Investor Program – Underwriting Guidelines

Underwriting Philosophy
Impac takes a common sense approach to underwriting a borrower's creditworthiness to determine the willingness and ability to repay the loan. Each applicant has a different situation and each loan is weighed on its own merits. Our goal is to help good borrowers with their financing needs while mitigating risk for the company. The lender programs are high risk loans. Impac will only approve loans for which the company has a reasonable belief that the borrower has the ability to repay the subject loan. This reasonable belief is based upon information provided by or independently verified by an independent third party. Any irregularity in borrower profile, documentation provided, or property used to support the debt may be cause for denial of the loan.

Program Highlights
Designed for the experienced real estate investor who is purchasing or refinancing investment properties which he or she plans to hold for business purposes.

- The borrower is qualified based upon the cash flows of the subject property only, regardless of the number of properties owned by the borrower
- No borrower income or employment is stated or verified
- Debt coverage ratio is used for qualifying purposes
- Minimum 600 credit score
- 4506T not required
- Debt to Income (DTI) Ratio not calculated

NOTE: Loans that are eligible for sale to a government-sponsored enterprise (GSE) – the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) – are ineligible for any Lender Series programs.

Program Qualifications
This program is designed for experienced real estate investors and qualifies borrowers based on cash-flows solely from the subject property. First Time Home Buyer is allowed. Borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 6 months. Proof of this investor experience must be in loan file. See *Underwriting*.

Eligibility Matrix Loan Amount & LTV Limitations

Investment Property – Purchase and Rate & Term Refinance[3]

Units	Credit Score	LTV	CLTV/HCLTV[5]	Minimum Loan Amount	Maximum Loan Amount
1-4 Units	720	80%	80%	$100,000	$1,000,000
		70%	70%		$1,500,000
		60%	60%		$2,500,000
	680	80%	80%		$750,000
		70%	70%		$1,000,000
		60%	60%		$2,000,000
	600	70%	70%		$750,000
		60%	60%		$1,000,000
		50%	50%		$1,500,000

Investment Property – Cash-Out Refinance[1,2,3]

Units	Credit Score	LTV	CLTV/HCLTV[5]	Minimum Loan Amount	Maximum Loan Amount
1-4 Units	720	75%	75%	$100,000	$750,000
		65%	65%		$1,500,000
		55%	55%		$2,000,000
	680	70%	70%		$750,000
		60%	60%		$1,000,000
		50%	50%		$2,000,000
	600	65%	65%		$750,000
		55%	55%		$1,000,000
		45%	45%		$1,500,000

Footnotes:
1 Proceeds from cash out refinances must be used for business purposes only.
2 Purpose of cash out letter must be submitted with the initial package.
3 No Right of Rescission required on refinances.
4 New or newly converted condo projects in Florida are limited to 60% LTV/CLTV/HCLTV.
5 HELOC Combined Loan to Value (HCLTV) uses the full line amount for HCLTV calculation, regardless of amount drawn.

Product Description
- 5/1, 7/1, and 10/1 LIBOR ARMs, fully amortizing
- Interest Only available for 5/1 ARM during fixed rate period
- 15 and 30 year fixed rate, fully amortizing

Product Codes

Fully Amortizing

Hybrid ARM	Product Code
5/1 ARM	IA51IN – Investor 5/1 LIBOR ARM
7/1 ARM	IA71IN – Investor 7/1 LIBOR ARM
10/1 ARM	IA101IN – Investor 10/1 LIBOR ARM
Fixed	
15 Year	IF15IN – Investor 15 Year Fixed
30 Year	IF30IN – Investor 30 Year Fixed

Interest Only

Hybrid ARM	Product Code
5/1 ARM	IA51INIO - Investor 5/1 LIBOR ARM Interest Only

Eligibility Requirements

Adjustable Rate Details

Interest Rate Adjustment Caps	5/1, 7/1 & 10/1 ARM (2/2/5 caps) Initial: 2% up; Subsequent: 2% up/down; Lifetime: 5% up
Margin	See rate sheet
Index	1-Year LIBOR (London InterBank Offer Rate) as published in Wall Street Journal
Interest Rate Floor	Note Start Rate
Conversion Option	None
Assumption	ARM products are assumable to a qualified borrower after the fixed term
Negative Amortization	None
Interest Only Option	5/1 ARM only. At Borrower's option during fixed rate period
Prepayment Penalty	None

Appraisal Requirements

The underwriter may require additional collateral review.

Properties with a condition rating of C5 or C6 are not acceptable.

Appraisal transfers are allowed.

Loan Amount	Appraisal Requirement
≤ $1,000,000	One Full Appraisal
> $1,000,000	Two Full Appraisals
All properties For Sale By Owner (FSBO) w/LTV > 75%	Two Full Appraisals

Additional Collateral Valuation Requirement – Two Options

Option #1

A Pro Teck Valuation Services Appraisal Risk Review (ARR) **or** a Clear Capital Collateral Desktop Analysis (CDA) supporting the value within 10% (higher or lower than appraised value) will be required. If variance exceeds 10% then a field review ordered from one of the following providers will be required:
- Class Appraisal
- Clear Capital
- Consolidated Analytics
- Direct Valuation Solutions, Inc. (DVS)
- Property Science
- Springhouse Valuations (AltiSource)

A field review from any of the above providers, or a Second Appraisal, is acceptable in lieu of an ARR or CDA.

