



**GMFS**  
PARTNERS

**DSCR**

PURCHASE ELIGIBILITY GUIDELINES

EFFECTIVE 11.25.2025

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# I DSCR PROGRAM

## 1.1 GENERAL PROGRAM INFORMATION

### 1.1.1 DSCR PROGRAM

The DSCR Program is designed for investment or non-owner-occupied loans that are designated for business purposes only. Section 14 outlines requirements specific to the DSCR Program.

For guidelines pertaining to closed-end seconds qualifying with DSCR documentation, see [15.6.3 Equity Advantage DSCR](#).

### 1.1.2 PRODUCTS

See the GMFS DSCR Matrix for available products.

### 1.1.3 MINIMUM DSCR

See the GMFS DSCR Matrix for the minimum Debt-Service Coverage Ratio.

### 1.1.4 LOAN AMOUNTS AND LOAN-TO-VALUES

See the GMFS DSCR Matrix for maximum loan amounts and LTVs.

### 1.1.5 STATE RESTRICTIONS

See the GMFS DSCR Matrix for state restrictions.

### 1.1.6 AGE OF DOCUMENTATION

Unless otherwise noted, all loan documentation must be dated within 90 days of closing.

### 1.1.7 LOAN AGE

The period between the note date and the purchaser's funding date cannot exceed 60 days.

### 1.1.8 PREPAYMENT PENALTIES

See the GMFS DSCR Matrix for prepayment penalty details.

### 1.1.9 EXCEPTIONS

Exceptions to published guidelines are considered on a case-by-case basis. Loans with exception requests should exhibit strong compensating factors. All exception requests must be submitted by the seller in writing to GMFS Mortgage on the GMFS Exception Request Form along with any supporting documentation.

GMFS's decision to allow or deny any exception request relates only to whether GMFS will purchase a loan. The decision does not bind a seller with respect to the underlying decision to extend credit.

GMFS reserves the right to allow guideline variances when accompanied by a compensating factor(s).

### 1.1.10 REQUIRED FORMS

For the DSCR Program, the following forms are required:

- Business Purpose & Occupancy Affidavit (all borrowers are required to sign prior to submission and at closing to declare that the property is, or will be, for commercial business or investment purpose only)
- I-4 Family Rider/Assignment of Rents (FNMA Form 3170)
- GMFS Guaranty Form (if applicable)

## I.2 TRANSACTIONS

### I.2.1 OCCUPANCY

The DSCR Program allows for financing of investment properties only.

### I.2.2 PURCHASE

A copy of the fully executed purchase contract and all attachments or addenda is required for purchase transactions. The lesser of the purchase price or appraised value of the subject property is used to calculate the loan-to-value.

### I.2.3 GENERAL REFINANCE REQUIREMENTS

#### I.2.3.1 DETERMINING LOAN-TO-VALUE

The following standards apply to refinance transactions under DSCR:

- If the property was acquired  $\geq 6$  months from note date, the appraised value may be used to determine loan-to-value.
- If the property was acquired  $< 6$  months from note date, the lesser of the current appraised value or the previous purchase price plus documented improvements (if any) must be used. The purchase settlement statement and any invoices for materials/labor will be required.
- If the property was acquired  $< 6$  months from note and the property was subsequently renovated, the appraised value can be used, subject to the below requirements:
  - Provide original listing photos and/or original appraisal from purchase illustrating property condition prior to renovation.
  - Full appraisal required reflecting improvements made since purchase.
  - Value must be supported by a Clear Capital CDA or FNMA Collateral Underwriter/ FHLMC Loan Collateral Advisor Review with a score of 2.5 or less (must include a copy of the Submission Summary Report).

### 1.2.3.2 LEASE REQUIREMENTS

For refinance transactions, an executed lease with no less than 3 months remaining at time of close is required for all units in the subject property. Month-to-month tenancy is not subject to this requirement with sufficient evidence (such as a signed extension letter). Purchase transactions may be vacant.

The following requirements apply to refinance transactions:

- Monthly lease payments must be consistent with market rents
- The property must not and cannot be occupied by a borrower, a guarantor, any member of the borrower's LLC, or any family member.
- If subject property is not leased, see the DSCR Matrix for LTV restrictions.

### 1.2.3.3 PROPERTIES LISTED FOR SALE

To be eligible for either a rate/term or a cash-out refinance, the subject property must be taken off the market on or before application date. The borrower or guarantor must also confirm in writing the reason for the prior listing.

For cash-out transactions, if the subject property was listed for sale in the 6 months prior to application date, a 5% LTV reduction from the maximum available for the specific transaction is required.

The lesser of the most recent list price or the current appraised value should be used to determine loan-to-value for both rate/term and cash-out transactions.

### 1.2.4 RATE/TERM REFINANCE

A rate/term refinance is the refinancing of an existing mortgage for the purpose of changing the interest and/or term of a mortgage without advancing new money on the loan.

The mortgage amount for a rate/term refinance is limited to the sum of the following:

- Existing first mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage
- The amount of any subordinate mortgage liens used in their entirety to acquire the subject property (regardless of seasoning)
- The amount of a home equity line of credit in first or subordinate lien position that was used in its entirety to acquire the subject property (regardless of seasoning)
- Any subordinate financing that was not used to purchase the subject property provided:
  - For closed end seconds, the loan is at least one year seasoned as determined by the time between the note date of the subordinate lien and the application date of the new mortgage
  - For HELOCs and other open-ended lines of credit, the loan is at least one year seasoned and there have been less than \$2,000 in total draws over the past 12 months

If the most recent first mortgage transaction on the property was a cash-out refinance within the last 6 months, the new mortgage is not eligible as a rate/term and must proceed as a cash-out refinance. Note date to note date is used to calculate the 6 months.

On rate/term transactions, the borrower may only receive cash back in an amount that is the lesser of 2% of the new mortgage balance or \$2,000.



