

Simple Access® Prime NonQM–1099 Only

Program Description – 1099s as Income Verification

Luxury Mortgage Corp. offers loans to Prime Credit Applicants utilizing an Applicants 1099s along with an expense ratio as a determination of income. Loans in this program must meet ATR as defined in section 1026.43. 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 \$2MM
- Interest only available with 30 or 40 year term
- DTI up to 45 allowed
- Credit scores down to 740
- All occupancy types allowed
- 5/6, 7/6, and 10/6 ARM, 15, 30, and 40 FRM (40 year term IO only)
- Multiple financed properties allowed

Eligibility Types

Applicants	<ul style="list-style-type: none"> • US Citizen • Permanent Resident Alien • Non-Permanent Resident Alien with the following visas: E, G, H, L, O, P, and TN that meet the 2 year residency, credit and employment in the US requirement • First time home buyer • Non-Occupant Co-Applicants-see Underwriting Guidelines
Ineligible Applicants	<ul style="list-style-type: none"> • Irrevocable Trust • Diplomatic Immunity • 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.
Eligible Occupancy	Primary, Second Home, and Investment Properties
Property Types	<ul style="list-style-type: none"> • 1-4 unit attached and detached properties • Warrantable Condos • PUDs
Ineligible Property Types	<ul style="list-style-type: none"> • Mixed Use Properties • Rural properties • Non-Warrantable Condos and Condotels • Properties with more than 20 acres • See Underwriting Guidelines for full list of unacceptable property types
Eligible Transactions	<p>Purchase, including non-arm's length transactions-see Underwriting Guidelines</p> <p>Rate and Term Refinance</p> <ul style="list-style-type: none"> • No title seasoning required • Payoff of first and second, where the second is seasoned >6 months and not drawn >\$5,000 in 12 months preceding application date unless the second was used in full to purchase the property • Buyout accompanied by an executed buyout agreement • Technical refinances/delayed financing allowed-see Underwriting Guidelines • If loan being paid off was closed in the 12 months preceding the application date and was a cash out transactions, the loan will be treated as Rate and Term if it was the only refinance within the preceding 12 month period as long as the borrower has owned the property for 6 months. <p>Cash-Out Refinance</p> <ul style="list-style-type: none"> • Refinances which do not fit into the rate and term guidelines are deemed to be cash out • 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 within the preceding 12 month period.

	<ul style="list-style-type: none"> • Six Months title seasoning required for cash out refinances. • No limit on max cash out up to 65 LTV, max \$1MM cash out above 65 LTV • Value to be utilized must be supported-see Underwriting Guidelines
Credit Requirements	
Trade Lines	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 Underwriting Guidelines for more details and alternatives.
Credit Score	<ul style="list-style-type: none"> • Credit scores allowed down to 740, subject to loan amount and LTV restrictions • Use middle score of the primary income earner for pricing and guideline purposes. Minimum score for all borrowers is 620. • Use lower of Occupying or Non-Occupying Co-Applicant middle score for guideline purposes
Housing Payment History	<p>Housing payment history no greater than 0 x30x12 for all mortgages/rental verifications.</p> <p>First Time Home Buyer (FTHB) A First Time Home Buyer is defined as an individual who has not had individual ownership interest in a residential property within the last five years. First Time Home Buyers are eligible for financing under the Simple Access Prime NonQM programs under the standard criteria with minimum 6 months PITIA reserves for primary residence and second homes only. No rent or mortgage history is required, however if one is provided it must meet the requirements of the Housing Payment History section of this guide.</p>
Significant Credit Events	<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 other than a Foreclosure</p> <ul style="list-style-type: none"> • 0-4 years removed: Not eligible • >4 years removed: Standard Guidelines <p>Foreclosure:</p> <ul style="list-style-type: none"> • 0-4 years removed: Not allowed • >4 years removed: Standard Guidelines <p>Additional Guidelines:</p> <ul style="list-style-type: none"> • 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. • Judgment/Tax Lien: Must meet one of the following: <ul style="list-style-type: none"> ○ Paid off prior to or at closing, or ○ Show 6 month satisfactory payment history, include payment in DTI, subordinate if recorded • 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.
Income and Assets	
DTI	Maximum DTI: 45.000
Residual Income	The minimum residual income for each loan is \$2,500. Do not include income taxes in the calculation.
Product Eligibility	Applicants must receive compensation either in the form of commissions or as an independent contractor. 1099(s) provided should cover a complete calendar year.
Documentation Requirements	<p>The following documents are required for the file:</p> <ul style="list-style-type: none"> • Most recent one or two years of 1099(s) • Documentation of year to date income within 120 days of note date:

