Acra Lending
CORRESPONDENT

BUSINESS PURPOSE LOAN PROGRAMS

NON-TRID LOAN PROGRAMS

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NON-TRID DEFINED

- **Two types of real estate loans whereby the TRID compliance rules are not applicable and are designated as Non-TRID. These include:**
  - Real estate loans made to borrowers whereby the property is utilized for a *business purpose*
  - Real estate loans made to *Foreign Nationals* (non –US citizens) on investor loans
- **Business purpose real estate investments are generally defined by:**
  - The real property is NOT being utilized as residential shelter by the property owner
  - The property is owned for a business purpose such as to derive an investment return
  - Office buildings, warehouses and apartment buildings are a few examples

- Loans on residential real estate investments may be designated as business purpose loan transactions (Non-TRID)
- To qualify the owner(s) may not be utilizing the home for shelter and the property is owned for a business purpose, for example, to derive an investment return
- Acra offers business purpose investor (Non-TRID) loan programs that do not require the application of TRID compliance rules
- Cash out allowed – proceeds must be used for a business purpose and attest via signed disclosure and cash out letter.

GENERAL LOAN QUALIFICATION INFORMATION

- Maximum back end DTI = 50% (rounded to nearest whole)
- Loan Terms: 30 year amortization including 30 yr. fixed, 7/1 or 5/1 ARM
- Interest Only option: 5 yr. I/O, $250k min. loan amount, available for credit tiers AAA – BB
- Start rate = floor rate. 2/2/6 caps for ARM products
- Investment properties only
- Loan amounts: $100k minimum up to $4M (rounded to nearest $50)
- Property types: Single Family, Condo, Townhouse, 2-4 unit, Non-Warrantable Condo, CondoTel/PudTel, Rural*
- No reserves for ≤ 75% LTV. 6 mos. for over 75% LTV
- 3 year Pre-Payment Penalty (PPP) standard. Better pricing for PPP with 4 and 5 yr. Worse pricing < 3 yr. PPP

** Rate adjustments, LTV restrictions, min. credit requirements may apply to some property types*

NON-TRID & DEBT SERVICE COVERAGE RATIO

- Measuring a property's revenue relative to its operating costs for business purpose owned real estate is a critical factor in qualifying for Acra DSCR loan programs
- The calculation utilized by Acra to measure these components is the debt service coverage ratio ("**DSCR**")
  - Acra Lending offers most business purpose and/or investor loans as **DSCR** loan programs
  - Investor debt to income ("DTI") qualified loan program offered as an alternative to **DSCR**
- **DSCR** is calculated by dividing subject property rental income by its operating expenses ("PITIA"), including:
  - The applied for mortgage **principal** payments
  - The applied for mortgage **interest** payments
  - Subject property real estate **taxes**
  - Subject property homeowners **insurance**
  - Homeowners **association** fees (if applicable)
- **DSCR** calculation example:
  - Revenue (rental income) = $2800/month
  - Operating Costs (PITIA) = $2650/month

DSCR: $2800 / $2650 = 1.06

DSCR LOAN CHARACTERISTICS

- Business purpose loans only (no 2nd homes)
- Borrower income/employment is not considered
- Qualify on credit history and subject property cash flow (DSCR)
- Negative cash flow, or DSCR less than 1.0 is allowed with additional reserves to offset. (Cash out proceeds allowed toward reserves).
- All other real estate owned by borrower must be on 1003 but PITIA documentation for non subject properties not required
- Any cash out proceeds must be for business purpose to remain compliant as Non-TRID
- May elect business entity as borrower with personal guarantee
- Available to all Acra Lending eligible property types
- 100% of rental/lease amounts allowed as income, 100% of market rent for new purchases
- Existing properties must document leases and most recent 2 mos. receipt of rental income

CASH FLOW AND DSCR

- If DSCR falls below 1.0 (negative cash flow) additional reserves equal to 12 mo. of the negative cash flow amount required.
- We will not refinance a vacant property.

Example:
65% LTV
PITIA = $1700
Verified rent/market rent: $1500 per mo.
$200 negative cash flow per month
Reserve requirement = $2400 ($200 x 12 mo.)

•**Cash out proceeds may be used to meet reserve requirement**

EXCEPTION TO THE RULE:

A first time home buyer absent complete 12 month rental history is limited to a DSCR of 1.0 or higher and max LTV of 70%

INVESTOR DTI LOAN CHARACTERISTICS

Combines Ability to Repay ("ATR") program requirements with non-TRID disclosure lift

Same LTV parameters as DSCR with improved pricing – priced from Primary Residence grid with a rate adjustment

Must document income as prescribed by specific program including additional expenses associated with other real estate owned

Use 100% of existing lease income or market rent from appraisal on purchase transactions

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FOREIGN NATIONAL LOAN CHARACTERISTICS

