



ALT-QM
UNDERWRITING
GUIDELINES

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OVERVIEW

Alt-QM guidelines are structured to guide its users towards making common sense lending decisions on loans to borrowers who may have limited access to credit. These borrower's situations generally require the consideration of alternative forms of documenting income and/or compensating factors which offset risk indicated by a recent credit event or elevated debt-to-income ratio. The borrower's ability to repay must be proven in all instances.

Loans eligible for sale to a Government Sponsored Entity (Federal National Mortgage Association ("Fannie Mae" or "FNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") are not eligible for the Alt-QM programs.

Borrowers with a loan under the Investor Program must certify that they understand that consumer protection laws applicable to consumer loans will not apply to their business-purpose loan, including the Truth in Lending Act (15 U.S.C. § 1601 *et seq.*), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq.*), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq.*), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq.*

For any guideline not addressed in these guides, defer to Fannie Mae Guidelines.

PROGRAMS AND LOAN ELIGIBILITY

ELIGIBLE PROGRAMS

- **Prime Plus** –Minimum loan amount of \$150,000 with just missed agency criteria and 48 months seasoning on credit events.
- **Alt Doc** – Program allowing for alternative income documentation to agency guides for qualifying.
- **Investor** – Program geared toward investors (Business Purpose) with alternative qualifications based on cash flow of the property and rental income vs. PITIA.
- **Foreign National** – program for non-resident alien who is not authorized to live or work in the U.S. or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. To be eligible, the borrower must live and work in another county and be a legal resident of that same country.

The following loan products are eligible:

Fully Amortizing

- 5/6 Month SOFR: (2/2/5 Cap Structure)
- 7/6 Month SOFR: (5/2/5 Cap Structure)
- 10/6 Month SOFR: (5/2/5 Cap Structure)
- 30 Year Fixed

Interest-Only

- Loan Terms: 360
- 5/6 Month SOFR: (2/2/5 Cap Structure)
- 7/6 Month SOFR: (5/2/5 Cap Structure)
- 10/6 Month SOFR: (5/2/5 Cap Structure)
- 30 Year Fixed

Interest Only Period: Available for fixed period of ARM or 10 years on 30 Year Fixed rate product

Amortization Period: 30 Year

Refer to program matrices for additional requirements.

Qualifying Rate (All Doc Types):

Fixed: Qualify borrower(s) at the Note Rate.

ARMs: 5/6 Month ARM - Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate.

7/6 Month ARM & 10/6 Month ARM – qualify at the Note Rate.

Qualifying Payment

Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the scheduled remaining loan term at the time of recast after the interest only period has expired.

LOAN AMOUNTS

Minimum Loan Amount

- Prime Plus: \$150,000
- Alt Doc and Investor: \$100,000
- Foreign National: \$150,000

Maximum Loan Amount

- Prime Plus - \$3,500,000
- Alt Doc - \$3,500,000
- Investor - \$2,000,000
- Foreign National - \$2,500,000

MINIMUM FICO

- **Prime Plus:** 680
- **Alt Doc:** 660
- **Investor:** 660
- **Foreign National:** no score requirements

MAXIMUM LTV/CLTV

- **Prime Plus:** 90%/90%
- **Alt Doc:** 80%/90%
- **Investor:** 80%/80%
- **Foreign National:** 70%/70%

*MI is not required for LTVs exceeding 80%

INTERESTED PARTY CONTRIBUTIONS (SELLER CONTRIBUTIONS)

Prime Plus and Alt Doc:

Up to 6% towards closing for Primary and Second Homes

Up to 2% towards closing for Investment Properties

Investor:

Up to 3%

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions), and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

ESCROWS – IMPOUND ACCOUNTS

Escrows for taxes and insurance are required on all loans with LTVs greater than 80%, unless otherwise specified by applicable state law.

Escrows for taxes and insurance are required for all HPML loans.

SECONDARY FINANCING

Secondary financing must be institutional. Seller-held subordinate liens are not permitted.

Existing secondary financing must be subordinated and recorded or refinanced, paid off or closed. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past its draw period.

Unacceptable forms of subordinate financing include mortgages with negative amortization and/or mortgages due and payable within the next 5 years. Subordinate mortgages due within the next 5 years may be allowed if borrower provides sufficient assets to cover the amount due.

Subordinate financing is not permitted on Investment property transactions.

AGE OF DOCUMENTS

Per FNMA standard guidelines.

FEES

Standard fee of \$995 for Wholesale

Retail follows Standard State Fees.

BORROWER STATEMENT OF OCCUPANCY

Primary and Second Homes

Borrower must acknowledge the intended purpose of the subject property ("Primary Residence" or "Second Home") by completing and signing the appropriate sections of the "Occupancy Certification" found in EXHIBIT A of this guide.

Investment Properties

Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the "Occupancy Certification" and "Certification of Business Purpose" in EXHIBIT A of this guide.

BORROWER CONTACT CONSENT FORM

To assist the loan servicer in contacting the borrower in a timely manner, the Loan Officer is required to obtain a valid phone number for the borrower(s). The phone number can be collected on the 1003 loan application or by using the Borrower Contact Consent Form (Exhibit G) in the Exhibit section of the Guide.

ABILITY TO REPAY/QUALIFIED MORTGAGE RULE

Prime Plus and Alt Doc Programs

Commerce Home Mortgage is exempt from ATR, however, generally all Alt-QM guidelines meet the CFPB's requirements under its Ability-to-Repay (ATR) / Qualified Mortgage Rule, including loans that meet the general ATR requirements and certain higher-priced qualified mortgage loans with rebuttable presumption liability protection, as prescribed by the applicable regulation.

Each loan must include a completed ATR Borrower Confirmation form, available in the forms section of the system. See EXHIBIT C: Ability-To-Repay Borrower Confirmation for an example in the exhibits section of this guide.

Under the Debt Service Coverage documentation option property income is used to qualify the transaction. Debt Service Coverage is available to Experienced Investors purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Certification of Business Purpose (Exhibit D) and an Occupancy Certification (Exhibit A).

STATE AND FEDERAL HIGH COST LOANS

High cost loans are not allowed.

PREPAYMENT PENALTY

Where permitted by applicable laws and regulations, a prepayment charge can be structured to be assessed for between one (1) and up to five (5) years following the execution date of the note.

The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that payoff due to sale or refinance, or curtailments that exceed 20% of original principal balance in a given 12-month time period.

- Investment Properties only utilizing the Investor program
- 6 months interest of 80% of the amount prepaid (Standard Term = 3 yrs.)
- Not allowed in Maryland or New Mexico.

UNDERWRITING

All files are manually underwritten.

INTEREST CREDITS

Loans closed within the first 5 days of the month may reflect an interest credit to the borrower.

ASSUMABILITY

Fixed Rate Notes: Are not assumable.

Adjustable Rate Notes: Are not assumable.

PROPERTY INSURANCE

Property insurance for loans 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.

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 property 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.

Additional requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement.

The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer; or
- 100% of the Total Estimate of Cost-New per the appraiser; or
- The unpaid principal balance of the mortgage, as long as it at least 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.

The following table describes how to calculate the amount of required property insurance coverage:

Step	Description
1	Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.
1A	If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.
1B	If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2.
2	Calculate 80% of the insurable value of the improvements.

2A	If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.
2B	If the result of this calculation is greater than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.

Examples:

Category	Property A	Property B	Property C
Insurable Value	\$90,000	\$100,000	\$100,000
Unpaid Principal Balance	\$95,000	\$90,000	\$75,000
80% Insurable Value	-	\$80,000	\$80,000
Required Coverage	\$90,000	\$90,000	\$80,000
Calculation Method	Step 1A	Step 2A	Step 2B

For insurance not addressed in this section, default to Fannie Mae requirements.

TRANSACTION TYPES

ELIGIBLE TRANSACTIONS

Purchase

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV/CLTV based upon the lesser of the sales price or appraised value.

Rate/Term Refinance

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
 - Closed end loan, at least 12 months of seasoning has occurred;
 - HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$2,000. HELOC must be closed.
- Buying out a co-owner pursuant to an agreement.
- Properties listed for sale must be taken off the market prior to disbursement of the refinance loan.
- Paying off an installment land contract executed more than 12 months from the loan application date.
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$5,000 can be included in the transaction.
- LTV/CLTV based upon the appraised value.

Cash-Out Refinance

- A refinance that does not meet the definition of a rate/term refinance
- A mortgage secured by a property currently owned free and clear is considered cash out.
- The payoff of delinquent real estate taxes, federal taxes, state taxes and judgments (60 days or more past due) is considered cash out.
- For investment properties only: The borrower must indicate the purpose of the cash out proceeds. Cash out proceeds must be solely for business purposes.
- Properties listed for sale must be taken off the market prior to disbursement of the refinance loan.
- Loans not eligible for cash-out:

- A prior cash out transaction within the last 12 months, unless a documented benefit exists.
- Texas Home Equity 50 (a)6
- See Commerce Home Mortgage Matrices for cash-out limits.

Seasoning Requirements:

- Cash-Out Seasoning is defined as the difference between application date of the new loan and prior financing note date or date of purchase.
- If owned less than 12 months, use lesser of purchase price plus documented improvements or appraised value. If more than 12 months use appraised value.
- Cash out Seasoning of less than (6) months is not allowed when the prior transaction was also a cash out.

Delayed Financing

- Delayed Financing within 6 months of original purchase is allowed with the following restrictions:
 - The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value.
 - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
 - At least one of the following must exist:
 - No mortgage financing was used to obtain the property.
 - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed or similar alternative confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale).
 - The preliminary title search or report must confirm that there are no existing liens on the subject property or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note.
 - The mortgage being refinanced was used to purchase the property and has an original term of 24 months or less as evidenced by a copy of the settlement statement and original note.
 - If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.
 - The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
 - Transaction is considered cash-out for eligibility and guideline purposes, however, cash out pricing does not apply.

NON-ARMS LENGTH AND INTERESTED PARTY TRANSACTIONS

Non-Arm's Length

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions.

When the property seller is a corporation, partnership or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required as well as the payment history pattern (VOM on the Seller's mortgage).

Interested Party Transaction

A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.

In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties is required.

Non-Arm's Length and Interested Party Transactions Eligibility

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction
 - Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves
- Seller(s) representing themselves as agent in real estate transaction is allowed
- Purchase between landlord and tenant
 - Must provide a recent 12-month VOR showing rent paid as agreed along with a copy of the sellers payoff demand showing not a foreclosure bailout
- Purchase between family members
 - Gift of Equity requires a gift letter and the equity gift credit is to be shown on the CD
 - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout
- Borrower to provide cancelled check verifying the earnest money deposit
- Employer to employee sales or transfers not allowed
- Property trades between buyer and seller not allowed

BORROWER ELIGIBILITY

NON-OCCUPANT CO-BORROWERS

- Allowed for Full Doc only, co-borrowers must be immediate family members.
- Not allowed for Non-Permanent Resident Alien borrowers.
- Borrower and Co-Borrower must complete and sign a Non-Occupant Co-Borrower Certification substantially similar to the form found in Exhibit D of this guide.
- Eligible transactions limited to primary purchase only.

FIRST TIME HOME BUYERS

- Definition: An individual is considered to be a first time home buyer if they have had no ownership interest in a residential property in the most current 3 year period.
- Investment property purchase additional requirements:
 - Max 70% LTV – DSCR option
 - Minimum 12 months reserves
- Minimum 680 credit score
- DTI may not exceed 43%
- Minimum 6 months reserves for Primary Residences
- 12-month recent rental history required reflecting 0x30 – this can be applied towards the tradeline requirement. Rental history is not required for borrowers who are documented as living rent free.