### 1.2.5 CASH-OUT REFINANCE

A cash-out refinance is a refinance that does not meet the rate/term refinance definition. Cash-out would include a refinance where the borrower receives cash from the transaction or when an open-ended subordinate lien (that does not meet the rate/term seasoning requirements) is refinanced into the new transaction.

A mortgage taken out on a property previously owned free and clear is always considered a cash-out refinance.

The mortgage amount for a cash-out refinance transaction may include any of the following:

- Existing first mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage
- The amount of any subordinate mortgage liens being paid off that do not meet seasoning and draw history requirements as described in [14.2.4 Rate/Term Refinance](#)
- The amount of any non-mortgage related debt paid off through closing
- Additional cash in hand reflected on the settlement statement

Cash-out proceeds may only be utilized for business purposes as prescribed on the Business Purpose & Occupancy Affidavit.

### 1.2.6 FLIP TRANSACTIONS

When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a "flip". To determine the 365-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used.

Flip transactions are subject to the following requirements:

- All transactions must be arm's length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction.
- No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
- No assignments of the contract to another buyer.
- If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower or guarantor must be obtained.

A second appraisal is required in the following circumstances:

- Greater than 10% increase in sales price if seller acquired the property in the past 90 days
- Greater than 20% increase in sales price if seller acquired the property in the past 91-180 days

### 1.2.7 INHERITED PROPERTIES AND PROPERTY BUYOUTS

Refinances of inherited properties and properties legally awarded to the borrower or guarantor (divorce, separation, or dissolution of a domestic partnership) are allowed. If the subject property was acquired < 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 loan-to-value

### 1.2.8 PERMANENT FINANCING FOR NEW CONSTRUCTION

The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower to replace interim construction financing obtained by the borrower to fund the construction of a new residence. The borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.

When a refinance transaction is used, the borrower must have held legal title to the lot before he/she applied for the construction financing and must be named as the borrower for the construction loan.

A construction-to-permanent transaction may be closed as a purchase, rate/term refinance or cash-out refinance. All construction work must be complete. See [11.8.19 New Construction](#).

- For lots owned  $\geq$  12 months from application date for the subject transaction, LTV is based on the current appraised value.
- For lots owned  $<$  12 months from application date for subject transaction, LTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and purchase price of lot).

### 1.2.9 DELAYED FINANCING

Cash-out on properties purchased by the borrower with cash and owned less than 6 months is allowed. The following requirements apply:

- Original transaction was an arm's-length transaction.
- Settlement statement from purchase confirms no mortgage financing used to acquire subject.
- Source of funds used for purchase documented (gift funds may not be included).
- New loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan.
- Standard cash-out limits do not apply to delayed financing transactions.

### 1.2.10 INELIGIBLE TRANSACTIONS

The following transactions are ineligible under the DSCR Program:

- Non-arm's length transactions
- Land contract or contract for deed
- Lease with purchase option

## 1.3 BORROWERS

### 1.3.1 U.S. CITIZENS

U.S. citizens are eligible for financing.

### 1.3.2 PERMANENT RESIDENT ALIENS

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

Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria:

- I-151 – Permanent Resident Card (Green Card) that does not have an expiration date
- I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired
- I-551 – Conditional Permanent Resident Card (Green Card) issued for 2 years that has an expiration date, as long as it is accompanied by a copy of USCIS Form I-751 requesting removal of the conditions
- Un-expired Foreign Passport with an un-expired stamp reading as follows: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized."

### I.3.3 NON-PERMANENT RESIDENT ALIENS

A Non-Permanent Resident Alien is a non-U.S. citizen authorized to live and work in the U.S. on a temporary basis. Non-Permanent Resident Alien borrowers are eligible for the DSCR Program.

#### I.3.3.1 VERIFICATION OF RESIDENCY STATUS

The following visa classifications are allowed as Non-Permanent Resident Aliens:

- E-1, E-2, E-3
- G-1 through G-5
- H-1B & H-1C, H-2 through H-4
- L-1B, L-2
- NATO 1 through 6
- O-1
- R-1
- TN-1 & 2 (NAFTA)

Copies of the borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 Form (Notice of Action) with valid extension dates and an I-94 Form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing.

A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower's current employer. If the visa will expire within 6 months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).

If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use income for qualification.

Borrowers who are residents of countries which participate in the State Department's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at <https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html>.

Citizens of Venezuela are ineligible for GMFS programs.

#### I.3.3.2 CREDIT REQUIREMENTS

A U.S. credit report is required for each borrower on the loan using a valid Social Security number. A 12-month housing history is also required. See [14.4 Credit Analysis](#) for complete credit requirements.

#### I.3.3.3 ASSETS

All funds required for down payment and closing costs on Non-Permanent Resident Alien transactions must be seasoned for 30 days. See also [14.7 Assets Analysis](#) and [10.3.7 Foreign Assets](#).

### 1.3.4 FOREIGN NATIONALS

A Foreign National is a non-U.S. citizen authorized to live in the U.S. on a temporary basis but does not meet the definition of a Non-Permanent Resident Alien. Foreign National borrowers are eligible for the DSCR Program.

#### 1.3.4.1 VERIFICATION OF RESIDENCY STATUS

The following visa types are allowed as Foreign Nationals:

- B-1 and B-2
- H-2 and H-3
- I
- J-1 and J-2
- O-2
- P-1 and P-2

Copies of the borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 Form (Notice of Action) with valid extension dates and an I-94 form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing.

If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use income for qualification.

Canadian citizens are not required to provide a valid visa. An unexpired passport is acceptable.

Borrowers who are residents of countries which participate in the State Department's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at <https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html>. An unexpired passport is acceptable.

Citizens of Venezuela are ineligible for GMFS programs.

