

MULTIPLE FINANCED PROPERTIES PROGRAM MATRIX

(Conforming Loan Amounts ONLY)

SECOND HOME - PURCHASE

PROPERTY TYPE	LTV	CLTV/HCLTV	FICO	UNDW OPTIONS
<ul style="list-style-type: none"> 1 unit Warrantable Condo PUD 	75%	75%	720	DU –Approve/Eligible

SECOND HOME – RATE/TERM REFINANCE

<ul style="list-style-type: none"> 1 unit Warrantable Condo PUD 	70%	70%	720	DU –Approve/Eligible
--	-----	-----	-----	----------------------

SECOND HOME – CASH/OUT REFINANCE (Only if delayed financed exception requirements met)

<ul style="list-style-type: none"> 1 unit Warrantable Condo PUD 	70%	70%	720	DU –Approve/Eligible
--	-----	-----	-----	----------------------

INVESTMENT - PURCHASE

PROPERTY TYPE	LTV	CLTV/HCLTV	FICO	UNDW OPTIONS
<ul style="list-style-type: none"> 1 unit Warrantable Condo PUD 	75%	75%	720	DU –Approve/Eligible
<ul style="list-style-type: none"> 2-4 unit 	70%	70%	720	DU –Approve/Eligible

INVESTMENT - RATE/TERM REFINANCE

<ul style="list-style-type: none"> 1 -4 units Warrantable Condo PUD 	70%	70%	720	DU –Approve/Eligible
--	-----	-----	-----	----------------------

INVESTMENT – CASH/OUT REFINANCE (Only if delayed financed exception requirements met)

<ul style="list-style-type: none"> 1-4 units Warrantable Condo PUD 	65%	65%	720	DU –Approve/Eligible
---	-----	-----	-----	----------------------

PRICING:

All loans under this program will require a 1.0 pricing adjustment for over 4 financed properties.

The underwriter will condition the loan for that pricing adjustment to be applied by the Lockdesk at the time of locking.

Table of Contents



PROGRAM SUMMARY	3
ADJUSTABLE RATE LOANS	3
CREDIT SCORES.....	3
DETERMINING “Number of FINANCED” PROPERTIES.....	3
DOCUMENTATION REQUIREMENTS.....	4
HIGH BALANCE LOAN AMOUNTS.....	4
INTERESTED PARTY CONTRIBUTIONS.....	4
LOAN AMOUNTS.....	4
MAXIMUM:	4
MINIMUM:	4
HIGH BALANCE:.....	4
LOAN PRODUCTS OFFERED	5
PROPERTY TYPES	5
PREPAYMENT PENALTY.....	5
PRICING.....	5
QUALIFICATION.....	5
RESERVES.....	5
RENTAL INCOME CALCULATIONS.....	6
RENTAL INCOME FROM SUBJECT PROPERTY.....	6
REFINANCE	6
RENTAL INCOME FROM OTHER PROPERTIES.....	6
CALCULATING RENTAL INCOME: CASH FLOW METHOD	6
SUBORDINATE FINANCING.....	7
UNDERWRITING	7
RENTAL INCOME CALCULATION WORKSHEET.....	8

PROGRAM SUMMARY

Fixed-and adjustable- rate and term, fully amortizing, conventional conforming first lien mortgage loan program specifically designed for borrowers with 5 to 10 financed properties

ADJUSTABLE RATE LOANS

NOT AVAILABLE

CREDIT SCORES

Minimum Credit score = 720

CASH OUT/ DELAYED FINANCING EXCEPTION

Below are the requirements that must be met in order to allow CASH-OUT under this program:

- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points (subject to the maximum LTV/CLTV/HCLTV ratios for the transaction).
- The purchase transaction was an arms-length transaction.
- The transaction is documented by the HUD-1, which confirms that no mortgage financing was used to obtain the subject property.
- The sources of funds for the purchase transaction are documented (such as, bank statements, personal loan documents, HELOC on another property).
- All other cash-out refinance eligibility requirements are met and cash-out pricing is applied.
- **Note:** The preliminary title search or report must not reflect any existing liens on the subject property. If the source of funds to acquire the property was an unsecured loan or HELOC (secured by another property), the new HUD-1 must reflect that source being paid off with the proceeds of the new refinance transaction.

