SKY

TPO

EQUITY FIRST

CLOUDY

UNDERWRITING GUIDELINES

Equity First | Cloudy
Underwriting Guidelines

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OVERVIEW

Guideline Reference and Deference

If a specific guideline is not addressed within these guides, users should refer to the **Fannie Mae Guidelines.**

Assumability

Loans are not assumable.

GUIDELINES AND MATRICES

For the most up to date matrix and guideline documentation, visit: Forms & Guidelines

All files are manually underwritten.

PRICING RELATED PRODUCT ELIGIBILITY & QUALIFYING RATES

Product Eligibility

- 30 year fixed fully amortized

Interest-only not permitted Qualifying Rate

- **Fixed:** Qualify at note rate

Prepayment Penalty

Prepayment Penalty for 1 to 5 years following the execution date of the Promissory Note required where permissible. (Refer to matrices). Step Down PPP not permitted.

COMPLIANCE

Business Purpose Certifications

Borrowers must sign both a Certification of Business Purpose and an Occupancy Certification for any business purpose loan at closing.

Federal and State Restrictions

Federal, State, And Local High-Cost Loans

- Federal High-Cost (Section 32) does not apply to Business Purpose Loans
- Federal Higher Priced Mortgage Loan (Section 35) does not apply to Business Purpose Loans
- State and Local High-Cost Loans are not permitted on any Business Purpose Loans

State Licensing

See the Approved List for a complete list of state licensing.

State-Specific Restrictions

Refer to Matrices

Texas Non-Owner-Occupied Cash-out refinance transactions secured by Investment Properties are permitted in Texas and are not subject to Texas Constitution Section 50(a)(6), provided the property is not the borrower's homestead.

Underwriting to review and confirm the tax certificate does not contain a Homestead exemption. Any property with a Homestead exemption on the tax certificate is ineligible under this program.

These transactions must meet standard program eligibility requirements and may be subject to legal review when homestead status cannot be clearly established.

Interest Credit Closings

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

Investment

- DSCR | 1-4 Unit (Equity First)

TRANSACTION TYPES

Purchase

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

Rate & Term Refinance

- Proceeds may be used to pay off the existing first mortgage and any subordinate financing used to acquire the property.
- Subordinate financing not used for acquisition may be included if:
    - It is a closed end loan, **or** end loan
    - It is a HELOC with at least 12 months seasoning and less than $10,000 in total draws over the most recent 12 months
    - Proceeds were used for business purposes
- Permitted for buying out a co-owner under a written agreement
- Permitted for paying off an installment land contract executed more than 12 months prior to the Loan Application date
- Cash back permitted up to the lesser of 2% of the new loan amount or $10,000
- LTV/CLTV is based on the current appraised value; no seasoning required

Cash Out Refinance

See Sky TPO matrices for maximum cash-out limits.

- Any refinance that does not meet the definition of a rate/term refinance
- No seasoning requirements
- LTV/CLTV based on current appraised value; no seasoning required
- A mortgage secured by a property owned free and clear is considered cash-out
- Paying off delinquent real estate taxes Borrower must indicate the purpose of cash-out proceeds, proceeds must be used for Business Purposes
- Properties listed for sale must be removed from the market prior to the closing date

Business Purpose Loans: Paying off consumer debt is not eligible

Delayed Financing

Cash-out on properties purchased with cash and owned less than 6 months is permitted. Delayed financing within 6 months of the original purchase is allowed with the following restrictions:

- The new loan amount may not exceed the borrower's documented initial investment plus closing costs, prepaid fees, and points, and is subject to maximum LTV/CLTV/HCLTV requirements based on the lower of the original purchase price or current appraised value
- Rate/Term pricing and matrix applies
- Rate/Term cash in hand restrictions does not apply

Required documentation:

- No mortgage financing was used to obtain the property; Unless it was a hard money mortgage loan. A hard money mortgage loan may be paid off with a copy of the Promissory Note
- Settlement statement (or recorded trustee's deed/equivalent) confirms no mortgage financing was used, does not apply to hard money mortgage loan
- Preliminary title search/report confirms no existing liens on the property, does not apply to hard money mortgage loan
- Sources of funds used to purchase the property must be documented (e.g., bank statements, personal loan documents, HELOC on another property, other REO proceeds)

Additional requirements:

- If funds used for purchase came from an unsecured loan or a loan secured by another asset (e.g., a Mortgage or HELOC on another property), the refinance closing statement must show cash out proceeds were used to pay off or pay down that loan
- If proceeds from the sale of other REO were used, obtain the final settlement statement for REO and document transfer of funds to subject property purchase

BORROWER ELIGIBILITY

Borrower Type

- **Primary Borrower** – The first borrower listed on the application, or the borrower who holds the majority ownership interest in the entity in which the loan will be closed
- **Co-Borrower** – Any additional borrower jointly responsible for repayment along with the primary borrower

Borrower Identification

All borrowers must provide the following for identity verification:

- A non-expired government issued photo ID
- Non-U.S. citizens must refer to applicable Non-Permanent Resident, Permanent Resident, ITIN, or Foreign National guidelines.

For Complete List of Required Identification, Refer To:

- Exhibit A – Non-Permanent Resident Alien
- Exhibit B – Foreign Nationals

First Time Home Buyer / First time investor

A **first-time home buyer** is an individual who has not held any ownership interest in a property within the past three years. First-time home buyers are eligible under all programs.

A **first-time investor** is an individual who has not held any ownership interest in a rental property within the United States within the past three years.

Residency

Eligible

- U.S. Citizen
- Permanent Resident Alien
- Non-Permanent Resident Alien
- Foreign National
- ITIN Borrowers

Ineligible

- Individuals with diplomatic immunity or otherwise exempt from U.S. jurisdiction
- Borrowers not on title (refinances)
- Borrowers from OFAC-sanctioned countries
- Borrowers on the OFAC list
- Residents of countries prohibited from transacting with U.S. companies (as determined by U.S. authorities)
- Any party listed on exclusionary lists such as HUD's LDP, GSA Excluded Party List, or similar
- Borrowers under 18 years old
- Trusts or land trusts (revocable trusts may be permitted for vesting only)
- Borrower is on Sky TPO Exclusionary list

Exclusionary List | OFAC | Diplomatic Immunity

- All parties involved in the transaction must be screened against the required exclusionary lists.
- Lenders must apply their exclusionary list policy to all loans originated under these guidelines.
- All parties must be cleared through OFAC's Specially Designated Nationals (SDN) List: https://sanctionssearch.ofac.treas.gov/
- Borrowers from OFAC-sanctioned countries are ineligible. A list of sanctioned countries is available at: http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx

- Individuals with diplomatic immunity are ineligible due to the inability to enforce repayment. Verification may be obtained using the borrower's visa, passport, or the U.S. Department of State's Diplomatic List: https://www.state.gov/office-of-the-chief-of-protocol/diplomatic-list
- Borrower match found on EPLS (excluded party list) are ineligible
- Participants on OFAC or EPLS (excluded party list) are ineligible

Citizenship & Immigration Status

U.S. Citizen

- U.S. citizens are eligible for financing.
- Provide an unexpired government issued photo identification card.
- If the credit report or fraud report reflects a variation of the borrower's Social Security Number (SSN), an SSA-89 form must be completed and returned with passing results.

Permanent Resident Alien

Permanent resident aliens are eligible for financing. A permanent resident alien is a non-U.S. citizen authorized to live and work in the United States on a permanent basis.

Acceptable evidence of lawful permanent residency includes:

- I-151 – Permanent Resident Card (no expiration date).
- I-551 – Permanent Resident Card valid for 10 years (unexpired).
- I-551 – Conditional Permanent Resident Card valid for 2 years, accompanied by Form I-751 (petition to remove conditions).
- An unexpired foreign passport with an unexpired I-551 temporary evidence stamp stating: *"Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yyyy. Employment Authorized."*

Non-Permanent Resident Alien

A non-permanent resident alien is a non-U.S. citizen authorized to live and work in the United States on a temporary basis. They are admitted as lawful temporary residents.

Eligibility Notes:

- Must have a valid Social Security Number
- Must have current, verifiable immigration status

Acceptable documentation includes:

- A **valid Employment Authorization Document (EAD)** identifying immigration program/classification
- If status is unclear, the underwriter may request **Form I-797** for verification.
    - Other documentation showing current immigration status (e.g., valid work visa.)

Expiration Requirements:

- All documentation must be valid on the note date.
- If a document is expired as of the note date, the borrower may provide proof of timely renewal (e.g., agency filing receipt or case confirmation letter).

Ineligible:

- Individuals with diplomatic immunity due to the inability to compel repayment or seek judgment.

Reference:
See **Exhibit A – Non-Permanent Resident Aliens** for acceptable EAD and visa classifications.

GENERAL REQUIREMENTS

Qualifying Payment

Qualifying payment will be based on the qualifying rate.

Limitations on Financed Properties/Exposure

Sky TPO's exposure may not exceed $10 million aggregate with a maximum of 10 loans for each individual borrower.

EXCEPTIONS TO THIS POLICY WILL BE REVIEWED ON A CASE-BY-CASE BASIS.

Age of Documents

Not More Than 90 Days from Promissory Note Date

- Title Commitment/Preliminary Title Report/Binder
- Closing Protection Letter (CPL)
- Certificate of Good Standing
- Asset Documentation

Not More Than 120 Days from Promissory Note Date

- Appraisal Report (180 days with recertification of value; recert not permitted on commercial narrative reports)
- Flood certificate
- Credit report

Escrows | Impound Accounts

Program Requirements

- **DSCR 1–4 Units (Equity First):** If property is located in a Flood Zone, Flood Impound is required. If borrower is Foreign National, Impound Account is required.

Properties Listed for Sale

Properties listed for sale at the time of application are eligible. The subject property must be taken off the market before the closing date. When listed at the time of application, the borrower must confirm in writing the reason for the listing, and proof it was taken off the market. If the property listing was removed prior to the application date, no further documentation will be required.

Properties listed within 3 months of the closing date will have the LTV based on the lower of the lowest list price, or the current appraised value.

Example: Subject property listed on 8/1 for $500,000, on 8/20 price was lowered to $480,000, on 8/30 the property was delisted. On 9/1 property was relisted at $499,000, loan has final approval on 10/20. Appraised value is $485,000 but lowest list price within 3 months is $480,000. LTV is based on $480,000.

If the appraisal reflects improvements were completed after the listing was removed, the new appraised value can be used.

Requirements for all Non-Arm's Length Transactions

- Full disclosure of the relationship
- Borrower must provide written explanation of relationship and reason for purchase
- Copy of canceled earnest money check made payable to seller
- Employer-to-employee transactions no*t permitted*
- **Borrower may not be affiliated with the Mortgage Lien Holder (Borrower holds ownership interest in LLC or Company providing non-institutional payoff demand)**
- No occupancy concerns may exist
- All liens on title must be paid in full and shown on the settlement statement
- LTV calculated using the lesser of sales price or current appraised value
- Borrower may not provide services in the transaction (closing agent, title agent, appraiser, etc.)
- Borrower may not be an owner of the entity selling the property (unless buying out a co-owner)
- Buyer representing themselves as the real estate agent is permitted
- Seller representing themselves as the real estate agent is permitted
- Renters purchasing from landlord must provide the most recent 12 months of rental payment history and a copy of the lease
- Property trades between buyer and seller are not permitted
- Commission earned by buyer/borrower cannot be used for down payment or reserves but can be treated as interested party contributions up to a 3% maximum not to exceed standard interested party contributions limits.

ADDITIONAL REQUIREMENTS — FAMILY SALES

- Seller's mortgage payment history (past 12 months) must show no pattern of delinquency (if applicable)
- Verification that borrower has not been on title in the past 24 months

- Gift of equity not permitted

Note: New construction is not permitted for non-arm's length transactions.

Interested Party Transaction/Conflict-of-Interest Transactions

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, mortgage holder, or any other interested party to the transaction. When such relationship exists, 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 between 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.

Inherited Properties and Property Buyouts

Refinances of inherited properties and properties legally awarded to the borrower (divorce, separation, or dissolution of a domestic partnership) are allowed. If the subject property was acquired less than 12 months prior to loan closing, the transaction is considered a cash-out.