#### 1.3.4.2 CREDIT REQUIREMENTS

A U.S. credit report should be obtained for each Foreign National borrower with a valid Social Security Number. The credit report should provide merged credit information from the 3 major national credit repositories.

For borrowers without a valid SSN, a U.S. credit report using an Individual Taxpayer Identification Number (ITIN) is also allowed. An ITIN is acceptable if the borrower has the ITIN for purposes of reporting taxes from passive income sources only and is not employed in the U.S.

Foreign National borrowers who do not have an SSN or ITIN may still proceed under the Foreign National Program with alternative credit or an international credit report. See also [14.4.3 Tradeline Requirements](#). All other program requirements still apply.

### **I.3.4.3 TRADELINES**

Foreign National borrowers are subject to tradeline requirements for the DSCR Program outlined in

[14.4.3 Tradeline Requirements](#). When a Foreign National borrower does not have a U.S. credit report or has insufficient tradelines, acceptable tradelines should be established with one of the following:

- Letters of reference from verifiable financial institutions in the U.S. or a foreign country may be used to establish sufficient tradelines. If letters of reference are obtained, they must:
  - State the type and length of the relationship, how the accounts are held, and status of the account;
  - Contact information must be provided for the person signing the letter; and
  - Any translation must be signed and dated by a certified translator.
- International consumer credit reports produced by a domestic credit agency (e.g. Experian, Equifax) may be considered to establish acceptable tradelines.

### **I.3.4.4 MORTGAGE AND RENTAL PAYMENT VERIFICATION**

A 12-month housing history is required for Foreign National transactions and may be considered as a tradeline.

### **I.3.4.5 DEBT-SERVICE COVERAGE RATIO**

The minimum DSCR required for Foreign National transactions is 1.00.

### **I.3.4.6 ASSETS**

All fund required for down payment and closing costs on Foreign National transactions must be seasoned for 30 days. See also [14.7 Assets Analysis](#) and [10.3.7 Foreign Assets](#). See the DSCR Matrix for complete reserve requirements.

### 1.3.5 BORROWING ENTITIES

Borrowing Entities in the form of a U.S. domestic Limited Liability Company (hereafter referred to as Borrowing Entity or borrower) are allowed under the DSCR Program. A [Personal Guarantor](#) is also required.

Each member of the Borrowing Entity providing a personal guaranty (each a "Personal Guarantor") must complete a loan application or similar credit application signed in their individual capacity. If a standard FNMA Form 1003 is used, the section labeled, "Title to the Property Will be Held in What Name(s)," should include the Borrowing Entity name. Borrowing Entities and Guarantors must also receive notice of the loan and its terms prior to closing.

The business purpose and activities of the Borrowing Entity are limited to ownership and management of real estate, and ownership is limited to a maximum of 4 owners (aka members, partners, or shareholders). In addition, members of the LLC may also not be a trust.

The following documentation is required for each Borrowing Entity:

- Articles Of Organization/Certificate of Formation
- Secretary of State Search
- Operating Agreement/Bylaws (or equivalent document based on state requirements including an authorization to encumber real property and signing authority)
- Certificate of Good Standing
- EIN-Employer Identification Number (or W-9 with acceptable third-party verification)
- Evidence of signing authority for Guarantor(s) signing on behalf of the entity

Series or Layered LLCs with multiple members/managers are eligible. See [14.3.5.5 Series or Layered LLCs](#).

#### 1.3.5.1 ARTICLES OF ORGANIZATION/CERTIFICATE OF FORMATION

The following requirements apply to the Articles of Organization/Certificate of Formation:

- The Articles identify the state in which the LLC was organized.
- The Articles is the document to be used to determine the exact name of the LLC.
- In some states, the Articles identify the Manager or Managing Member.



### I.3.5.2 SECRETARY OF STATE SEARCH

The following requirements apply to the Secretary of State search:

- After the state in which the LLC was formed has been identified, search for the LLC on the web site of the Secretary of State for the applicable state.
- The web site will:
  - confirm the state in which the LLC was organized;
  - confirm whether the LLC is in good standing with the state (not all state websites will confirm good standing); and
  - contain the most recent Filings filed with the Secretary of State by the LLC. These filings may be labelled "Annual Reports," "Statement of Information," or "Filings."
- Open the most recent Statement of Information/Filing to determine the person or entity that manages the LLC.
  - The LLC will be managed by either a Manager or a Managing Member.
  - If the managing person or managing entity in the Statement of Information does not match the managing person or managing entity in the Operating Agreement, the discrepancy must be resolved.

### I.3.5.3 OPERATING AGREEMENT

The following requirements apply to the Operating Agreement (or equivalent document based on state requirements including an authorization to encumber real property and signing authority):

- Review the management section of the Operating Agreement.
  - This section identifies whether the LLC is managed by (i) one or more Managers, or (ii) the Members of the LLC. The Section should also provide the name(s) of the initial Manager(s).
  - Review the section to ensure that the Manager or Managing Member has the authority to sign the loan document or agreement.
- The signature page of the Operating Agreement will identify the Managers and Members.
- Confirm if there are any amendments to the Operating Agreement or Resolutions/Consents changing the identity of the Managers or Members.
- If the identity of the Manager(s) or Member(s) in the Operating Agreement differ from the Articles/Certificate or the Statement of Information/Filing on the Secretary of State's website, the discrepancy must be resolved.

#### I.3.5.4 CERTIFICATE OF GOOD STANDING

To ensure that the LLC remains in good standing with the state, a Certificate of Good Standing from the Secretary of State of the state or organization must be ordered.

- The Certificate of Good Standing is required for the formation state of the LLC.
- Ensure that the Certificate of Good Standing is dated no more than 30 days prior to closing.