DETERMINING "Number of FINANCED" PROPERTIES

The following table describes how to apply the limitations based on the type of property ownership

Type of Property Ownership	Property Subject to Limitations?
Joint ownership of residential real estate. (This is considered to be the same as total ownership of an individual property.) Note: Other properties owned or financed jointly by the borrower and co-borrower are only counted once.	Yes
Ownership of commercial real estate.	No
Ownership of a multifamily property consisting of more than four dwelling units.	No
Joint or total ownership of a property that is held in the name of a Corporation or an S Corporation, even if the borrower is the owner of the corporate and the financing is in the name of the Corporation or the S Corporation	No
Joint or total ownership of a property that is held in the name of a Corporation or an S Corporation, even if the borrower is the owner of the corporate however, the financing is in the name of the borrower	Yes
Ownership in a timeshare	No
Obligation on a mortgage debt for a residential property (regardless of whether or not the borrower is an owner of the property).	Yes
Ownership of a vacant (residential) lot	No
Joint or total ownership of a property that is held in the name of a Limited Liability Company (LLC) or Partnership	Yes
Ownership of a Manufactured home and the land on which is it situation that is titled as real property	Yes
Ownership of a manufactured home on a leasehold estate not title as real property (chattel lien on the home)	No

Examples:

- If the borrower owns two financed investment properties and the co-borrower owns three other financed investment properties, then jointly, the borrowers have five financed investment properties in addition to their principal residence(s), if applicable.
 - If the borrower is obligated on a mortgage for a residential property (though is not on title) and the co-borrower owns a second home and an investment property (both of which are financed), then jointly, the borrowers have three financed properties that must be included in the count in addition to their principal residence(s), if applicable.
- If a borrower and a co-borrower are purchasing an investment property and they already own and/or are obligated on five other investment properties that they jointly own and/or are obligated on, the new property being purchased would be considered the borrowers' sixth investment property.

DOCUMENTATION REQUIREMENTS



- 1003 with Completed Schedule of Real Estate clearly identifying mortgages related to properties
- Completed Rental Income Calculation Worksheet
- 2yrs Federal Income Tax Returns
- Mortgage Statements for ALL properties owned/financed
- Evidence Property Tax, Hazard Insurance and HOA Expense ALL properties owned (if the property was reported on tax returns that will serve as verification of expense)
- Lease Agreements for ALL properties

HIGH BALANCE LOAN AMOUNTS



NOT ALLOWED

INTERESTED PARTY CONTRIBUTIONS



Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or any other party with an interest in the real estate transaction. Interested party contributions may be used exclusively to cover closing costs and prepaid expenses.

INTERESTED PARTY CONTRIBUTION LIMITS

CLTV	Up to 75%
Second Homes	Maximum 9%
Investment Property	Maximum 2%

LOAN AMOUNTS



MAXIMUM:

Maximum standard conforming loan limits for 1- to 4-unit property (high-cost area limits, except for standard AK, HI, and USVI, are not eligible under this program).

MINIMUM:

\$75,000

HIGH BALANCE:

Not Allowed

LOAN PRODUCTS OFFERED



- 30yr Fixed
- 15yr Fixed

PROPERTY TYPES



ELIGIBLE PROPERTY TYPES

- 1 -4 unit properties.
- Fannie Mae -eligible condominiums.
- Planned unit developments (PUDs).

INELIGIBLE PROPERTY TYPES

- Non-Fannie Mae/Freddie Mac-eligible condominiums.
- Cooperative properties
- Manufactured homes

PREPAYMENT PENALTY



None

PRICING



All loans under this program will require a 1.0 pricing adjustment for over 4 financed properties.

The underwriter will condition the loan for that pricing adjustment to be applied by the Lockdesk at the time of locking.

QUALIFICATION



QUALIFYING RATE

- Fixed: Note rate.
- ARM: Greater of the note rate plus 2% or the fully indexed rate.

QUALIFYING RATIOS

Determined by Desktop Underwriter

RESERVES



- **Second Home**
 - Six months reserves on the subject property AND six months reserves on each other financed second home or investment property.
- **Investment Property**
 - Six months reserves on the subject property. AND six months reserves on each other financed second home or investment property.

RENTAL INCOME CALCULATIONS



RENTAL INCOME FROM SUBJECT PROPERTY

Purchase: Document rental income by obtaining an appraiser's opinion of market rent (appraisal forms 1007 & 216) and a copy of the lease (if applicable). Income will be calculated using the lesser of the current market rent derived by the appraiser or the lease currently in place x 75% of that amount – the PITI for the subject property.

RENTAL INCOME FROM THE SECURITY PROPERTY

Documentation Requirements	Calculate Monthly Net Rental Income (or Loss)
Document the rental cash flow by obtaining copies of pages from the borrower's most recent two years of signed federal income tax returns and the related Schedule E.	Analyze the borrower's cash flow and calculate the net rental income (or loss), making sure that depreciation or any interest, taxes, or insurance expenses were added back in the borrower's cash flow analysis

REFINANCE

If the property has been acquired **within the most recent tax year**

- Document the rental income by obtaining an appraiser's opinion of market rent (form 1007 & form 216) and copy of current lease agreement.
- Income will be calculated using the lower of market rent or lease agreement x 75% of that amount – the PITI on subject property.