If a field review is obtained there is a 5% tolerance as follows:
- If the field review value is ≤ 5% below the appraised value, use the appraised value for LTV calculations
- If the field review value is more than 5% below the appraised value, a second appraisal is required.
  - Use the lower value of the two appraisals for LTV calculations

	When two (2) appraisals are provided, an ARR or CDA is not required. The lower value of the two appraisals will be utilized.
	
	<u>Option #2</u>
	Impac will accept a Fannie Mae Collateral Underwriter (CU) appraisal review that meets the following:
	• 1-unit property only (This is a CU limitation)
	• Loan amount ≤ $679,650
	• CU Risk Score of 2.5 or less
	When an acceptable CU is provided, an ARR or CDA is not required.
	
	Condos and PUDs must meet FNMA requirements. See the *Property Types* section for additional information.
	
	<u>Unpermitted additions</u>
	All of the following apply:
	• Must obtain a "cost to cure"
	• Must review the LTV (including cost to cure) fits within guidelines
	    o If a guideline maximum is 80% and the current LTV is 75% and the cost to cure equals 2% of the value of the home, the loan would be approved without an exception, as the LTV is still within guidelines.
	    o If the cost to cure drives the LTV over the maximum LTV limit, the loan would not be eligible unless the home was converted back to the original state with a completion certificate in the file.
	• Obtain typical comparables for value of the home, but would not require similar improvements
	• Unpermitted improvement may not increase the value of the home (hence the cost to cure)
	
	Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier.

Appraiser Requirements	Impac will not accept appraisals from appraisers on probation with any regulatory agency. No exceptions.
Assets	Borrower must have sufficient liquid assets available for down payment, closing costs and reserves. Funds must be sourced and seasoned for two (2) months and the most recent consecutive statements (all pages) or the most recent quarterly statements are required. <u>Stocks, Bonds, and Mutual Funds (FNMA B3-4.3-01)</u> Vested stocks, bonds, and mutual funds (including retirement accounts) may be used for down payment, closing costs, and reserves without any reduction in value: • One hundred percent (100%) of the value of the asset is allowed when determining available reserves • If the lender documents that the value of the asset is at least 20% more than the funds needed for the borrower's down payment and closing costs, no documentation of liquidation is required. Otherwise, documentation of the borrower's actual receipt of funds realized from the sale or liquidation must be obtained. • **NOTE:** As a reminder, non-vested assets are not eligible for down payment, closing costs, or reserves. <u>Like-Kind Exchanges</u> Assets for the down payment from a "l ke-kind exchange," also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031 (FNMA B3-4.3-10). Full Asset Documentation is required for both funds to close and reserves in accordance with Fannie Mae guidelines. <u>Eligible Funds (Down Payment, Reserves*)</u> • Must be from borrower's own funds See *Business Funds* for elig bility. See *Reserves* for requirements and limitations. Restricted Stock Units (RSUs) are not eligible for reserves.
Assumptions	ARM products are assumable to a qualified borrower after the fixed term
Borrower Eligibility	<u>Eligible Borrowers</u> • U.S. Citizens • Permanent Resident Aliens o Eligible with proof of lawful permanent residency

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<li style="list-style:none">
Underwritten the same as U.S. citizen
Inter Vivos Revocable Trust – must meet FNMA guidelines
A power of attorney is not allowed when signing mortgage documents related to an inter vivos trust
Vesting (see Financing Types)
U.S. based LLCs (see Title/Vesting for restrictions)

<u>Ineligible</u>

Borrowers with a <u>U.S. student visa</u> are ineligible for <u>all lender programs</u>. Student visa types include: F Visa (e.g., F-1, F-2, F-3), J Visa (e.g., J-1, J-2), and M Visa (e.g., M-1, M-2, M-3).
Non-permanent resident aliens
Foreign Nationals
Land Trusts
Corporations

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<tr><td>Business Funds</td><td>
Business funds - Funds in the borrower’s business account(s) ≤ 50% of account balance may be counted toward down payment, closing costs, and reserves so long as borrower(s) and/or non-borrowing spouse/domestic partner or family members* have a cumulative 100% ownership interest in the business (e.g., Sole Proprietor, S Corp, Corporation, LLC). A non-borrowing spouse/domestic partner or family members* who are the only other co-owners of the business are acceptable and must provide a letter allowing the borrower to access the funds in the business account.

*<u>Family Members for business ownership interest purposes above are specifically defined as follows</u>:

Child, parent, or grandparent
Child is defined as a son, stepson, daughter, or stepdaughter;
A parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
Spouse or domestic partner (domestic partner must live with borrower)
Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption
Foster child
Brother, stepbrother, sister, stepsister
Aunt or uncle
Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower.