#### I.3.5.5 SERIES OR LAYERED LLCs

Series or Layered LLCs with multiple members/managers are eligible as Borrowing Entities when the following requirements are met:

- Personal Guarantor for transaction must own at least 25% of the Borrowing Entity LLC and all subsequent ascending LLCs making up the overall ownership structure.
- Personal Guarantor must have signing rights for Borrowing Entity LLC and all subsequent ascending LLCs making up the overall ownership structure.
- LLC documentation listed in [14.3.5 Borrowing Entities](#) must be received for all ascending LLCs making up the overall ownership structure. Note: Certificate of Good Standing is required from the state where the LLC was formed and for all and all subsequent ascending LLCs.

## SERIES OR LAYERED LLC EXAMPLE #1

	EXAMPLE 1	PERSONAL GUARANTOR OWNERSHIP %
PARENT LLC	TDR HOLDINGS LLC	25%
SUBORDINATE LLC 1	TDR LLC	25%
SUBORDINATE LLC 2 BORROWING ENTITY LLC	123 MAIN STREET LLC	25%
		PASS**

*\*\*Personal Guarantor must have a minimum of 25% ownership stake in each LLC.*

## SERIES OR LAYERED LLC EXAMPLE #2

	EXAMPLE 1	PERSONAL GUARANTOR OWNERSHIP %
PARENT LLC	TDR HOLDINGS LLC	50%
SUBORDINATE LLC 1	TDR LLC	10%
SUBORDINATE LLC 2 BORROWING ENTITY LLC	123 MAIN STREET LLC	25%
		FAIL**

*\*\*Personal Guarantor must have a minimum of 25% ownership stake in each LLC.*

### I.3.6 PERSONAL GUARANTORS

At least one Personal Guarantor is required. A Personal Guarantor must be a beneficial owner of the Borrowing Entity with 25% or greater ownership interest in the Borrowing Entity.

Personal Guarantors must meet the credit requirements outlined in [14.4 Credit Analysis](#). The credit report for the Personal Guarantor will be used to determine qualification and pricing. Each Personal Guarantor must sign the GMFS Guaranty Form and complete the loan application.

References to "borrowers" in [10 Asset Analysis](#) apply to Personal Guarantors when the borrower is a Borrowing Entity.

#### I.3.6.1 ELIGIBLE GUARANTORS

U.S. Citizens, [Permanent Resident Aliens](#), [Non-Permanent Resident Aliens](#), and [Foreign Nationals](#) are eligible to act as Personal Guarantors under the DSCR Program.

#### I.3.6.2 INELIGIBLE GUARANTORS

The following individuals are not eligible to be Personal Guarantors:

- Individuals with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Residents of any country not permitted to transact business with US companies are ineligible (as determined by any U.S. government authority)
- Trusts or Land Trusts
- Individuals less than 18 years old

### **1.3.7 CUSTOMER IDENTIFICATION PROGRAM (CIP)**

The USA Patriot Act requires banks and financial institutions to verify the name, date of birth, address, and identification number of all borrowers or guarantors. Social security numbers can be validated with a copy of the social security card, an executed SSA-89 form, or through fraud report verification. Sellers are to follow the published CIP procedures for each borrower or guarantor to ensure the true identity of all borrowers or guarantors has been documented.

### **1.3.8 FRAUD REPORT AND BACKGROUND CHECK**

All loans must include a third-party fraud detection report for all borrowers, guarantors, and all members of each Borrowing Entity. Report findings must cover standard areas of quality control including, but not limited to: borrower/guarantor validation, social security number verification, entity validation, criminal records, and property information (subject property and other real estate owned). All high-level alerts on the report must be addressed by GMFS.

If the seller cannot electronically access the fraud report to clear high-level alerts within the fraud provider's system, an Underwriter's Certification from the seller is acceptable. The Certification must address each individual high alert and explain what actions were taken to satisfy the issues. It must be signed and dated by a member of the seller's underwriting staff or operations management personnel.

In addition to the fraud and background check requirements, the seller must provide evidence via an unsuccessful return if background check is not available. The fraud check should also include occupancy status to assist in the validation and endorsement of the Business Purpose & Occupancy Affidavit.

### **1.3.9 EXCLUSIONARY LIST/OFAC/DIPLOMATIC IMMUNITY**

All parties involved on each transaction must be screened through any exclusionary list used by the seller. The seller should apply its exclusionary list policy to any loans originated under these guidelines.

Parties to the transaction must also be cleared through OFAC's SDN List (borrowers, guarantors, property sellers, employers, banks, etc.). A search of the Specially Designated Nationals and Blocked Persons List may be completed via the U.S. Department of the Treasury website at <https://sanctionssearch.ofac.treas.gov/>.

Borrowers or guarantors from OFAC sanctioned countries are ineligible. A list of sanctioned countries is available at <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information>.

Individuals with diplomatic immunity are not eligible due to the inability to compel payment or seek judgment. Verification the borrower or guarantor does not have diplomatic immunity can be determined by reviewing the visa, passport, and/or the U.S. Department of State's Diplomatic List at <https://www.state.gov/resources-for-foreign-embassies/deans-of-the-diplomatic-corps/>.

### I.3.10 FIRST-TIME INVESTOR

A First-Time Investor is a borrower who has not owned at least one investment property for at least 12 months anytime during the most recent 12-month period. See the DSCR Matrix for restrictions for First-Time Investors.

### I.3.11 LIMITED POWER OF ATTORNEY

A Limited Power of Attorney (POA) is acceptable when following requirements are met:

- POA is specific to the transaction
- Recorded with the mortgage/deed of trust
- Contains an expiration date
- 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 cash-out or Borrowing Entity transactions

### I.3.12 VESTING AND OWNERSHIP

Ownership must be fee simple. Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter Vivos Revocable Trust
- Business Entity
  - Limited Liability Company (LLC)
  - Limited and General Partnerships
  - Corporations
  - S Corporations

#### I.3.12.1 INTER VIVOS REVOCABLE TRUST VESTING

See [4.13.1.1 Inter Vivos Revocable Trust Vesting](#) for complete requirements.