If the property was acquired **prior to the most recent tax year:**

- Obtain most recent two years signed personal tax returns (may use 1 year if DU allows for lesser documentation), a copy of the lease agreement and appraiser form 1007 & 216.
- Income will be calculated using the **lesser** of the following methods:
 - Gross rent amount on the 1040s x 100% – the PITI of the subject property – actual expenses reported on schedule E
 - Current lease amount x 75% - the PITI of the subject property
 - Appraiser's opinion of market rent x 75% - the PITI of the subject property

RENTAL INCOME FROM OTHER PROPERTIES

If the property has been acquired within the most recent tax year:

- Provide Copy of Closing HUD1 Settlement Statement or a property profile to document COE date
- Obtain a copy of lease agreement and copy of cleared security deposit check.
- Income will be calculated using lease agreement x 75% - PITI for the property

If the property was acquired prior to the most recent tax year:

- Obtain most recent two years signed personal tax returns (may use 1 year if DU allows for lesser documentation).
- Income will be calculated using the **Cash Flow Method** (see below section for "Calculating Rental Income").
- If income was not reported on Sch E of tax returns, no rental income may be used for subject property.

CALCULATING RENTAL INCOME: CASH FLOW METHOD

When Schedule E's are required for calculating rental income please utilize the **net income line approach**
Calculate as follows:

Example Rental income Calculation (From Schedule E of 1040's):

	Rents Received (Line 3)
(-) Minus	Deduct Expenses (Lines 5 through 19) –
(+) Plus	Add back in the mortgage interest deduction reported on line 12
= Subtotal ÷ 12	SubTotal ÷ 12 = Monthly Amount
(-) Minus	Deduct full principal and interest payment (From Mortgage Statement)
= Total Net Rents	Final monthly net rental income

- or investment property.

SUBORDINATE FINANCING



NOT ALLOWED

UNDERWRITING



All loans must meet the parameters as set out in Bay Equity's current Residential Underwriting Guidelines.

1. Minimum Credit Score 720
2. Borrowers must own between 5-10 financed properties.
3. This applies to the total number of properties financed, not just the number of mortgages sold to Fannie Mae
4. Bay Equity Bank will not approve or close more than 5 loans to any one borrower, or an aggregate loan amount total of \$2,000,000 (two million dollars).
5. No history of bankruptcy or foreclosure within past 7 years.
6. No delinquencies (30-day or greater) within past 12 months on any mortgage loan.
7. Rental income from other properties owned by the borrower must be supported by two years' most recent federal income tax returns or as long as the property has been owned, if less than two years.
8. Reduced documentation is not allowed for rental income, regardless of DU requirements.
9. 4506-T must be completed and executed AND results must be returned for both years
10. Cash out on this program is ONLY allowed when in conjunction with the delayed financing exception
11. Borrower must meet Reserve Requirements of 6mos PITI on ALL properties

RENTAL INCOME CALCULATION WORKSHEET

REQUIRED TO BE COMPLETED AT SUBMISSION

****File will not be forwarded to underwriting without this form completed**

RENTAL INCOME CALCULATIONS WORKSHEET (SCHEDULE E)

PROPERTY Address	Property #1	Property #2	Property #3	Property #4	Property #5	TOTALS
<i>If Owned <12months Prorated vs Months Owned per HUD1</i>	<i>ProRate</i>	<i>ProRate</i>				
A INCOME (Line 3/4)						
B - EXPENSES (Line 19)						
C + Amort/CasLoss/NRCXpns (Line 18)						
D + INSURANCE (Line 9)						
E + MTG INTEREST (Line 12)						
F + TAXES (Line 16)						
G + HOA Fees (Line 18)						
H =Sub-Total (A-B+C+D+E+F+G)						
I =H ÷ 12mos (=Monthly Pos+/Neg-)						
J -Less PITI Xpns (From MtgStmt)						
K =Monthly Net Cash Flow (I (Monthly rent) -J (PITI Expense))						

PROPERTY Address	Property #6	Property #7	Property #8	Property #9	Property #10	TOTALS
<i>If Owned <12months Prorated vs Months Owned per HUD1</i>	<i>ProRate</i>	<i>ProRate</i>				
A INCOME (Line 3/4)						
B - EXPENSES (Line 19)						
C + Amort/CasLoss/NRCXpns (Line 18)						
D + INSURANCE (Line 9)						
E + MTG INTEREST (Line 12)						
F + TAXES (Line 16)						
G + HOA Fees (Line 18)						
H =Sub-Total (A-B+C+D+E+F+G)						
I =H ÷ 12mos (=Monthly Pos+/Neg-)						
J -Less PITI Xpns (From MtgStmt)						
K =Monthly Net Cash Flow (I (Monthly rent) -J (PITI Expense))						