Cousins are <u>not</u> allowed.

Business funds that are in a personal account prior to application may be used for down payment, closing costs, and reserves without restriction. Large deposits must be sourced to determine there is not an undisclosed loan.
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<tr><td>Cash-Out Requirements</td><td>
Always use the appraised value for LTV calculation on a refinance transaction.

There is no ownership seasoning requirement for a cash-out refinance when at least one borrower on the new loan is an original purchaser. There is no seasoning requirement when additional borrowers are added to title <u>so long as at least one borrower from the original purchase will be a borrower on the new loan.</u>

If a borrower is on title without any original purchasers, the borrower must wait 6 months to do a cash out refinance.
If a property is titled in an LLC and the borrower(s) are 100% owners of the LLC, then title may be transferred to the individual borrower(s) for purposes of refinance without a waiting period. (Example: Husband and wife are 100% owners of LLC. They can deed property to themselves as individuals to do a refinance without a waiting period, so long as the LLC has been on the existing loan for 6 months.
If the LLC has more than one member and only one member will be on the new loan, then the member who receives title must wait 6 months to do a cash out refinance.

When the appraised value exceeds purchase price by more than 20% and the subject property is currently owned for less than 6 months (at time of application date), the appraisal must provide detailed and substantial commentary to support the increase in value.

Borrowers requesting a cash-out loan must provide a letter of explanation (aka “cash-out letter”) regarding the use of the cash-out proceeds. This letter must be submitted with the initial package. The use of cash-out proceeds <u>must</u> be for business purposes. Any other use of the cash-out proceeds (e.g., for consumer use) will make the loan ineligible.

A refinance of a prior cash-out loan within 6 months is allowed to be classified as a rate/term refinance.
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<tr><td>Credit</td><td>
All borrowers must have a minimum credit score of <u>600.</u>

The representative score for each borrower is:
The middle score when three scores are obtained, or
The lower score when two scores are obtained

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	◦ If only one score is obtained, that is the representative score for the borrower • The representative score for the loan is the lowest representative score of the borrowers. <u>Each of the following credit components impacts the borrower's ability to repay the loan:</u> • Borrowers must have a minimum of 3 trade lines on the credit report. Trade lines may be open or closed, with one seasoned trade line having a minimum 24 month rating and one trade line with at least a $5,000 high credit limit. The seasoning and high credit limit requirements may be met with the same trade line. Authorized user trade lines are not eligible for any portion of the credit requirement. When spouse is co-borrower only one borrower is required to have the credit depth listed above. • Mortgage / Rental Lates – 1x30 past 12 months ◦ This applies to all mortgages on all properties ◦ No Notice of Default (NOD) filed on <u>any property</u> in the past 12 months ◦ Rental history must be documented by a direct verification of rent (VOR) by a professional management company and/or private party. If the VOR is provided by a private party, 12 months cancelled checks or 12 months bank statements must be provided to document rents. ◦ Verification of mortgages that do <u>not</u> appear on credit report: ▪ Institutional lender – Written VOM ▪ Private lender – 12 months cancelled checks • Bankruptcy (Ch. 7, 11 and 13), Short Sale, Deed-in-Lieu, Charge-off of Mortgage Accounts – None less than four (4) years ◦ Bankruptcy, Short Sale, Deed in Lieu, Charge-off of Mortgage Accounts ≥ 2 years and < 4 years is acceptable with the following compensating factors: ▪ Maximum 70% LTV or existing guidelines, whichever is lower • Foreclosure – None in the last four (4) years ◦ Foreclosure ≥ 3 years and < 4 years is acceptable with the following compensating factors: ▪ Maximum 70% LTV or existing guidelines, whichever is lower • Judgment/Tax Lien/Collections/Charge-Offs ◦ Judgments and Tax Liens must be paid ◦ Medical collections are excluded regardless of amount ◦ Any new charge-offs or non-medical collections within the last 12 months greater than $1,000 per trade line, or the cumulative amount is greater than $2,000, must be paid off. • Consumer Credit Counseling – Borrowers who have experienced credit or financial management problems in the past may have elected to participate in consumer counseling sessions to learn how to correct or avoid such problems in the future. Whether borrowers have or have not completed participation in the sessions before closing on the mortgage transaction is not relevant since it is the borrower's credit history that is of primary importance. (FNMA B3-5.2-01) • Disputed Accounts – Disputed accounts are reviewed to determine <u>current balance</u> and <u>derogatory information</u> (a 30-day or more delinquency) <u>within 2 years prior to the credit report date</u>: ◦ Zero balance and no derogatory in last 2 years – no action required ◦ Zero balance and derogatory information - remove and pull new credit report ◦ A positive balance and no derogatory information – remove and pull new credit report ◦ A positive balance and derogatory information – remove and pull new credit report A credit supplement is not allowed to document disputed accounts. Underwriters should consider the following: • Credit limits, usage and overall credit profile should be considered and evaluated to be consistent with the income established for qualifying purposes.
Disaster Declarations and Recertification	Whenever an area is declared a disaster area, the Federal Emergency Management Agency (FEMA) releases disaster declaration announcements. FEMA makes available <u>individual</u> and <u>public</u> assistance when a disaster occurs. If an area containing the subject property is elig ble to receive **<u>individual assistance and/or public assistance</u>**, as designated by FEMA, the property will require a recertification of value as follows: • An appraisal completed in an area *after the disaster declaration was released* (incident date) does not require a recertification. Ideally, the appraiser will comment that the property is free from damage and the disaster had no effect on the property. • If the appraisal was completed *prior to the disaster*, at a minimum a re-inspection stating the property is free from damage and the disaster had no effect on the property value and marketability is required (including exterior photos of the property). ◦ Payment for necessary re-inspections will be the responsibility of the borrower or seller