These transactions are subject to the following:

- Written agreement signed by all parties stating the terms of the buyout and property transfer must be obtained
- Equity owners must be paid through settlement
- Subject property has cleared probate, and property is vested in the borrower's name
- Current appraised value is used to determine LTV

Purchase/Sale Contract

A purchase money transaction must include a fully executed agreement of sale and counteroffer (if applicable) reflecting the following:

- Borrower as the purchaser of the property (borrowers/purchasers reflected as "or assignee" is not allowed)
- Seller as the vested owner on title
- Correct address of the property
- Correct sales price
- Amount of down payment
- Closing dates
- Concessions and seller contributions
- Any addenda as noted to be part of the purchase contract

Interested Party Contributions

FOLLOW FANNIE MAE; https://selling-guide.fanniemae.com/sel/b3-4.1-02/interested-party-contributions-ipcs

MAXIMUM CONTRIBUTION LIMIT: SEE MATRICES

Permanent Financing for New Construction (Construction-To-Perm)

Construction-to-permanent (or construction-to-perm) financing converts interim construction financing into a long-term transaction. Borrower must hold title to the lot (either previously acquired or purchased as part of the transaction).

- For refinance transactions, borrower must have held legal title to the lot **before** obtaining the construction financing and must be the named borrower on the construction loan
- Construction-to-perm may be closed as **rate/term** or **cash-out.** All construction work must be complete.

LTV Determination:

- Lots owned ≥ 12 months from application date: LTV based on current appraised value
- Lots owned < 12 months from application date: LTV based on the lesser of the current appraised value or total acquisition cost (construction cost + lot purchase price)

Secondary Financing

SECONDARY/SUBORDINATE FINANCING

- Secondary financing permitted up to max CLTV = program max LTV
- Financing must be institutional (no private party; no seller carrybacks)
- Existing subordinate liens must be subordinated and recorded or refinanced
- HELOC: HCLTV calculated using full line amount, unless documentation confirms line is past draw period

NEW SECONDARY/SUBORDINATE FINANCING

- Loan approval + repayment terms
- Subordination agreement (unsigned – prior to closing)
- Executed subordination agreement (at closing)
- Executed Promissory Note (at closing)

EXISTING SECONDARY/SUBORDINATE FINANCING

- Repayment terms of existing second lien
- Subordination agreement (unsigned – prior to closing)
- Executed subordination agreement (at closing)

ALL SUBORDINATE LIENS

- Seller-held subordinate liens not permitted
- Must be recorded and clearly subordinate to new mortgage
- Payment included in DSCR; if unknown, use 1.5% of original balance
- HELOC CLTV/HCLTV uses total line limit, plus any additional subordinate financing
- No negative amortization: payments must cover at least interest due

- Employer provided financing cannot require payoff upon employment termination
- **Max HCLTV = max LTV** allowed for transaction

CREDIT

Fraud Alerts

The three national credit repositories have developed automated messaging to help identify possible fraudulent activity on a credit report. Examples of fraud alerts include:

- Initial 90-day Fraud Alert
- Extended Fraud Alert
- Active-Duty Alert
- HAWK Alert

All fraud alerts must be properly addressed and resolved. Approval will include a condition for a processor certification confirming they called and verbally spoke with the borrower and verified they applied for a mortgage loan.
A fraud report which includes all parties to the transaction is required for all loans.

Updated Payment Histories

Payment histories may be requested directly from a creditor when the credit report indicates delinquencies have been removed or when most of the credit is from a non-institutional lender.

Housing History

Current Residence

Housing history on current residence is not required to be verified.

SUBJECT PROPERTY – REFINANCE ONLY A VOM or Mortgage Tradeline is required. Mortgage lates must be less than 90 days at time of closing. 60% LTV requires 0x90x12 for Subject Property mortgage.

No foreclosure proceedings within the past 12 months of the application date. Foreclosure proceedings include Deed in Lieu of Foreclosure, Pre-Foreclosure Sale, Short Sale, or Charge off of a Mortgage Account.

If credit bureau report does not reflect pay history required, other acceptable methods of verification are as follows:

For Mortgage Payments – one of the following is required:

- VOM from third party; or
- Electronic Pay History printout directly from mortgage servicer showing timely payments; and bank statements showing account ownership and timely payments debited by Mortgage Servicer; or
- Canceled checks front and back as well as the most recent mortgage statement; or

- For private mortgages (defined as the mortgage lender being a natural person), provide a fully executed VOM together with either bank statements showing account ownership and timely payments debited by mortgage servicer, or canceled checks front and back along with the most recent mortgage statement

>= 90 Days Delinquent – Subject property mortgage

If borrower is more than 90 days late at the time of application or prior to closing, the subject property mortgage must be brought under 90 days delinquent as evidenced by electronic payment history, or cancelled check, and an updated VOM or Credit Supplement is required.

Balloon Notes

A Balloon Note in repayment (i.e. maturity date has not expired) has the same mortgage payment testing as a traditional mortgage.

- A Balloon Note with an expired maturity date <90 days from the Note Date is eligible with no further documentation required. Loan must close and fund before 90 day period passes.
- A Balloon Note may be more than 90 days past maturity at application, but it must receive an extension bringing it within the 90-day eligibility window.
- An acceptable extension can be either a new agreement extending the maturity date or a payoff demand with a good through date.
- If using a payoff demand, the lienholder must confirm in writing that the loan is no longer in repayment, no foreclosure action has been taken, and no foreclosure action will be taken as long as payoff is received by the good-through date.

Credit Events – Seasoning Documentation

Refer to the applicable Program Matrix.

A credit event includes any of the following:

- Bankruptcy
- Foreclosure
  - Deed-in-Lieu
  - Pre-Foreclosure Sale
  - Charge off of Mortgage
  - Short Sale

Seasoning for a foreclosure, deed-in-lieu (DIL), or Pre-Foreclosure Sale, or charge off of mortgage, or Short Sale is measured from the completed sale or final property transfer date. The housing event must be complete before loan application, with no outstanding deficiency balance.

All bankruptcies must be resolved 1 day prior to application, and evidence of resolution is required. Seasoning is measured from the discharge or dismissal date to the application date.

Foreclosures, as defined above included in the Bankruptcy are not eligible, and must follow the Foreclosure Seasoning guidelines.

ACTIVE FORECLOSURES ARE NOT PERMITTED.

SHORT SALES OR DILS CURRENTLY IN PROCESS ARE NOT PERMITTED.

Forbearance

Not Permitted. We can review on an exception basis.

Delinquent Credit Belonging to Ex-Spouse

Delinquent credit belonging to an ex-spouse can be excluded from the credit evaluation when all the following apply:

- Borrower provides a copy of the divorce decree or separation agreement which shows the derogatory accounts belong solely to the ex-spouse
- Late payments occurred after the date of the divorce or separation
- Evidence of title transfer prior to any delinquent debt must be provided if debt is a mortgage and evidence of buyout as part of court proceedings

Lawsuit/Pending Litigation

If the application, title, or credit documents reveal the borrower is presently involved in a lawsuit or pending litigation, a statement from the borrower's attorney is required. The statement must explain the circumstances of the lawsuit or litigation and discuss the borrower's liability and insurance coverage. A copy of the complaint and answer may also be needed.

The title company closing the loan must be informed of the lawsuit or litigation and provide affirmative coverage of Sky TPO's first lien position.

Collections and Charge-Offs

The following accounts may remain outstanding:

- Collections- Do not require payoff.
- Charge-offs- Do not require payoff.

Note: There can be unlimited collections and charge-offs on borrower's credit.

Judgments and Tax Liens

Must be paid off prior to closing via cancelled check or electronic payment receipt. If the judgement or tax lien is reflected on title, Title Company to verify on company letterhead that the judgement will not appear on final title policy.

Program allows for unlimited judgements and tax liens.

Bankruptcy

Must be 1 day out of Bankruptcy, prior to application date.

ASSETS

Sky TPO considers various forms of acceptable assets to be used for a transaction. Assets for cash to close documented to the specified guidance below. FNMA guidelines will be used if not specifically addressed within these Guidelines regarding sources and types of assets.

The following is a list of established assets that are permitted to determine a borrower's liquidity. Next to each asset you will see **DP & CC** for Down Payment and Closing Costs Asset Types.

General

Borrowers must provide bank statements and/or investment portfolio statements covering the timeframe required by the matrix. Summary statements are not acceptable.

Statements may be computer-generated but must include:

- Clear identification of the borrower as the account holder, including account holder name, account number(s), and the statement period.
- A full record of all deposits and withdrawals, including the previous closing balance, current balance, and ending balance.
- For retirement accounts, statements must reflect the most recent reporting period and must identify the borrower's vested amount and applicable terms.

Down Payment and Closing Costs - Acceptable Asset Types

Asset Type	Documents Required	Funds to Close DP&CC

Liquid & Near Liquid	• Checking and Savings Accounts – 100%
	• Certificates of Deposit (CDs) – 100%
	• U.S. Savings Bonds
	  ○ 100% if fully matured
	  ○ 80% if not fully matured
	• Marketable Securities – 100% net of margin debt
	  Marketable securities are defined as publicly traded stocks, bonds, or mutual funds.
	• Restricted Stock Units (RSUs), Refer to FNMA requirements.
		Eligible DP&CC

Retirement Assets	• IRA, Keogh, and 401(k) Retirement Accounts
	  ○ 80% of vested balance if borrower is under eligible retirement age
	  ○ 100% of vested balance if borrower is at or beyond eligible retirement age
	  ○ Outstanding loans secured against the account must be excluded
	  ○ Documentation must confirm eligible terms of withdrawal
	• Pension Plans – 60% Only amounts accessible within a 30-day timeframe are eligible.
	• Annuities – 60% Only amounts accessible within a 30-day timeframe are eligible.
		Eligible DP&CC

Business Assets	• The borrowers on the loan must have > 25% ownership of the business and must be the owners of the account. If additional assets over the percentage of ownership are to be used toward down payment and/or reserves, an access letter(s) from the remaining owners of the business must be obtained.	**Eligible DP&CC**
Cryptocurrency / Virtual Currency	• Cryptocurrency (including Bitcoin and Ethereum) is eligible only if converted to U.S. Dollars (USD) and transferred to a traditional U.S. bank account. **Required documentation includes:** • Verification of current valuation from the crypto exchange (e.g., Coinbase) • Statements evidencing ownership, liquidation, transfer, and use of funds	**Eligible DP&CC**

Life Insurance Assets	Life Insurance: Cash value must be verified by a letter from the insurance company. If not provided, the surrender value must be used.	**Eligible** **DP&CC**
Foreign Accounts	Must be transferred to a traditional bank account in U. S. Dollars (USD) at least 10 days prior to closing or proof of transfer sent directly to the settlement agent or escrow account. Sufficient documentation from the foreign account such as a statement must be provided to document the use of funds. All statements & documents must be translated to the English language. **FUNDS FROM AN INELIGIBLE OFAC SANCTIONED COUNTRY CANNOT BE USED.** http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx	**Eligible** **DP&CC**
Trust Accounts	Funds disbursed from a borrower's trust account are an acceptable source if the borrower has immediate access to the funds. Requirements: • Written documentation of the value of the trust account from either the trust manager or the trustee; **and** • The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage.	**Eligible** **DP&CC**
Spousal Accounts	Accounts held solely in the name of a non-borrowing spouse.	**Eligible** **DP&CC**
Credit Card Reward	• If the credit card reward points are converted to cash and deposited into the borrower's depository account (for example, checking or savings), no additional documentation is required unless the deposit is considered a large deposit. • If the credit card reward points are converted to cash, but not deposited into a borrower's depository account, the lender must provide evidence the reward points were: ○ available to the borrower prior to the conversion, including verification of the cash value (for example, credit card reward statement prior to conversion); and ○ converted to cash prior to the closing of the loan.	**Eligible** **DP&CC**

Bridge/Swing Loans	A bridge (or swing) loan is an acceptable source of funds provided the following requirements are met: • The bridge loan cannot be cross collateralized against the new property.	**Eligible** **DP&CC**
Earnest Money Deposit	Verification is required by one of the following: • Copy of check along with certified escrow receipt. • Bank statement showing the check has cleared. • Verification of acceptable sources of funds on any deposit paid outside of escrow must be satisfactorily documented. • Multiple deposits made to escrow in addition to the initial EMD must be documented in the same manner as the initial EMD outlined above and are considered as downpayment funds. • EMD that has been with escrow longer than 12 months from date of the application, we will require an LOE from escrow/title company.	**Eligible** **DP&CC**
Relocation Credits	A copy of the commitment letter from the employer's relocation company describing the details and terms of the relocation package. A receipt showing the deposit of funds into the borrower's account or escrow/title must be obtained and included in the loan file.	**Eligible** **DP&CC**