	<ul style="list-style-type: none"> ○ A check stub showing receipt of YTD income, or ○ Bank statements showing receipt of YTD income ○ Borrower prepared YTD P&L as support for 1099 (s) used to qualify not as qualifying income ● 1099 transcripts-see alternative documentation required if 1099 transcripts cannot be obtained or 1099 issued to entity in Underwriting Guidelines. <p>Verification of current business revenues and/or operations may be required prior to closing at underwriter's discretion.</p>
Calculation Methods	<p>Provide the most recent one or two years of 1099s. A 10% expense factor will be utilized against the 1099's used to qualify for purposes of calculating income. If gross receipts are stable or increasing year over year, use a 24 month average of net income. If gross receipts are declining, a 12 month average shall be utilized.</p> <p>Income trend: 1099 gross receipts should show a stable or increasing trend. If the trend is declining and/or irregular, additional documentation may be required at underwriter's discretion.</p>
Co-Applicant Options	<p>Full documentation from a Co-Applicant may be used in addition to the 1099 income. See full documentation guidelines for additional information on acceptable sources.</p>
Other Income Sources	<p>Rental Income Utilize 75% of the current lease income less PITIA on a net basis. Document receipt of rental income. Rental income may not be used to qualify on a vacant unit, except on the subject property on a purchase transaction.</p> <p>Other Income Sources Applicants who have supplemental income sources may utilize them to qualify provided the history of receipt and continuance requirements under the full documentation guidelines are met. The Applicant utilizing 1099 income must still earn the majority of their income from activity calculated via 1099s and the applicable expense ratio. The acceptable supplemental income sources are limited to: social security, pension, alimony, child support, asset distribution/utilization, and second job income.</p>
Asset Accounts	<ul style="list-style-type: none"> • Use 100% of cash and cash equivalents • 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. • Use 100% of retirement assets if for reserve calculation-must obtain terms and conditions verifying borrower ability to withdraw. • If Applicant is liquidating funds from retirement account, document liquidation and end balance • 529 accounts at 60% of face value with copy of plan confirming savings plan and not pre-paid tuition plan. • 1031 exchanges eligible for investment properties-see <u>Underwriting Guidelines</u> • 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"> ○ 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 ○ 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> • Cash out proceeds MAY be used to meet the reserve requirement regardless of LTV. • Eligible cryptocurrency may be used but requires liquidation of proceeds for funds to close. See <u>Underwriting Guidelines</u> for allowable types of cryptocurrency and requirements.
Gifted Funds	<ul style="list-style-type: none"> • Gift funds are allowed for funds to close. A 5% contribution from Applicant's own funds is required on second homes and investment properties. No Applicant contribution is required for primary residences and the minimum contribution can be waived for all second homes with a 10% LTV reduction. • Gifts must be documented in compliance with FNMA requirements and be from immediate family members-see <u>Underwriting Guidelines</u>.