	Interior photos may be required on a case-by-case basis The re-certification must be obtained as promptly as possible (but not until after the disaster is active) in order to ensure a timely closing, funding (and purchase if applicable) of the loan.
Documentation	Borrower must acknowledge the loan is a "business purpose loan" by signing the *Borrower's Intent to Proceed with Loan and Business Purpose Loan Certification* (see attachment to guidelines). All borrowers must provide the following: • A complete schedule of all real estate owned, indicating financed and "free and clear" properties • Mortgage/lien rating for each financed property • Documented proof that lien-free properties are truly "free and clear" of all liens See *Power of Attorney* for additional restrictions
Escrow Holdback	Escrow holdbacks are allowed for weather related repairs on purchase transactions only. • Allowable repairs are the lesser of 5% of value or $10,000 (before multiplying by 1.5) • Escrow withhold amount must be at least 1.5 times the cost of repairs ○ Example: $5,000 repairs x 1.5 = $7,500 total escrow withhold amount • Other Impac repair escrow policies and procedures apply • Maximum escrow holdback amount is $15,000
Financing Types	Rate/Term Refinance A rate/term refinance may include the payoff of a non-purchase money second seasoned at least 12 months. If HELOC, no draws >$2,000 in past 12 months. New York Consolidation, Extension & Modification Agreement (NY CEMA) For all Impac refinance products, property located in the state of New York may be structured as a Consolidation, Extension, and Modification Agreement (CEMA) transaction. • **Exclusion: CEMA transactions are not allowed for interest only refinance loans. (Impac overlay)** The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided: • NY Consolidation, Extension and Modification Agreement (Form 3172) • Original Note(s) – Original documents signed by the borrower • Gap Note and Gap Mortgage, if applicable • Consolidated Note – Original documents signed by the borrower • Exh bit A – Listing of all Notes & Mortgages being consolidated, extended and modified • Exh bit B – Legal description of the subject property • Exh bit C – Copy of the consolidated Note • Exh bit D – Copy of the consolidated Mortgage Lost Note Affidavits are not an acceptable substitute for any of the required documents. If original documentation cannot be provided per above, then a CEMA is not allowed.
First Time Home Buyer	First Time Home Buyer is defined as a borrower who had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. First Time Home Buyer is allowed. Borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 6 months.

Geographical Locations/Restrictions	Eligible states are as follows:
	• All states (including DC) are elig ble except:
	  ○ DE, ME, MA, RI, WY
	  ○ Interest Only Restriction – Interest Only loans are not allowed in Illinois
	
	See *New York Consolidation, Extension & Modification Agreement (NY CEMA)* in *Financing Types* section above.
	
	Additional restrictions as follows:
	Hawaiian Lava-Flow Hazard Zones – The U.S. Geological Survey (USGS) categorizes the island of Hawaii into nine "lava zones" based on each zone's probability of exposure to lava flows caused by volcanic eruption. Properties in lava zones 1 and 2 are not eligible for loans funded or purchased by Impac Mortgage Corp. due to increased risk of property destruction from lava flows within these areas. The Hawaii Lava-Flow Hazard Zone Map can be accessed at: http://hvo.wr.usgs.gov/hazards/FAQ_LavaFlowHazardZone/ and http://pubs.usgs.gov/mf/1992/2193/
	
	State specific regulatory requirements supersede all underwriting guidelines set forth by Impac.