Sale of Real Property	When the borrower uses **proceeds from the sale of real estate they own,** the **net proceeds must be fully documented** at the time of initial underwriting and again at closing.
	Pending Sale (Not Yet Closed)
	If the property is pending sale, the following documentation is required:
	• Fully executed sale agreement, and
	• Estimated Settlement Statement (showing sufficient anticipated net proceeds and identifying all mortgages or liens to be paid at closing)
	At closing of the subject loan, the borrower must provide:
	Final Settlement Statement from the property sold, confirming that net proceeds were deposited in the borrower's account or escrow and are sufficient to satisfy the required funds to close. This must be included in the loan file. Closed Sale
	If the property has **closed**, the following documentation must be included in the loan file:
	• Final Settlement Statement (FSS) from the completed sale, and
	• Documentation that the net proceeds are available, either:
	  ○ Held in escrow/title, or
	  ○ Deposited into the borrower's account (verified through acceptable asset documentation)
		Eligible
		DP&CC

Sale of Personal Assets	The following must be documented: • Borrower's ownership of the asset • Value of the asset, as determined by an independent and reputable source • Transfer of ownership of the asset, as documented by either a bill of sale or a statement from the purchaser • Borrower's receipt of the sale proceeds from documents such as deposit slips, bank statements, or copies of the purchaser's canceled check.	**Eligible** **DP&CC**
1031 Exchange	• 1031 Exchange Agreement; • Purchase contract for subject property to acknowledge this is a 1031 Exchange; • Copy of purchase agreement for vacated property to ensure it is included in the 1031 Tax Deferred Exchange verbiage; • Settlement statement from vacated property verifying funds realized from sale are held in the escrow account.	**Eligible** **DP&CC**
Subordinate Financing	New subordinate (junior) financing secured by the subject property and subordinating to the first mortgage is permitted, subject to the requirements below. **Eligibility Requirements** • The combined LTV/CLTV/HCLTV of the first mortgage and the new subordinate lien must not exceed program matrix thresholds. • The new subordinate lien must be from an institutional lender. Private party subordinate financing is not permitted. **Promissory Note Requirements** • The Promissory Note must provide for regular monthly payments of at least interest-only. • The Note may not include future advance provisions or wrap-around terms. **Documentation Requirements** The following must be obtained and reviewed: • Loan approval and repayment terms for the new subordinate lien. • Unsigned Subordination Agreement prior to closing. • Fully executed Subordination Agreement at closing. • Fully executed Promissory Note at closing.	**Eligible** **DP&CC**
Gift Funds	**Eligibility** • 100% Gift Funds are permitted for down payment and closing costs unless otherwise restricted by product matrix.	**Eligible** **DP&CC**

Eligible Donors

A gift may be provided by:

- A relative, defined as the borrower's spouse, child, dependent, or any individual related by blood, marriage, adoption, or legal guardianship
- A fiancé, fiancée, or domestic partner
- A verified business partner

Additional donor restrictions:

- All Gift Donors must be screened against the OFAC Specially Designated Nationals (SDN) list, Sky TPO Watchlist, and Sky TPO Exclusionary List
- The donor may not be, nor have any affiliation with, the builder, developer, real estate agent, or any other interested party to the transaction.
- If the donor is a Business Partner, the file must contain evidence from a third party (CPA, State Records, Business Filings, etc.) documenting the borrower and donor are related through ownership of an active business.

Documentation Requirements

A signed gift letter is required and must include:

- The dollar amount of the gift
- The date the gift funds were transferred
- A statement that no repayment is expected
- The donor's name, address, telephone number, and relationship to the borrower

The underwriter must verify the donor's ability to provide the gift and evidence that the funds were transferred.

If Funds Are Transferred to the Borrower Before Closing:

Acceptable documentation includes:

- A copy of the donor's cleared check and the borrower's deposit slip
- A copy of the donor's withdrawal slip (showing beginning and ending balances) and the borrower's deposit slip
- A copy of the donor's check made payable to the closing agent, along with an escrow deposit receipt

If Funds are sent directly to the Closing Agent:

- The donor must provide the gift using a certified check, cashier's check, or official bank check/wire.
- A prior-to-funding condition must document that the gift amount appears on the Closing Disclosure or Settlement Statement.
- Gift Funds for reserves cannot be sent at Closing.

Individual Development Accounts

Some nonprofit agencies will match the funds a borrower regularly deposits into a savings account that has been designated as an account that is used solely for the accumulation of funds to purchase a home. Such accounts are referred to as individual development accounts, or IDAs.

Nonprofit agencies that offer IDA programs have options with respect to accumulating and holding the matching funds, which include:

- the use of a parallel “savings” account that is separate from the homebuyer’s savings account; and
- separately designated matching funds within a single agency account via accounting processes to allocate matching funds to a particular homebuyer; and
- the use of a trustee account that contains both the homebuyer’s funds and the agency’s matching funds.

When a homebuyer reaches the target amount and is ready to complete the home purchase, the funds are disbursed from the nonprofit agency account to the closing agent via a single check or multiple checks.

If the agency’s matching funds are held in an account that is separate from the homebuyer’s account, the matching funds do not need to be combined with the homebuyer’s funds prior to disbursement to the closing agent. It is acceptable to allow the separate disbursement of funds from the agency and from the homebuyer, as long as the terms of the IDA program are met.

Use of IDA Funds to Meet Borrower Minimum Contribution Requirements

Funds that the borrower deposited into an IDA may be used for either the closing costs or the down payment. Depending on the repayment terms of the IDA program, the borrower may or may not be required to meet the minimum down payment requirements from their own funds, as outlined below:

IDA Repayment Terms	Allowable Use of Matching Funds
If the nonprofit agency • requires repayment of the matching funds, • agrees to defer or forgive repayment provided that certain conditions are met, or • files a lien against the property.	Then the borrower may use the matching funds to supplement the down payment provided they have met the minimum borrower contribution requirements. The minimum borrower contribution must come from the borrower's own funds unless: • the LTV or CLTV ratio is less than or equal to 80%; or • the borrower is purchasing a one-unit principal residence and meets the requirements to use gifts, donated grant funds, or funds received from an employer to

IDA Repayment Terms	Allowable Use of Matching Funds
	pay for some or all of the borrower's minimum contributions.
If the nonprofit agency • does not require repayment of the matching funds and • does not file a lien against the property.	Then the borrower may use the matching funds for some or all of the down payment without first being required to meet the minimum borrower contribution requirement from their own funds.

Large Deposits

Single deposits exceeding 10% of the Loan Amount must be sourced.

- Documentation is required to verify that any large deposit is from an acceptable source.
- Any large deposit that cannot be verified must be excluded from qualifying assets; and
    - A letter of explanation from the borrower is required for any unverified large deposit.

DSCR DOCUMENTATION

Property Income Analysis

- No minimum DSCR ratio required.
- A 1007 or 1025 Comparable Rent Schedule prepared by the appraiser is required for all DSCR transactions and will be used to calculate the DSCR ratio. No further documentation will be required or considered.

PROPERTY ELIGIBILITY & TYPES

Appraisal Types

Appraisers are required to use current appraisal report forms that are acceptable to Fannie Mae and/or Freddie Mac. The following appraisal report forms should be used when applicable:

- Uniform Residential Appraisal Form (FNMA Form 1004)
- Small Residential Income Property Appraisal Report (FNMA Form 1025)

- Individual Condominium Unit Appraisal Report (FNMA Form 1073)
- Appraisal Update and/or Completion Report (FNMA Form 1004D)
- Single Family Comparable Rent Schedule for all 1-unit investment properties (FNMA Form 1007)
- 1-4 Family Rider (Assignment of Rents) for all investment properties (FNMA Form 3170)

Appraisal Requirements

A full interior/exterior appraisal is required by a licensed appraiser when completing the appraisal report. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465, or 2090 must be used.

Appraisal Review Requirements

A second level appraisal review is required on all loans.

CU Score ≤ 2.5, No AVM Required
CU Score > 2.5, AVM Required with confidence score ≥ 90% required
CU Score > 2.5 with an AVM <90% will require a CDA with a variance less than 10% or a Field Review is required.
Field Review cannot have more than a 10% variance below value. If more than 10% below value, a 2nd full appraisal will be required.

Lowest value of all products will be used. File must contain evidence the borrower received the AVM, CDA, or Field Review at least 3 business days before closing in compliance with ECOA.

Appraisal Transfer Requirements

Business Purpose Appraisal

- The appraisal must be completed by an appraisal management company (AMC).
- The appraisal must be less than 120 days old as of the Promissory Note date.
- An appraisal update (1004D) may be used to extend the appraisal from 120 days to 180 days.
    - If the 1004D indicates a decline in market value from the original appraisal effective date, a new appraisal is required.
- A copy of the appraisal invoice must be provided to Sky TPO.

IMPORTANT:
Sky TPO cannot request revisions, corrections, or updates to the appraisal. All changes must be requested directly by the broker, and the broker must provide Sky TPO with the updated appraisal prior to final approval.

Transferred Appraisal with No AMC

The policies below apply to all Non-QM loans originated or purchased by Sky TPO and to appraisals prepared in the name of external brokers.

Acceptance Criteria

Sky TPO may accept an appraisal prepared for another broker when all conditions below are met:

1. **Appraisal Board Panel Requirements**
    - Originating broker must use a compliant appraisal panel or licensed AMC.
    - Panel must meet FIRREA, USPAP, and applicable state requirements.
2. **Normal Course of Business**
    - Appraisal must have been ordered and used by the originating party in normal lending operations.
    - Appraisals ordered solely for transfer, resale, or accommodation purposes are not permitted.
3. **Independence**
    - Appraisers must be independent with no conflict of interest.
    - Appraisal must be free from influence or bias.

Required Documentation

The following must be obtained and retained:

- Appraisal report signed by a state licensed or certified appraiser, USPAP compliant
- Letter of transmittal or assignment to Sky TPO
- AMC or appraisal panel approval from Sky TPO prior to acceptance
- Appraiser independence certification
- Original SSRs and matching XML file
- Verification that the originating broker's appraisal panel meets regulatory requirements
- Evidence that the borrower received the appraisal at least 3 business days before closing (Reg B)

Appraisal Requirements

Minimum Square Footage

- Single family residence: minimum 600 square feet
- Condos: minimum 400 square feet
- 2-4 units: minimum 400 square feet per individual unit

Personal Property

Any personal property transferred through 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 permitted.

Subject Property Analysis

The subject property section of the appraisal report must include the following:

- Identify and describe the location of the subject property. The appraisal must identify the subject property by its complete property address and legal description.
- When the legal description is lengthy, the appraiser may attach the full description as an addendum to the appraisal report or may provide the subject's tax ID parcel number
- Provide information about property taxes and special assessments
- Indicate the occupancy status of the property
- Describe the property rights appraised
- Summarize financing data and sales concessions
- Identify the borrower, the current owner, and the appraiser

Neighborhood Analysis

The neighborhood section of the appraisal report must contain an accurate description of the subject neighborhood and the factors that influence market value and marketability in the neighborhood. The actual neighborhood area being considered should be clearly defined using street names and other recognizable boundaries.

The sales price of comparable properties in the identified area should reflect positive and negative influences in the neighborhood. The analysis should consider the effect of social, economic, governmental, and environmental forces on property values. The information presented in the neighborhood description must be consistent with, and supported by, the conclusions reached by the appraiser throughout the appraisal report.

Present Land Use

The present land use, the predominant occupancy composition, and the likelihood that will change, must be analyzed to determine whether a neighborhood is undergoing transition. The appraiser must comment on any change in land use.

The relative percentages of developed land should be shown; underdeveloped land should be shown as vacant. Any unusual situations or types of land use should be mentioned in the comment section. The total types of land use must equal 100%.

Demand, Supply, and Marketing Time

Any increase or decline in the market must be detailed. The marketing time of the subject must reflect the current trend for the area and the subject property. Marketing time over 6 months must be explained in detail to determine the effect on marketability.

Property Marketability Factors

Properties that have unique physical features are physically deteriorated or exposed to value and marketability issues may require credit risk approval and may result in a reduction of value or declination of the loan.