### 1.3.12.2 BUSINESS ENTITY VESTING

Ownership or title vesting in the name of a U.S. domestic LLC, partnership, or corporation (collectively 'Entity') is acceptable. For Borrowing Entity Requirements, see [14 DSCR Program](#) and [14.3.5 Borrowing Entities](#).

To vest ownership in an Entity but close in the name of a natural person, the following requirements must be met:

- Business purpose and activities are limited to ownership and management of real estate.
- Entity limited to a maximum of 4 owners (aka members, partners, or shareholders).
- A minimum of 50% of the Entity ownership must be represented as borrowers on the loan, each completing a 1003 as applicants.
- The loan application, credit report, income (if applicable), and assets for each Entity owner will be used to determine qualification and pricing.
- Each Entity owner must receive notice of the loan and its terms prior to closing.

The following Entity documentation must be provided:

- Entity Articles of Organization, Partnership, and Operating Agreements (if applicable)
- EIN-Employer Identification Number (or W-9 with acceptable third-party verification)
- Certificate of Good Standing
- Certificate of Authorization for the person executing all documents on behalf of the Entity

Documents must be completed and signed by each individual applicant (in their capacity as an individual only) that is an owner of the vesting Entity, as follows:

- Business Purpose & Occupancy Affidavit – signed by each Entity owner represented (both submission and closing) and guarantors, when applicable.
- Loan Application (1003) – Completed and signed by each Entity owner represented and guarantors, when applicable. 1003 section labeled "Title will be held in what Name(s)" should be completed with only the Entity name.
- Disclosures (GFE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.) – completed and signed by each Entity owner represented and guarantors, when applicable.
- Closing Disclosure – completed and signed by each Entity owner represented and guarantors, when applicable.
- Other Closing Documents (Final TIL, Business Purpose & Occupancy Affidavit, etc.) – completed by Entity owner represented and guarantors, when applicable.
- Note – signed by each Entity owner represented and guarantors, when applicable

- Deed of Trust/Mortgage and all attached Riders – must be completed by the authorized owner(s) of the Entity who can legally sign and bind the Entity that is the vested owner of the subject property.

### I.3.13 MULTIPLE FINANCED PROPERTIES AND GMFS EXPOSURE

There is no limit on the number of other properties borrowers may currently have financed. GMFS Mortgage exposure may not exceed \$10M aggregate with a maximum of 10 loans for each individual borrower. Exceptions to this policy will be reviewed on a case-by-case basis.

### I.3.14 INELIGIBLE BORROWERS

The following borrowers are not eligible:

- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Residents of any country not permitted to transact business with US companies are ineligible (as determined by any U.S. government authority)
- Trusts or Land Trusts (trusts may qualify for ownership vesting only)
- Borrowers less than 18 years old
- Loans to employees of seller
- First-Time Home Buyers



## 1.4 CREDIT ANALYSIS

### 1.4.1 CREDIT REPORT

A credit report is required for every borrower or guarantor. The credit report should provide merged credit information from the 3 major national credit repositories. A valid Social Security number (SSN) is required for all borrowers or guarantors on the loan.

Either a three-bureau merged report or a Residential Mortgage Credit Report (RMCR) is required. The credit report should include verification of all credit references provided on the loan application and must certify the results of public record searches for each city where the individual has resided in the last 2 years.

#### 1.4.1.1 AGE OF CREDIT REPORT/CREDIT DOCUMENTATION

All credit documentation, including the credit report, may not be more than 120 days old at the time of closing.

#### 1.4.1.2 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 prior to submitting the loan to underwriting. The actions must be reasonable and compliant with applicable laws. An underwriting decision cannot be made without full resolution of the alert.

#### 1.4.1.3 CREDIT REPORT SECURITY FREEZE

The credit report used to evaluate a loan may not reflect a security freeze and must be resolved prior to an underwriting decision. If a borrower unfreezes his or her credit after the date the original credit report was ordered, a new three-bureau merged report must be obtained to reflect current and updated information from all repositories.

#### 1.4.1.4 GAP CREDIT REPORT

A gap credit report is not required on DSCR loans.

### 1.4.2 CREDIT SCORE REQUIREMENTS

To determine the Representative Credit Score for all borrowers or guarantors, select the middle score when 3 agency scores are provided and the lower score when only 2 agency scores are provided. Each borrower or guarantor must have a valid score from at least 2 of the following 3 agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable. Additional borrowers on the loan must have at least one valid score of 660 or greater.

The highest Representative Credit Score from all borrowers or guarantors is used as the qualifying score.

### 1.4.3 TRADELINE REQUIREMENTS

DSCR MINIMUM TRADELINES			
	OCCUPANCY	TRADELINE HISTORY	MINIMUM STANDARDS
STANDARD TRADELINES	Investment	<b>3</b> tradelines reporting for 12+ months with activity in last 12 months or 2 tradelines reporting for 24+ months with activity in last 12 months or <b>**1</b> tradeline with 36+ months with activity in the last 12 months or Credit report reflects scores from all 3 bureaus and qualifying score is 700+	*0X60 for most recent 12 months
<i>*Applies only to tradelines being used to meet minimum number of trades.</i> <i>**Tradeline must be a mortgage account or installment account.</i>			

All borrowers or guarantors must meet the minimum tradeline requirements under the DSCR Program. To qualify as a valid tradeline, the following requirements apply:

- The credit line must be reflected on the borrower's credit report.
- The account must have activity in the past 12 months and may be open or closed.
- Tradelines used to qualify may not exceed 0x60 in the most recent 12 months.
- A 12- or 24-month housing history not reporting on credit may also be used as a tradeline.