Gift Funds / Gifts of Equity	<u>Gift funds</u> are allowed. See below for requirements. • Gift funds are allowed for paying off debt, equity contr bution refinances, and for closing costs and down payments. • Gifts are **<u>not</u>** allowed for reserves • When **<u>100% gift funds are used</u>**, a 10% reduction in maximum LTV is required. If borrowers have 5% of their own funds verified, the LTV reduction is not required. • Acceptable Donors* for gift funds – Follow FNMA guidelines for acceptable donors listed below • The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction. <u>Gift of equity</u> is allowed at ≤ 75% LTV. • A “gift of equity” refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller’s equity in the property, and is transferred to the buyer as a credit in the transaction. • The acceptable donor requirements for gift funds (above) also apply to gifts of equity A signed gift letter is required for all gift funds and gifts of equity. Transfer of funds or evidence of receipt must be documented prior to or at closing. *<u>Acceptable Donors (per FNMA B3-4.3-04)</u> A gift can be provided by: • A relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or • A fiancé, fiancée, or domestic partner. The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.
Housing History	Borrower may be a First Time Home Buyer. Borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 6 months. Proof of this investor experience must be in the loan file. Examples of such documentation include but are not limited to property profile(s) and credit report. Borrower does not need to currently be renting or have a mortgage. However any rental/mortgage history must meet credit requirements. See *Credit*. For borrowers who currently own all property free and clear there is no mortgage/rent history requirement.
Income	Income used to qualify borrower is based upon cash flow from property. A 4506T is NOT required. If transaction is a refinance, rental agreement and rent survey (Form 1007) provided by the appraiser, will be utilized. Rents will be validated via internet research by Impac. If transaction is a purchase, Appraisal Form 1007 will be utilized. <u>Short term leases</u> Purchase transactions: • Use the rents provided on the comparable rent schedule from the appraiser Refinance transactions: • Use the leases used throughout the year and average over the 12 month period. If there are months where the property is vacant, use zero for that month in the average. The average should be supported by the comparable rent schedule (within reason). • Airbnb or similar such rentals are not acceptable. An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed. <u>Debt Coverage Ratio</u> • The debt coverage ratio is calculated by taking 100% of the gross rents divided by the PITIA of the subject property • Use the Note Rate to calculate PITIA • Rents are derived from the <u>lesser</u> of the rental/lease agreement or the rent survey (Form 1007) • The PITIA calculation for interest only loans is based on the remaining term after the interest only period • DCR Purchase = 1.0 • DCR Rate/Term = 1.0 • DCR Cash-Out = 1.0

	<u>Debt Coverage Ratio Examples</u> **<u>Purchase, Rate/Term, or Cash-Out</u>** Gross Rent = $1,000 DCR for purchase = 1.0 $1,000 divided by 1.0 = $1,000 PITIA may not exceed $1,000 per month <u>Debt Coverage Ratio confirmation</u> In the above example, <u>$1,000 gross rents</u> divided by <u>$1,000 PITIA</u> = 1.0 Loans under the Investor Program are classified as business loans. Appendix Q and ATR requirements do not apply.
Interest Only	Interest-only payments are allowed on the 5/1 hybrid ARM only, during the fixed rate period of the loan. See *Product Codes* for the appropriate program code.
Interested Party Contributions (IPCs) / Seller Concessions	Interested party contr butions (IPCs) are costs that are normally the responsibility of the property purchaser that are paid directly or indirectly by someone else who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property. (FNMA B3-4.1-02) Interested parties include, but are not limited to, the property seller, the builder/developer, the real estate agent or broker, or an affiliate who may benefit from the sale of the property and/or the sale of the property at the highest price possible. A lender or employer is not considered an interested party to a sales transaction unless it is the property seller or is affiliated with the property seller or another interested party to the transaction. Interested party contr butions (toward closing costs) are limited to 3% at all LTVs.
Limitations on Other Real Estate Owned	Impac allows financing on up to eight (8) properties for one borrower OR a maximum $2,000,000 in financing for one borrower, whichever is less. If the borrower only has one (1) loan with Impac, including the subject property, that loan may exceed $2 million (up to the guideline maximum herein. This eight (8) property limit for Impac financing <u>includes</u> properties for which a borrower may have a personal guaranty (on an Impac loan) when the entity borrowing is not an individual. Borrower may have Impac financing on a maximum of 10% of the properties in a PUD or condominium project. • For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed Impac does not have a limit on the total number of financed properties outside of Impac financing. **<u>Impac financing is limited to a maximum overall concentration of 20% in any Florida condominium project. This limitation is per project and not per borrower.</u>**
Listed for Sale / "Recently Listed"	<u>Rate/Term Refinance (per FNMA B2-1.2-02)</u> Subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. <u>Cash-out Refinance (per FNMA B2-1.2-03)</u> Subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan.
Loan Amount	Minimum Loan Amount: $100,000
Locking the loan	**Locking** • 30 day minimum lock term required • Loan must be approved prior to lock
Non-Arm's Length Transactions	Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Non-arm's length transactions are allowed for the purchase of <u>existing</u> property. For the purchase of <u>newly constructed</u> properties, if the borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property, only <u>primary residence</u> is allowed. Mortgage loans on newly constructed homes secured by a second home or investment property where there is a non-arm's length relationship are prohibited. (FNMA 2-1.2-01) When tenant is buying from landlord/seller, a Verification of Rent (VOR) from a third party management company is acceptable. If there is no third party management company, provide the most recent 12 months cancelled rent checks or 12 months bank statements (or whatever shorter time period the borrower has been renting)