Examples of marketability factors that could adversely affect the acceptability of the property are:

- Atypical physical characteristics and construction type/quality

- Economic changes in market conditions
- Environmental risk hazards (toxic)
- External or functional obsolescence
- Geological conditions: properties currently or potentially suffering from significant site distress or erosion due to local geological conditions
- Inadequate ingress and egress
- Public utilities or services: properties that lack typical city or county services and necessary utilities, including water electricity, heating, and sewage disposal
- Properties in remote locations
- Unique properties that do not conform to the local market and require longer marketing times such as over-improved or super adequacy properties
- Zoning changes: identified recent or pending zoning changes which would have a short-term negative or de-stabilizing impact on residential market values

Site Value

The estimated site value must be included for all detached properties. If the appraiser's estimate of the site value is not typical for a comparable residential property in the subject property's market area, the appraisal must include comments on how the variance affects the marketability of the subject property.

Multiple Parcels

A property that consists of two or more parcels of land with one legal description reflected on the title policy is acceptable collateral.

- The appraised value must be based on all parcels of land.
- All existing parcels must be contiguous and encumbered by the subject loan.
- The appraisal should include comparable sales similar to the subject property.
- Additional parcels with no improvements must be valued as excess land only.
- The mortgage must include all parcels as collateral.
- Site Area Maximum Acreage; Review product matrix for details.
- Refer to matrix for the total maximum acreage allowed.
- Appraisal must provide a value for the entire size of the property.
- Comparable sales should support larger parcels as common for the area.

Site Utilities

The minimum requirements for water sources, sewers, and electricity may include:

- Public water, private wells, shared wells with a recorded agreement, or common stock in a private water company with a recorded water stock certificate. Cistern water is acceptable on a case-by-case basis.
- The appraiser must provide recent comparable sales of properties that use cistern water that are in close proximity to the subject property.
- An internal appraisal review is required.
- Public sewer or private septic systems (cesspools): Private septic systems (cesspools) must be typical for the area and supported by comparable sales with similar septic systems.

- Public electricity only. Properties relying on solar systems or generators for electricity except as backup systems are not allowed.

Street Surfaces and Private Roads

Publicly maintained paved or all-weather dirt roads or private road access is acceptable, if common for the area. A road maintenance agreement is required for private road access for properties not located in a PUD. If no road agreement is in place, provide a copy of the last road clearing/maintenance bill. If the subject is on an all-weather dirt road, similar comparable sales must be utilized to support marketability and value.

The presence of sidewalks, curbs, gutters, streetlights, and alleys depends on the local codes and regulations of the city or local municipality. If such improvements are required in the community, they must be present.

Ingress and Egress

A property that is landlocked is not allowed. Private road access must have easements on record allowing access to and from subject property to a public street (ingress and egress) and must be insurable by the title insurance company.

Zoning Classification

The appraisal report must indicate the specific zoning classification for the subject property and a general statement to describe what the zoning allows (e.g.: “R-1 single-family” vs. “residential,” R-2 “two-family, "C1-commercial", etcetera). For areas where there is no local zoning, the report should indicate so.

The appraisal report should contain a statement indicating whether the site’s improvements represent a legal use of land. Loans secured by property with improvements that are not legally permissible are not acceptable.

A 1–4-unit property that represents a legal, but non-conforming use of the land must include the appraiser’s analysis regarding any adverse effect(s) that the non-conforming use has on the property’s value and marketability and comment on the highest and best use.

Properties with interim use or a highest and best other than residential are not acceptable. All properties with Interim Use require a 100% rebuild letter from the local municipality. For a unit located in a condominium or attached PUD project the rebuild letter must indicate that the project may be rebuilt to its current use and density with no restrictions. In instances where a property’s land value exceeds the loan amount sought by 120%, a rebuild letter is not required.

NOTE: PROPERTIES WITH INTERIM (GRANDFATHERED) USE WITHOUT 100% REBUILD LETTER, OR PROPERTIES REPORTED TO HAVE A DIFFERENT HIGHEST AND BEST USE THAN THE PRESENT USE ARE NOT ELIGIBLE FOR FINANCING.

Improvements

Over-Improved or Super-Adequate Properties

Properties that are considered over-improved or super-adequate for the neighborhood require a detailed explanation from the appraiser. The appraiser should attempt to utilize recent sales of similar properties (over-improved or super-adequacy) from the subject's market area, if available. If recent sales of such properties are not

available, the appraiser should utilize recent sales that are typical for the subject's market area and make the appropriate adjustments for functional obsolescence based on the market's reaction to the property.

Effective Age vs. Actual Age

The relationship of the effective age to actual age is a good indicator of property condition. A property that has an effective age higher than the actual age probably has not been well maintained. In such cases, the condition of the property must be carefully analyzed.

Parking

Adequate off-street parking must be available for the subject property. The property should provide adequate parking that is typical for the neighborhood. Off-street parking for one car is considered acceptable, unless the property is in an area where no off-street parking is typical.

Above-Grade Room Count

The appraiser must be consistent when calculating the above-grade room count and square footage of the gross living areas. For a condominium, the appraiser should use the interior perimeter unit dimensions to calculate gross living area. In all other instances, the exterior building dimensions should be used. Only finished above-grade areas should be counted; garages and basements should not be included.

A room that is not included in the above-grade room count may add substantial value to the property; therefore, the appraiser should report the basement area and other partially below-grade areas, including the room count, separately and make appropriate adjustments for them in the Sales Comparison Analysis Section.

Cost Approach

The cost approach to value is not required; however, where completed, all forms of depreciation applicable are required and must be explained.

Site Value

Where applicable, the estimated site value should include the cost approach for all detached properties. If the site value is more than 50% of the total value, the appraiser should include comments as to whether this is common for the subject property market area. If the appraiser's estimate of the site value is one that is not typical for a comparable residential property in the subject property's market area, the appraisal must include comments on how the variance affects the marketability of the subject property.

Remaining Economic Life

The estimated remaining economic life of the property must be included when the cost approach is completed. The estimated remaining economic life of the subject property must be no less than the term of the new loan.

Sales Comparison

At least 3 verified closed sales of comparable properties must be analyzed in the appraisal report, with adjustments made for significant differences between the comparable sales and the subject property.

Sales Comparison Selection Criteria

The 3 comparable sales listed in the report must meet the following criteria:

- Must be similar in property characteristics including square footage, room count (bedroom/bath count), design/appeal, construction, condition, amenities, site, etc.
- Urban and suburban properties must be measured in city blocks.
- Must be near the subject property. Outlying suburban and rural properties generally should not be more than 5 miles from the subject property without adequate explanation from the appraiser.
- Be recently sold (usually no more than 6 months before the date of the appraisal). Multiple listings from the market area are also recommended in areas where current closed sales may be difficult to obtain. The use of an older comparable sale must be justified by the comments in the appraisal report. The use of comparable sales over 12 months old must include an extensive explanation from the appraiser and will require credit risk review.
- The comparable sales prices should bracket the estimated value of the subject property.
- If adverse conditions affect the subject property, at least the same type of adverse condition must affect 2 of the comparable sales.

In areas where there are certain styles/types of properties that may be typical for the area such as A-frame home, split level homes, daylight basements, etc., the comparable utilized must be similar, in the market area, and represent the current market conditions for the time of sale.

Adjustments to Comparable Sales

Each comparable sale must be analyzed for similarities and differences between it and the subject property.

The appraisal must include appropriate adjustments for differences and indicate the dollar amount of the adjustments. Comparable sales must be adjusted to the subject property. Time adjustments must reflect the time that elapsed between the contract date for the comparable sale and the effective date of the appraisal of the subject property.

Excessive and Multiple Adjustments

Excessive and multiple adjustments could indicate that the comparable chosen were not suitable for accurately evaluating the property. The appraiser must "bracket" the comparable so that the property can be analyzed using both higher and lower priced homes.

UNSUPPORTED TIME ADJUSTMENTS ARE NOT ACCEPTABLE.

Appraiser's Comments

The appraiser's comments should reflect the reconciliation of the adjusted or indicated values for the comparable sales and identify which were given the most weight in arriving at the indicated value for the subject property.

Any additional features, necessary repairs or modernization, or physical, functional or external inadequacies must be reported in the comment sections of the appraisal report.

Declining Market

Refer to Matrix.

Unique Properties

Unique Property Features: A dwelling with an unusual layout, peculiar floor plan, or inadequate equipment or amenities usually has limited market appeal and should not be considered for maximum financing.

The appraiser should comment on any functional obsolescence, negative impact on the marketability, or buyer resistance as a result of the unique property features.

Unique properties require credit risk review:

- Appraisal Field Review is required, regardless of LTV
- Unique properties must be compared with other unique properties in the area
- The property must be in average or better condition
- The property must have adequate heating and water sources
- The appraised value must be based on a marketing time of no more than 6 months
- The property must meet all other property requirements and may be subject to an LTV reduction or declination

Environmental Hazards

Any known environmental hazard in or on the subject property, or in the vicinity of the subject property must be disclosed to the appraiser. The appraiser must consider any influence the hazard may have on the property's value and marketability. These hazards may be found on the Sales Contract/offer to purchase, or communicated by the seller of the property, the buyer, the real estate broker, or local governments. Upon discovery of any hazard, the appraiser must review for any suggested corrective action.

The appraiser must comment on any effects of adverse environmental hazards discovered on or near the site.

Toxic Waste

- Properties within 1 mile of a federal super fund site will require a Phase I Report. Based on the results, further analysis or reports may be required.
- Properties that abut or are adjacent to a known toxic site will require full disclosure and may require further analysis or a Phase I report.

Building Permits

Conversions and additions are acceptable as long as the appraiser comments that the work has been completed in a workman-like manner.
The appraiser must also comment if the improvements are functional and conform to the original quality of construction. If the above is satisfactory, the square footage can be included in the GLA.

Existing Construction

- If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal "as-is." These items must be reflected in the appraiser's opinion of value.
- When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs.
- These items can include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to, cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. In such cases, a 1004D Final Inspection is required.
- Permanent and functioning heat source: A permanent heat source is required except for properties located in geographic areas where it is typical not to have heat source and has no adverse effect on marketability.

Accessory Dwelling Units (ADU)

An accessory unit is typically an additional living area independent of the primary dwelling unit that includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a 1-unit property with an accessory unit or a 2-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented.

The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

Permitted ADU's

- Appraisal demonstrates the improvements are typical for the market through an analysis of at least two comparable with similar additional ADU's
- Property must conform to all zoning laws/regulations and/or legally permitted.
- The appraisal must include a description of the ADU and an analysis of the impact on the value or marketability of the subject property.

Unpermitted ADU's

- ADU is not required to be permitted provided the appraiser indicated the improvements represent a legal use of the property and completed in a workmanlike manner. **Not eligible in NY.**
- Appraisal must indicate market acceptable that would contribute to the value of the subject property by providing analysis of at least 2 comparables with similar additional ADU(s).
- If market does not recognize the non-permitted area, appraiser must include a cost to cure to restore subject property to its legal permitted use and deduct from conclusion of value for subject property.
- Legal non-conforming use is acceptable provided its current use does not adversely affect value and marketability.

If the property contains an ADU, the property is eligible under the following conditions:

- The property is defined as a 1-unit property with an ADU

- MULTIPLE ACCESSORY UNITS (ADU's) ARE NOT PERMITTED BUT WILL BE CONSIDERED FOR AN EXCEPTION PROVIDING THE FOLLOWING ARE MET:
    - MARKETABILITY POSES NO ISSUES
    - PROPERTY TO BE ADEQUATELY COMPED WITH MULTIPLE ADU'S.
    - APPRAISER TO ADDRESS QUALITY, BUILT IN WORKMAN LIKE MANNER WITH NO HEALTH AND SAFETY IMPLICATIONS.
    - The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least two comparable properties with the same use.

Outbuildings

All outbuildings (e.g. barns, stables, arenas, workshops, guesthouses, etc.) must be described in detail in the appraisal report. Value for outbuildings may be considered if:

- Legal use and affixed to a permanent foundation
- Not being used for commercial or business purposes that would conflict with the residential use of the property; and
- Typical for the area as evidenced by comparable sales with value given for the same or similar type of outbuildings.
    - If outbuildings are not typical for the area and they are not supported by comparable sales with similar outbuildings, no value will be given.

Property Condition

The appraiser must report on the condition of the improvement in factual terms. Items rated less than average (inferior) in competing properties of the subject's market area generally result in buyer resistance. The appraiser must comment on these items, the reasons for such ratings, and how they affect the marketability and value of the subject property.

Any property condition rating that is less than average or C5/C6 rating must be properly conditioned and brought to average or better condition prior to closing.

