn on 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>• 6 months' seasoning on title required</li> <li>• When the subject property was purchased for cash within the 90 days preceding the application date, funds may be recouped up to the Applicant's documented contribution. Gifted funds are not deemed to be Applicant's own funds</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>• 6 months' seasoning on title required</li> <li>• Cash out allowed up to <b>\$500k</b>. More cash out considered on an exception basis.</li> </ul>
<b>Credit Requirements</b>	
<b>Trade Lines</b>	Each Applicant must have three trade lines and a credit history covering 24 months with at least two active (within the last 12 months) trade lines with 12 months' satisfactory history on each line.
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>• Credit scores allowed down to <b>700</b></li> <li>• Use the lowest middle score for pricing and guideline purposes</li> </ul>

<b>Housing Payment History</b>	<p>All renters must document 0x30x12 on any rental histories. Mortgage payment history must be 0x30x24. <b>Mortgage rating must be through funding.</b></p> <p><b>First Time Home Buyer (FTHB)</b></p> <p>First time home buyers may be considered up to standard LTVs with no additional overlays.</p>
<b>Significant Credit Events</b>	<ul style="list-style-type: none"> <li>• Short Sale/Foreclosure/Deed-in-Lieu of Foreclosure: Applicant must be at least seven years removed from the completion date of the action until application.</li> <li>• Bankruptcy: Applicant must be at least seven years removed from the date of the discharge/dismissal until application.</li> <li>• Judgment/Lien (including tax): Any that may impact title must be paid off prior to or at closing.</li> <li>• Collections/Charge-Offs: Any that may impact title must be paid off prior to or at closing.</li> </ul>
<b>Income and Assets</b>	
<b>DTI</b>	Maximum DTI: 43.000
<b>Documentation Requirements (Salaried)</b>	<p><b>Documentation Requirements</b></p> <p>All applicants must provide thirty days' paystubs, last two years' W-2s, and last two years' 1040s (along with any other supporting documentation for income/losses listed on the tax return).</p> <p>Applicants who have K-1s which are generating no activity or positive income on their tax returns which is not being utilized to qualify will not need to provide the K-1s, business returns, or interim financial statements.</p> <p><b>Qualification:</b></p> <ul style="list-style-type: none"> <li>• If Applicant receives bonus, commission, or overtime, obtain a written VOE to determine a history and continuance. Generally a two year history of receipt is required.</li> <li>• Restricted stock units: Restricted stock units may be used as qualifying income. Applicant must have a two year history of receipt and a three year continuance on vesting.</li> <li>• Stock options: Stock options may be used as qualifying income. Applicant must have a two year history of receipt and exercise</li> <li>• <b>VVOE must be obtained within 5 business days of note date.</b></li> </ul>
<b>Documentation Requirements (Self-Employed)</b>	<p>Applicants must generally be self-employed for 2 years, however 1-2 years is acceptable with 2 years previous employment in same line of work and no gaps. Provide the last two years' personal tax returns, K-1s, business tax returns, year to date P&amp;L, and balance sheet. (as applicable). <b>VVOE (internet listing for the business along with verification from third party such as CPA, regulatory agency, or licensing bureau) must be obtained within 5 business days of note date.</b></p>
<b>Tax Transcripts</b>	<b>Tax Transcripts are required when tax returns are used to qualify. Executed 4506C must be provided</b>
<b>Other Income Sources</b>	<p><b>Asset Distribution</b></p> <p>Applicants may supplement income disclosed via traditional income sources by annuitizing their assets. They may set up a monthly distribution and document receipt of at least one monthly distribution prior to closing. The following criteria must be met:</p> <ul style="list-style-type: none"> <li>• The distribution <u>must</u> be set up prior to the application date</li> <li>• The annual amount of the distributions may not exceed 10% of the face value of the account if utilizing non-retirement assets. If utilizing retirement assets, distribution must have three years' continuance based on face value.</li> <li>• The Applicant must be able to draw on the account without penalty. Retirement accounts are ineligible if Applicant is under 59.5</li> <li>• If utilizing non-retirement assets, the Applicant must document ownership of the accounts for at least two years via the last two year end statements.</li> <li>• The assets being utilized for distribution may not be used for funds to close, reserves, or other income sources.</li> </ul> <p><b>Other Sources</b></p> <p>Generally, document most recent 2 years receipt on tax returns and supporting tax documentation, current receipt, and expectation of at least three years' continuance-<u>see Underwriting Guidelines for details on specific items.</u></p>