	Conflict of Interest (Impac overlay) Situations where the borrower has a dual role in the transaction, namely as borrower and as another party in the same transaction are **prohibited**. These include, but are not limited to, situations where the borrower is also: o The builder o The loan officer on the transaction o The listing agent o Both the listing and selling agent Exception: Borrower is allowed to be the selling agent in the transaction where borrower is the purchaser so long as borrower is not also the listing agent. Additional conflicts: The owner of a loan brokerage company or a lender may not originate his personal loan with his own company. • The owner must originate with an entirely unrelated company. The employee of a loan brokerage company or a lender may use his employer's company to originate a loan so long as that employee is not involved in the origination process (e.g., underwriter, processor, etc.). • Employee may use Agency Plus program only. A loan officer may have his loan originated within the same company only for the Agency Plus program. • For all other programs, the loan officer must have his loan originated with a different unrelated company Note: Gifts of equity are allowed on sales between immediate family members for existing properties only. See *Gifts*.
Occupancy	Investment Property Only Note: Group homes or any similar group living facility/occupancy are not eligible for this program.
Payment Shock	N/A
Points and Fees	Maximum 5% Limit
Power of Attorney	A power of attorney is allowed per FNMA guidelines (See FNMA B8-5-06). Except as otherwise required by applicable law, or unless they are the borrower's relative (or a person who is a fiancé, fiancée, or domestic partner of the borrower), none of the following persons connected to the transaction shall sign the security instrument or note as the attorney-in-fact or agent under a power of attorney: • The lender; • Any affiliate of the lender; • Any employee of the lender or any other affiliate of the lender; • The loan originator; • The employer of the loan originator; • Any employee of the employer of the loan originator; • The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or • Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent. Power of Attorney (POA) is inelig ble for: • Cash-out loans •
Prepayment Penalty	None – Prepayment penalty is neither required nor offered as an option

Property Types	Eligible
	• 1-4 Unit, Non-Owner Occupied
	• Attached/Detached Properties
	  • Condominiums – Both FNMA Condo Project Manager (CPM) and FNMA Limited Review are allowed
	  • Non-Warrantable Exception:
	    o The FNMA investment property concentration limits (i.e., the percentage of non-owner occupied properties within a project) do not apply, **and**
	    o Minimum 50% of units in project (or subject legal phase, considered with prior legal phases) must be sold or under contract.
	      • **Note: For reference**, FNMA (B4-2.2-02) requires that investment property transactions on attached units in established projects (including two-to

	four-unit projects), have at least 50% of the total units in the project conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home. • Single Entity Ownership Exception: ○ Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns **up to and including 25%** of the total number of units in the project will be considered on a case by case basis. • **Note: For reference**, the FNMA (B4-2.1-02) acceptable limit is: ○ Projects with 2 to 4 units = 1 unit ○ Projects with 5 to 20 units = 2 units ○ Projects with 21 or more units = 10% of total units Limited Review (See FNMA B4-2.2-02, *Limited Review Process for Attached Condo Units*) Limited Review elig bility criteria for **attached units** differ depending upon the occupancy type and LTV/CLTV/HCLTV ratios, and are as follows: **Occupancy Type** / **Maximum LTV/CLTV/HCLTV**: Investment property / 70% (exceeds FNMA) Note: Mortgages secured by attached units in **new** condo projects are not eligible for Limited Review. See the below table for LTV/CLTV/HCLTV restrictions on Limited Review for Florida condominiums. (See FNMA B4-2.2-04) **Florida – Attached Units in Established Condo Projects – Limited Review** **Occupancy Type** / **Maximum LTV/CLTV/HCLTV**: Investment property / Not Eligible New or newly converted condo projects in Florida with attached units are **not required** to be approved by Fannie Mae through the PERS process (B4-1.1-02). Impac will conduct its own review and approval of Florida condo projects. **New or newly converted condo projects in Florida are limited to 60% LTV/CLVT/HCLTV. Impac financing is limited to a maximum overall concentration of 20% in any Florida condominium project. This limitation is per project and not per borrower.** Ineligible • Acreage greater than 20 acres (appraisal must include total acreage) • Acreage > 20 acres must have acceptable sales comparables of similar size and is reviewed on a case-by-case basis • Agricultural zoned property • Properties with agricultural zoning are considered on a case-by-case basis • Condo hotel • Co-ops • Hobby Farms • Income producing properties with acreage • Leaseholds • Log Homes **(may be eligible on a case-by-case basis)** • Manufactured housing • Mixed use properties • Modular homes • Properties subject to oil and/or gas leases (**may be eligible on a case-by-case basis)** • Unique properties • Working farms, ranches or orchards
Qualifying Rate and Ratios	Loan qualification is based on Debt Coverage Ratio (DCR) for the subject property. Use Note Rate to calculate PITIA for use in Debt Coverage Ratio (DCR) Debt to Income (DTI) ratio is not calculated. See *Income* section for calculation and requirements.
Reserves	Cash out from the subject transaction may be used toward the reserve requirement.