Standard Trade lines

- **Prime and Alt Doc Programs:** Three tradelines reporting for 12+ months or 2 tradelines reporting for 24+ months, all with activity in the last 12 months.
- Payment shock limited as follows:

	> 36% DTI	≤ 36% DTI
Credit Score ≥ 620	300% current housing	Payment shock not applicable
Credit Score < 620	200% current housing	Payment shock not applicable
FTHB with gift funds	150% current housing	Payment shock not applicable

Payment Shock = (Proposed Housing Payment / Present Housing Payment) * 100

Loan Officer should use prudent judgment in evaluating any payment shock implications and the ability of the Borrower to repay the new mortgage loan. Payment shock exceeding acceptable limits will be reviewed case by case and must be accompanied by a documented history of saving which supports the borrower's ability to handle the increased payment.

- *Not allowed on Second Homes or Investment properties
- *When utilizing the Alt Doc program the max LTV is 80% and no gift funds are allowed.

RESIDENCY

Eligible	<ul style="list-style-type: none"> • U.S. Citizen • Permanent Resident Alien • Non-Permanent Resident Alien See matrices for program eligibility.
Ineligible	<ul style="list-style-type: none"> • Foreign National • Applicants possessing diplomatic immunity • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • Any material parties (company or individual) to transaction listed on HUD's Limited Denial or Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list or any other exclusionary list.

Refer to Fannie Mae guidelines for all definitions of eligibility status.

US CITIZEN

Eligible without guideline restrictions

PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

- Acceptable evidence of permanent residency include the following:
 - Alien Registration Receipt Card I-151 (referred to as a green card).
 - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
 - Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back, and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
 - Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized.”
- Eligible without guideline restrictions.
- A fully executed Certification of Resident Alien Status Form must be provided at time of submission.

NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

- Legal Status Documentation
 - Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
 - Visa must be current and may not expire for a minimum of 3 years following the close date.
 - When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer.

INTER VIVOS REVOCABLE TRUST

An inter vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be followed. Not all requirements may be addressed, Fannie Mae requirements should be followed if these guides are silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more); or
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage. The following documentation is required:

- The trust was validly created and is duly existing under applicable law,
- Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
 - The trust is revocable,
 - The borrower is the settler of the trust and the beneficiary of the trust,
 - The trust assets may be used as collateral for a loan,
 - The trustee is:
 - Duly qualified under applicable law to serve as trustee,
 - The borrower,
 - The settler,
 - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

In lieu of the above, a complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided. The Attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

INELIGIBLE BORROWERS

- Irrevocable Trust
- Land Trust
- Blind Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction

CREDIT

CREDIT REPORTS

Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility.

The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.

CREDIT INQUIRIES

Any credit inquiries listed on the report within 90 days of the report date must be explained by the borrower. If new credit was extended borrowers must provide documentation on the current balance and payment. If no credit was extended borrower must state the purpose of the inquiry. Borrowers are obligated to inform the Loan Officer of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

HOUSING HISTORY

Mortgage/rental history is required for all programs. If a borrower's mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12-month history must be provided.

Mortgage Payment History – Forbearance/Payment Deferral Clarification

- Current mortgages tied to the subject property must not have been in forbearance/payment deferral within the last 12 months.
- All other current mortgages tied to any other properties owned by the borrower (not our subject property) that are currently in forbearance and are not current must be reinstated per FNMA requirements before the borrower is eligible for new financing.

Mortgage Payment History Documentation

If adequate mortgage payment history is not included in the borrower's credit report the following must be provided to verify the borrower's payment history:

- A standard mortgage verification; or
- Loan payment history from the servicer; or
- The borrower's canceled checks for the last 12 months; or
- The borrower's year-end mortgage account statement, provided the statement includes a payment receipt history, and, if applicable, canceled checks for the months elapsed since the year-end mortgage account statement was issued.

Rental Payment History Documentation

The borrower's rental payment history must be documented for the most recent 12 month period. The following documentation is acceptable:

- Canceled checks can be provided. In lieu of canceled checks the borrower may provide bank statements, copies of money orders, or other reasonable methods for documenting the timely payment of rent. The documentation must clearly indicate the payee and amount being paid, and reflect that the payments were made on a consistent basis.
- Direct verification of the payment of rent from the landlord. Direct landlord verification is acceptable whether the landlord is an individual or a professional management company.

Borrower mortgage and/or rental history may reflect late payments based on Documentation Option and credit grade criteria, see matrices for requirements. All housing late payments must be cured at the time of application and remain paid as agreed through closing.

Housing late payments exceeding 1x60x24 require a letter of explanation from the borrower. The situation causing the delinquency must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved.

Borrowers who currently live rent free are permitted with supporting documentation, such as a fully executed Rent Free Letter of Explanation from the current legal owner of the property borrower is residing in.

CONSUMER CREDIT

Consumer Credit History

All mortgage accounts must be current at application and remain paid as agreed through closing.

Installment Debt

Installment debt with less than 10 months' payments remaining may be excluded from the DTI, as long as the Borrower has the assets to make the remaining payments. Borrowers may pay down the debt such that the remaining balance is less than the sum of 10 months' payments. The assets used must be sourced. Loans secured by financial assets (i.e. 401k, margin loan, etc.) do not need to be included in the DTI provided the asset balance exceeds the loan balance.

Timeshares

Timeshare obligations will be treated as a consumer installment loan.

Alimony/Child Support

Alimony may be deducted from income rather than included as a liability, provided the alimony payments are tax deductible to the payer. Otherwise, include as a liability. Child support must be included as a liability.

Consumer Credit Charge-Offs and Collections

- Individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$1,000 must be paid in full prior to or at closing.
- Medical collections may remain open regardless of amount.
- 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination based upon the charge off date
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions)
- Reserves are sufficient to cover the balance of the charge-offs or collections and also meet reserve requirements.

Judgment or Liens

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

Income Tax Liens

All income tax liens (federal, state, local) must be paid off prior to or at loan closing. Tax liens that do not impact title may remain open provided the following are met;

- The file must contain a copy of the repayment agreement
- A minimum of 6 payments has been made under the plan with all payments made on time
- The balance of the lien must be included when determining the maximum CLTV for the program
- Purchase and rate-term refinance transactions only
- Refinance transactions require a subordination agreement from the taxing authority

BANKRUPTCY HISTORY

All bankruptcies must be settled at time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the note date. Please refer to the program matrices for requirements.

Bankruptcies resolved in the last 48 months require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple bankruptcies exist in this time frame each must be addressed in the explanation.

Refer to the program matrices for required seasoning.

FORECLOSURE SEASONING

Foreclosures require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date.

In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of bankruptcy; and b) the foreclosure completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not allowed.

Refer to the program matrices for required seasoning.

SHORT SALE/DEED IN LIEU SEASONING

Short Sales or Deed-in-Lieu of Foreclosures require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date. For the Alt-A program, where the housing event can be settled, the delinquency proceeding the housing event can be ignored.

In the case of a short sale/deed-in-lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of bankruptcy; or b) the short sale/deed-in-lieu completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not allowed.

Refer to the program matrices for required seasoning.

LOAN MODIFICATION

Loan modifications are treated as a short sale / deed-in-lieu for grading and pricing purposes. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation is adequately resolved.

Refer to the program matrices for required seasoning.

CREDIT SCORE

Credit Score Selection:

- **Decision Score Definition-** Minimum of one borrower with two credit scores. Use the lower of the two credit scores or the median, if there are three credit scores.
- **Alt Doc Program:** Use decision score amongst all borrowers who will be on the Note and Title.
- **Prime-** Use decision score for the primary wage earner. Primary wage earner defined as \$1 more in income monthly.
- **Investor Program:** Use decision score amongst all borrowers/guarantors who will be on the Note and Title.

TRADELINER REQUIREMENTS

Standard Tradelines

- **Prime, Alt Doc, Investor Programs:** Three tradelines reporting for 12+ months or 2 tradelines reporting for 24+ months, all with activity in the last 12 months.
*First Time Home Buyers are allowed to apply a 12 month recent and satisfactory VOR towards the tradeline requirements.

The following are not acceptable to be counted as a tradeline:

- Any liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Disputed accounts
- Non Traditional accounts

- Charge-offs, collection accounts,
- Foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.

OBLIGATIONS NOT APPEARING ON CREDIT REPORT

Housing and Mortgage Related Obligations

Housing and mortgage-related obligations include property taxes, premiums and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, information obtained from a valid and legally executed contract.

Current Debt Obligations, Alimony, and Child Support

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to know that the information on the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae guidelines.

DEPARTING RESIDENCES

For the Prime Plus product only - to exclude the payment on the departing primary residence, one of the following requirements must be met:

Departing Residence to be rented:

- **No lease:**
 - Signed letter of intent from borrower indicating they intend to rent the departing residence within ninety (90) days of the closing date on the subject transaction.
 - Departing residence must have a minimum of 20% equity after deducting the outstanding liens in order to use rent to offset the payment.
 - Equity in the departing residence must be documented with an AVM or 2055 exterior appraisal dated within six (6) months of the subject transaction.
 - A Market Rent Survey (FNMA Form 1007) is required from a licensed appraiser. Rent calculation is 75% of the market rent less the PITIA.
 - Any positive rental income is disregarded for the income calculation and can only be used to offset the payment.
 - Any negative amount must be included in the qualifying ratios.
 - If less than 20% equity then the full payment with no benefit of rent must be included in the DTI.
 - Required reserves for the departing residence is 9 months PITIA.
 - Maximum LTV/CLTV on the subject transaction is 80%.
- **Lease required:**
 - Copy of current lease agreement along with security deposit and evidence of deposit into borrower's account.

- Departing residence must have a minimum of 20% equity after deducting the outstanding liens in order to use rent to offset the payment.
- Equity in the departing residence must be documented with an AVM or 2055 exterior appraisal dated within six (6) months of the subject transaction.
- Rental calculation is based on 75% of the lease amount less the PITIA.
 - Any positive rental income is included in the qualifying income.
 - Any negative amount must be included in the qualifying ratios.
- If less than 20% equity then the full payment with no benefit of rent must be included in the DTI.
- Required reserves for the departing residence is 6 months PITIA.
- Maximum LTV/CLTV on the subject transaction is 80%.

Departing Residence to be sold

- **Property not under contract:**
 - Signed letter of intent from borrower indicating they intend to list the departing residence for sale within ninety (90) days of the closing date on the subject transaction.
 - Equity in the departing residence must be documented with a 2055 exterior appraisal or a full 1004 appraisal dated within six (6) months of the subject transaction Note date.
 - Departing residence must have a minimum of 20% equity after deducting the outstanding liens in order to exclude the payment from the DTI.
 - If less than 20% equity, the full payment must be included in the qualifying DTI.
 - The lower of the appraised value or current listing (if listed) should be used to determine the 20% equity calculation.
 - Required reserves for the departure residence are based on the marketing time indicated by the departing residence appraisal. If appraisal indicates:
 - marketing time of six (6) months or less is 12 months PITIA
 - marketing time greater than six (6) months is 24 months PITIA
 - if departing residence has been on the market greater than 6 (six) months is 24 months PITIA
 - Maximum LTV/CLTV on the subject transaction is 80%.
- **Property under contract:**
 - A copy of the fully executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied/released.
 - The departing residence transaction must be closing within 30 days of the subject transaction.
 - The departing residence pending sale transaction must be arm's length.
 - No appraisal required for departing residence.
 - The borrower must be netting a positive figure from the sale of the departing property or assets must be documented to cover any funds the borrower may have to bring in to close.
 - Required reserves for the departing residence is 6 months PITIA.
 - Maximum LTV/CLTV on the subject transaction is 80%.