Work In Progress / Subject to Completion

Any work in progress subject to completion must be completed and a Satisfactory Certificate of Completion FNMA Form 1004D with photos must be included in the loan file.

A property with ongoing or recently completed work may be liable to a mechanic's lien(s); an Extended Title Policy specifically covering potential mechanic's liens will be required.

Deferred Maintenance

A property may be rejected as security for a loan if signs of deferred maintenance exist on the appraisal.

Properties that include certain appraiser conditions, subject to items, or deferred maintenance must be described in detail. The appraiser must include the cost to cure to determine the nature of the repairs. The appraiser's comments should address any threat to an occupant's health, safety, and habitability.

Licensed contractor bids are required for all repair items. All repair items must be completed and a Satisfactory Completion Certificate FNMA Form 1004D with photos must be obtained.

A property that is being used to store old cars, auto parts, appliances, debris scattered throughout the site, excessive amounts of trash, unkempt yard with overgrown trees, shrubs, and weeds, should be cleared. A Satisfactory Certificate of Completion FNMA Form 1004D with photos must be obtained.

Minor or Cosmetic Deferred Maintenance

Deferred maintenance items that are considered minor and cosmetic and do not affect the safety, structural integrity, mechanical systems, or habitability of the improvement may not need to be repaired. Minor cosmetic items may include as a non-exhaustive list of examples: interior or exterior painting, worn carpet, worn linoleum, minor patching, replacement of fixtures, minor clean up items, or minor landscaping. While these items are not required to be cured or repaired, a cost to cure must be established on the appraisal.

The total cost of the repairs may not exceed the greater of $5,000 or 3.0% of the property's value or they may need to be completed.

Health and Safety Issues

All items that have been identified as potential health and safety issues by the appraiser or Sky TPO must be satisfactorily addressed or resolved. A Satisfactory Certificate of Completion FNMA Form 1004D including photos of the repaired items prior to closing is required.

Health and safety issues may include as a non-exhaustive list of examples: a broken window, empty pool without appropriate fencing, security bars not equipped with safety release latches, upper-level doors with no balcony, missing railings, broken steps, missing handrails on steps/stairs consisting of 6 or more steps, major electrical, and plumbing repairs.

Security Bars

For health and safety reasons, a property with security bars on the windows and/or doors should be equipped with safety release latches. The appraiser must comment on whether the security bars have safety release latches. A property that has a minimum of 3 unobstructed exits will not require safety release latches on the security bars, unless required by the local municipality.

Heat Source

The subject property must have an acceptable heating source based on local health and safety codes. A permanent ventilated source of heating is required except in areas where heating is not required.

Structural Deferred Maintenance

Structural items are not covered in the cosmetic rule. Structural items can be roofing, internal plumbing, electrical, or anything that affects the "bone structure" of the house. Items like termite damage, wood rot, roof leaks, broken windows, door damage, gross ceiling or wall damage, unstable or non-level floors, foundation problems, basement leaks, or major exterior wall problems are further examples of structural deferred maintenance.

Properties with structural damage will not be acceptable unless repaired. Structural concerns require a satisfactory structural report. The repair items must be corrected and a Satisfactory Certificate of Completion FNMA Form 1004D including photos of the repaired items prior to closing is required.

In the event the work is completed by a third-party contractor, appropriately licensed to complete the work required, a signed statement of work and pictures showing the completed work to document satisfaction may be considered. The file should document the contractor is paid for said work or can pay through closing funds.

Reconciliation of Value

The reconciliation must contain any conditions of the appraisal on which the final estimate of value is based. The rationale in the final reconciliation must be consistent with the comments, conclusions, and assumptions stated throughout the appraisal report. The appraiser must indicate if the appraisal is made “as-is” or “subject-to” repairs or completion.

The report must state that the current FNMA form 1004B is attached and must contain:

- Date of the value estimate
- Estimate of market value
- Appraiser’s name and original or digital signature
- Appraiser’s state certification or license number
- A statement that the appraisal was prepared in accordance with the requirements of Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act (FIRREA) of 1989, as amended (12 U.S.C. 3331 et seq.)

Value Conclusion

The value conclusion must be well supported and documented. All approaches to value must be reconciled except on properties where certain approaches to value may not be applicable.

Flip Transactions

A transaction is considered a “flip” when the seller is reselling a property within 180 days of acquiring it, and the new sales price increases more than 10% over the seller’s acquisition cost.
The 180-day period is measured using:

- **Acquisition date:** the date the seller became the legal owner; and
- **Purchase agreement date:** the date both buyer and seller executed the contract.

Flip Transaction Requirements

All flip transactions must meet the following conditions:

- **Arm’s length requirement:**
  The transaction must be fully arm’s length, with no identity of interest between buyer, seller, or any other party involved.

- **No pattern of flipping:**
  The seller must not have engaged in repeated flipping activity over the previous 12 months.
  Acceptable exceptions include:
  - Newly constructed properties
  - Sales by government agencies
  - Inherited properties
  - Divorce related property transfers-related property transfers
  - Sales by the holder of a defaulted loan (case-by-case)
- **Open, fair marketing:**
  The property must have been marketed through documented channels such as:
  - MLS
  - Auction
  - FSBO listing
  - Developer/builder marketing
- **No contract assignments:**
  Assignments to a new buyer are not allowed.
- **Sales price exceeding appraised value:**
  If the purchase price exceeds the appraised value by more than 5%, obtain a signed borrower acknowledgement letter.
- **Renovation/Improvement documentation:**
  The seller must provide sufficient documentation evidencing actual renovation or construction costs, such as:
  - Purchase contracts
  - Plans/specs
  - Receipts
  - Invoices
  - Lien waivers
  - Other verifiable cost documentation
  - Evidence of construction / renovation is not required for properties sold at auction, or documented sale below market, with a maximum appraised value of $1,000,000.

Timing Rule

All timeframes must be calculated from:

- The date the seller became the legal owner, and
- The date of the purchase agreement was fully executed by all parties.

Rural Properties - Unacceptable

A property is defined as rural when indicated as Rural by the Appraiser in the appraisal report.

Disaster Areas

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA website at https://www.fema.gov/disaster/declarations. 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 120 days from the disaster declaration date as published by FEMA.

Appraisals Completed Prior to Disaster Event

An exterior inspection of the subject property is required on disaster area inspection report (DAIR) or a 1004D.

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

Appraisals Completed After Disaster Event

- The 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 reinspected prior to purchase.

LOANS WILL NOT FUND/CLOSE UNTIL THE ABOVE INSPECTIONS ARE COMPLETED.

Ineligible Property Types

- Agricultural properties with working farms, ranches, and orchards
- Rural
- Manufactured
- Mobile Home
- Appraised condition rating of C5 or C6
- Assisted living facilities
- Barndominiums
- Boarding houses, homes that are rented out by the room, or bed/breakfast properties
- Co-op/timeshare
- Condo cooperative share loans
- Dome or geodesic homes
- Homes on Indian reservations, Indian Leased Land
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Log homes
- Mixed-Use & Commercial properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location

- Properties with zoning violations
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- Vacant land or land development properties
- Container homes
- SFR > 1 ADU
- 2-4 with ADU
- 5-8 with ADU

Flood Certificates

Life of Loan Flood Certificates are required for all first liens. A copy of the flood certificate must be included in the loan file. All subject properties requiring flood insurance must include an insurance policy that is in compliance with HFIAA and an escrow/impound account for the insurance premium.

Survey

Required on:

- New Construction
- Properties where a Survey is normal and Customary, commonly for FL and TX
- Required if title report contains a Survey Exception

CONDO REQUIREMENTS

All condominium projects must be evaluated first for warrantability status under Fannie Mae standards. Eligibility, documentation, review type, and loan terms are driven by whether a project is Warrantable or Non-Warrantable, as outlined below.

I. Warrantable vs. Non-Warrantable Condominium Determination (All Loans)

A. Warrantable Condominiums

A condominium project is considered **warrantable** when it meets all applicable Fannie Mae eligibility requirements, including but not limited to:

- Compliance with federal, state, and local laws
- Acceptable levels of commercial space (per applicable addendum)
- Acceptable HOA delinquency, ownership concentration, and reserve funding
- No disqualifying litigation or deferred maintenance issues
- Adequate insurance coverage meeting Fannie Mae standards

Warrantable projects may be eligible for review waivers, limited reviews, or full reviews, depending on project characteristics, loan type, and occupancy.

B. Non-Warrantable Condominiums

A condominium project is considered non-warrantable when it does not meet one or more Fannie Mae warrantability criteria. Non-warrantable characteristics may include, but are not limited to:

- Excess commercial space
- Higher investor concentration
- Elevated HOA delinquency rates
- Pending litigation (subject to review)
- Reduced reserve funding
- Condotel or hotel-managed operations (where permitted)
- High single entity ownership

Non-warrantable condominiums:

- Always require a full condominium review
- Are subject to expanded eligibility criteria and additional documentation per guidelines
- May be permitted only for specific loan types, as defined in the applicable addendum

Projects that fail to meet even expanded non-warrantable criteria are ineligible.

II. Project Eligibility Criteria (Applies to All Loans)

A. Legal and Project Status

- The project must be legally created and exist in full compliance with all applicable federal, state, and local laws and regulations.
- The condominium project must have addressed any issues related to safety, soundness, or habitability. Additional documentation may be required based on the circumstances.
- If the project is defined as new by Fannie Mae, the subject phase must be 100% complete, including all common elements.
- Ground Lease (leasehold) - Refer to Leasehold section

B. Physical Characteristics

- Minimum unit size: **400 square feet**
- Common areas and facilities (including parking and recreational amenities) must be complete

C. HOA Financial and Ownership Standards

- No more than 20% of units may be 60 or more days delinquent on HOA dues or any special assessments.
- No single entity, borrower, or investment group may own more than 30% of the total units in the project.
- For full condominium reviews, the HOA budget must reflect a minimum 10% reserve allocation of total assessments, unless otherwise permitted under non-warrantable guidelines.
- Mortgagee may not be responsible for delinquent HOA dues that exceed Fannie Mae requirements.

D. Commercial Use

- Commercial use within the project is limited and must comply with the applicable addendum.

E. Litigation

- Pending litigation requires:
    - A copy of the complaint, and
    - Written confirmation from the insurance carrier or HOA's Attorney that it is providing defense and coverage.
- Waive documentation requirements for minor matters such as slip-and-fall claims, foreclosure actions, or other non-monetary disputes.

F. HOA Control and Legal Documents

- HOA control should be transitioned to unit owners – (not required for new construction)
- For new projects, legal documents must include language that:
    - Establishes mortgagee rights in the event of foreclosure
        - Refer to FNMA for all new construction legal requirements
    - Defines the conditions under which homeowners assume control of the HOA.

III. Condominium Review Types (All Loans)

A. Condominium Review Waiver – Eligible Property Types

- Detached (Site) Condominiums
- 2–4 Unit Condominiums

Projects using a review waiver must maintain adequate insurance coverage, including:

- Master building insurance with replacement cost coverage
- HO-6 coverage (if walls-in coverage is not provided by the master policy)
- Flood insurance, if applicable

B. Limited Review Requirements

- All units, phases, common elements, and amenities must be 100% complete.
- At least 90% of units must be sold and closed.
- HOA control must be fully transitioned to unit owners.
- Completed, signed, and dated condominium questionnaire.
- Required insurance coverage as outlined in Section IV.

C. Full Review Requirements

- Completed, signed, and dated condominium questionnaire.
- Current year approved HOA budget.
- Master insurance including:
    - Building coverage at replacement cost
    - Ordinance or Law coverage (Coverages A, B, and C)
    - Inflation Guard

- Liability coverage of at least $1,000,000 per occurrence (with Separation of Insureds)
- Fidelity bond (including management agent coverage), if applicable
- Flood insurance, if required

IV. Insurance Requirements (All Loans)

- Borrower must carry HO-6 insurance covering interior improvements, betterments, and fixtures when not covered by the master policy.
- Fidelity bond coverage is required for projects with more than 20 units, in an amount equal to the greater of:
  - Three months of HOA dues or reserves, or
  - The minimum required by state law.
- Maximum allowable deductible for all required insurance perils is 5% of the face amount. (Non-Warrantable allows for 10%)
- Condominium associations located in Special Flood Hazard Areas must maintain an NFIP RCBAP policy in accordance with NFIP limits.