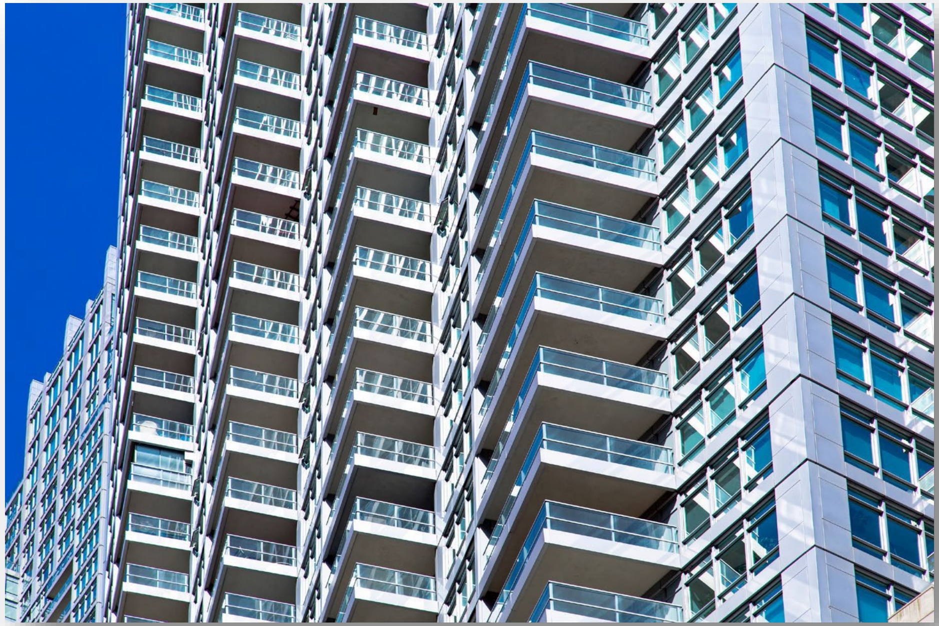
- Similar to DSCR loan programs but without review of borrower credit history
- Financial obligations outside US not considered. US based mortgage payment history required on any US owned residential real estate including subject property, if applicable
- For borrowers who are not US citizens and live and work outside the United States
- Investment properties only (no owner occupied or 2nd homes allowed)
- Max. 70% LTV purchase, 65% LTV refinance
- Assets must be verified and translated to English
- Available for any Acra Lending approved property type
- Option for legal entity as borrower – must be US based entity

FIX & FLIP LOAN PROGRAMS

Single-Family 1-4 Units	Multi-Family 5-29 Units
Maximum Loan Amount = $4 million	Maximum Loan Amount = $10 million
Rehab Only: min. As-is-Value = $75k; No Rehab: min. loan amount $100k	Minimum loan amount = $20k / Minimum Per-Door = $35k
90 cap on LTC, and/or LTV* 80% cap on ARV* (*including percentage additions)	80% cap on ARV* 90% cap on LTC* 85% cap on LTV* (*including percentage additions)
Rehab > 50% = "Heavy Rehab" (greater than 50% of As-is-Value)	
Foreign Nationals (no SSN, no ITIN) = -10% on LTV, ARV, and LTC	
Refinances for "Mid-Swing" (incomplete) projects require -5% on LTV, ARV, LTC and are subject to management discretion	

ARV = After-Repair Value I **LTC** = Loan-To-Cost I **LTV** = Loan-To-Value

SPECIAL CIRCUMSTANCES – SHORT TERM RENTAL



Short term rentals do not follow typical DSCR requirements as there are no long-term leases. Short term rentals are allowed on a case-by-case basis with the following considerations:

<u>For refinances</u>:

- 12-month ledger(s) from rental agency verifying rental history
- Copy of listing with rental agency or agencies

<u>For purchase</u>:

Since no short-term rental history can be established, short term rental purchases will be subject to the appraiser's market rent analysis and must meet standard DSCR program requirements.

* Short term rental properties are limited to 75% LTV purchase and 70% LTV refinance.

FREQUENLTY ASKED QUESTIONS

Q: What parameters determine if a condo is warrantable or non-warrantable?
A: A condo project that does not meet standard property eligibility requirements is considered non-warrantable. Most common factors resulting in non-warrantable status include but not limited to: percentage of units owned by a single entity, number of owner occupied vs. investor units (max. 50% investor for warrantable), completion status of project, builder vs owner control of HOA, HOA delinquencies. Non-warrantable condos allowable with senior management approval provided no more than 25% of units are owned by a single entity.

Q: What are your minimum credit depth requirements?
A: Acra Lending requires 3 acceptable trade lines with a minimum of 24 months reported history. At 65% or lower LTV, only 1 of the 3 tradelines must meet the 24 month reporting requirement. Rental history may be allowed as an additional trade line on a case by case basis

Q: What is your definition of cash in hand?
A: Cash in hand includes any funds to borrower or borrower's creditors not considered directly associated to the property. For example, pay off of mortgages, property tax, closing costs and transaction fees are not counted toward cash in hand. Payoff of consumer debt, judgments, liens, etc. are counted toward any cash in hand limitations.

Q: How do you determine market rent?
A: Acra lending allows for 100% of market rents as determined by the existing executed lease agreement or appraisal Comparable Rent Schedule (form 1007/1025). In some cases the lower of the two will be utilized if a discrepancy exists (Note: Does not apply to Jumbo Prime)

Q: What about refinancing vacant properties?
A: Generally Acra Lending does not refinance vacant properties. If the property is temporarily vacant due to short term remodel or transition from one tenant to another, the transaction may be allowed on a case by case basis.

Q: How many properties will you finance?
A: Acra Lending will finance up to 4 loans to one borrower, or an aggregate of up to $3,000,000, whichever is lower. The maximum number of properties, financed or not, to a single borrower is capped at 20. Note that higher limits may be allowed on a case by case basis.

Q: What if a borrower wants to take cash out of an investment property for personal (non-business) use?
A: This is allowed under most Acra Lending income types, however TRID compliance will be required.