ASSETS

DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on borrower asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in Commerce Home Mortgage guidelines. Fannie Mae guidelines prevail where this guide is silent regarding sources and types of assets as well as asset types not eligible to be included.

RESERVES

Refer to the applicable Commerce Home Mortgage loan program matrix for the reserve requirements by program.

- Additional Reserves - Each financed property owned, in addition to the subject property, requires 2 months additional reserves of each property's PITIA.
- Reserves must be sourced and documented per guidelines.
- ARM loans – Reserves based upon initial PITIA, not the qualifying payment.
- Reserves for a loan with an Interest Only feature based upon the Full PITIA
- Proceeds from 1031 Exchange cannot be used to meet reserve requirements.
- Cash out cannot be used as reserves.

DOWN PAYMENT SOURCING

Down payment funds should be documented for at least 30 days. Borrowers must state the source of the down payment and provide verification. If it is determined the source of the down payment is another extension of credit, the borrower must qualify for secondary financing per Fannie Mae guides.

GIFT FUNDS

Unless otherwise specified, Gift Funds are acceptable if ONE of the following applies:

- A 5% down payment has been made by the borrower from their own resources.
- 100% Gift Funds are allowed for Full Doc loans only, with a maximum LTV of 80%. Borrower(s) must meet reserve requirement.
- Fannie Mae guidelines should be used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt.

Gift funds may not be used to meet reserve requirements.

Gift funds are not allowed for loans qualified on the Investor program.

Gift of Equity allowed for Primary Residence only. Must meet all other guidelines for Gift Funds.

Gifts not allowed for programs using Asset Qualifier as income.

INELIGIBLE ASSETS

- Down payment assistance programs
- Grant Funds
- Builder Profits
- Employer Assistance Assets
- Cash advance on credit card
- Cash for which the source cannot be verified (cash on hand)
- Commission from sale of subject property
- Proceeds from an unsecured loan
- Salary advance
- Sweat equity (contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash)
- Unverifiable source of funds
- Margined Assets listed within client accounts are not eligible as a source of funds or reserves.
- Stock options and non-vested restricted stock
- Non-vested stock
- Reverse mortgage
- Pension fund
- Seller Real Estate Tax Credit
- Foreign Assets
- IRS 1031 Tax Exchange not allowed on primary residences or second homes

ASSET DOCUMENTATION

In addition to documenting the down payment, closing costs, and minimum PITIA reserve requirements, all borrowers must disclose and verify all other liquid assets. Fannie Mae guidelines prevail regarding sources and types of assets as well as assets which are not eligible for closing costs and/or reserves.

- Account Statements should cover most recent 30-day period. Documentation provided must, at minimum, validate the current month's beginning balance, total deposits, total withdrawals, and current month's ending balance. Assuming this required information is provided, all pages of the statement(s) may not be required. In any instance where not all pages are provided it is still required to source and document any unusually large deposits.
- VOD should be dated within 30 days of closing date;
- Stocks/Bond/Mutual Funds -100% of stock accounts can be considered in the calculation of a assets for closing and reserves;
- Vested Retirement Account funds –60% may be considered for closing and/or reserves;
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
- When bank statements are used, large deposits must be evaluated. Large deposits are defined as a single deposit that exceeds 50% of the total monthly qualifying income. Requirements vary based on transaction type:
 - Refinance: Documentation or explanation is not required, however, it must be clear that any borrowed funds, including any related liability, are considered.

- **Purchase:** Documentation is required to verify the large deposit came from an acceptable source. Any unverified large deposit must be backed out of the qualifying assets and a letter of explanation is required.

Assets held in foreign accounts may not be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. banking institution account in the borrower's name at least 60 days prior to closing.

BUSINESS FUNDS

Business funds may be used for down payment, closing costs and for the purposes of calculating reserves. The borrower must be listed as an owner of the account and the account needs to be verified per requirements in this Guide.

If Business funds are used, the borrower must be the sole proprietor or > 50% owner of the business. The qualifying assets are to be discounted accordingly based on the percentage of ownership.

INCOME

INCOME ANALYSIS

Employment/Income Verification

Full documentation per FNMA guides with 2 years verification unless otherwise noted on the program matrix/guidelines.

Stability of Income

Stable monthly income is the Borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three years. The borrower must demonstrate that both the source and the amount of the income are stable;

- A two-year employment history is required for the income to be considered stable and used for qualifying;
- When the Borrower has less than a two-year history of receiving income, an analysis must be performed to justify the stability of the income used to qualify the Borrower;
- While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.

Earnings Trends

When analyzing borrower earnings, year over year earnings trends must be incorporated into the borrower's income calculation in accordance with Appendix Q to Part 1026 of Regulation Z—Standards for Determining Monthly Debt and Income.

YTD income amount must be compared to prior years' earnings using the borrower's W-2's, signed federal income tax returns, signed and executed 4506-T or bank statements. Declining income is considered a 20% or more decrease year over year.

- Stable or increasing: Income amount should be averaged;
- Declining but stable: If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used;
- Declining: If trend is declining, the income is not eligible.

DEBT TO INCOME RATIO

Max 43% to 50% subject to product matrices and additional requirements.

The Debt-to-Income (“DTI”) ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses.

DOCUMENTATION OPTIONS

Income should be calculated and documented to Fannie Mae guidelines, unless otherwise specified within Commerce Home Mortgage guidelines. Fannie Mae guidelines prevail regarding sources and types of income as well as income not eligible to be included. A Fannie Mae Form 1084 or equivalent income worksheet is required.

4506-T (All Full Doc programs)

When the IRS Form 4506-T is required, the form must be signed by the borrower and the transcript obtained and provided in the credit file. If the transcript request is returned with a code 10 or the borrower is a victim of taxpayer identification theft, the following requirements must be met to validate income;

- Copy of the IRS rejection with a code of “Unable to Process” or “Limitation”.
- Proof of identification theft, as evidenced by one (1) of the following:
 - Proof ID theft was reported to and received by the IRS (IRS form 14039).
 - Copy of notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, all applicable documents below must be provided:
 - Tax Transcript showing fraudulent information.
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower’s 1040s. Validation of prior tax year’s income (income for current year must be in line with prior years).

FULL INCOME DOCUMENTATION

Full Income Documentation is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories. This option allows for DTIs that exceed 43% (up to 50%) with appropriate income and reserves as compensating factors. Loans exceeding a 43% DTI will be considered Non-QM. Loans with DTIs less than or equal to 43% will be QM with Rebuttable Presumption if all required conditions are met.¹

Full Documentation (24 Months)

- When tax returns are required, as in the case of investment property ownership, the most recent two years should be provided. The definition of most recent is the last return scheduled to have been filed with the IRS. Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior two years of tax returns.
- Wage or Salaried Borrowers:
 - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 forms covering the most recent two-year period.
 - A verbal VOE from each employer within 10-days of the note date.
 - A completed, signed, and dated IRS Form 4506-T is required for each borrower. The form should be executed and the W-2 transcript for the most recent two-years included in the credit file. Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address. If tax returns present in the credit file, transcripts for the return will be required.
- Self Employed Borrowers:
 - Most recent two years of tax returns, personal and business if applicable, all pages, signed and dated by each borrower.
 - A YTD P&L (Borrower prepared acceptable, borrower required to sign the P&L) if a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required,
 - A complete, signed, and dated IRS Form 4506-T is required for each borrower filing a separate return, the forms should be executed and the transcripts included in the credit file. The tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address. IRS transcripts are required for personal returns only.
 - Verify the existence of the business within 30-days of the note date and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search
 - Underwriter must consider the financial strength of a self-employed borrower's business.

¹ Specifically, under the Consumer Financial Protection Bureau's Ability-to-Repay/Qualified Mortgage Rule the loan must: (i) have a term that does not exceed 30 years, (ii) provide for regular periodic payments that are "substantially equal, except for the effect that any interest rate change after consummation has on the payment in the case of an adjustable-rate ...mortgage" and do not result in negative amortization, deferral of principal repayment, or any balloon payment. § 1026.43(e)(2)(i)-(ii). In addition, the "total points and fees payable in connection with the loan" cannot exceed 3% of the total loan amount where the loan amount is greater or equal to \$100,000. 12 C.F.R. § 1026.43(e)(2)(iii).

Future Income

This option is limited to loans that meet the following criteria:

- Purchase transaction,
- principal residence,
- one-unit property,
- the borrower is not employed by a family member or by an interested party to the transaction, and
- the borrower is qualified using only fixed based income

The employment offer or contract must:

- clearly identify the employer and the borrower, be signed by the employer, and be accepted and signed by the borrower; and
- clearly identify the terms of employment, including position, type and rate of pay, and start date; and

- be non-contingent. Note: If conditions of employment exist, prior to closing all conditions of employment are confirmed and documented as satisfied either by verbal verification or written documentation.
- Also note that for a union member who works in an occupation that results in a series of short-term job assignments (such as a skilled construction worker, longshoreman, or stagehand), the union may provide the executed employment offer or contract for future employment.

The employment start date as shown on the employment offer or contract must be within 30 days of the note date.

Investment Property held in LLC

Income is qualified solely on the most recent 2 years K-1 validated through IRS.

Other Sources of Income

The following sources of income must be verified using Fannie Mae requirements. In addition, Bonus, Commission, and Overtime only permitted with Full Income (24 Months) documentation.

- Bonus*
- Commission*
- Overtime*
- Part-time/Variable (uninterrupted and stable for past two years*)
- Retirement
- Social security
- Investment and Trust
- Military or government assistance
- Child support and alimony
- Rental Income: should be documented through Schedule E of the borrower's tax returns. If property has not previously been rented, then income will be calculated based on the lower of the lease agreement or 1007 times 75% for single unit property or 70% for 2-4-unit property.
- Departure residence: follow Fannie Mae guides.

* A period of two years must be used in calculating the average overtime, bonus, and commission income. If either type of income shows a continual decline (defined as 20% or more year over year), written justification on the income worksheet must be provided, or income should not be used. For Part-time employment, a minimum two (2) year history is required however a shorter period, of no less than twelve (12) months, may be considered case-by-case if positive factors are present to offset shorter history.

INVESTMENT PROPERTY GROSS INCOME DOCUMENTATION AND DETERMINATION

Lease Requirements

- **Unleased Property:** The subject property where 1 or both of the following exist:
 - More than 50% of the units within the subject property do not have an existing lease;
 - More than 50% of the units within the subject property have an executed lease with less than three months remaining without proof of extension.
- **Unleased Property:** LTV/CLTV Restrictions:

- Purchase Transaction: Program Max
- Refinance (Rate/Term and Cash-Out):
 - Loan Balance <= \$1,000,000 - 65%/65%
 - Loan Balance > \$1,000,000 – 60%/60%.
- Unleased Property: Rental income may not be used to qualify on a vacant unit.

Documentation Requirements

- Purchase
 - Form 1007, applicable only if rental is the subject property
 - Most recent year filed Schedule E. and executed 4506-T
 - Existing lease agreement(s), if applicable.
- Refinance
 - Form 1007, applicable only if rental is the subject property
 - Most recent year filed Schedule E. and executed 4506-T
 - Existing lease agreement(s)
 - If subject property leased on a short term basis utilizing an on-line service such as Airbnb; gross monthly rents can be determined by using a 12-month look back period and either 12-monthly statements or an annual statement provided by the on-line service to document receipt of rental income. If documentation cannot be provided covering a 12-month period, property will be considered unleased.