Loan Amount	Required Reserves
≤ $1,000,000	3 months
> $1,000,000 < $2,000,000	6 months
= $2,000,000	12 months

	• **<u>For Refinances Only</u>**: For loan amounts ≤ \$679,650, required reserves (above) may be waived when all borrowers have 0x30x12 VOM/VOR and payment on new loan is decreasing. In addition, the borrower(s) must not have <u>any</u> history of bankruptcy, foreclosure, short sale, or deed-in-lieu in order to waive reserves. • When the subject property loan amount is > \$679,650 there is no waiving of reserves. <u>Additional reserves for each financed property (other than subject):</u> One month PITIA for each additional financed property. PITIA calculated using the <u>actual mortgage payment</u> (PITIA) of the "other" property for each additional property. • Reserves for financed properties with a recent 12 month paid-as-agreed history may be waived <u>except</u> when the subject property loan amount is > \$679,650. When the subject property loan amount is > \$679,650 there is no waiving of reserves. • Reserves for financed properties acquired within the 12 months prior to application cannot be waived PITIA is the monthly housing expense for a property and includes the following: • Principal and interest (P&I); • Hazard, flood, and mortgage insurance premiums (as applicable); • Real estate taxes; • Ground rent; • Special assessments; • Any owners' association dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit); • Any monthly co-op corporation fee (less the pro rate share of the master utility charges for servicing individual units that is attr butable to the borrower's unit); • Any subordinate financing payments on mortgages secured by the subject property. See *Business Funds* for elig bility. <u>Cash value</u> of a <u>vested</u> life insurance policy may be used for reserves. When used for reserves the cash value must be documented but does not need to be liquidated or received by the borrower. Underwriters should consider the following: • Asset Base and Reserves – Is this consistent with the occupation, cash flows and calculated income established for qualifying purposes?
Subordinate Financing	Subordinate financing must have regular monthly payments at market interest rate that cover at least the interest due so that negative amortization does not occur. Financing provided by the property seller is allowed for <u>arm's-length transactions only</u> in accordance with FNMA guidelines and program CLTV limits. If financing provided by the seller is more than 2% below current standard rates for second mortgage, the subordinate financing must be considered a sales concession and the subordinate financing amount must be deducted from the sales price. Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five years after the note date of the new first mortgage is unacceptable. An exception may be made when the amount of the subordinate debt is minimal relative to the borrower's financial assets and/or credit profile (FNMA B2-1.1-04)
Temporary Buydown	Not allowed
Texas Section 50(a)(6) Equity Cash Out	Not applicable
Title / Vesting	<u>Inter Vivos Revocable Trust (must meet requirements of FNMA B2-2-05)</u> • Title insurance policy must state that title to the security property is vested in the trustee(s) of the inter vivos revocable trust • The title insurance policy may not list any exceptions with respect to the trustee(s) holding title to the security property or to the trust. • Title to the security property is vested solely in the trustee(s) of the inter vivos revocable trust, jointly in the trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrower(s), or in the trustee(s) of more than one inter vivos revocable trust. A power of attorney is not allowed when signing mortgage documents related to an inter vivos trust. <u>Additional Vesting Options and Requirements for LLCs</u> **<u>Only U.S. based LLCs are allowed</u>.** 501(c)(3) organizations/corporations/partnerships are not allowed.

	When the vesting entity is other than an individual, the borrowers on the loan application (1003) must be the same as the members of the LLC. The borrowers' indicator credit score is used to determine qualification and pricing. Vesting as an LLC is limited to entities where the borrower(s) is/are the sole members. All members of the LLC must sign the note and security instrument. This requirement applies regardless of whether the LLC has a managing member. Only LLCs with natural person members are allowed (i.e., LLCs whose members include other LLCs or Corporations or Partnerships or trusts are not allowed). There are specific Impac required documents to be signed at the time of loan closing on behalf of the LLC, including an Addendum to Note Limited Liability Company (LLC) (IMC0025 1/18) and Rider to Limited Liability Company (LLC) (IMC 0026 1/18). When vesting in an LLC, the Operating Agreement for the LLC **must** be provided for loan approval.
Underwriting	**ALL LOANS:** First Time Home Buyer is allowed. Borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 6 months. Proof of this investor experience must be in the loan file. Examples of such documentation include but are not limited to property profile(s) and credit report. Non-arm's-length and conflict of interest transactions are allowed with restrictions. See *Non-Arm's Length Transactions* for additional information Loans must be manually underwritten and fully documented. For additional topics not specifically or fully addressed herein, Fannie Mae underwriting guidelines should be followed The underwriter must be comfortable that the borrower is able to repay the loan and that belief must be supported by information from independent third parties. All factors in the loan file must be viewed in totality to reach this conclusion. Underwriter may request a copy of any inspection where repairs or remediation (monetary or other) are specified in a purchase contract, regardless of whether repairs have been completed. **Guideline Variance \ Exceptions:** Minor exceptions to guidelines may be considered on a case by case basis. Compensating factors include, in order of importance: • Loan to value ratio (LTV) • Reserves – well above the program requirement (prior to any cash out) • Credit profile (depth of credit) and credit score • Length of employment in same occupation/business (long term employment stability) • Other compensating factors not listed above All exceptions must be submitted per the Impac Exception Policy, approved by Underwriting Senior Management, Warehouse Lending and Capital Markets. Underwriters should: • Make a sound risk assessment of the resources of the applicant before finalizing the loan. An underwriter has the discretion to require any additional documentation they feel is appropriate and reasonable to support that assessment, up to and including personal and business tax returns. **Impac Underwriting Manager review and signature is required for loan amounts > $1,000,000.** **Impac Senior Credit Committee member must review and sign for loan amounts = $2,000,000.**

