

## ditech BUSINESS LENDING EXPANDED CRITERIA ALT DOC STREAMLINE ONE YEAR SELF-EMPLOYMENT INCOME VERIFICATION

<b>1. PRODUCT DESCRIPTION</b>	<ul style="list-style-type: none"> <li>The Alt Doc Streamline program offers verification of one year income and employment for self-employed borrowers.</li> <li>This is a non-QM mortgage.</li> <li>Must comply with Ability to Repay underwriting standards</li> </ul>										
<b>2. LOAN TERM</b>	30-year term										
<b>3. PRODUCT CODES</b>	LL3 Exp Criteria A+ Alt Doc 30 Yr Fixed										
	MM6 Exp Criteria A Alt Doc 30 Yr Fixed										
<b>4. TEMPORARY BUYDOWN</b>	Not permitted										
<b>5. LTV/CLTV</b>	<b>ALT DOC STREAMLINE</b>										
		Units	Loan Amount	LTV/CLTV	Credit Score		Max DTI	Housing History		Significant Derogatory Credit Seasoning	
					Grade A+	Grade A		Grade A+	Grade A	Grade A+	Grade A
	<b>PRIMARY RESIDENCE</b>										
	Purchase Rate & Term Refi	1	\$1,500,000	85%	720	N/A	43%	0x30x24	0x30x12	4 years	3 years
				80%	700	720					
				75%	640	680					
				70%	620	620					
		2-4	\$1,500,000	75%	640	680					
				70%	620	620					
	Cash-Out Refi	1	\$1,500,000	80%	720	N/A					
				75%	680	720					
				70%	640	680					
				65%	620	620					
		2-4	\$1,500,000	70%	640	680					
65%				620	620						
<b>SECOND HOME</b>											
Purchase Rate & Term Refi	1	\$1,500,000	75%	680	N/A	43%	0x30x24	0x30x12	4 years	3 years	
			65%	680	680						
Cash-Out Refi	1	\$1,000,000	70%	680	N/A						
			60%	680	680						
<b>INVESTMENT PROPERTY</b>											

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	Purchase Rate & Term Refi	1-4	\$1,500,000	75%	680	N/A	43%	0x30x24	0x30x12	4 years	3 years												
				65%	680	680																	
	Borrowers who are on temporary leave are limited to a max 80% LTV/CLTV or program max, whichever is less																						
<b>6. MINIMUM LOAN AMOUNT</b>	Minimum loan amount \$100,000																						
<b>7. MAXIMUM CASH OUT</b>	<ul style="list-style-type: none"> <li>LTV/CLTV &gt;=65% \$300,000</li> <li>LTV/CLTV &lt;65% \$500,000</li> </ul>																						
<b>8. DOCUMENTATION TYPE</b>	Alt Doc Streamline																						
<b>9. POWER OF ATTORNEY</b>	Permitted																						
<b>10. UNDERWRITING</b>	<ul style="list-style-type: none"> <li>All loan must be submitted to ditech for underwriting</li> <li>Loan must be manually underwritten and fully documented per the product and policy guidelines on this product matrix and the Expanded Criteria chapter of the Client Guide</li> <li>Transmittal Summary (Form 1008) is required and must be signed and dated</li> <li>Submit to DU for appropriate fraud alerts and contributory messages</li> </ul>																						
<b>11. QUALIFYING RATE</b>	Note rate																						
<b>12. RESIDUAL INCOME</b>	Total monthly income less total monthly expenses <ul style="list-style-type: none"> <li>Grade A+: Household residual income &gt;= \$1,500</li> <li>Grade A: Household residual income &gt;= \$1,500</li> </ul>																						
<b>13. PAYMENT SHOCK</b>	<ul style="list-style-type: none"> <li>Payment shock is calculated by dividing the difference between the new and existing housing payments by the existing housing payment</li> <li>Payment shock cannot exceed 150%</li> </ul> <div style="margin: 10px 0;"> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Example</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">New Payment (PTIA)</td> <td style="text-align: right; padding: 2px;">\$1,500</td> </tr> <tr> <td style="padding: 2px;">Subtract Existing Payment (Rent or PTIA)</td> <td style="text-align: right; padding: 2px;">\$1,000</td> </tr> <tr> <td style="padding: 2px;">Difference</td> <td style="text-align: right; padding: 2px;">\$500</td> </tr> <tr> <td style="padding: 2px;">Divided by the Existing Payment</td> <td style="text-align: right; padding: 2px;">\$1,000</td> </tr> <tr> <td style="padding: 2px;">Payment Shock %</td> <td style="text-align: right; padding: 2px;">50%</td> </tr> </tbody> </table> </div>											Example		New Payment (PTIA)	\$1,500	Subtract Existing Payment (Rent or PTIA)	\$1,000	Difference	\$500	Divided by the Existing Payment	\$1,000	Payment Shock %	50%