Income Analysis

Option 1: Tax Returns

Utilize the net figure on Schedule E page 1 of the most recent year’s tax return adding back depreciation, amortization and interest. Subtract the principal and interest component of the mortgage payment. Current insurance, taxes, and HOA dues (if applicable) do not need to be documented. Document the unit in question with the most recent month’s rent check receipt.

Option 2: Lease

Use 75% of current lease less documented PITIA. If lease is materially greater than the income listed on the tax return(s), Borrower is to provide supporting explanation and documentation. Document the unit in question with the most recent month’s rent check receipt.

Rental Income from an Accessory Dwelling Unit – Permitted on Prime Plus transactions only:

Rental Income received from a 1 Unit Primary Residence with an Accessory Dwelling Unit should be documented via the most recent Schedule E of the borrower’s tax returns. If the income is not reported on the most recent Schedule E or the Primary Residence in question is currently listed for or pending sale then it is not permitted to be used to qualify.

ALTERNATIVE INCOME DOCUMENTATION

The Alt Doc program allows for several income documentation options as outlined below.

- Non-occupant co-borrowers are not allowed
- First Time Homebuyer - Max 80% LTV, no gift funds

Alt Doc Income Documentation Options:

- Asset Qualifier
- 12 Months Bank Statements (Personal or Business)
- 1099 only

ASSET QUALIFIER

No DTI is developed for this product. Qualification is based on assets only.

Asset Qualifier Income Documentation

- All individuals listed on the asset account(s) must be on the Note and Mortgage;
- Six (6) months of statements for accounts which are being used towards funds to close and the post-closing reserve requirement. Balances must be verified within 10 days of closing.
- Two (2) months of statements for accounts which are being used solely for funds to close.

Assets Eligible for Qualifier

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin on the wealth:

- Asset must be from a U.S. Institution
- 100% of Marketable securities (i.e. CD's, money market accounts);
- 100% of Checking and Savings;
- 100% cash surrender value of life insurance/annuity
- 70% of Stocks, Bonds, and Mutual Funds;
- 70% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½);
- 60% of Retirement Assets: Eligible if the borrower is not of retirement age

Assets Ineligible for Qualifier

- Equity in Real Estate;
- Privately traded or restricted/non-vested stocks;
- Any asset that produces income already included in the income calculation.

Calculation Methods

- **Option 1 – Mortgage Only**
 - Total post-closing assets must meet 125% of the outstanding mortgage debt for which the Borrower has personal liability, including the proposed mortgage(s) on the subject property.

- **Option 2 – Traditional**
 - Total post-closing assets must meet the sum of the below:
 - 100% of loan amount
 - Reserves required per program
 - 60 months of total debt service (do not include subject property’s PITIA or PITIA on rented properties with documented rental income)
 - 60 months of net rental losses on rental properties (do not include subject property’s PITIA)
 - Rental calculation for Option 2
 - Rental properties are counted on a net basis based on 75% of lease less PITIA to determine the impact on debt service. Net rent can never exceed \$0 for determining impact. For example, a property with a lease of \$1,600 and PITIA of \$1,500 would have a \$300 per month added to debt service ($\$1,600 \times 75\% - \$1,500 = \$300$). Other owned properties require additional reserves.

12 MONTH BANK STATEMENTS (PERSONAL OR BUSINESS)

Self-employed borrowers only – proof of at least 25% business ownership is required. Account Statements should cover most recent 30-day period. Documentation provided must, at minimum, validate the current month’s beginning balance, total deposits, total withdrawals, and current month’s ending balance. Assuming this required information is provided, all pages of the statement(s) may not be required. In any instance where not all pages are provided it is still required to source and document any unusually large deposits.

Personal Bank Statements

Provide the most recent 12 months of personal bank statements. Evaluate the deposits to verify that they are part of the borrower’s income stream. Any that are abnormal to the borrower’s typical deposits must be sourced/verified to be considered as part of the income calculation. Total all eligible deposits and divide by the number of statements provided to determine the monthly income. If applicable also provide 3 months of business statements to verify that the income is coming from the borrower’s business. Multiple accounts allowed. Transfers between accounts are not considered income. Every account owner on the bank statement must also be an applicant on the 1003 in order to use that account to qualify.

Business Bank Statements

Provide the most recent 12 months of business bank statements. Multiple accounts may be used, however the same calculation method must be applied across all accounts provided.

- **Option 1 – Baseline factor**
 - Utilize baseline expense factor of 50%
- **Option 2 – CPA Letter for Expense Ratio**
 - Provide a CPA/Licensed Tax Preparer stating the business’ expense ratio based on the most recent year’s tax return.

All Methods

- Comingled accounts are not allowed.

- Income trend: Bank statements should show a stable or increasing trend. If the trend is declining and/or irregular, additional documentation may be required up to and including an additional 12 months of statements.

Co-Borrower Options

- Full documentation from co-borrower who is not self-employed may be used to supplement qualifying income. See full documentation guidelines for additional information on acceptable sources.

Other Income Sources

- **Rental Income**
 - Utilize 75% of the current lease income less the PITIA on a net basis. Do not include rental deposits as part of the bank statement income stream. Document receipt of rental income. Rental income may not be used to qualify on a vacant unit.
- **Other Income Sources**
 - Borrowers 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 borrower utilizing bank statement income must still earn the majority of their income from self-employed activity. The acceptable supplemental income sources are limited to: social security, pension, alimony, child support, asset distribution/utilization, and second job income.
- Unusually large deposits not consistent with average deposits or the business profile must be excluded from the analysis unless sourced.
- Current business existence and operations must be re-verified prior to closing. Verify the existence of the business within 30 days of the Note date and ensure the business is active with one of the following: a letter from either the business tax professional certifying at least 2 years of self-employment in the same business, or regulatory agency or licensing bureau; along with either a phone listing and/or business address using directory assistance or internet search.

1099 ONLY

Borrower must receive compensation either in the form of commissions or as an independent contractor. 1099s provided must cover a complete calendar year.

- Provide the most recent two years of 1099s. An expense ratio must be developed using one of the two methods below. If gross earnings are stable or increasing year over year, use a 24 month average of net income. If gross receipts are declining, a 12 month average should be utilized.
- Expense Ratio Options
 - **Option 1: Profit & Loss Statement**
 - Provide a CPA/Licensed Tax Preparer completed profit and loss statement covering the most recent two calendar years, depending on the 1099s provided. As long as gross receipts on the 1099s support at least 90% of the gross receipts listed on the P&L, use the net income on the P&L for qualifying.

- **Option 2: CPA Letter for Expense Ratio**
 - Provide a CPA/Licensed Tax Preparer stating the business' expense ratio based on the most recent year's tax return. Multiply the expense ratio by the gross receipts shown on the 1099s.
- The following documents are required for the file:
 - Most recent two years of 1099s.
 - Documentation of year to date income.
 - A CPA/Licensed Tax Preparer completed profit and loss statement or expense ratio letter.
 - A complete, signed, and dated IRS 4506-T is required for each borrower. The form(s) should be executed and 1099 transcripts validating income included in the credit file. Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address.
- A Verbal VOE from each employer is required within 10 days of the Note date.

Co-Borrower Options

- Full documentation from co-borrower who is not self-employed may be used to supplement qualifying income. See full documentation guidelines for additional information on acceptable sources.

Other Income Sources

- **Rental Income**
 - Utilize 75% of the current lease income less the PITIA on a net basis. Do not include rental deposits as part of the bank statement income stream. Document receipt of rental income. Rental income may not be used to qualify on a vacant unit.
- **Other Income Sources**
 - Borrowers 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 borrower utilizing bank statement income must still earn the majority of their income from self-employed activity. The acceptable supplemental income sources are limited to: social security, pension, alimony, child support, asset distribution/utilization, and second job income.

DEBT SERVICE COVERAGE

The Debt Service Coverage documentation option is only allowed on the Investor Program and property income is used to qualify the transaction. Debt Service Coverage is available to experienced homeowners purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Certification of Business Purpose (Exhibit D) and an Occupancy Certification (Exhibit A).

Restrictions

- See Investor Program matrices for max LTV;
- Borrower must have current property ownership experience (such as a primary residence and/or second home / rental property).
- Minimum 660 credit score.

- Cash out proceeds for personal use are not eligible.
- No Gift Funds permitted (cash or equity).
- Recent late payments on all consumer debt may not exceed 1X60 over prior 12 months;
- Tax returns and IRS Form 4506-T are not required for the program. If Tax returns and/or Transcripts are provided the loan will be ineligible for this documentation type.

Borrower Income

- Ratios are not calculated - no income or job information is required on the 1003.

Documentation Requirements

- **Purchase**
 - Form 1007/216, if applicable
 - Existing lease agreement(s), if applicable
- **Refinance**
 - Form 1007/216, if applicable
 - Existing lease agreement(s), if appraisal report reflects tenant occupied
 - If new lease, must include copy of lease along with proof of receipt of damage deposit and first month’s rent.
 - If subject property leased on a short-term basis utilizing an on-line service such as Airbnb; gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. If documentation can’t be provided covering a 12-month period, property will be considered unleased.

Debt Service Coverage Ratio

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA of the subject property.

See the Investor matrix for required Debt Service Coverage Ratios and specific calculations.

EXAMPLE: DEBT SERVICE COVERAGE RATIO

Single Family Purchase Money Transaction

Monthly PITIA = \$650

Estimated Monthly Market Rent (Form 1007) = \$850

Existing Lease Monthly Rent = Not Available

Gross Market Rent = \$850 (*Estimated Monthly Market Rent when a lease is not available for a purchase transaction*)

Gross Income = \$850

÷ PITIA = \$650

DSCR = 1.30

Rent Loss Insurance

Rent loss insurance covering a minimum of 6 months is required for the subject property.

NO RATIO

The No Ratio option is only allowed on the Investor program. No Ratio is available to Investors purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Certification of Business Purpose (Exhibit D) and an Occupancy Certification (Exhibit A).

Ratios are not calculated - no income or job information is required on the 1003.

Restrictions

- See Investor Program matrices for max LTV;
- Borrower must have current property ownership experience (such as a primary residence and/or second home / rental property).
- Minimum 700 credit score.
- Cash out proceeds for personal use are not eligible.
- No Gift Funds permitted (cash or equity).
- Recent late payments on all consumer debt may not exceed 1X60 over prior 12 months;
- Tax returns and IRS Form 4506-T are not required for the program. If Tax returns and/or Transcripts are provided the loan will be ineligible for this documentation type.

Rent Loss Insurance

Rent loss insurance covering a minimum of 6 months is required for the subject property.

FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

For the purposes of this guide, Foreign National borrowers are eligible for Investment only. See the Foreign National Matrix for eligibility.

A complete 1003 loan application is required on all loan files reflecting borrower's full name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code. Additional phone numbers to assist credit vendors in contacting the borrower, such as cell, land, or business should be obtained and the Borrower Contact Consent Form (Exhibit G) may be utilized for this purpose.

One (1) traditional or non-traditional credit line or reference required (i.e. bank reference, attorney reference, housing reference, etc.). Reference must be converted to English.

FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS

The following are required as evidence the borrower is in the U.S legally

- Copy of the borrower's valid and unexpired passport (including photograph)
- Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94. Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at <https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html>. The credit file should be documented with a current print out of the participating countries with the borrower's country of origin highlighted.
- Visa types allowed: B-1, B-2, H-2, H-3, I, J-1, J-2, O-2, P-1, P-2, TN NAFTA, Laser Visa
- If a non-U.S. citizen is borrowing with a U.S. citizen, Foreign National documentation requirements still apply.
- All parties involved on transaction must be screened through exclusionary lists, must be cleared through OFAC's SND list, search of Specially Designated Nationals & Blocked Persons List may be completed via US Department of Treasury: <http://sdnsearch.ofac.treas.gov/>.
- Borrowers from OFAC sanctioned countries are ineligible <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.
- Individuals with Diplomatic immunity not eligible <http://www.state.gov/s/cpr/rls>.
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal.
- Power of Attorney (POA) is not allowed.