V. Ineligible Condominium Projects (All Loans)

Projects are ineligible if they include, but are not limited to:

- Timeshare, segmented, or fractional ownership structures
- Condotels or hotel-managed projects (unless expressly permitted by addendum)
- Projects with non-incidental business operations owned or operated by the HOA
- Manufactured home, houseboat, or assisted-living projects, Cooperatives, & Condos, & live-work
- Projects with deferred maintenance, critical repairs, or unresolved safety directives
- Projects subject to SEC regulation or private transfer fees that do not benefit the HOA

Addendum A – Business Purpose Loans (Investment Properties)

The following provisions apply only to Business Purpose Loans and supersede the Master Policy where noted.

A. Occupancy

- Eligible occupancy type:
  - Investment Property only

B. Unit Configuration

- Each unit must include:
  - A full-size kitchen, and
  - At least one separate bedroom.
- ITIN-DSCR loans require a minimum unit size of 600 square feet.

C. Commercial Space Limitation

- Commercial space may not exceed 50% of the total project square footage.

D. Limited Review LTV Parameters

- Investment Properties (Outside Florida): **≤ 70% LTV**
- Florida: We allow for limited review for projects in Florida, depending on LTV.

E. Non-Warrantable Projects

- Non-warrantable condominiums and condotels are subject to expanded eligibility criteria and are reviewed on a case-by-case basis.

Site Condominiums

All loans secured by condominium projects require a complete HOA questionnaire and condominium review except:

- Site Condominium
- 2- to 4-unit condominium projects will not require a project review provided the following are met:
    - Evidence of sufficient hazard, flood, and walls-in insurance coverage if the subject unit has individual coverage.

If the insurance covers the entire project, it must be sufficient in the event of a total loss.

Hazard Insurance

Evidence of Hazard Insurance

The policy must be effective at the time of closing and does not expire for at least 60 days after the date of funding (does not apply to condominium project insurance policies). Rental Loss Coverage is not required.

Evidence of Insurance may be provided in one of the following forms:

- Policy
- Certificate of Insurance (COI)
- Insurance Binder

Evidence of Insurance must provide the following information and be signed and dated by agent:

- Names of borrowers reflect the same as the names on the Promissory Note
- Property address agrees with the Promissory Note/security instrument
- Mailing address is the same as property address for owner occupied.
- Policy Number
- Loan Number
- Name of insurance company
- Insurance Agent information
- Effective and expiration dates of coverage
- Premium Amount
- Coverage amounts and deductible

- Loss payee clause as applicable

Hazard Insurance Requirements

Hazard insurance must provide protection against loss or damage from fire, and all hazards included in a standard extended coverage endorsement. Coverage must settle claims on a replacement cost basis and must, at minimum, include:

- Wind
- Civil commotion (including riots)
- Smoke
- Hail
- Damage caused by aircraft, vehicles, or explosion

Policies that limit or exclude windstorm, hurricane, hail, or any other perils normally included under extended coverage are not acceptable, unless the borrower obtains separate coverage (through a commercial insurer or a state-established insurance pool) that fully insures the excluded peril.

Additional requirements apply when the property has third-party owned or leased solar panels, including Power Purchase Agreements or similar arrangements.

Determining the Required Coverage Amount

The lender or servicer must verify that the property insurance coverage amount for a first mortgage secured by a one- to four-unit property is at least equal to the lesser of:

- 100% of the replacement cost value of improvements as of current property insurance policy effective date, or
- the unpaid principal balance of the loan, provided it equals no less than 80% of the replacement cost value of the improvements as of the current property insurance policy effective date.

The source that the lender or servicer uses to verify the coverage amount may be the property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination. This may include, but is not limited to, a statement from the insurer or other applicable professional, a replacement cost estimator, or an insurance risk appraisal.

If the coverage amount does not meet the minimum required, coverage that does provide the minimum required amount must be obtained.

The following table provides the steps to calculate the amount of required property insurance coverage.

Step	Description
1	Compare the replacement cost value of the improvements to the unpaid principal balance (UPB) of the loan.
1A	If the replacement cost value of the improvements is less than the UPB, the replacement cost value is the amount of coverage required.
1B	If the UPB of the loan is less than the replacement cost value of the improvements, go to Step 2.
2	Calculate 80% of the replacement cost value of the improvements.
2A	If the result of this calculation is equal to or less than the UPB of the loan, the UPB is the amount of coverage required.
2B	If the result of this calculation is greater than the UPB of the loan, this calculated figure is the amount of coverage required.

Example:

Category	Property A	Property B	Property C
Replacement Cost Value	$90,000	$100,000	$100,000
UPB	$95,000	$90,000	$75,000
80% of the Replacement Cost Value	—	$80,000	$80,000
Required Coverage	$90,000	$90,000	$80,000
Calculation Method	Step 1A	Step 2A	Step 2B

If the policy does not show 100% replacement cost and no replacement cost estimate is included, a processor's certificate verifying the insurer's replacement cost estimate is acceptable. The certificate must:

- Include full insurance company information
- Include subject property details
- Confirm the insurer determined replacement cost amount
- Be signed and dated by the processor

Deductible Requirements

- The maximum deductible for hazard insurance is 5% of the policy face amount.
- If the policy contains a separate wind deductible, it also must not exceed 5% of the policy face amount.

Documentation Timing

The following must be no more than 60 days old as of the Promissory Note date and must be active at closing:

- Hazard insurance policy
- Any required supplemental or separate coverage
- **REFINANCES**: Hazard Insurance must have a minimum of 60 days remaining on the policy at the time of funding. If less than 60 days of coverage remains at the time of closing, 12 months must be collected to pay the policy in full through the closing.
- **PURCHASES**: 12 month policy must be effective no later than the date of funding.

Flood Insurance

The property securing the mortgage loan must be adequately protected by flood insurance when required. Flood insurance coverage is required when a mortgage loan is secured by a property located in a Special Flood Hazard Area (SFHA), or a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA). (See below for additional information.)

Determine whether the property is located in a SFHA by using the Standard Flood Hazard Determination form endorsed by FEMA. All flood zones beginning with the letter "A" or "V" are considered SFHAs.

The following table describes how to evaluate a property to determine if flood insurance is required. For the purpose of these requirements, the "principal structure" is the primary residential structure on the property securing the mortgage loan.

If...	Then flood insurance is...
any part of the principal structure is located in an SFHA	required.
the principal structure is not located in an SFHA, but a residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	required for the residential detached structure.
the principal structure is not located in an SFHA, but a non- residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the	not required on either structure.

the principal structure is not located in an SFHA, but a detached structure attached to the land that does not serve as part of the security for the mortgage loan is located within the SFHA	not required on either structure.

Acceptable Flood Insurance Policies

The flood insurance policy must be one of the following:

- a standard policy issued under the NFIP; or
- a policy issued by a private insurer as long as the terms and amount of coverage are at least equal to that provided under an NFIP policy based on a review of the full policy issued by a private insurer.
- A Policy Declaration page is acceptable evidence of flood insurance. **New policies must be paid through the closing. Policies with less than 60 days of coverage remaining at the time of closing, must be paid through the closing.**

Confirmation from the insurance agent is required to document any new policies that may require 30 days to bind the policy.

FLOOD INSURANCE APPLICATION WITHOUT DECLARATION PAGE

Insurer to confirm receipt of the application, with no outstanding conditions

Instruction is provided to the settlement agent to pay the application premium through the closing

Optional Coverage

Hazard insurance policies may include optional coverage(s) which are acceptable but are not required. For example, a “homeowners” or “package” policy is acceptable so long as any part of the coverage that exceeds the required coverage is not obligated for renewal.

PROPERTY TAXES

CALIFORNIA

Purchase transactions, new construction or pending reassessment on existing properties in the state of California – Use 1.25% of purchase price as a standard industry practice. If the property has Mello Roos, the calculation increases to 1.75%.

ALL OTHER STATES

Purchase transactions, new construction or pending reassessment on existing properties for all other states:

- Taxes to be calculated per title. No estimated taxes to be calculated. Or if unavailable from Title, an Underwriting Manager may utilize Smart Asset to project property taxes based on land and improvements.

Tax-Rates (be sure to adjust for correct state and county): Tax Assessors By State - Tax-Rates.org

Property Tax Estimates example, but not limited to www.smartasset.com

LEGAL ENTITY

Limited Liability Company (LLC)

Requirements

1. Required Entity Documentation

All LLCs must provide the following:

Core Formation Documents

- Articles of Organization (or equivalent formation document)
- EIN/TIN

Good Standing

- Evidence of **good standing** from the state of formation
    - Not required if the LLC was formed within the last 12 months
- **Good standing for the subject property state is *not* required**, as long as good standing is provided for the formation state

Ownership & Structure

- Documentation listing all members/managers and ownership percentages (e.g., operating agreement, organizational chart)

2. Authorization to Sign Loan Documents

Loan documents must be executed by an individual authorized to act on behalf of LLC.

Acceptable Authorization Documents

- Operating Agreement identifying the authorized signer
- Certificate of Authorization
- Member/Manager Resolution
- Any other entity document clearly granting signing authority

! NEW RULE – Borrower Certificate Requirement

A Borrower Certificate is required **ONLY** when **BOTH** conditions are true**:**

1. The LLC is *multi-member*
2. No entity document exists that identifies an authorized signer
   (e.g., no operating agreement, no authorization certificate, no resolution)

Borrower Certificate NOT Required When:

- The LLC is single member (never required)
- The LLC is multimember, and valid signing authority documentation is provided-member-authority documentation is provided

3. Guarantor & Borrower Qualification Requirements

Personal Guarantees

The following individuals must provide a personal guaranty:

- All **authorized signers** who are borrowers
- Any individual with **51% or greater ownership** in the LLC

Borrower Qualification

For all individuals required to personally guarantee:

- A 1003 loan application
- Credit report
- Income and asset documents

These are used to determine qualification and pricing.

4. Special Rules When Authorized Signer Is Not Listed

If the **Operating Agreement does NOT identify an authorized signer**:

- **Option A − No Other Authorization Documents Exist**
  - All members must apply as individual borrowers
    (unless a Borrower Certificate is supplied — *multi-member only*)
- **Option B − An Addendum Exists Naming an Authorized Signer**
  - Only the named authorized signer must complete a 1003 and credit qualify.
- **Option C − A Fully Executed Authorization Form Exists**
  - Only the authorized signer must complete a 1003 and credit qualify.

5. Title Requirements

- “Title will be held in what name(s)” must list only the LLC name.

6. Personal Guaranty Execution Requirements

- Must be executed at closing
- Must be dated the same date as the Promissory Note
- For borrower/spouse residing in a community property state (AK, AZ, CA, ID, LA, NM, NV, TX, WA, WI):

- **Spousal signature is required on the Loan Guaranty within the Closing Documents**

LOAN DOCUMENT EXAMPLE VERBIAGE:

Community Property. *If Guarantor (or any Guarantor, if more than one) is a married person, and the state of residence of Guarantor or Guarantor's spouse ("Guarantor Spouse") is a community property jurisdiction, then each of the following apply:*

Guarantor (or each such married Guarantor, if more than one) agrees that Lender may satisfy Guarantor's obligations under this Guaranty to the extent of all Guarantor's separate property and against the marital community property of Guarantor and Guarantor Spouse.

If Guarantor Spouse is not also a Guarantor of the Loan, Guarantor certifies that none of the assets shown on his or her financial statements submitted to Lender for purposes of underwriting the Loan were either (i) Guarantor Spouse's individual property, or (ii) community property under the sole management, control, and disposition of Guarantor Spouse.

If Guarantor Spouse is not also a Guarantor of this loan and Guarantor or Guarantor Spouse's state of residence is Alaska, Arizona, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, or Wisconsin, Guarantor has caused Guarantor Spouse to acknowledge this Guaranty as required on the signature page of this Guaranty.

7. Managing Member Signature Requirements

All **managing members** must sign required entity documents at closing unless:

- A fully executed legal agreement gives one-member sole signing authority
- This agreement must be included in the closing package

Signature Block Examples

Example 1 — Single Member LLC (Borrower Cert NOT required)	Example 2 — Multi-Member LLC With Two Authorized Signers
Borrower: JJ Investors, LLC **Member:** James Johnson JJ INVESTORS, LLC, a [____] limited liability company By: James Johnson Title: Authorized Signatory	**Borrower:** JJ Investors, LLC **Members:** James Johnson & Jane Nelson JJ INVESTORS, LLC, a [____] limited liability company By: James Johnson Title: Authorized Signatory JJ INVESTORS, LLC, a [____] limited liability company By: Jane Nelson Title: Authorized Signatory

Inter Vivos Revocable Trusts

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. 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, so 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).
- An institutional trustee that customarily performs trust functions in and 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.