Credit lines on which the borrower or guarantor is not obligated to make payments are not acceptable for establishing a minimum history. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts. Student loans can be counted as tradelines as long as they are in repayment and are not deferred.

#### I.4.4 EVIDENCE OF PRIMARY RESIDENCE

All borrowers or guarantors must own or rent a primary residence. Evidence of primary occupancy is required. Borrowers living rent free may be considered on a case-by-case basis with compelling evidence of continued occupancy. Underwriting reserves the right to request additional documentation if occupancy concerns are present.

#### I.4.5 MORTGAGE AND RENTAL PAYMENT VERIFICATION

See the GMFS DSCR Matrix for max allowable housing payment lates. The following requirements apply for mortgage and rental verifications:

- The mortgage/rental history on both the borrower's or guarantor's primary residence and the subject property are required (if applicable, i.e., refinance).
- The mortgage/rental history for the primary and/or subject property must be current at time of application and closing.
- Any derogatory mortgage history reporting on the credit report and/or provided within the loan file will be factored into the overall housing history rating and must be brought current.
- Mortgage histories for other REOs not reporting on credit are not required.
- Minimum application requirements include the disclosure of all borrower-owned or guarantor-owned REO and associated mortgages reporting on credit. PITIA from the subject property must be documented; however, PITIA from additional REO is not required to be verified.

Mortgage and rental payments that are required to be verified but not reflected on the original credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history. If the borrower or guarantor is making payments to an individual or interested party, 12 months of cancelled checks or bank statements must be obtained. A VOR/VOM is not required but may be requested for clarification.

#### I.4.6 ROLLING LATE PAYMENTS

Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

#### I.4.7 PAST DUE ACCOUNTS

Past due consumer debts can be no more than 30 days past due at time of closing.

### 1.4.8 DELINQUENT CREDIT BELONGING TO EX-SPOUSE

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

- Borrower or guarantor 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

Collection accounts assigned to an ex-spouse may be excluded from aggregate collection totals with a divorce decree or separation agreement assigning the account solely to the ex-spouse.

### 1.4.9 LAWSUIT/PENDING LITIGATION

If the application, title, or credit documents reveal that the borrower or guarantor is presently involved in a lawsuit or pending litigation, a statement from the borrower's or guarantor's attorney is required. The statement must explain the circumstances of the lawsuit or litigation and discuss the borrower's or guarantor'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 our first lien position.

### 1.4.10 CONSUMER CREDIT COUNSELING SERVICE (CCCS)

Consumer Credit Counseling must be completed for a minimum of 24 months from closing date.

### 1.4.11 COLLECTIONS AND CHARGE-OFFS

The following accounts may remain open:

- Collections and charge-offs < 24 months old with a maximum cumulative balance of \$2,000
- Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence
- Collections and charge-offs that have passed beyond the statute of limitations for that state (supporting documentation required)
- All medical collections

Collection and charge-off balances exceeding the amounts listed above must be paid in full.

Note: Cash-out proceeds from the subject transaction may not be used to satisfy charge-offs or collections that are not encumbered to the property.

### 1.4.12 JUDGMENTS AND TAX LIENS

All judgments or liens affecting title must be paid as title must insure our lien position without exception. Court-ordered judgments may remain open when one of the following options is met:

- The amount is the lessor of \$5,000 per occurrence or 2% of the loan amount; or
- Judgments or liens have passed beyond the statute of limitations for that state (supporting documentation required); or
- The borrower or guarantor is currently in a repayment agreement with the creditor (if currently in a repayment plan, the following requirements apply):
  - A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; and
  - The maximum payment required under the plan is included in the debt-to-income ratio.

Outstanding state and federal tax liens or delinquent obligations may remain open on purchase transactions only. All of the following requirements must be met:

- A copy of the repayment agreement is obtained; and
- A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; and
- The title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien, and (b) there is no impact to first lien position.

Note: Cash-out proceeds from the subject transaction may not be used to satisfy judgments or tax liens that are not encumbered to the property.

### I.4.13 HOUSING EVENTS

A Housing Event is any one of the following events listed below:

- Foreclosure
- Deed-in-Lieu
- Short Sale
- Modification
- 1x120 mortgage history

Housing Events must be seasoned for a minimum of 36 months from loan closing.

Seasoning of a foreclosure, deed-in-lieu, or short sale is measured from the date of completed sale or final property transfer. The Housing Event must be completed prior to loan closing with no outstanding deficiency balance remaining.

For a 120-day mortgage late, seasoning is from the date the mortgage was brought current. Seasoning for a modification is from the date the modification was executed.

If the property was surrendered in a Chapter 7 bankruptcy, the bankruptcy discharge date is used for seasoning. Bankruptcy papers may be required to show the property was surrendered. The foreclosure action is not required to be fully complete.

A mortgage modification resulting in any of the attributes listed below is subject to Housing Event seasoning guidelines:

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness
- Conversion of any portion of the original mortgage debt to a "soft" subordinate mortgage
- Conversion of any portion of the original mortgage debt from secured to unsecured

### I.4.14 BANKRUPTCY

All bankruptcies must be discharged or dismissed for a minimum of 36 months from closing date.

## 1.5 EMPLOYMENT/INCOME ANALYSIS

There is no employment verification or income analysis under the DSCR Program.

## 1.6 RATIOS AND QUALIFYING

A Debt-Service Coverage Ratio (DSCR) must be calculated for the subject property. See the GMFS DSCR Matrix for the minimum Debt-Service Coverage Ratio.

For interest-only loans, the DSCR calculation allows for the use of the interest-only payment including escrows. When  $DSCR < 1.00$ , the following restrictions apply:

- Short-term rental income is not allowed.
- Vacant or unleased properties are ineligible for refinance transactions.
- Rural properties are not eligible.
- Minimum DSCR allowed is .75.