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<b>14. TYPES OF FINANCING</b>	<b>Purchase Mortgage</b> <ul style="list-style-type: none"> <li>Non-arm's length transactions are not permitted except for gifts of equity or inherited properties</li> <li>Not eligible if the seller acquired the property within 180 days (note date to contract date)</li> </ul> <b>Rate &amp; Term Refinance</b>																						

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	<ul style="list-style-type: none"> <li>• Loan amount may include             <ul style="list-style-type: none"> <li>• Pay off of outstanding principal balance of existing first loan, plus any required per diem interest</li> <li>• Payoff of closed end loan that is seasoned for 12 months (from date of application), was used to purchase the subject property or was used for documented home improvements</li> <li>• Payoff of HELOC where a cash draw greater than \$2,000 has not been taken in the last 12 months (from application date) or proceeds were used for documented home improvements</li> <li>• Prepayment penalty associated with the existing mortgage</li> <li>• Cash out limited to the lower of 1% of the loan amount or \$2,000</li> </ul> </li> <li>• Borrowers who have refinanced twice in the past 12 months are ineligible for another refinance</li> <li>• Properties owned less than 12 months: use the lesser of the purchase price plus documented improvements or the appraised value to calculate LTV. Purchase price can be documented using the Closing Disclosure</li> <li>• Continuity of Obligation required</li> </ul> <p><b>Cash-Out Refinance</b></p> <ul style="list-style-type: none"> <li>• At least one borrower must have held title to subject property for at least 6 months, measured from date vested on title to note date</li> <li>• Borrowers who have refinanced twice in the past 12 months are ineligible for another refinance</li> <li>• Properties owned less than 12 months: use the lesser of the purchase price plus documented improvements or the appraised value to calculate LTV. Purchase price can be documented using the Closing Disclosure from original financing</li> <li>• Continuity of Obligation required.</li> </ul>
<p><b>15. TEXAS OWNER OCCUPIED PROPERTIES</b></p>	<ul style="list-style-type: none"> <li>• Owner occupied properties located in Texas subject to Texas Section 50(a)(6) not permitted             <ul style="list-style-type: none"> <li>• A copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50(a)(6) (also known as Home Equity Deed of Trust, Home Equity Installment Contract or Residential Home Loan Deed of Trust)</li> <li>• Conversion of a 50(a)(6) loan to a 50(a)(4) loan not permitted</li> </ul> </li> </ul>
<p><b>16. PROPERTIES LISTED FOR SALE</b></p>	<p><b>Rate &amp; Term Refinance</b></p> <ul style="list-style-type: none"> <li>• Properties currently listed for sale are not eligible. Properties that have been listed for sale within six months of the application date are eligible with the following:             <ul style="list-style-type: none"> <li>• Primary residence and second home</li> <li>• Documentation to show cancellation of listing on or before application date</li> <li>• Letter of explanation from the borrower detailing the reason for cancelling the listing</li> </ul> </li> </ul> <p><b>Cash-Out Refinance</b></p> <ul style="list-style-type: none"> <li>• Properties currently listed for sale are not eligible. Properties that have been listed for sale within six months of the application date are eligible with the following:             <ul style="list-style-type: none"> <li>• Primary residence and second home</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>• Max 80% LTV/CLTV or program max, whichever is less</li> <li>• Documentation to show cancellation of listing on or before application date</li> <li>• Letter of explanation from the borrower detailing the reason for cancelling the listing</li> </ul>
<b>17. PRINCIPAL CURTAILMENT</b>	<ul style="list-style-type: none"> <li>• Permitted for Rate &amp; Term Refinance</li> <li>• Max 2% of new loan amount or \$2,000, whichever is less</li> </ul>
<b>18. OCCUPANCY</b>	<ul style="list-style-type: none"> <li>• Primary Residence</li> <li>• Second Homes</li> <li>• Investment Properties</li> </ul>