Required Documentation:

- California:
    - If the trust was created under California law, a fully executed Certificate of Trust under Section 18100.5 of the California Probate Code.
- All Other States:
    - If the trust was created under the laws of a state other than California, the following is required:
    - Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all of 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 the trustee
- The borrower
- The settler
- Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber new assets

Corporation & S-Corp (Inc.)

- Filed Certificate/Articles of Incorporation and all amendments (or equivalent)
- Corporation /S-Corp must be domiciled in the United States
- Signed By-Laws and all amendments
- Evidence of good standing (not required for corporations formed within the last 12 months)
    - Good standing is always required for the state in which the entity was formed (e.g., certificate, screenshot from state website)

- If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (e.g., Certificate, screenshot from state website)

- EIN/TIN
- Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
- Proof of ownership of all owners (e.g. stock ledger, accountant letter, etc.)
- Receipt of current year franchise tax payment or clear search

Limited Liability Partnership (LLP)

- Filed Partnership Certificate (if a general partnership, filing with the secretary of state (SOS) may not be required)
- Partnership Agreement and all amendments
- Evidence of good standing (not required for entities formed within the last 12 months)
    - Good standing is always required for the state in which the entity was formed (e.g., certificate, screenshot from state website)
    - If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (e.g., certificate, screenshot from state website)
- EIN/TIN

Limited partner consents (where required by partnership agreement)

Layered Entities (All Entity Types)

A layered entity is a borrowing entity that is owned, in whole or in part, by ne or more other entities (LLCs, LLPx, corporations, or eligible trusts), rather than solely by individuals.

- A maximum of four (4) entities is permitted in the ownership structure, including the borrowing entity
- All entities in the ownership structure must be domiciled in the United States. Foreign holding companies are not permitted
- An organizational chart showing every entity in the structure and all the individual(s) who ultimately own each entity is required, along with the entity documents listed above for each entity.

Trust-Owned Entities

An entity may be owned, in whole or in part, by an eligible trust. However, a trust may not be owned by an entity. Trusts must have one or more individual grantors/settlors and individual trustee(s), and must otherwise meet all applicable trust eligibility requirements.

Personal Guarantees (All Entity Types, Business Purpose Only)

Required Guarantors

The following individuals must execute a personal guaranty:

- All authorized signers who are borrowers on the transaction
- Any individual with a 51% or greater direct or indirect ownership interest in the borrowing entity

Personal Guaranty Execution Requirements:

- Must be executed at closing
- Must be dated the same date as the Promissory Note
- For borrowers residing in a community property state (AK, AZ, CA, ID, LA, NV, NM, TX, WA, WI) the spouse of the required guarantor must also execute the personal guaranty.

TITLE REQUIREMENTS, VESTING & OWNERSHIP

Sky TPO requires each loan to contain a title insurance policy. If the file contains the Commitment for Title Insurance or Preliminary Title Report, it must indicate the final policy will be issued upon payment of the premium, naming Sky TPO as the proposed insured. By delivering a mortgage loan to Sky TPO, the Broker/Originator represents and warrants that the loan is covered by the required title policy, issued by a licensed insurer, and includes any required endorsements.

Terms of Coverage and Title Requirements

The title insurance policy must ensure the title is acceptable and that the mortgage represents a first lien on a fee simple estate in the property. The title policy must also list all other liens and reflect they are subordinate. Follow Fannie Mae: Title Insurance | Fannie Mae

- Title must be in the Borrower's name at time of application for refinance transactions and on closing date for all transactions.
- The amount of title insurance coverage must be at least equal to the original principal amount of the mortgage.
- All files must contain a 24-month title history. Transfer date, price, and buyer and Originator names should be provided for any transfers that occurred within the past 24months.
- All parties who take title to the subject property must sign the Security Instrument. All parties to the loan do not have to be on title.
  Vesting Forms

Eligible forms of vesting are:	Ineligible forms of vesting are:
• Individuals • Joint tenants • Tenants in common • Inter Vivos Revocable Trust • LLC, Corp, S-Corp, or Partnership	• Land Trusts • Blind Trusts • IRAs • Life estates

Non-Borrowing or Non-Titled Spouse/Individuals

A non-borrowing spouse/individual is the borrower's spouse/individual whose credit and income are not considered for qualifying. A non-borrowing spouse/individual may or may not be currently vested on title to the property.

If the borrower's spouse/individual is to be added to title through the subject transaction, they are not required to qualify for the loan or required to escalate loan documents.

A non-borrowing spouse/individual and a non-titled spouse/individual not being added to title must execute certain documents to evidence that the spouse/individual is relinquishing all rights to the property, if so required, to perfect the lien under governing law and must also execute a concurrent Quit Claim Deed or Grant Deed.

A non-borrowing spouse/individual can remain on the purchase contract and go on title at the closing of a purchase transaction. Additionally, it is permissible to add a non-borrowing spouse/individual to title on a refinance transaction. A non-borrowing spouse/individual is not required to be on the evidence of insurance or closing protection letter.

Power of Attorney

A Limited Power of Attorney (POA) is

Acceptable when following requirements are met:

- POA is specific to the transaction
- Used only to execute the final loan documents
- Borrower who executed the POA signed the initial 1003
- No interested party to the transaction (such as property seller, broker, loan officer, realtor, etc.) may act as Power of Attorney

Not Permitted on:

- Loans closing in an entity
- Cash out transactions

Leasehold Properties

Mortgages secured by properties on leasehold estates are acceptable in areas in which this type of property ownership has received market acceptance. The mortgage must be secured by property improvements and the borrower's leasehold interest in the land.

The leasehold estate and the improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

The leasehold estate and the mortgage must not be impaired by any merger of title between the lessor and lessee. In the event the mortgage is secured by a sublease of a leasehold estate, the documents must provide that a default under the leasehold estate will not by such default result in the termination of the sublease.

Lease Requirements

The following requirements must be met for leases associated with leasehold estate mortgage loans:

- The original term of the lease is not less than 15 years
- The term of the leasehold estate must run for at least 5 years beyond the maturity date of the mortgage, unless fee simple title will vest at an earlier date in the borrower
- The lease must provide that the leasehold can be assigned, transferred, mortgaged, and sublet an unlimited number of times either without restriction or on payment of a reasonable fee and delivery of reasonable documentation to the lessor
- The lessor may not require a credit review or impose other qualifying criteria on any assignee, transferee, mortgagee, or sublessee
- The lease must provide for the borrower to retain voting rights in any homeowners' association
- The lease must provide that in addition to the obligation to pay lease rents, the borrower will pay taxes, insurance, and homeowners' association dues (if applicable), related to the land in addition to those they are paying on the improvements.
- The lease must be valid, in good standing, and in full force and effect in all respects
- The lease must not include any default provisions that could give rise to forfeiture or termination of the lease, except for nonpayment of the lease rents
- The lease must include provisions to protect the mortgagee's interests in the event of a property condemnation
- The lease must provide lenders with the right to receive a minimum of 30 days' notice of any default by the borrower, and the option to either cure the default or take over the borrower's rights under the lease.

Additional Eligibility Requirements

The following requirements must be met before a lender can deliver a leasehold estate mortgage for purchase or securitization:

- All lease rents, other payments, or assessments that have become due must be paid
- The borrower may not be in default under any other provision of the lease, nor may such a default have been claimed by the lessor

Option to Purchase Fee Interest

The lease may, but is not required to, include an option for the borrower to purchase the fee interest on the land. If the option is included, the purchase must be at the borrower's sole option, and there can be no time limit within which the option must be exercised. If the option to purchase the fee title is exercised, the mortgage must become a lien on the fee title with the same degree of priority that it had on the leasehold.

Both the lease and the option to purchase must be assignable.

Option to Purchase Fee Interest	
Status of Improvements	**Purchase Price of Land**
Already constructed at the time of lease execution.	The initial purchase price should be established as the appraised value of the land on the date the lease is executed.
Already constructed at the time the lease is executed, and the lease is tied to an external index, such as the Consumer Price Index (CPI).	• The initial land rent should be established as a percentage of the appraised value of the land on the date that the lease is executed. • The purchase price may be adjusted annually during the term of the lease to reflect the percentage increase or decrease in the index from the preceding year. • Leases may be offered with or without a limitation on increases or decreases in the rent payments.
Will be constructed after the lease is executed.	The purchase price of the land should be the lower of the following: • The current appraised value of the land, **or** • The amount that results when the percentage of the total original appraised value that represented the land alone is applied to the current appraised value of the land and improvements. Example: Assume that the total original appraised value for a property was $160,000 and the land alone was valued at $40,000 (thus representing 25% of the total appraised value). If the current appraised value is $225,000, $50,000 for land and $175,000 for improvements, the purchase price would be $50,000 (the current appraised value of the land, because it is less than 25% of $225,000) Note: If the lease is tied to an external index, the initial land value may not exceed 405 of the combined appraised value of the land and improvements.

Solar Panels

Sky TPO will accept properties containing solar panels under the following circumstances.

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate.

Common ownership or financing structures include:

- borrower-owned panels
- leasing agreements
- separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); **or**
- Power Purchase Agreements.

Properties with solar panels are eligible for financing. If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or secured by the existing first mortgage), Sky TPO's standard requirements apply (for example, appraisal, insurance, and title).

NOTE: PROPERTIES WITH SOLAR PANELS AND OTHER ENERGY EFFICIENT ITEMS FINANCED WITH A PACE LOAN ARE NOT ELIGIBLE IF THE PACE LOAN IS NOT PAID IN FULL PRIOR TO OR AT CLOSING.

If the solar panels are financed and collateralized – the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing has been filed for the panels in the real estate records which appear on the title report, then the following must be done:

- Obtain and review the credit report, title report, Appraisal, and/or UCC fixture filing, Promissory Note, and related security agreement that reflects the terms of the secured loan
- Provided the panels cannot be repossessed for default on the financing terms, appraiser can consider the solar panels in the appraised value of the property.
- Include the solar panels in "other debt" secured by the real estate in the CLTV calculation because a UCC fixture filing is of record in the land records.
- If a UCC fixture filing is in the land records, it must be subordinated to Sky TPO's mortgage loan. The UCC lien cannot be terminated and refiled after closing.

If the solar panels are financed and collateralized – the solar panels are reported to be collateral for separate non-mortgage debt used to purchase the panels, but do not appear on the title report, then the following must be done:

- Obtain and review the credit report, title report, Appraisal, and/or UCC fixture filing, Promissory Note, and related security agreement that reflects the terms of the secured loan
- Appraiser cannot provide contributory value of the solar panels towards the appraised value as they are collateral for another debt
- Solar panels are not included in the LTV/CLTV calculation because the security agreement/UCC financing statement treat the panels as personal property not affixed to the home.

If the solar panels are leased or covered by a Power Purchase Agreement (PPA):

- Obtain and review copies of the lease or power Purchase Agreement
- The value of the solar panels cannot be included in the appraised value of the property
- The value of the solar panels must not be included in the LTV calculation; even if a precautionary UCC filing is recorded because the documented lease or power Purchase Agreement status takes priority
    - A "precautionary" UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it
- When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power Purchase Agreement, and not the home or underlying land, such a precautionary
- UCC filing is acceptable (and a minor impediment to title), so long as the loan is underwritten in accordance with this topic
- The value of the solar panels must not be included in other debt secured by real estate in the CLTV calculation because the documented lease or power Purchase Agreement status takes priority.

- The property must maintain access to an alternate source of electric power that meets community standards.
- The lease or power Purchase Agreement must indicate that:
    - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
    - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, Sky TPO may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy; and
- In the event of foreclosure, the lender or assignee has the discretion to:
    - Terminate the lease/agreement and require the third-party owner to remove the equipment;
        - Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
        - Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.

ITIN Loan Program

ITIN ELIGIBILITY

General

This program requires at least 1 borrower to have an Individual Taxpayer Identification Number (ITIN) and meet the ITIN documentation requirements.

ITIN Documentation Requirements

- Government photo ID from U.S. or eligible country of origin. Examples include government license, passport, etc. A Visa is not required in addition to the above for an ITIN borrower.
- ITIN card or letter from the IRS
- All documentation in the file must support the borrower's ITIN and cannot reference an SSN belonging to another individual.
- ITIN is required to be assigned to the borrower prior to application

Evidence of an unexpired ITIN:

- DSCR: Provide one of the following:
  - IRS letter dated less than 3 years ago
  - Fully executed W7, including agent's signature
  - Letter from tax preparer confirming they have filed the borrower's most recent tax return with the IRS

THE DOCUMENTATION LISTED ABOVE SATISFIES THE RESIDENCY REQUIREMENTS; A VISA IS NOT REQUIRED IN ADDITION TO THE ABOVE FOR AN ITIN BORROWER.

