



SmartVest Product Profile: Wholesale
Investment Property Business Purpose Loan

SMARTVEST ELIGIBILITY MATRIX				
Units	Transaction Type	Credit Score	LTV/CLTV	Loan Amount
1	Purchase and Rate & Term Refi	720	75%	\$1,500,000
			70%	\$2,000,000
		680	80%	\$1,000,000
1-4	Purchase and Rate & Term Refi	660	75%	\$1,000,000
		640	70%	\$1,000,000
1-4	Cash-out Refi	720	75%	\$1,000,000
			65%	\$1,500,000
		700	75%	\$1,000,000
		680	60%	\$1,000,000

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1. Product Description
2. Loan Terms
3. Loan Products
4. Prepayment Penalty
5. Age of Documentation
6. Required Documentation
7. Temporary Buydown
8. Ability to Repay and QM Rule
9. Minimum Loan Amount
10. Maximum Cash Out
11. Underwriting
12. Qualifying Rate
13. Debt Coverage Ratio
14. DCR Examples
15. Types of Financing
16. Incidental Cash Back
17. Properties Listed for Sale
18. Eligible Subordinate Financing
19. Ineligible Subordinate Financing
20. Occupancy
21. Eligible Property Types
22. Condos
23. Ineligible Property Types
24. Ineligible States
25. Eligible Borrowers
26. Ineligible Borrowers
27. Housing Payment History
28. Forbearance
29. Seller Contributions
30. Reserves
31. Employment/ Income
32. Documentation
33. IRS Form 4506-C
34. Tax Transcripts
35. Multiple Mortgages to the Same Borrower
36. Appraisals
37. Vesting Options
38. Escrow Waivers
39. Power of Attorney
40. Principal Curtailment
41. Mortgage Insurance
42. Version History

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1. Product Description	<p>The SmartVest product is designed for borrowers who are experienced real estate investors looking to purchase or refinance an investment property that is owned for business purposes. The borrower is qualified based upon the cash flow of the subject property.</p> <p>Diligence must be done to ensure that the borrower will not be occupying the subject property</p>
2. Loan Terms	<ul style="list-style-type: none"> • Fixed Rate: 30-year terms • 30-year Fixed Rate Interest Only <ul style="list-style-type: none"> ○ 10-year interest only period ○ 20-year amortization period
3. Loan Products	<p>30 Year Fixed SmartVest 30 Year Fixed</p> <p>30 Year Fixed IO SmartVest 30 Year Fixed IO</p>
4. Prepayment Penalty	<ul style="list-style-type: none"> • Pre-payment penalties are not permitted in NJ, MN, or NM • Three years: Six months interest on excess of 20% of the original principal balance • Buyout options may be available: refer to rate sheet • Pennsylvania: Pre-payment penalties not permitted on 1- or 2-unit properties with a loan amount less than \$263,975
5. Age of Documentation	<ul style="list-style-type: none"> • Credit and asset documents: Not to exceed 90 days old as of the Note date • Appraisal: Not to exceed 120 days of as of the Note date. An appraisal update is permitted up to 180 days old as of the Note date. After 180 days, a new appraisal is required
6. Required Documentation	<p>The following documentation is required</p> <ul style="list-style-type: none"> • Complete schedule of all real estate owned, indicating financed and free and clear properties • Mortgage/lien rating for each financed property • Business Purpose Loan Certification, signed by borrower(s) • Occupancy Certification, signed by the borrower(s)
7. Temporary Buydown	<p>Not permitted</p>
8. Ability to Repay and QM Rule	<p>SmartVest loans are not subject to Appendix Q or Ability to Repay requirements</p>
9. Minimum Loan Amount	<p>Minimum loan amount \$100,000</p>
10. Maximum Cash Out	<ul style="list-style-type: none"> • Proceeds received from a cash-out must be used for a business purpose • Diligence must be used to ensure that the proceeds are not used for a purpose other than a business purpose, such as verification that the account the borrower wires fund to matches the business account and not their personal bank account, debt is not being paid off on the Closing Disclosure, etc. • Cash-out may not be used for reserves • Maximum \$500,000 cash out and includes the following <ul style="list-style-type: none"> ○ Business debt consolidation ○ Business HELOCs with draws within the past 12 months ○ Cumulative for all properties being financed, not each individual loan