<b>19. ELIGIBLE PROPERTY TYPES</b>	<ul style="list-style-type: none"> <li>• 1-4 units</li> <li>• Condo <ul style="list-style-type: none"> <li>• Fannie Mae warrantable</li> <li>• See Expanded Criteria Condo-PUD Matrix</li> </ul> </li> <li>• PUD</li> <li>• Leasehold Estates</li> <li>• Nevada Condo and PUD <ul style="list-style-type: none"> <li>• HOA dues for the subject unit must be current prior to closing</li> <li>• HOA may not be seller of the subject unit</li> </ul> </li> </ul>
<b>20. INELIGIBLE PROPERTY TYPES</b>	<ul style="list-style-type: none"> <li>• 2-4 unit PUD</li> <li>• Co-op</li> <li>• Manufactured homes</li> <li>• Non-warrantable condo</li> </ul>
<b>21. INELIGIBLE STATES</b>	<ul style="list-style-type: none"> <li>• New York</li> <li>• West Virginia</li> </ul>
<b>22. ELIGIBLE BORROWERS</b>	<ul style="list-style-type: none"> <li>• U.S. Citizens</li> <li>• Permanent Resident</li> <li>• Non-Permanent Resident</li> <li>• Inter Vivos Revocable Trust</li> <li>• First-time Homebuyer <ul style="list-style-type: none"> <li>• Single-family</li> <li>• Primary residence</li> <li>• Warrantable condos</li> </ul> </li> <li>• Reserves <ul style="list-style-type: none"> <li>• 9 months reserves for Grade A+</li> <li>• 6 months reserves for Grade A</li> </ul> </li> </ul>

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<b>23. INELIGIBLE BORROWERS</b>	Foreign Nationals
<b>24. CO-BORROWERS</b>	<ul style="list-style-type: none"> <li>No more than 4 borrowers permitted on a transaction</li> <li>Non-occupant co-borrowers not permitted</li> </ul>
<b>25. CREDIT</b>	<ul style="list-style-type: none"> <li>All borrowers must meet credit score requirements, regardless of whether income is used to qualify</li> <li>Borrowers whose income is not used to qualify do not have to meet minimum trade line requirements.</li> <li>See the Expanded Criteria chapter of the Client Guide for trade line requirements</li> </ul> <p><b>Credit Grade Determination for Significant Derogatory Credit</b> The borrower's least favorable factor will determine the credit grade. For example, a negative rating on a mortgage will determine the credit grade if it is worse than the age of the bankruptcy. <b>The initial application date will be used to determine the seasoning for the events listed above.</b></p> <ul style="list-style-type: none"> <li>If a foreclosure is included in a bankruptcy, each event is treated separately for grade determination.</li> <li>Chapter 7 bankruptcy is measured from the discharge date</li> <li>Chapter 11 bankruptcy will not impact the credit grade unless the borrower is personally liable for the reorganized debt</li> <li>Chapter 13 bankruptcy is measured from the discharge date. If the Chapter 13 bankruptcy is canceled, grading is measured from cancellation date</li> <li>Borrowers with multiple bankruptcies are ineligible</li> <li>Loss mitigation includes forbearance, any modification of the original terms, deed-in-lieu, notice of default, pre-foreclosure, short sale, short refinance, charge-off, modification or non-foreclosure action. Multiple loss mitigation events are allowed</li> </ul>
<b>26. HOUSING PAYMENT HISTORY</b>	<ul style="list-style-type: none"> <li>Inclusive of all liens regardless of position</li> <li>Applies to all mortgages on all financed properties</li> <li>Subject mortgage must be current</li> <li>One of the following is required: <ul style="list-style-type: none"> <li>At least one borrower must have a recent, consecutive 24-month housing payment history</li> <li>Borrowers who own their primary residence free and clear. Evidence property is owned free and clear must be documented</li> </ul> </li> <li>First-time homebuyers must have a 24 month rental housing payment history</li> </ul>
<b>27. BORROWER CONTRIBUTION</b>	<p><b>Borrower Investment</b></p> <ul style="list-style-type: none"> <li>A minimum 5% down payment must be paid from the borrower's own funds.</li> </ul> <p><b>Gift Funds</b></p> <ul style="list-style-type: none"> <li>Primary residence</li> <li>Down payment of 100% from gifts permitted for LTV less than or equal to 80% or program max, when no secondary financing exists</li> </ul>