ITIN Specific Requirements

Non-ITIN co-borrowers are allowed provided they meet the residency requirements of one of the following:

- U.S. Citizen
- Permanent Resident Alien
- Non-Permanent Resident Alien

Non-occupant co-borrowers not allowed.

The primary borrower should be an ITIN borrower.

Credit Requirements

U.S. Credit Required

Qualification

ITIN borrowers may qualify using **traditional U.S. credit**

Each credit report must utilize three credit reporting bureaus provided by Equifax, Experian, and Transunion. None of the three credit bureaus is allowed to be frozen. Refer to the program matrix in conjunction with the Credit Section of this guide for qualification of credit for ITIN Qualification.

Assets

Refer to the program matrix in conjunction with the assets section for down payment and closing costs.

FOREIGN NATIONAL ELIGIBILITY

General

Description

The Foreign National Program applies to non-resident aliens who are not authorized to live or work in the United States or who hold a work visa indicating a more temporary residency than what is required to meet non-permanent resident alien standards.

To qualify, the borrower must live and work in another country and be a legal resident of that same country.

Documentation Requirements

To demonstrate lawful entry into the U.S., the borrower must provide:

1. A valid, unexpired passport, and one of the following:

- A copy of the borrower's unexpired visa, or
- Form I-797 (Notice of Action) showing valid extension dates and an I-94 Arrival/Departure Record, or
- If the borrower is from a country participating in the Visa Waiver Program (VWP), a visa is not required.
    - VWP country list: https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html
- Citizens of Canada are not required to obtain a nonimmigrant visa to enter the U.S.

Ineligible:

- Borrowers who cannot provide evidence of lawful residency status in the U.S. are not eligible for financing.

Additional Requirements:

- A list of non-immigrant visa categories can be found at the U.S. Department of State: https://travel.state.gov/content/travel/en/us-visas/visa-information-resources/all-visa-categories.html
- If a non-U.S. citizen is applying with a U.S. citizen, Foreign National documentation requirements still apply to the non-U.S. citizen borrower.

Borrower Eligibility

Eligible

Foreign National

Ineligible

- Revocable/Irrevocable Trusts | Land Trust | Blind Trust

- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Any borrower suspended, debarred, or otherwise excluded per the LDP/GSA and/or OFAC/SAM findings

All parties (borrowers and property sellers) involved in the transaction must be screened through exclusionary lists and must be cleared up through OFAC's SDN list. A search of Specially Designated Nationals & Blocked Persons list may be completed via the U.S. Department of Treasury: https://sanctionssearch.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 are not eligible, immunity status is listed on the reverse side of the U.S. issued ID card or at https://www.state.gov/office-of-the-chief-of-protocol/diplomatic-list

Credit Requirements

U.S. Credit

Foreign National borrowers may qualify using traditional U.S. credit, provided they meet the standard tradeline requirements outlined in the matrix.

Foreign Credit

The Qualifying Foreign Credit designation applies to non-permanent resident alien or ITIN borrowers who do not meet Standard Tradeline requirements and falls under the Foreign National guidelines.

Borrowers qualifying under foreign credit may or may not have a U.S. credit report, and when they do, it may show:

- No FICO score
- A single score
- An invalid score (due to insufficient tradelines for three scores)

Refer to the Tradeline Requirements Matrix for specific eligibility standards.

Qualifying U.S. Credit for Foreign National Borrowers

Foreign National borrowers with a valid SSN must have a U.S. credit report. Except where noted below, follow the standard Credit Section for tradeline requirements.

A housing history for the borrower's foreign primary residence is not required.
For refinances, including cash-out, the most recent 12-month housing history for the subject property is required and must meet the Credit Section standards.

Foreign National – Specific Requirements

Foreign Residency

- The borrower must document their primary residence in the same country that issued their passport.
- Foreign National borrowers may not occupy the subject property as their primary residence.
- A full loan application is required and must include the borrower's complete foreign address, including:

- Full legal name
- Phone number
- Flat/floor/unit/house number
- Street name
- City
- Province/state
- Postal code
    - Borrower must provide third-party documentation that matches the primary residence listed on the application (e.g., lease agreement, utility bill, financial statement).

Automatic Payment Authorization (ACH)

- Automatic Payment Authorization (ACH) is required for all Foreign National borrowers.
- Payment funds must originate from a U.S. bank account.
- The executed ACH enrollment form must be included in the closed loan package and must contain:
    - Bank routing number
    - Account number
    - Account type
    - A voided check

Debt Service Coverage Ratio (DSCR)

DCSR for qualification purposes. Refer to the program matrix for qualification of DSCR 1-4 family requirements.

Assets

Refer to the program matrix in conjunction with the assets section for down payment and closing costs. and closing costs.
SELLER CONTRIBUTIONS: Allow 6% seller concession on a Foreign National New Construction with max of 75% LTV.

EXCEPTION POLICY

Exceptions to published guidelines are considered on a case-by-case basis. Loans with an exception request should demonstrate strong compensating factors. Sky TPO decision to grant or deny any exception request relates only to whether Sky TPO will acquire the loan. The result does not bind a broker/originator in deciding to extend credit.

VERSION GUIDE

Version	Effective Date	Change Summary	Prepared / Approved By
1.0	[09/03/2026]	Initial program released.	Jennifer Jackson-Gonzalez

EXHIBITS

Exhibit A – Non-Permanent Resident Aliens

EAD and Visa classifications are allowed as non-permanent resident aliens.

VISA	Valid EAD Card	Description
B1/A3/G5	C17	Non-immigrant domestic servant (Visa and Valid EAD Card must be combined)
BC-1	N	Broadcaster in the U.S. employed by the International Broadcasting Bureau of the Broadcasting Board of Governors
BC-2,3	Y	Spouse, child of BC-1
C-5; C-51	N	Employment creation
C-52-53	C09	Spouse or child of C-5 or C-51
DV- 1,2,3	N	Diversity immigrant, spouse, child
E-1, 2, or spouse of E-1, 2 (the spouse does not get a different number for this category)	A17	Treaty/Trade investor or spouse
E-11/EB-1	N	Person with extraordinary ability in the sciences, arts, education, business, or athletics
E-12	N	Outstanding professor or researcher
E-13	N	Multinational executive or manager
E-14 /15	C09	Spouse or child of Ell, 12, or 13
E-21	N	Professional holding advanced degree or alien of exceptional ability
E22,23	C09	Spouse, child of E-21
E-3	N	Specialty occupation- Australia
E-31	N	Skilled worker
E-32	N	Professional holding baccalaureate degree
E-34,35	C09	Spouse or child of E31 or 32
e	N	Other worker
EW-4,4	C09	Spouse or child of EW-3
G-1, 2, 3, 4, 5	N / C04 spouses and children: C04	Employees of international organizations and NATO; spouses and children
H1-B	N	Foreign Nationals working in the U.S. in a specialty occupation
H-4	N/A	Spouse or child of H type
I- 5, 51	N	Investor in employment
I-52, 53	C09	Spouse or child of 1-51
IH-3, 4	C09	Child adopted or to be adopted by U.S. citizen

L, L-1a and L-1b	N	Intracompany transferees
N/A	A02	Lawful temporary resident pursuant to sections 245a or 210 of the INA (temp. agricultural worker)
N/A	A03	Refugee
N/A	A05 (or Valid SSN Card)	Asylum granted
N/A	A12	Temporary protected status
N/A	A13	IMMACT Family Unity beneficiary
N/A	A14	LIFE Act Family Unity beneficiary
N/A	All	Deferred Enforced departure
N/A	A10	Granted withholding of Deportation or Removal
N/A	C12	Spouse of an E2 commonwealth of the Northern Mariana Islands investor, eligible for employment. In the CNMI only
N/A	C14	Alien granted deferred action
N/A	C16	Registry applicant
N/A	C19	Temporary Protected status
N/A	C31	Principal beneficiary or qualified child of approved VAWA self-petition
N/A	C33	DACA
N/A	C10	Nicaraguan Adjustment & Central American Relief Act
N/A	C08	Asylum applicant, status pending
N/A	C11	An alien paroled into the United States in the public interest or temporarily for emergency reasons
N-8 OR 9	A07	Parent or child of international organization employee granted permanent residence
NAT0-1-6	C07	NATO members, staffs, and families for temporary stay
O	N	Extraordinary ability in science, education, the arts, business or athletics
R-1	N	Religious workers
R-5, 51	N	Investor in pilot program
R-52, 53	C09	Spouse or child of R-51
SD-1	N	Religious workers
SD-2, 3	C09	Spouse or child of SD-1
SE-1	N	Employees or former employees of the U.S. gov't abroad
SE-2, 3	C09	Spouse or child of SE-1
SF-1	N	Former employees of the Panama Canal Company or Canal Zone Gov't
SF-2	C09	Spouse or child of SF-1
SG-1	N	Former employees of the U.S. gov't in the Panama Canal Zone
SG-2	Y	Spouse or child of SG-1

SH-1	N/A	Certain former employees of the Panama Canal Company or Canal Zone gov't on 4/1/79
SH-2	C09	Spouse or child of SH-1
SI	N	Interpreters
SJ-1	N	Foreign medical graduate
SJ-2	C09	Spouse or child of SJ-1
SK-1	N	Retired international organization employee
SK-2	C09	Spouse of SK-1
SK-3	C09	Unmarried child of an international organization employee
SK-4	C09	Surviving spouse of deceased international organization employee
SN-1	N	Retired NATO6 civilian
SN-2, 3	C09	Spouse of child of NATO6 civilian employee
SN-4	C09	Surviving spouse of deceased NATO6 civilian employee
SQ	N	Iraqi/Afghans who work on behalf of the U.S. government
SR 2, 3	C09	Spouse or child of SRI
SR-1	N	Religious workers
T-1-4	A16 OR C25	Victim or spouse or child or parents of victim of human trafficking
T-5, 51	N	Employment creation
T-52, 53	C09	Spouse or child of T-51
TC NAFTA, TN, TD	e	Canadian or Mexican citizens working in the U.S.
U-1-4	A19 OR A20	Victim or family member of victim of criminal activity

Exhibit B – Foreign Nationals

Visa and valid EAD card classifications are allowed for Foreign Nationals.

Visa	Valid EAD	Description
B-1,2	N/A	Business visitor
B-11, B-16	C09	Unmarried son or daughter of U.S. citizen
B-12, B-17	C09	Child of B-11 or B-16
B31-33	C09	Married son or daughter of U.S. citizen (B-31), spouse of B31 or child of B-31
C-21-25	C09	Spouse or child of permanent resident or FX 1
C-31-33	C09	Spouse or child of U.S. citizen
CR- 1-2, 5	C09	Spouse or child of U.S. citizen
CX-1-3	C09	Spouse, child, or stepchild of lawful permanent resident
F-,3, 4; 11, 12, 21-25, 31-33, 41-43, F-2 A&B	C09	Family members of permanent residents or U.S. citizens
F1	C03	Student
FX- 1-3	A09	Spouse or child of permanent resident or FX 1
H-2 A & B	N/A	Temporary workers
H-3	N/A	Temporary training
IR-1-5	C09	Spouse, child, or child to be adopted of U.S. citizen
J-1, J-2	N	Cultural exchange visitor
K-1 or 3	A06	Fiancée of U.S. citizen
L-2, 3	A18	Spouse or child of L-1
M-1	C06	Student seeking practical training after completing studies
P-1, P-2		Non-immigrants coming to the U.S. to perform in athletics or entertainment
Q	N/A	Cultural exchange program
V-1, 2, 3	A15	Married to or a child of a legal permanent resident and you have been waiting at least 3 yrs. for the approval of a petition for lawful permanent resident status

Exhibit C - Condominium Quick Reference Guide

This Reference Guide is designed to help Sky TPO partners determine the appropriate level of project review for loan transactions in condo projects

Program	Limited Review Eligible	Full Review Required	Purchase LTV Max	Rate-Term LTV Max	Cash Out LTV Max	Condotel LTV Max
Equity First DSCR 1-4 Units	No	Yes	See Matrix	See Matrix	See Matrix	See Matrix