FOREIGN NATIONAL INCOME

- Borrowers may qualify with DSCR > 1.00% or No Ratio

FOREIGN NATIONAL ASSETS

Reserves

- A minimum of twelve (12) months of reserves are required. Without verifiable housing history, including living rent free, the borrower must have an additional four (4) months of reserves;
- Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA of the financed property;

All assets, including wire transactions, utilized for down payment and reserves must be in a U.S. banking institution and seasoned for 60 days and validated by a 3rd party prior to close.

Appraisal Requirements

Full Interior / Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. The licensed appraiser is required to perform an interior inspection when completing the appraisal report.

- The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certification of value is acceptable up to 180-days. After 180-days, a new appraisal report is required.
- A Desk Review or Second appraisal is required on every transaction.

Second Appraisal

A Second Appraisal from a Commerce Home Mortgage Approved AMC is required when any of the following conditions exist. When a second appraisal is provided, the transactions "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.

- Loan amount exceeds \$1,500,000
- The transaction is a flip as defined in the Property Flipping section of this guide
- As required under the Appraisal Review Products section of this guide
- Underwriter Discretion

Appraisal Review Requirements

An appraisal review product is required on every appraisal required for the transaction. The options include the following:

- An enhanced desk review, or
- A field review or second appraisal from a Commerce Home Mortgage Approved AMC is acceptable. The field review or 2nd appraisal may not be from the same appraisal company as the original report.

If the Appraisal Review Product reflects a value more than 10% below the appraised value or cannot provide a validation, the next option in the review waterfall must be followed. The next option would be either a field review or second appraisal, both must be from a different appraisal company and appraiser than the original appraisal.

Minimum Square Footage

- Single Family Residence - minimum 700 square feet
- Condominiums – minimum 500 square feet
- 2-4 units – minimum 400 square feet per individual unit

Rural Property

A property is classified as rural if all the following conditions exist;

- The property is classified as rural by the appraiser

- Two of the three comparable properties are more than 5-miles from the subject property
- Less than 25% of the surrounding area is developed

Personal Property

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

Escrow Holdbacks

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase.

INELIGIBLE PROPERTY TYPES

- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location
- Agricultural properties including: farms, ranches, orchards
- Manufactured, Mobile
- Condo-hotels or co-op/timeshare hotels
- A project that includes registration services and offer rentals of units on a daily, weekly or monthly basis
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Indian reservations, Indian Leased Land
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Acreage > 40 acres (max 10 for loan amounts > \$2M)
 - Properties over 10 acres allowed for loan amounts < \$2M subject to underwriter’s discretion along with the following:
 - common for the area, primarily residential in nature with “like” comparable sales
 - acceptable appraisal and appraisal review
 - cannot be used for agricultural or commercial purposes (i.e. farm, ranches, orchards)
- No truncating allowed
- Properties used for the cultivation, distribution, manufacture or sale of marijuana.

GEOGRAPHIC RESTRICTIONS

Eligible in the following States:

AZ, CA, CO, District of Columbia, FL, GA, MD, NM, OR, TX, UT, VA and WA

PROPERTY FLIPPING

For properties purchased by the seller of the property within 6 months of the application date where the contract price exceeds the seller's acquisition price by the following:

- More than a 10% price increase if the seller acquired the property in the past 90 days;
- More than a 20% price increase if the seller acquired the property in the past 91-180 days

The following additional requirements apply:

- Second appraisal required from an Approved AMC
- Second appraisal must be dated prior to the loan consummation/note date;
- Property seller on the purchase contract must be the owner of record;
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, 12 months of receipts, invoices, lien waivers, etc.)

TITLE VESTING & OWNERSHIP

Ownership must be fee simple.

Title must be in the Borrower's name at time of application for refinance transactions and on closing date for all transactions.

Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in common
- Inter Vivos Revocable Trust

Land trusts, Blind Trusts and IRAs are not eligible forms of vesting.

For Investment Properties Only

Limited Liability Companies ("Entity") are allowed in accordance with the requirements listed below:

To vest a loan in an Entity, the following requirements must be met:

- Purpose and activities are limited to ownership and management of real property.
- Any business structure is limited to a maximum of 4 owners or members.
- All members, partners, or shareholders of the Entity, as the case may be, (each, a "Member", and up to a maximum of 4 members per Entity) must provide personal guarantees (Exhibit B) of the obligations of the Entity in a form satisfactory to Commerce Home Mortgage.
- Each Entity Member must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. The application of each Member and such person's credit score and creditworthiness will also be used to determine qualification and pricing.
- Each Member of the Entity must receive notice of the loan and its terms prior to closing.
- The following Entity documentation must be provided:
 - Entity Articles of Organization, Partnership, and Operating Agreements, if any

- Tax Identification Number
 - Certificate of Good Standing
 - Certificate of Authorization for the person executing all documents on behalf of the Entity
- Borrowing Certificate (Exhibit F)

Documents required

Documents must be completed and signed as follows:

- Loan Application (1003)
 - Completed for each Individual
 - Section labelled “Title will be held in what Name(s)” should be completed with **only** the LLC name.
 - Signed by Individuals
- Disclosures (Loan Estimate (LE), Notice of Intent to Proceed, Servicing Disclosure, etc.) ▪ Completed and signed by Individual(s)
 - Completed and signed by Individual(s)
- Closing Disclosure (CD)
 - Completed and signed by Individual(s)
 - Other Closing Documents (Final CD, Borrower Certification of Business Purpose, etc.)
 - Completed and signed by Authorized Member(s)
- Personal Guarantee
 - Completed and signed by Individual(s)
- Note, Deed of Trust/Mortgage, and all Riders
 - “Borrower” in form, if applicable, to be completed by the authorized member of the entity that can legally sign and bind entity

Examples of Signature Requirements

[Authorized Signatory] may be replaced by other label as specified in the Member Consent (e.g. Managing Member, Member, etc.).

Sample 1:

Borrower: JJ Investors, LLC and James Johnson Single Member of LLC: James Johnson

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

Sample 2:

Borrower: JJ Investors, LLC, James Johnson, and Jane Nelson 2 Members of LLC: James Johnson and Jane Nelson

Both Members are Authorized Signatories of LLC

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower’s leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender’s title policy.

Documentation must be provided to confirm Leaseholds meet all FNMA eligibility requirements (i.e. term of lease to exceed maturity date of the loan transaction, product types).

LIMITATIONS ON FINANCED PROPERTIES

- **Prime, Alt Doc & Investor Programs:** max 20 financed properties
- Commerce Home Mortgage’s exposure to a single borrower shall not exceed \$10,000,000 in current UPB or ten (10) properties;

Each financed property owned, in addition to the subject property, requires additional 2 months reserves based on the calculation below, unless the subject property itself requires a minimum of 12 months reserves based on the subject property PITIA. Total reserve requirement is not to exceed twelve (12) months.

DISASTER AREAS

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at <http://www.fema.gov/news/disasters.fema>. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

Guidelines for disaster areas should be followed for 90-days from the disaster period end date or the date of the event, whichever is later.

Appraisals Completed Prior to Disaster Event

An interior and exterior inspection of the subject property, performed by the original appraiser if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.
- Inspection report must include photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase

Appraisals Completed After Disaster Event

- Appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage notated from the original report must be repaired and re-inspected prior to purchase.

CONDOMINIUMS

Fannie Mae eligible projects are allowed. Refer to Non-Warrantable Guides in this section for requirements.

Ineligible Projects

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission.
- Condominium Hotel –Condotel
 - Condominium Project in which any unit owner or the homeowners' association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
 - Condominium project where the unit is not the lessee's residence.
 - Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
 - Projects with the names that include the words "hotel," "motel," "resort," or "lodge."
 - A project that includes registration services and offer rentals of units on a daily, weekly or monthly basis.
 - Hotel or motel conversions (or conversions of other similar transient properties.)
- Resort type project
- Timeshare or Projects that restrict the owner's ability to occupy the unit.
- New Condo conversion completed less than 2 years.
- Houseboat project
- Manufactured home projects

- Assisted living facilities or any project where unit owners contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs.
- Any project in which a single entity owns more than 25% of the total number of units. Projects that have 5-19 Units, one owner can own two units.
- Multi-family units where single deed has ownership of more than one or all of the units.
- Where more than 50% of total square footage in the project or in the building that the project is located in is used for non-residential purposes.
- A Common-interest apartment or a project in which individuals have an undivided interest in a residential apartment building and land, and have the right of exclusive occupancy of a specific apartment unit in the building.
 - The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
 - Fragmented or segmented ownership
 - Ownership is limited to a specific period on a recurring basis i.e. Timeshare
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
- Non-conforming zoning (can't be rebuilt to current density).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project in litigation, arbitration, mediation or other dispute regarding safety, soundness or habitability.
- Project with adverse environmental issue(s) involving safety, soundness or habitability.
- Projects that are not well managed or in poor physical or financial condition.
 - Excessive special assessments; Low Reserves; Neglected Repairs

General Project Criteria

- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations
- Project meets all FNMA Insurance requirements for property, liability and fidelity coverage
- Confirmation the Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee.

Fannie Mae Warrantable Condominium Projects

For projects that meet Fannie Mae requirements, follow review process as required by Fannie Mae.

If the loan does not meet the following criteria for a Fannie Mae Limited Review, a FNMA Full Review is required.

Limited Review Eligible Transactions – Attached Units in Established Condo Projects (For Projects Outside of Florida)	
Occupancy Type	Maximum LTV/CLTV and HCLTV Ratios
Principal Residence	80%
Second Home	70%
Investment Property	70%

OCCUPANCY CERTIFICATION

Borrower: _____

Co-borrower(s): _____

Property Address: _____

I/We the undersigned certify that:

Primary Residence: I/We will occupy the property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

Second Home: I/We will occupy the Property as a second home (vacation, etc.) while maintaining a principal residence elsewhere.

Investment Property: I/We will not occupy the property as a principal residence or second home. I/We will not occupy the property for more than 14 days in any calendar year. The property is an investment to be held or rented rather than for household or personal use.

INVESTMENT PROPERTY ONLY (the following **must** be completed on an investment property loan):

I/We understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 *et seq.*), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq.*), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq.*), and Homeowners Protection Act (12 U.S.C. § 5101 *et seq.*).

REFINANCE ONLY (the following **must** be completed on a refinance transaction):

I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We the undersigned acquired this property on _____, _____.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Lender to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower Date Borrower Date

Borrower Date Borrower Date

Important Ability-to-Repay Notice

Date: _____ Application No: _____

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents, but after federal Truth in Lending disclosures have been provided.

In reviewing your credit application, [] has considered and verified the following information as it relates to your ability to repay this loan according to its terms as required by applicable law: (1) your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property); (2) your current employment status (to the extent that employment income is relied on to determine repayment ability); (3) the monthly payment for principal and interest on the loan; (4) the monthly payment on any simultaneous loan that [] knows or has reason to know will be made; (5) the monthly payment for mortgage-related obligations (*e.g.*, property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowners association, ground rent, and leasehold payments); (6) your current debt obligations, alimony, and child support; (7) your monthly debt-to-income ratio; and (8) your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that [] has been used and considered in making this loan, as required by applicable law:

Employment and Income

Current Monthly Income: _____ Current Monthly Income from Assets:

Housing Expenses

Principal and Interest Payment _____

Real Estate Taxes _____

Homeowner's Insurance _____

Association Dues _____

Other _____

Total Housing Payment _____

Debts

Installment and Revolving monthly debt payments _____

Other Obligations (including alimony and child support payments) _____

Total Monthly Other Debts _____

The information listed above and, in the Attachment, was provided by you in your application and interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its consideration of this information, [] has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.