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<b>28. SELLER CONTRIBUTIONS</b>	<ul style="list-style-type: none"> <li>• Primary Residence and Second Homes: 6%</li> <li>• Investment Properties: 3%</li> </ul>
<b>29. RESERVES GRADE A+</b>	<p><b>Grade A+</b></p> <ul style="list-style-type: none"> <li>• 6 months PITIA reserves             <ul style="list-style-type: none"> <li>• LTV/CLTV &lt;=80%</li> </ul> </li> <li>• 9 months PITIA reserves for any of the follow ing:             <ul style="list-style-type: none"> <li>• LTV/CLTV &gt;80%</li> <li>• Second home</li> <li>• Investment properties</li> <li>• 2-4 unit</li> <li>• First-time homebuyer</li> </ul> </li> <li>• 6 months PITIA reserves required for each additional financed property using the highest PITIA payments up to 6 properties. If borrow er ow ns more than 6 financed properties, additional reserves are not required</li> <li>• Reserves are calculated based on the PITIA of each individual property</li> <li>• Proceeds from cash-out refinance may not be used to meet the reserve requirements</li> </ul>
<b>30. RESERVES GRADE A</b>	<p><b>Grade A</b></p> <ul style="list-style-type: none"> <li>• 3 months PITIA reserves             <ul style="list-style-type: none"> <li>• LTV/CLTV &lt;=80%</li> </ul> </li> <li>• 6 months PITIA reserves for any of the follow ing:             <ul style="list-style-type: none"> <li>• LTV/CLTV &gt;80%</li> <li>• Second home</li> <li>• Investment properties</li> <li>• 2-4 unit</li> <li>• First-time homebuyer</li> </ul> </li> <li>• 2 months PITIA reserves required for each additional financed property using the highest PITIA payments up to 6 properties. If borrow er ow ns more than 6 financed properties, additional reserves are not required</li> <li>• Reserves are calculated based on the PITIA of each individual property</li> <li>• Proceeds from cash-out refinance may not be used to meet the reserve requirements</li> </ul>
<b>31. INCOME/ EMPLOYMENT</b>	<ul style="list-style-type: none"> <li>• Alt Doc Streamline allows for reduced income documentation requirements for self-employed borrowers</li> <li>• If there is a co-borrower on the loan transaction who is not self-employed, standard 24-month documentation requirements must be followed</li> <li>• Documentation             <ul style="list-style-type: none"> <li>• Most recent one year individual tax returns, including all schedules</li> <li>• Most recent one year business tax return, including all schedules (not applicable for Schedule C)</li> <li>• Signed and dated profit and loss, if more than 120 days from filing most recent tax return</li> <li>• Evidence of existence of business for two years (e.g., copy of business license, business credit report, CPA letter)</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>• Extensions not permitted</li> </ul>
<p><b>32. IRS FORM 4506-T</b></p>	<ul style="list-style-type: none"> <li>• Prior to Closing             <ul style="list-style-type: none"> <li>• 4506-T must be processed and individual income tax transcripts obtained for each borrower whose income is used to qualify</li> <li>• 4506-T for business returns must be processed and business returns obtained when borrower's ownership in the business is &gt;=25%</li> <li>• 4506-T forms must be retained in the loan file</li> </ul> </li> <li>• At Closing             <ul style="list-style-type: none"> <li>• 4506-T for personal and business returns must be signed at closing</li> </ul> </li> </ul>
<p><b>33. MAXIMUM FINANCED PROPERTIES</b></p>	<ul style="list-style-type: none"> <li>• Primary Residence             <ul style="list-style-type: none"> <li>• No restriction on number of financed properties</li> </ul> </li> <li>• Second Homes and Investment Properties             <ul style="list-style-type: none"> <li>• Up to 10 financed properties (including primary residence), or</li> <li>• Own or have financed an unlimited number of properties if the subject transaction has a max 70% LTV/CLTV (or program max, whichever is less)</li> </ul> </li> <li>• New multiple loans must be underwritten simultaneously</li> <li>• See additional requirements in the Assets/Reserves section</li> <li>• Max two loans to the same borrower in a single market area (within several block radius, defined neighborhood or lending area)</li> <li>• The aggregate dollar amount of the unpaid principal balance of mortgage loans on all financed properties may not exceed \$4M for one borrower – exceptions may be considered</li> </ul>