### 1.6.1 LONG-TERM RENTAL INCOME

The DSCR calculation using long-term rental income is as follows:

$$\text{Debt-Service Coverage Ratio} = \text{Gross Income} / \text{Proposed PITIA}$$

To calculate Gross Income, use the lower of the (a) executed lease agreement or (b) market rent from FNMA Form 1007 or Form 1025, as applicable. If the executed lease agreement reflects a higher monthly rent, it may be used in the calculation when evidence of receipt of the higher amount for the 3 most recent consecutive months is provided.



## 1.6.2 SHORT-TERM RENTAL INCOME

Short-term term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis. Short-term rental income received directly from a home-sharing service (such as Airbnb or VRBO) or property management service may be used for qualification.

A Property Guard Short-Term Rental Compliance Report is required on all short-term rental transactions.

- The report must confirm that the borrower has all permits necessary to operate the property as a short-term rental.
  - If a permit is required, a copy of the permit must be obtained on refinance transactions to ensure compliance with local regulations.
- The report must confirm that the city, county, and state jurisdictions allow short-term rentals.
- If the property may not be operated legally as a short-term rental, short-term rental income is not allowed.

### 1.6.2.1 PURCHASE TRANSACTIONS USING SHORT-TERM RENTAL INCOME

Short-term rental income is allowed on purchase transactions. A FNMA Form 1007 is not required or utilized for rental income.

In addition to the Property Guard Report, an AirDNA Property Earning Potential Report is required to determine monthly rental income utilizing the following information:

- Occupancy Rate: minimum 60%
- Annual Projected Revenue: amount used to calculate short-term rental income

The following restrictions apply to purchase transactions utilizing short-term rental income:

- DSCR  $\geq$  1.15.
- 5% LTV reduction required (max 75% LTV).
- Minimum 720 FICO.
- First-Time Investors are not allowed.
- Borrower must document short-term rental management experience in last 12 months.
- 2-4 unit properties and rural properties are not allowed.

The DSCR calculation for purchase transactions is as follows:

$$\text{Debt-Service Coverage Ratio} = \frac{(\text{AirDNA Projected Annual Revenue} \times 80\%) / 12}{\text{Proposed PITIA}}$$

### 1.6.2.2 REFINANCE TRANSACTIONS USING SHORT-TERM RENTAL INCOME

Short-term rental income is allowed on refinance transactions. In addition to the Property Guard Report, the following documentation must be provided:

- 12 months evidence of receipt of short-term rental income via the home-sharing service, property management company, or bank statement deposits clearly evidencing short-term rental deposits.
  - Receipt must identify the subject property/unit and all rents collected for the previous 12 months. Rental income used is net of any management or vendor fees.
  - Bank statement deposits must be supported by rental records for subject property/unit to support the monthly rental activity for the previous 12 months.
  - Property ownership report obtained and proof of property listing on provider website.
- Appraisal Form 1007 or a short-term rental narrative prepared by the appraiser reflecting short-term market rents.
  - Short-term rental market data may include multiple sources such as Airbnb, VRBO, AirDNA, etc. (AirDNA is acceptable when accompanied by additional sources listed above).

The lower of the documented 12 months receipt or market rent will be used to calculate short-term rental income. The DSCR calculation for refinance transactions is as follows:

$$\text{Debt-Service Coverage Ratio} = \text{Average Monthly Gross Income} * 80\% / \text{Proposed PITIA}$$

### 1.6.3 ADJUSTABLE-RATE QUALIFYING

For all ARM loans, the note rate is used to determine the qualifying PITIA. See the DSCR Matrix for margin, index, and other restrictions. For I/O ARM loans, guidelines in [14.6.4 Interest-Only Qualifying](#) should be followed.

### 1.6.4 INTEREST-ONLY QUALIFYING

Interest-only loans qualify using the interest-only payment, including escrows, to determine qualifying ITIA. See applicable GMFS rate sheet for the most up-to-date products and pricing.

## 1.7 ASSET ANALYSIS

Verification of assets is required for purchase or refinance transactions to evidence sufficient funds to close and reserves. See [10 Asset Analysis](#) for any asset requirements not specifically addressed in this section.

### 1.7.1 RESERVES

The DSCR Program requires reserves for the subject property PITIA (or ITIA, if applicable). See matrix for minimum reserve requirements for the DSCR Program. Reserves are not required for additional real estate owned.

### 1.7.2 VERIFICATION OF ASSETS

Assets to be used for down payment, closing costs, debt payoff, and reserves must be seasoned for 30 days from closing date or sourced.

Assets must be verified with one of the following:

- Account statements for the most recent month or quarter indicating opening and closing balances and reflecting a consecutive 30 days of asset verification.
  - Account statements must provide borrower or guarantor as account holder, the account number, statement date and time period covered, and the current balance in U.S. dollars.
  - If account summary page provides the required information, additional pages are not required.
- Written Verification of Deposit (VOD), completed by the financial institution:
  - Must include the current and average balances for the most recent month.
  - Large disparities between the current balance and the opening balances will require additional verification or supporting documentation.
- Statements provided by third-party asset verification companies are permitted and may be used in lieu of bank statements (e.g., AccountChek, Finicity, Plaid).

Note: Large and/or unusual deposits may require additional documentation including letter of explanation, third party documentation, etc.

### 1.7.3 GIFT FUNDS

Gift funds can be used for down payment, closing costs, and reserves on the DSCR Program after the borrower or guarantor has documented a 10% minimum borrower contribution.

A gift can be provided by:

- a relative, defined as the borrower's or guarantor's spouse, child, or other dependent, or by any other individual who is related to the borrower or guarantor by blood, marriage, adoption, or legal guardianship
- a non-relative that shares a familial relationship with the borrower or guarantor defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, guarantor, former relative, or godparent

A signed gift letter is required to provide all of the following information:

- Donor's name, address, phone, and relationship to borrower or guarantor; and
- Dollar amount of gift; and
- Date funds were transferred; and
- Donor's statement that no repayment is expected.