[] wants to make sure that the information listed above is correct and complete. [] is in the business of making loans and collecting loan payments—it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

- 1) You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;
- 2) Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;
- 3) Your current employment status is consistent with the information listed above and/or attached;
- 4) Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;
- 5) You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;
- 6) You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Uniform Residential Loan Application (Form 1003) that would reduce your reasonable ability to repay this loan according to its terms.

Borrower(s):

_____	____/____/____	_____	____/____/____
(Signature)	Date	(Signature)	Date
_____	____/____/____	_____	____/____/____
(Signature)	Date	(Signature)	Date

NON-OCCUPANT CO-BORROWER CERTIFICATION

Loan Number: _____

Borrower: _____

Co-Borrower(s): _____

Subject Property Address: _____

I/We the undersigned certify that:

I am/We are the co-borrower(s) of the Promissory Note associated with the first mortgage loan that is being made to the above Borrower(s).

I/We attest that my/our income is being taken into account for qualifying purposes only.

I/We attest that I/we do not currently, nor will ever occupy the above mentioned Subject Property.

I/We attest that I/we will sign the mortgage or deed of trust at closing.

I/We understand that upon consummation of this transaction, I/we will have joint liability for the note with the Borrower(s).

I/We do not have an interest in the property sales transaction; such as the property seller(s), the builder(s), or the real estate broker(s).

I am a/We are family member(s) of the Borrower(s) defined as follows: The borrower’s spouse, child, dependent, domestic partner, fiancé, fiancée, or any other individual related to the borrower by blood, marriage, adoption, or legal guardianship.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, § 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Lender to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

_____/_____/_____
Borrower Date Borrower Date

_____/_____/_____
Co-Borrower Date Co-Borrower Date

Relationship to Borrower(s)

Relationship to Borrower(s)

CONDOMINIUM PROJECT QUESTIONNAIRE

Project Name: _____ Date: _____
 Project Street Address: _____ HOA Tax Payer ID: _____
 Unit Address: _____ Loan Number: _____
 HOA Representative: _____ Lender Name: _____

PART I: PROJECT INFORMATION

1. Please provide actual numbers and not percentages in the chart below.

Legal Phase #, Previous and Future Phases	# of Units per Phase	# of Buildings	# of Units Complete	# of Units for Sale	# of Units Sold or Under Contract	# of Owner Occupied and Second Homes*	# of Investor Units

* If unable to provide number of second homes, provide number of off-site addresses.

2. Please provide a breakdown of the total number of units in the Project below.

# of Owner Occupied Units		# of Investor Units		# of Units Sold from Developer	
# of Second Home Units		# of Units for Sale		# of Units in Entire Project	

3. Does the project have any of the characteristics listed below? Yes No If Yes, please check all that apply:

- | | | | |
|--|--|---|--|
| <input type="checkbox"/> Hotel/Motel Operations | <input type="checkbox"/> Maid Service | <input type="checkbox"/> Room Service | <input type="checkbox"/> Bellman |
| <input type="checkbox"/> On-Site Registration Desk | <input type="checkbox"/> Houseboat | <input type="checkbox"/> Key-Card Entry | <input type="checkbox"/> Mandatory Rental Pool |
| <input type="checkbox"/> Short Term/Daily Rentals | <input type="checkbox"/> Investment Security | <input type="checkbox"/> Cooperative | <input type="checkbox"/> Manufactured Housing |
| <input type="checkbox"/> Continuing Care Facility | <input type="checkbox"/> Live-Work Project | <input type="checkbox"/> Timeshare | <input type="checkbox"/> Multi Dwelling |

4. What year was the Project built or converted? _____
5. How many stories or floors does the Project have? _____
6. What is the maximum number of units allowed in the Project? _____
7. Are at least 90% of the total units sold and closed? Yes No
8. Are all units and common elements complete and not subject to any additional Phasing and/or additions? *If yes, when was the Project completed?* Yes No _____
9. If Project is not complete, is the subject legal phase, or any prior legal phases in which units have been offered for sale, substantially complete and has a Certificate of Occupancy been issued? Yes No _____
If no, when will the phase be completed? _____

Date subject phase completed? _____
Date last phase was completed? _____
What remains to be completed for Project to be 100% complete? _____

10. Is the Project a conversion of an existing building within the last three years? Yes No
If yes:
What year was the Project original built? _____
What date was the conversion completed? _____
Was the conversion a gut rehab? Gut rehab refers to the renovation of a Property down to the shell, with replacement of all HFAC and electronic components. Yes No
What was the original use of the building? _____
NOTE: If Project is a conversion completed less than four years ago, please submit a copy of the engineer/architect report, evidence of repairs completed, current Reserve Study (last 24 months), and evidence of working capital fund.

11. Is any part of the Project used for commercial space? If yes: Yes No
What is the total square footage of the commercial space? _____
What is the total square footage of the building? _____
What floor(s) is the commercial space located on? _____
How is the commercial space currently used? _____

12. Is the Project part of a mixed-use building (contains both commercial and Residential space not part of the association)? If yes: Yes No
What is the total square footage of the commercial space? _____
What is the total square footage of the building? _____
What floor(s) is the commercial space located on? _____
How is the commercial space currently used? _____

13. Is the HOA or developer involved in any litigation and/or arbitration, including the Project being placed in receivership, bankruptcy, deed-in-lieu of foreclosure or Foreclosure? Yes No
If yes, please describe the details and provide documentation and Attorney letter relating to the litigation: _____

14. Are there any pending or levied special assessments by the HOA? If yes: Yes No
What is the total amount of assessment? _____
What is the assessment amount per unit? _____
What is the term of the assessment? _____
What is the current assessment balance? _____
Has work been completed? Yes No
Describe the nature of the assessment: _____

15. Does the association have any knowledge of any adverse environmental factors Affecting the Project as a whole or any individual unit within the Project? If yes, please provide an explanation: _____

16. Is there more than one association within the Project, covered by a Master or umbrella association? If yes, provide Master Association name: _____
Provide amenities and/or recreational facilities available through Master Association: _____

17. Are there any common amenities and/or recreational facilities available or to be built in the future? *If yes, please provide the type(s):* Yes No
 Pool Clubhouse Tennis Court Playground
 Other (describe): _____
18. Are all common elements, amenities, and/or recreational facilities owned jointly by the unit Owners/HOA (including any Master Association)? *If no, please provide an explanation:* Yes No

19. Does HOA own all amenities and recreational facilities debt and lien free? Yes No
20. Do the unit owners in the Project have rights to the use of all common elements/amenities? Yes No
21. Does the HOA share any common amenities with other, unaffiliated projects? Yes No
22. Does the Project have any mandatory, upfront membership fees for the use of recreational amenities owned by an outside party? Yes No
23. Are any units in the Project with resale or deed restrictions? *If yes, please explain. Provide related agreements and number of units subject to restriction and unit numbers.* Yes No

24. Are all units owned fee simple? Yes No
25. Are any of the units owned in a leasehold? *If yes, provide copies of leasehold documents.* Yes No
26. Is the developer leasing or renting any of the units in the Project? *If yes, provide number of units leased/rented by developer:* _____
27. Is the developer responsible for assessments on unsold units? Yes No
28. If a unit is taken over in foreclosure, will the mortgagee be liable for more than six months of unpaid dues? Yes No
29. How many units are over 60 days delinquent on HOA dues or assessments? (including REO owned units)? _____
30. How many units are over 30 days delinquent (including units that are over 60 days delinquent) in payment of HOA dues or assessments (including REO owned units)? _____
31. Does any single entity (individual, investor or corporation) own more than 10% of the units in the Project? Yes No
32. Are two members of the HOA Board required to sign all checks written from the reserve account? Yes No
33. Does the HOA maintain two separate bank accounts for the operating and reserve accounts? Yes No
34. Does at least 10% of annual budget provide for funding of replacement reserves, capital expenditures, deferred maintenance, and insurance deductibles? Yes No
35. Is the Project professionally managed? *If yes, please provide: What is the length of the current management contract?* Yes No

Does the management contract require a penalty for cancellation of at least 90 days? Yes No

36. Has the developer turned over Project control to unit owners? Yes No
If yes, when was it turned over? _____
If no, what is the anticipated date the Project will be turned over to the unit owners? _____
37. If/when the Project is turned over to the unit owners, does the developer retain any Ownership in the Project besides unsold units? Yes No
If yes, please provide what is owned by the developer and how it is used: _____

PART II: PREPARER INFORMATION

Preparer Name: _____ Phone: _____
Title: _____ Email: _____

When completed by HOA representative, this form will be utilized to help determine financing eligibility of a unit within the Project. Completion of this form does not create legal liability on the part of the preparer.

The undersigned hereby certifies that the above information is true and correct to the best of the preparer’s knowledge and is presented on behalf of the Homeowners Association for the Project listed.

Signature of HOA Representative: _____ Date: _____

PART III: REQUIRED DOCUMENTATION

New Projects:

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Commerce Condominium questionnaire, or similar.
- FNMA Warranty of Project Presale signed by developer/builder as authorized representative (Form 1029).
- FNMA Warranty of Condominium Project Legal Documents (Form 1054) or comparable lender’s warranty.
- FNMA Final Certification of Substantial Project Completion completed by developer. (Form 1081).
- Current Annual Budget.
- Current Balance Sheet (dated within the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
- Project legal documents: Declarations, By-Laws, and any Amendments.
- Schedule of outstanding loan information.
- Letter from construction lender stating financing is in good standing.
- Evidence there are no contractor liens outstanding.
- Project Marketing Analysis: sales and marketing plan.
- Photos of subject property and two comparable projects including site, improvements, facilities/amenities, and parking.
- PERS Preliminary Approval, if applicable.

Established Projects:

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Commerce Condominium questionnaire, or similar.
- Established Project Certification.
- Current Annual Budget.
- Current Balance Sheet (dated with the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.

Re-Certification of Projects:

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Commerce Condominium questionnaire, or similar.
- Project Approval Certification Form.
- Current Annual Budget.
- Current Balance Sheet (dated with the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
- Any amendments, supplements, etc. to Project legal documents.