<b>Asset Accounts</b>	<ul style="list-style-type: none"> <li>• Use 100% of cash and cash equivalents</li> <li>• Use 70% of face value for non-retirement asset accounts</li> <li>• Use 70% of vested retirement assets</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 51% combined ownership of the business. The amount of funds that may be utilized is based on the Applicant's percentage of ownership. If the Applicant is not the sole owner of the business, they must provide a statement from the other shareholders confirming they may use the funds for the proposed transaction. Three months' of statements are required, and a CPA letter may be required at underwriter discretion.</li> <li>• Cash out proceeds may not be used to meet the reserve requirement</li> </ul>
<b>Gifted Funds</b>	<ul style="list-style-type: none"> <li>• Gift funds are allowed for funds to close for a primary residence. The Applicant(s) must contribute at least 10% of the purchase price from their own funds. Gift funds may not be used for reserves.</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 allowed provided the above is met and it is disclosed on the purchase agreement/settlement statement.</li> </ul>
<b>Liabilities</b>	
<b>Alimony/Child Support</b>	Alimony may be deducted from income rather than included 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 off installment debt with own funds prior to or at closing from own funds. The assets used must be sourced. Debts may not be paid down to 10 months to qualify. 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.
<b>Revolving Debt</b>	Revolving credit may not be paid down or paid off to qualify.
<b>Other Highlights</b>	
<b>Appraisal / Valuation</b>	<ul style="list-style-type: none"> <li>• Loan amount up to \$1MM in all markets, <b>one</b> appraisal required</li> <li>• <b>Loan amount above \$1MM in all markets, two</b> appraisals required</li> <li>• Purchase: lesser of purchase price or appraised value</li> <li>• Refinance (all types): If owned less than 12 months, use lesser of purchase price or market value. If more than 12 months, use market value.</li> <li>• <b>Note: Transferred appraisals are not allowed</b></li> </ul>
<b>Geographic Eligibility</b>	<p>The following states are eligible: AR, CA, CO, CT, DC, DE, FL, GA, IL, MA, MD, ME, MI, NH, NC, NJ, NM, NY (no NY subprime), OH, OR, PA, RI, SC, TN, TX (no 50(a)(6)), VA, WA, WI</p> <p>Texas Refinances: If property is subject to a homestead, borrower may not have taken cash out since property was acquired, including previous or proposed consolidation of a first and a second.</p>
<b>Reserve Requirement</b>	<ul style="list-style-type: none"> <li>• Loan amount up to \$1MM: 9 months' PITIA</li> <li>• Loan amount above \$1MM to \$1.5MM: 12 months' PITIA</li> <li>• Loan amount above \$1.5MM to \$2MM: 18 months' PITIA</li> <li>• Other residential real estate owned: 6 months' reserve of each property's PITIA</li> <li>• Subject is a Second Home/Investment property: additional 6 months' PITIA</li> <li>• Payment Shock &gt;100%: 6 months' PITIA (NA if caused by a reduction in term or change from ARM to FRM or IO to amortizing)</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>• Limited Liability Corporations: Subject to pricing adjustment-see <u>Underwriting Guidelines</u></li> </ul>
<b>ARM Terms</b>	5/6, 7/6, 10/6 ARM

	<ul style="list-style-type: none"> <li>• Margin = 2.25%</li> <li>• Index = 30 day average of SOFR</li> <li>• Caps = 2/1/5</li> <li>• Floor rate = Margin</li> <li>• Adjustment Period = 6 months</li> </ul>
<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 amortizing term</li> <li>• Amortizing ARM with initial rate of interest fixed for five years: Utilize the greater of the start rate + 2% or the index plus margin, amortized over full term of the loan</li> <li>• Amortizing ARM with initial rate of interest fixed for more than five years: Utilize the greater of the start rate or the index plus margin, amortized over full term of the loan</li> </ul>
<b>Prepayment Penalty</b>	Not allowed
<b>Mortgage Insurance</b>	Not required
<b>Loan Amounts</b>	Minimum loan amount: \$647,201 Maximum loan amount: \$2,000,000 - LTV/FICO matrices for limitations

### LTV and Loan Amount Requirements (Tier 1, Tier 2, and Tier 3)

#### Tier One

Tier 1 Definition (by prop type)

SFR: All Lending Areas

2-4 Units: NYC Counties

Warrantable Condos: Allowed in all geographies

Coops: Not Allowed

#### Purchase/Rate and Term Refinance Transactions

Primary Residence			Second Home			Investment Properties		
Loan Amount	CLTV	FICO	Loan Amount	CLTV	FICO	Loan Amount	CLTV*	FICO
\$ 1,000,000	75%	700	\$ 1,000,000	70%	700	\$ 1,000,000	70%	700
\$ 1,500,000	75%	720	\$ 1,500,000	70%	720	\$ 1,500,000	70%	720
\$ 1,500,000	70%	700	\$ 1,500,000	65%	700	\$ 1,500,000	65%	700
\$ 2,000,000	75%	740	\$ 2,000,000	70%	740	\$ 2,000,000	70%	740
\$ 2,000,000	65%	720	\$ 2,000,000	60%	720	\$ 2,000,000	60%	720

\*Rate and Term Refinance: -5% CLTV

#### Cash Out Refinance Transactions

Primary Residence			Second Home			Investment Properties		
Loan Amount	CLTV	FICO	Loan Amount	CLTV	FICO	Loan Amount	CLTV	FICO
\$ 1,000,000	70%	700	\$ 1,000,000	60%	700	Not Allowed		
\$ 1,500,000	70%	720	\$ 1,500,000	60%	720			
\$ 2,000,000	70%	740	\$ 2,000,000	60%	740			
\$ 2,000,000	60%	720	\$ 2,000,000	50%	720			

Notes:

Cash Out Proceeds Max: \$500,000

Cash Out Proceeds >\$300k: -5% CLTV

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Cash Out Proceeds Max: \$500,000

Cash Out Proceeds >\$300k: -5% CLTV

#### All Occupancies, All Transactions

Blind Trust/LLC Max 75 CLTV

Declining Markets -5% CLTV

Unique Properties -5% CLTV

\*NYC Metro Counties: New York, Queens, Bronx, Kings and Richmond