EXHIBIT A

Borrower's Intent to Proceed with Loan and Business Purpose Loan Certification

Date: Loan #:

Borrower Name:

Mailing Address:

Loan Program:

Property Address:

This document is intended to express your request to proceed with the above referenced loan. If you wish to proceed, please return a signed and dated copy of this document to [ENTER NAME AND ADDRESS OF LOAN OFFICE OR DEPARTMENT].

By signing and returning this document I am confirming I wish to continue with the loan, that the loan is for business purposes and not household purposes, and that the loan proceeds are intended to be used (and will in fact be used) for business purposes only, not for my personal use. I also represent that I do not occupy the property as my primary residence or as a vacation home. I intend to lease or rent the property to a third person. I understand that because the loan will be made exclusively for business purposes, laws applicable to consumer purpose loans, including but not limited to the following, are not applicable to this loan: Truth in Lending Act (15 U.S.C. § 1601 *et seq*.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq*.), Gramm-Leach Bliley Act (15 U.S.C. §6802–6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq*.), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq*.).

By signing below I confirm I have read and understand this document and I intend to continue with the loan, and affirm that the Property is to be a non owner-occupied investment property.

______________________________	______________________________
Borrower Name Date	Borrower Name Date
______________________________	______________________________
Borrower Name Date	Borrower Name Date
______________________________	______________________________
Borrower Name Date	Borrower Name Date

Cert. Rev. 8/11/14

EXHIBIT B

Underwriter Worksheet

Debt Coverage Underwriter Worksheet for Investor Program

Note to UW - please elimate cell fill color after you have reviewed information or made your changes if any

Loan#: **Borrower:** **DATE:**

Subject Property	
Street address	
City, State, Zip	

PITIA Subject	Amount of Reserves needed on subject:		
	3 MOS.	*Loan Amount less than $1,000,000*	$0.00
	6 MOS.	*Loans from $1,000,001 to $1,999,999*	$0.00
	12 MOS.	*Loans at $2,000,000*	$0.00
		Reserves on other financed properties:	$0.00
		TOTAL RESERVES NEEDED:	$0.00

Net Monthly Rent: **Debt Coverage Ratio:** #DIV/0!

to check the box on this form type in "r" "x" in the cell next to yes or no

Does DCR fit guidelines? ❐ YES ❐ NO

to check the box on this form type in "r" or "x" in the cell next to note rate or Index + Margin

Rate used to qualify ❐ Note Rate ☒ Index + Margin

Qualify at note rate or index+margin, whichever is higher

interest rate NR I+M

New Proposed P&I @ Note Rate		Qualified at:	I+M
Index + Margin Rate P&I			
Insurance			
Taxes			
HOA Dues			
Other			
TOTAL PROPOSED PITIA			$0.00

Based upon the above Total PITIA GROSS RENTS ON SUBJECT PROPERTY MUST BE AT LEAST

$0.00

Reserves for each financed property (other than subject):

One month PITIA for each additional financed property.

PITIA calculated using the actual mortgage payment (PITIA) of the "other" property for each additional property.

Reserves for financed properties with a recent 12 month paid-as-agreed history may be waived

Reserves for financed properties acquired within the 12 months prior to application cannot be waived

Primary	Ave Pantera	Other		Other	
P&I Payment		P&I Payment		P&I Payment	
insurance		insurance		insurance	
taxes		taxes		taxes	
hoa		hoa		hoa	
other		other		other	
total	$0.00	total	$0.00	total	$0.00

Other		Other		Other	
P&I Payment		P&I Payment		P&I Payment	
insurance		insurance		insurance	
taxes	$0.00	taxes		taxes	
hoa	$0.00	hoa		hoa	
other	$0.00	other		other	
total	$0.00	total	$0.00	total	$0.00

RESERVES GUIDELINES TO REMEMBER:

Cash out from the subject transaction may be used toward the reserve requirement.

On REFIs only: Req'd reserves ON SUBJECT PROPERTY may be waived when all borrowers have 0x30x12 VOM/VOR AND payment on new loan is decreasing!

UNDERWRITER: underwriter type your name here after you complete and/or edit **Date:**

This form prepared by: **This worksheet printed to the efolder on:**

☒ *Note to Underwriter: Email me, so I can forward you the original excel file so you may edit this calculation worksheet.*

❐ *This excel worksheet was emailed to the UW for editing and further underwriting.* Date Time