EXHIBIT E: DEVELOPER/BUILDER QUESTIONNAIRE

DEVELOPER/BUILDER QUESTIONNAIRE

Project Name: _____
 Legal Address: _____

Developer Company Name: _____ **President/Owner:** _____
Address: _____ **Phone:** _____
Website: _____ **Email:** _____

Builder Name: _____ **President/Owner:** _____
Address: _____ **Phone:** _____
Website: _____ **Email:** _____

Broker/Marketing Co. Name: _____ **Sales Manager:** _____

1. Is the marketing firm affiliated with the developer/builder? *If yes describe the relationship.* Yes No

2. Are sales or financing concessions offered as part of the marketing of units? *If yes, what concessions are being offered? Please provide sales and marketing plan.* Yes No

BUILDER/DEVELOPER CONSTRUCTION EXPERIENCE

3. Number of condo projects: _____
4. Number of units: _____
5. Unit types: _____
6. Does the developer have previous experience with conversion projects? Yes No
7. Number of units currently being rented by Builder/Developer: _____
8. Number of units currently being renovated/converted into condominiums: _____
9. What is the anticipated completion date of the units being renovated/converted? _____

PROJECTS COMPLETED

Project Name	Location	# of Units	Year Completed

BUILDER/DEVELOPER PRE-SALE CERTIFICATION

Status	Subject Phase	Completed Phases	Future Phases	TOTAL Project
# of units closed to borrower other than Builder/Developer				
# of units under contract/signed Purchase Agreement				
# of units under construction				
# of units available for sale				
# of units owned or intended as owner occupied				
# of units owned or intended as rental units				
# of units currently rented by Builder/Developer				
Total # of units				

10. Does the builder/developer plan to retain ownership of any units, common elements, or other Project facilities Other than during initial marketing period? *If yes, please provide an explanation of what is being retained and the reason:* Yes No

11. Are there any mechanic's liens, complaints or litigation filed against the property? *If yes, please provide an explanation and any supporting documentation:* Yes No

DEVELOPER/BUILDER REQUIRED DOCUMENTATION

- Current reserve study (within three years), or equivalent, evidencing current condition of the Project elements, what work is needed, remaining life, and estimate of cost to replace.
- FNMA Form 1081 Final Certification of Substantial Project Completion or Project Occupancy Certification.
- Rent roll/absorption.
- Schedule of outstanding loans.
- Letter from construction lender stating financing is in good standing or statement from Builder/Developer indicating no financing exists.
- Evidence of available fund to complete the Project, e.g., certificate, letter of credit, or verification of liquid assets.
- Project Marketing Analysis: Sales and Marketing Plan.
- Project status letter detailing what is being completed/improved, cost estimate, and estimated date of completion.

CERTIFICATION

Builder/Developer has completed the information above, including the occupancy grid (or has attached a list documenting same in excel format), and attests to its accuracy.

Builder/Developer Name (please print)

Title

Builder/Developer Signature

Date

Title 18 U.S.C. 1014, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any matter in the jurisdiction of any department or agency of the United States, shall be fined not more than \$1,000,000 or imprisoned for not more than 30 years or both. In addition, violation of this or others may result in debarment and civil liability for damages suffered by the Department.

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being the sole member of [_____, a limited liability company] ("**Borrower**"), does hereby certify that it is the sole and only member of Borrower and, under the Borrower's [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned is authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [LENDER LEGAL NAME] ("**Lender**") and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender's receipt of such notice.

The undersigned further certifies that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20].

[INSERT SIGNATURE BLOCK FOR SOLE MEMBER]

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being all of the members of [_____, a ____ limited liability company] (“Borrower”), do hereby certify that they are, respectively, all of the managers and members of Borrower and, under the Borrower’s [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned are each authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower’s act and deed:

1. To borrow money from [LENDER LEGAL NAME] (“Lender”) and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with [LENDER LEGAL NAME] Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower’s real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower’s obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$ _____] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender’s receipt of such notice.

We further certify that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower’s continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20__].

[INSERT SIGNATURE BLOCKS FOR MEMBERS AND ALL MANAGERS]

EXHIBIT H: BORROWER CONTACT CONSENT FORM

BORROWER CONTACT CONSENT FORM
(Information Optional)

To insure we have the correct contact information for servicing your loan, please provide the following information.

By signing I authorize my mortgage servicer (its transfers and/or assigns) to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

- Same as the subject property
- Please use this mailing address instead:

Cell phone number:

- I choose not to provide a cell phone number.

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Borrower: _____

Co-Borrower: _____

Email address:

- I choose not to provide an email address.

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower: _____ @ _____

Co-Borrower: _____ @ _____

Signature(s)

Borrower: _____ Date

Co-Borrower: _____ Date

CONDOMINIUM PROJECT WARRANTY CERTIFICATION

Project Name:	
Project Address:	
Phase:	
Borrower Name:	
Subject Address:	
Lender Name:	
Loan Number:	

This certification represents and warrants that the above condominium project meets all eligibility requirements for sale as required by Fannie Mae.

The Lender representative certifies that they have completed a Full Condo Project review as outlined in the Fannie Mae guidelines section B4-2.2-02 Full Review including review of all required documentation for the project type.

Project Type: Established New 2-4 unit

Project Documents reviewed include:

- Condo Questionnaire
- Current Annual HOA/Project Budget
- Current Balance Sheet
- Evidence of Project Insurance
- Project Legal Documents as required by Project Type

Lender certifies that it has retained all supporting documentation used to complete the review for this Warranty Certification. The Lender Representative certifies that all appropriate documentation has been examined and that the Representative and Lender warrant that the Project meets all requirements set forth in the Fannie Mae guidelines for a Full Review.

Signature of Lender Representative Certifying Project

Name of Lender Representative (please print)

Title of Lender Representative

Date of Certification

EXHIBIT J: BORROWER CERTIFICATION OF BUSINESS PURPOSE

BORROWER CERTIFICATION OF BUSINESS PURPOSE

Date:

Borrower(s) Name:

Borrower(s) Address:

Loan No:

Property Address:

Borrower or its members (“Borrower”) hereby warrants and represents that they wish to continue with the loan application, that the loan is for commercial purposes and not consumer purposes, and that the loan proceeds are intended to be used and shall be used for commercial purposes only, not for personal, family or household purposes. Borrower also represents that none of the properties securing the loan is currently occupied by Borrower as their primary residence or vacation home, but instead all properties are leased or intended to be leased or occupied by an entity or person other than Borrower, and that Borrower shall not occupy or reside in any of the properties during the term of the loan.

Borrower’s purpose in applying for the loan is to use the proceeds of the loan for:

Because the loan would be made exclusively for commercial purposes as noted immediately above, laws applicable to consumer purpose loans, such as the following laws, are not applicable to the loan: Truth in Lending Act (15 U.S.C. § 1601 *et seq.*), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq.*), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802–6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq.*), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq.*).

By signing below Borrower hereby confirms that they have read and understand the Borrower Certification of Business Purpose, that the information provided in connection with obtaining the loan is complete and accurate as of the date above, and that the Properties are non-owner occupied investment properties.

Borrower(s):

Signature Date

Signature Date

Print Name

Print Name

Signature Date

Signature Date

Print Name

Print Name

EXHIBIT K: PERSONAL GUARANTY AGREEMENT

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Agreement") dated this [DATE] day of [_____, 201___] made by [NAME OF GUARANTOR], having a mailing address of [ADDRESS], ("Guarantor"), for the benefit of [LENDER], a [STATE] [TYPE OF ENTITY], having a mailing address of [ADDRESS] ("Lender").

Background

WHEREAS, [BORROWER] ("Borrower") and Lender have executed a certain Loan Agreement of even date herewith (the "Loan Agreement") pursuant to the terms of which Lender is lending to Borrower the sum of [AMOUNT IN WORDS] and 00/100 [\$ NUMERICAL AMOUNT] (the "Loan"). The Loan is evidenced by Borrower's Promissory Note of even date herewith (the "Note") executed by Borrower and made payable to the order of Lender and secured by, inter alia, that certain Security Instrument (the "Security Instrument"), executed by Borrower in favor of Lender, and encumbering certain real property and any improvements thereon

WHEREAS, as a condition of making the Loan, Lender is requiring this Agreement to be executed, and the making of the Loan to Borrower by Lender is of material benefit to Guarantor. In order to induce Lender to make the Loan evidenced by the Note for the benefit of Borrower, Guarantor is willing to guarantee and become surety for the performance by Borrower of its obligations under the Loan Documents, as more particularly described herein. This Agreement, the Loan Agreement, the Note the Security Instrument, and any other document executed and delivered in connection with the Loan (as same from time to time may be amended, restated, and extended) are sometimes individually referred to herein as a "Loan Document" or collectively as the "Loan Documents").

CAPITALIZED TERMS WHICH ARE NOT OTHERWISE DEFINED IN THIS AGREEMENT SHALL HAVE THE SAME MEANING AS SET FORTH IN THE LOAN AGREEMENT.

Agreement

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Guarantor hereby agrees as follows:

1. Guarantor hereby irrevocably, unconditional and absolutely guarantees to Lender and becomes surety for (a) the prompt payment of the principal sum due to Lender from Borrower under the Note at any time and from time to time, together with all interest thereon, (b) the prompt payment of all other sums due to Lender under the terms of the Note and the other Loan Documents and (c) the prompt and complete compliance with and performance by Borrower of all representations, warranties, covenants, agreements and other obligations to Lender under the terms of any and all of the Loan Documents (the payment, compliance and performance obligations hereinabove guaranteed by Guarantor are hereafter collectively referred to as the "Guaranteed Obligations").
2. This Agreement is an irrevocable, absolute, continuing guaranty of payment and performance and not a guaranty of collection. This Agreement shall remain in full force and effect until all of the Guaranteed Obligations are fully, finally, and irrevocably paid, complied with and performed, and shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by Lender (or compliance with, or performance of, the Guaranteed Obligations is rescinded) upon the insolvency, bankruptcy, or reorganization of Borrower or otherwise, all as though such payment, compliance or performance had not been made or tendered. This

Agreement may not be revoked by Guarantor and shall continue to be effective with respect to any Guaranteed Obligations arising or created after any attempted revocation by Guarantor and after (if Guarantor is a natural person) Guarantor's death (in which event this Agreement shall be binding upon Guarantor's estate and Guarantor's legal representatives and heirs). The fact that at any time or from time to time the Guaranteed Obligations may be increased or reduced shall not release or discharge the obligation of Guarantor to Lender with respect to the Guaranteed Obligations. This Agreement may be enforced by Lender and any subsequent holder of the Note and shall not be discharged by the assignment or negotiation of all or part of the Note. Guarantor shall be liable for all of the Guaranteed Obligations.

3. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace periods set forth therein, Guarantor shall immediately pay, comply with, and perform such of the Guaranteed Obligations as Lender shall direct, irrespective of whether the Guaranteed Obligations directed by Lender to be paid, complied with and performed by Guarantor are those which give rise to the Event of Default.
4. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace period set forth therein, Lender shall have the right to require Guarantor to pay, comply with and perform the Guaranteed Obligations and shall have the right to proceed immediately against Guarantor for such payment, compliance and performance without being required to make any demand upon or bring any proceeding or take any other action of any kind against Borrower, any guarantor under any other guaranty, or any other person or entity in connection with any of the Loan Documents, or resort to or seek to realize upon the security held by Lender, as a condition precedent to bringing an action upon this Agreement against Guarantor, the liability of Guarantor hereunder being a primary obligation of Guarantor and independent of and separate from the liability of Borrower. This Agreement shall be deemed an agreement of suretyship.
5. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace periods set forth therein, Lender may, and is hereby authorized at any time and from time to time, without notice to Guarantor (any such notice being expressly waived by Guarantor and to the fullest extent permitted by law, to set off and apply any and all deposits, general or special, time or demand, provisional or final, at any time held and other indebtedness at any time owing by Lender to or for the credit or the account of Guarantor, against any and all obligations of Guarantor now or hereafter existing under this Agreement, irrespective of whether or not Lender shall have made any demand under this Agreement and although such obligations may be contingent or un-matured. Lender agrees to notify Guarantor after such setoff and application made by Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.
6. Until all of the Guaranteed Obligations are completely fulfilled to the satisfaction of Lender and each and every one of the terms, covenants, and conditions of this Agreement are fully performed, the liability of Guarantor under this Agreement shall in no way be released or affected by:
 - a. any act or circumstance which might, but for this paragraph, be deemed a legal or equitable discharge of any guarantor or surety, or
 - b. reason of the alteration, extension, modification, endorsement, release or waiver of any Loan Document or any of the terms, covenants and conditions contained in any Loan Document, or
 - c. reason of any waiver, extension, modification, forbearance or delay or other act or omission of Lender or its failure to proceed promptly or otherwise with respect to the Guaranteed Obligations or this Agreement, or
 - d. the commencement, existence or completion of any proceeding against Borrower or otherwise related to the collection and enforcement of the Guaranteed Obligations, or
 - e. reason of any action taken or omitted or circumstance which might vary the risk or affect the rights or remedies of Guarantor with respect to the Guaranteed Obligations or this Agreement. Guarantor hereby

expressly waives and surrenders any defenses to its liability hereunder based upon any of the foregoing acts, omissions, agreements, or waivers of Lender, it being the purpose and intent of the parties hereto that the obligations of Guarantor hereunder are absolute and unconditional.