<p><b>34. APPRAISAL REQUIREMENTS – WHOLESALE CLIENTS</b></p>	<p><b>Wholesale Clients</b></p> <ul style="list-style-type: none"> <li>• Appraisal(s) must be ordered through the Mercury platform. See Client Guide for ordering details.</li> <li>• The following is required:             <ul style="list-style-type: none"> <li>• One full appraisal if combined loan amount &lt;=\$1.5 million and CDA</li> <li>• Two full appraisals and CDA (CDA completed on lower of the two appraisals) if the combined loan amount &gt;\$1.5 million</li> </ul> </li> <li>• CDA will be ordered by ditech once appraisal(s) are received. If the transaction requires two full appraisals:             <ul style="list-style-type: none"> <li>• One appraisal and the CDA is required for the initial review</li> <li>• 2<sup>nd</sup> appraisal is required prior to pre-close review</li> <li>• If 2<sup>nd</sup> appraisal value is less than the 1<sup>st</sup> appraisal, a new CDA is required</li> </ul> </li> <li>• Condition ratings C1 through C4 permitted</li> <li>• Quality ratings Q1 through Q5 permitted</li> <li>• Properties in declining markets             <ul style="list-style-type: none"> <li>• Primary residence</li> <li>• Single family, PUD and warrantable condos</li> <li>• 10% reduction to LTV/CLTV up to 80% or program max, whichever is less</li> </ul> </li> </ul> <p><b>Review of CDA-Basis for Determining LTV/CLTV</b></p> <ul style="list-style-type: none"> <li>• If CDA returns a value &lt;=10% of appraised value or the purchase price, use lower of the purchase price or appraised value to determine LTV/CLTV</li> </ul>

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	<ul style="list-style-type: none"> <li>• If CDA returns a value that is “Indeterminate” or &gt;10% of the appraised value, the appraisal is not acceptable.</li> <li>• If CDA returns a value greater than the appraised value, use the appraised value to determine LTV/CLTV</li> </ul>
<b>35. APPRAISAL REQUIREMENTS – CORRESPONDENT CLIENTS</b>	<p><b>Correspondent Clients</b></p> <ul style="list-style-type: none"> <li>• Appraisal(s) must be ordered through Clients standard ordering process/AMC</li> <li>• CDA and field review must be ordered through Clear Capital</li> <li>• The following is required: <ul style="list-style-type: none"> <li>• One full appraisal if combined loan amount &lt;=\$1.5 million and CDA</li> <li>• Two full appraisals and CDA (CDA completed on lower of the two appraisals) if combined loan amount &gt;\$1.5 million</li> </ul> </li> <li>• Condition ratings C1 through C4 permitted</li> <li>• Quality ratings Q1 through Q5 permitted</li> <li>• Properties in declining markets <ul style="list-style-type: none"> <li>• Primary residence</li> <li>• Single family, PUD and warrantable condos</li> <li>• 10% reduction to LTV/CLTV up to 80% or program max, whichever is less</li> </ul> </li> </ul> <p><b>Review of CDA—Basis for Determine LTV/CLTV</b></p> <ul style="list-style-type: none"> <li>• If CDA returns a value &lt;=10% of the appraised value or the purchase price, use lower of the purchase price or appraised value to determine LTV/CLTV</li> <li>• If CDA returns a value that is “Indeterminate” or &gt;10% of the appraised value, a Clear Capital Broker Price Opinion (BPO) and Clear Capital Value Reconciliation of Three Reports must be ordered. The reconciled value determined by Clear Capital will be used to determine LTV/CLTV.</li> <li>• If CDA returns a value greater than the appraised value, use appraised value to determine LTV/CLTV</li> </ul>
<b>36. ESCROW WAIVERS</b>	<ul style="list-style-type: none"> <li>• See the Client Guide for escrow waiver eligibility</li> <li>• Higher Priced Mortgage Loans (HPML): Primary residence loans must maintain an escrow account for a minimum of 5 years</li> </ul>
<b>34. MORTGAGE INSURANCE</b>	N/A

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