	<ul style="list-style-type: none"> • Gifts of equity are allowed, max. No applicant contribution is required on a primary residence. A second home requires a 5% Applicant contribution. Not allowed on investment properties. Must provide proof not a distress sale-see Underwriting Guidelines for complete details.
Liabilities	
Alimony/Child Support	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.
Installment Debt	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	
Appraisal / Valuation	<p><u>Purchases and Refinances:</u></p> <ul style="list-style-type: none"> • Loan amount up to \$2MM, one appraisal required <p>All appraisals are subject to underwriting review and acceptance. Loan amounts >\$1.5MM and up to \$2MM may not utilize a CU score in lieu of a CDA. Additional appraisal due diligence may be required at the discretion of underwriting.</p> <ul style="list-style-type: none"> • <u>Purchase:</u> lesser of purchase price or appraised value • <u>Refinance (all types):</u> 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.
Geographic Eligibility	<p>The following states are eligible: AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, IL (no IO loans), LA, MA, MD, ME, MI, MN, NC, NH, NJ, NM, NY (no NY subprime), OH, OR, PA, RI, SC, TN, TX, UT, VA, WA, WI, WY.</p> <p>Restrictions:</p> <ul style="list-style-type: none"> • Texas CO Refinances not allowed • Properties which are identified by the appraiser to be in a declining market will be subject to a 5% LTV reduction from maximum LTV.
Reserve Requirement	<ul style="list-style-type: none"> • Loan amount up to \$1.5MM: 6 months PITIA • Loan amount above \$1.5MM and up to \$2MM: 9 months PITIA • Other real estate owned: 1 months of each property's PITIA • First Time Home Buyer: minimum 6 months PITIA
Title Vesting	<ul style="list-style-type: none"> • Individual names as joint tenants, community property, or tenants in common • Living trusts meeting FNMA's requirements • Blind Trusts-<u>see Underwriting Guidelines</u> • Limited Liability Corporations-<u>see Underwriting Guidelines</u> • Partnerships/Corporations-<u>see Underwriting Guidelines</u>
ARM Terms	<ul style="list-style-type: none"> • Margin = 5.000% • Index = 30 Day Average of SOFR • Caps <ul style="list-style-type: none"> ○ 5/6 ARM: 2/1/5 ○ 7/6 and 10/6 ARM: 5/1/5

	<ul style="list-style-type: none"> Floor Rate = Note Rate Adjustment Period = 6 Months
Interest Only	Interest Only features are allowed on ARMs and FRMs. The IO period is 10 years. Maximum LTV of 80 and min FICO 680 for a loan with an IO feature. 40 year term: is not eligible on 5/6 ARM.
Qualifying Payment	<p>To determine the P&I component of the Qualifying Payment, utilize the below (except as otherwise specified):</p> <ul style="list-style-type: none"> Fixed Rate: Utilize the start rate over the amortizing term Amortizing ARM: Utilize the greater of the start rate or the index plus margin, amortized over full term of the loan FRM/ARM with IO Feature: Utilize the greater of the start rate or the index plus margin, with a payment calculated based the amortizing term of the loan after the end of the IO period.
Prepayment Penalty	Prepayment penalties may be placed on investment properties 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 additional information.
Mortgage Insurance	Not required
Min/Max Loan Amounts	<p>Minimum: \$500,000</p> <p>Maximum: \$2MM (Purchase/Rate and Term Refinance/Cash Out Refinance)</p>

PRIME NON-QM										
PURCHASE/RATE & TERM REFI										
Primary Residence					Second Home and Investment Property					
FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI	
760	65	65	\$ 2,000,000	45	760	65	65	\$ 2,000,000	45	
	70	70	\$ 1,500,000	45		70	70	\$ 1,500,000	45	
740	70	70	\$ 1,500,000	45	740	65	65	\$ 1,500,000	45	
						70	70	\$ 1,000,000	45	

PRIME NON-QM										
CASH-OUT REFINANCE										
Primary Residence					Second Home and Investment Property					
FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI	
760	65	65	\$ 2,000,000	45	760	65	65	\$ 2,000,000	45	
	70	70	\$ 1,500,000	45	740	65	65	\$ 1,500,000	45	
740	65	65	\$ 1,500,000	45		70	70	\$ 1,000,000	45	
	70	70	\$ 1,000,000	45						

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