7. Guarantor hereby irrevocably waives any notice of any compromise, forbearance, indulgence, amendment, modification, endorsement, extension, or renewal of any of the Guaranteed Obligations or any of the terms, covenants or conditions of any of the Loan Documents. Guarantor further irrevocably waives notice of (i) any loans or advances made by Lender to Borrower, (ii) acceptance of this Agreement, (iii) the execution and delivery by Borrower and Lender of any other loan or credit agreement or of Borrower's execution and delivery of any promissory notes or other documents arising under the Loan Documents or in connection with the Mortgaged Property, (iv) the occurrence of any breach by Borrower or an Event of Default, (v) Lender's transfer or disposition of the Guaranteed Obligations, or any part thereof, (vi) sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral for the Guaranteed Obligations, (vii) protest, proof of non-payment or default by Borrower, (viii) the release of all, or any portion, of the collateral for the Loan, and (ix) any other action at any time take or omitted by Lender and, generally, all demands and notices of every kind in connection with this Agreement, the Loan Documents, any documents or agreements evidencing, securing or relating to any of the Guaranteed Obligations and the obligations hereby guaranteed.
8. Guarantor consents to all of the terms, covenants, and conditions of all of the other Loan Documents (all of which are hereby incorporated herein) and any other document governing or relating to any of the Guaranteed Obligations. Guarantor represents and warrants that:
 - a. Guarantor has full power, authority and legal right to execute, deliver and comply with this Agreement, all actions of Guarantor and other authorizations necessary or appropriate for the execution and delivery of and compliance with this Agreement have been taken or obtained and this Agreement constitutes the valid and legally binding obligation of Guarantor enforceable against Guarantor in accordance with its terms. If the Guarantor is not a natural person, Guarantor is duly organized, validly existing and in good standing under the laws of Guarantor's state of organization and is duly qualified, authorized to do business and in good standing in every other jurisdiction in which it must be qualified.
 - b. No consent, approval, or other authorization of or by any court, administrative agency, or other governmental authority is required in connection with Guarantor's execution and delivery of or compliance with this Agreement.
 - c. The execution and delivery of and compliance with this Agreement by Guarantor will not conflict with or result in a breach of any applicable law, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or of any agreement or other document or instrument to which Guarantor is a party, or by which Guarantor or any of Guarantor's property is bound, and such action by Guarantor will not result in the creation or imposition of any lien, charge or encumbrance upon any property of Guarantor in favor of anyone other than Lender. If the Guarantor is not a natural person, the making and performance of this Agreement will not violate Guarantors Organizational Documents.]
 - d. There is no action, suit or proceeding pending or, to the knowledge of Guarantor, threatened against or affecting Guarantor before or by any court, administrative agency or other governmental authority, or which brings into question the validity of the transactions contemplated hereby.
 - e. Guarantor has not applied or consented to the appointment of a receiver, trustee, or liquidator of itself or any of Guarantor's property, has not admitted in writing Guarantor's inability to pay debts as they mature, has not made a general assignment for the benefit of creditors, been adjudicated a bankrupt, or insolvent or filed a voluntary petition in bankruptcy, nor has a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy,

- reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, and no action has been taken by Guarantor for the purpose of effecting any of the foregoing. No order, judgment or decree has been entered by any court of competent jurisdiction approving a petition seeking reorganization of Guarantor or all or a substantial part of the assets of Guarantor, or appointing a receiver, sequestrator, trustee, or liquidator of any of Guarantor's property.
- f. Guarantor has received and read all of the Loan Documents and the Loan is and will be of direct interest, benefit, and advantage to Guarantor.
 - g. All other representations and warranties relating to Guarantor contained in the Loan Documents are true and correct.
9. Guarantor further represents and warrants that Guarantor's financial statements (the "Financial Statements") heretofore delivered to Lender are true and correct in all material respects, have been prepared in accordance with GAAP, and fairly represent the financial conditions as of the date thereof and for the periods shown therein; that no Material Adverse Change has thereafter occurred in the financial conditions reflected therein; and that the assets shown on the Financial Statements are wholly owned by Guarantor, and are not jointly owned with any other person or entity except as otherwise stated in the Financial Statements. Guarantor covenants and agrees (a) that Guarantor shall notify Lender promptly of any Material Adverse Change; (b) that Guarantor shall deliver to Lender such financial documentation as set forth in the Loan Agreement; (c) that Guarantor shall deliver to Lender such other financial information as Lender from time to time reasonably may request; (e) that Guarantor shall maintain complete and accurate books and records and make them available for inspection by Lender as Lender may reasonably request; and (f) that Guarantor will perform and observe all of the other terms, covenants and agreements set forth in the Loan Documents that are required to be performed or observed by Guarantor as a "Guarantor", "Borrower Party" or otherwise.
10. Guarantor shall indemnify and hold Lender and the other Indemnified Parties harmless from and against any and all claims, demands, losses, judgments, liabilities, costs or expenses (including, without limitation, reasonable attorneys' fees and disbursements) which Lender or the other Indemnified Parties may incur arising out of or resulting from any default of Borrower under the Loan Documents, or enforcement or exercise of any right or remedy granted to the Lender under the Loan Documents.
11. Except as otherwise provided in this Agreement or in any of the other Loan Documents, Guarantor hereby consents and agrees to each of the following and agrees that Guarantor's obligations under this Agreement shall not be released, diminished, impaired, reduced or adversely affected by any suretyship defense and/or any of the following and waives any and all common law, equitable, statutory or other rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:
- a. any notice of Lender's intention to act in reliance on this Agreement or in reliance hereon;
 - b. demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notices of any kind, or the lack of any thereof, including without limiting the generality of the foregoing, notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of Lender, any endorser or creditor of either Guarantor or any other person whomever under this or any other instrument in connection with any obligation or evidence of indebtedness held by Lender;
 - c. the commencement or prosecution of any enforcement, proceeding, including any proceeding in any court, against Borrower or any other person or entity with respect to any obligations arising out of the Loan Documents;

- d. any right to require Lender to proceed against any other person or to proceed against or exhaust any security held by Lender at any time or to pursue any other remedy in Lender's power or under any other agreement before proceeding against Guarantor hereunder;
 - e. any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other person or persons or the failure of Lender to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons;
 - f. any defense based upon an election of remedies by Lender;
 - g. any right or claim of right to cause a marshaling of the assets of Borrower or any Guarantor;
 - h. any principle or provision of law, statutory or otherwise, which is or might be in conflict with the terms and provisions of this Agreement;
 - i. any duty on the part of Lender to disclose to Guarantor any facts Lender may now or hereafter know about the Mortgaged Property, regardless of whether Lender has reason to believe that any such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, if being understood and agreed that Guarantor is fully responsible for being and keeping informed of the condition of the Mortgaged Property and of any and all circumstances bearing on the risk that liability may be incurred by Guarantor hereunder;
 - j. any lack of notice of disposition or of manner of disposition of any collateral for the Loan;
 - k. any invalidity, irregularity or unenforceability, in whole or in part, of any one or more of the Loan Documents;
 - l. any lack of commercial reasonableness in dealing with the collateral for the Loan;
 - m. any deficiencies in the collateral for the Loan or any deficiency in the ability of Lender to collect or to obtain performance from any persons or entities now or hereafter liable for the payment and performance of any obligation hereby guaranteed;
 - n. any assertion or claim that the automatic stay provided by 11 U.S.C. §362 (arising upon the voluntary or involuntary bankruptcy proceeding of Borrower) or any other stay provided under any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, shall operate or be interpreted to stay, interdict, condition, reduce or inhibit the ability of Lender to enforce any of its rights, whether now or hereafter required, which Lender may have against Guarantor, if any, or the collateral for the Loan; and
 - o. any modifications of the Loan Documents or any obligation of Borrower relating to the Loan by operation of law or by action of any court, whether pursuant to Title 11 of the United States Code, as amended, or any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, or otherwise.
12. Nothing herein contained is intended or shall be construed to give Guarantor any right of subrogation in or under any of the Loan Documents or any right to participate in any way therein, notwithstanding any payments made by the undersigned under this Agreement, any and all such rights of subrogation and participation being hereby expressly, unconditionally and irrevocably waived and released until the Guaranteed Obligations are fully paid to Lender and satisfied. Guarantor hereby further unconditionally and irrevocably waives, releases and abrogates any and all rights it may now or hereafter have to assert any claim against or seek contribution, indemnification or any other form of reimbursement from Borrower or any other party liable for payment of any or all of the Guaranteed Obligation for any payment made by Guarantor under or in connection with this Agreement or otherwise.
13. This Agreement shall be a continuing, absolute, and unconditional guarantee regardless of the validity, regularity, enforceability, or legality of (a) any of the Guaranteed Obligations, (b) any collateral securing the

Guaranteed Obligations, or (c) any term of any document evidencing or relating to any of the Guaranteed Obligations including the Loan Documents. In the event that for any reason one or more of the provisions of this Agreement or their application to any person or circumstance shall be held to be invalid, illegal, or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal, and enforceable in any such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

14. Any notice or communication required or permitted under this Guaranty must be made in writing and sent by (a) personal delivery, (b) expedited delivery service with proof of delivery, or (c) United States Mail, postage prepaid, registered or certified mail, addressed to such address as Lender or Guarantor may designate in writing and deliver in accordance with this section. Any change of address will be effective on the 2nd Business Day after notice is given pursuant to the terms of this Section. Any notice or communication sent in accordance with this section will be deemed to be given when received if delivered personally, on the next business day if sent by an overnight commercial courier or two days after the date mailed if sent by certified or registered mail.
15. No modification of this Agreement shall be effective unless in writing and signed by Lender and Guarantor.
16. This Agreement shall be binding upon Guarantor and Guarantor's, heirs, executors, trustees, personal representatives, successors, and assigns (as applicable) and shall inure to the benefit of Lender, its successors and assigns.
17. In this Agreement the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending, or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to "attorneys' fees" shall be deemed to be followed by the words "and disbursements"; and references to sections or exhibits are to those of this Agreement unless otherwise indicated. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.
18. This Agreement shall be construed in accordance with and governed in all respects by the laws of the **[PROPERTY STATE]** without giving effect to principles governing conflicts of laws.
19. **TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT, THE NOTE, THE SECURITY INSTRUMENT, THE LOAN AGREEMENT, OR THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE, LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.**
20. To facilitate execution, this Agreement may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

IF MORE THAN ONE GUARANTOR IS A SIGNATORY TO THIS AGREEMENT, THE LIABILITY OF EACH GUARANTOR SHALL BE JOINT AND SEVERAL.

IN WITNESS WHEREOF, Guarantor has executed this Agreement as of the day and year first above written.

GUARANTOR:

By: _____

Name: _____

By: _____

Name: _____

By: _____

Name: _____

[INSERT STATE SPECIFIC ACKNOWLEDGEMENT FORM]