Sufficient funds to cover the gift must be verified as either currently in the donor's account or evidence of transfer into the borrower's or guarantor's account. Acceptable documentation includes any of the following:

- Copy of the donor's check and the borrower's or guarantor's deposit slip
- Copy of the donor's withdrawal slip and the borrower's or guarantor's deposit slip
- Copy of the donor's check to the closing agent
- Evidence of wire transfer from donor to borrower or guarantor
- Settlement statement showing receipt of the donor's check

When the funds are not transferred prior to closing, it must be documented that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, money order, or wire transfer.

### 1.7.4 BUSINESS ASSETS

Business assets are an acceptable source of funds for down payment, closing costs, and reserves. Business assets may come from either the Borrowing Entity or a secondary business owned by one or more of the borrowers or guarantors.

If the assets being used are from a secondary business, the borrowers or guarantors on the loan must have a minimum of 25% ownership of the business and must be owners on the business account. Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent. All non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to funds in the account. The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of business assets allowed for the transaction.

## I.8 PROPERTY

See [II Property](#) for any property guidelines not specifically addressed in this section.

### I.8.1 ELIGIBLE PROPERTY TYPES

PROPERTY ELIGIBILITY	
PROPERTY TYPE	ELIGIBLE
Single-Family Residence	Yes
Planned Unit Development (PUD)	Yes
Townhomes	Yes
2-4 Unit Multi-Family Properties*	Yes
Condominium (low-rise and high-rise)	Yes
Site Condominium	Yes
Non-Warrantable Condominiums	Yes
Agricultural or Commercial Zoned	No
Assisted Living/Continuing Care Facilities	No
Boarding Houses	No
Condotels or Condo Hotels	No
Co-operative Units	No
Farms or Hobby Farms	No
Log Homes	No
Manufactured Homes	No
Mixed-Use Properties	No
Modular Homes	No
Properties Subject to Rent Control Regulations	No
Unique Properties (Earth Homes, Berm Homes, Dome Homes, Barndominiums, Shouses, Geodomes, etc.)	No
<i>*See the applicable GMFS matrix for LTV restrictions.</i>	

### I.8.2 AGE OF APPRAISAL AND APPRAISAL UPDATES

For loans under the DSCR Program, appraisals are valid for 120 days and are not eligible for appraisal updates.

### I.8.3 APPRAISAL REVIEW PROCESS

All transactions under the DSCR Program require a Clear Capital CDA (or like product), field review, or FNMA Collateral Underwriter/FHLMC Loan Collateral Advisor Review with a score of 2.5 or less (must include a copy of the Submission Summary Report).

The following transactions require a 2<sup>nd</sup> full appraisal in lieu of an appraisal review product listed above:

- Loan amounts > \$2,000,000
- Cash-out transactions with loan amounts > \$1,500,000

### I.8.4 APPRAISAL REVIEW TOLERANCE

A 10% tolerance is permitted for all secondary review products. If the review product does not provide a value, an additional review product of a higher-level must be ordered.

If the review product value is more than 10% below the appraised value, the lower of the two values must be used. If the tolerance is exceeded, the seller may choose to order an additional review product of a higher-level review. The original appraised value may then be used if the additional review product value is within 10% of the appraised value. If the review product value is higher than the original appraised value, the original appraisal value should be used.

If two appraisals are required, the lower of the two values or the purchase price must be used.

### 1.8.5 RURAL PROPERTIES AND ACREAGE

A property indicated by the appraisal as rural, or containing any of the following characteristics, is typically considered a rural property:

- Neighborhood is less than 25% built-up.
- Area around the subject is zoned agricultural.
- Photographs of the subject show a dirt road.
- Comparables are more than 5 miles away from the subject.
- Subject is located in a community with a population of less than 25,000.
- Distance to schools and/or amenities are greater than 25 miles.
- Subject property and/or comparables have lot sizes greater than 10 acres.
- Subject property and/or comparables have outbuilding or large storage sheds.

Rural properties must comply with all of the following criteria:

- Maximum acreage is 5, including road frontage and subject property.
- Purchase transactions only.
- Long-term rental income only.
- DSCR > 1.0.
- Max 65% LTV.
- Single Family Residences and condominiums only.
- Residential use only. Properties that are zoned agricultural or commercial are not eligible.
- Property must be located in a market where rental properties are prevalent. Locations may include but are not limited to mountain towns, beach communities, waterfront properties, or other tourist/recreational destinations.
- At least two comparable recent sales and rentals must be located within 5 miles of subject property.
- Property may not provide an agricultural source of income to the borrower.
- Lot size and acreage must be typical for the area and similar to surrounding properties.
- Property cannot be subject to idle acreage tax benefit or other tax incentive program.
- Present use as per the appraisal must be the "highest and best use" for the property.
- Condition, quality, and use of outbuildings should be considered in determining the market value of the subject property when the appraiser clearly supports the adjustments with similar comparable information.

Utilize the following tool to determine if a property is rural: <https://www.consumerfinance.gov/rural-or-underserved-tool/>



## 1.9 INSURANCE

See [12 Property Insurance](#) and [13 Title Insurance](#) for complete requirements.

### 1.9.1 RENT LOSS INSURANCE

Rent Loss Insurance for the subject property is required and must equal at least 6 months PITIA for the subject property. Blanket policies covering the subject property are permitted.

- If Rent Loss coverage is less than 6 months, the deficiency balance may be comprised of additional subject property PITIA reserves.
  - Example: if the required reserves for the transaction are 3 months and the required Rent Loss coverage is 6 months, the total PITIA requirement for the transaction is 9 months. If the Rent Loss coverage for the property is insufficient at 4 months, the borrower can provide evidence of 5 months PITIA reserves to complete the 9 months PITIA requirement.