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11. Underwriting	<ul style="list-style-type: none"> All loans must be manually underwritten Loans must be submitted to LoanScorecard and receive a Pass
12. Qualifying Rate	<ul style="list-style-type: none"> Fixed Rate: Note rate Fixed Rate Interest Only: Use the greater of the fully indexed rate or Note rate based on the scheduled remaining loan term at the time of recast after the interest only period has expired <p>Fully Indexed Rate = Margin plus current Index, rounded to the nearest one-eighth of one percentage point (0.125%)</p>
13. Debt Coverage Ratio (DCR)	<ul style="list-style-type: none"> The DCR is the ratio of operating income available to debt servicing for principal, interest, and lease payments The DCR is calculated by taking 100% the gross rents divided by the PITIA of the subject property <p>Debt Coverage Ratio Requirement</p> <ul style="list-style-type: none"> DCR Purchase = 1.0 DCR Rate and Term Refi = 1.0 DCR Cash-out Refi = 1.15 <p>DCR Example One - Loan Qualifies</p> <p>Gross Rent from Subject Property = \$2,000 PITIA = \$1,500 $\\$2,000 \div \\$1,500 = 1.33$ DCR Loan qualifies: 1.33 DCR exceeds minimum 1.0 requirement</p> <p>Example Two - Loan Does Not Qualify</p> <p>Gross Rent from Subject Property = \$2,000 PITIA = \$3,000 $\\$2,000 \div \\$3,000 = .67$ DCR Loan does not qualify: DCR of .67 is less than minimum 1.0 requirement</p>
14. Types of Financing	<ul style="list-style-type: none"> Purchase Mortgage Rate & Term Refi Cash-out Refi
15. Incidental Cash Back	Cash out amount not to exceed \$2,000 or 2% of the loan amount
16. Properties Listed for Sale	Rate and Term Refi <ul style="list-style-type: none"> Subject property must not be currently listed for sale and must be taken off the market prior to the Note date Cash-out Refi

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	<ul style="list-style-type: none"> • Properties listed for sale in the six months prior to the Note date are limited to the lesser of 70% LTV/CLTV or product requirements • Properties must be taken off the market prior to the Note date
17. Eligible Subordinate Financing	Existing subordinate financing
18. Ineligible Subordinate Financing	New subordinate financing
19. Occupancy	Investment properties
20. Eligible Property Types	<ul style="list-style-type: none"> • 1-4 units • Condos <ul style="list-style-type: none"> ◦ See below for warrantable and non-warrantable condos • Leasehold estates • PUDs <ul style="list-style-type: none"> ◦ For projects ≤ 10, NewRez will finance only one unit
21. Condos	<ul style="list-style-type: none"> • Must be reviewed by PRD • For projects ≤ 10, NewRez will finance only one unit • Warrantable Condos <ul style="list-style-type: none"> ◦ Fannie Mae Condo Project Manager (CPM) and Limited Review permitted ◦ Detached condo units and 2-4-unit projects do not require project review or an HOA cert <ul style="list-style-type: none"> ▪ Property insurance per applicable agency guidelines is required ▪ 2-4 unit requires bylaws and declaration if property coverage is by the individual unit owner in lieu of a master HOA policy ◦ An HOA cert is required even if project is Fannie Mae approved ◦ New projects are not eligible for Limited Review ◦ New or newly converted projects in Florida are eligible with a Full Review and must meet the following: <ul style="list-style-type: none"> ▪ Maximum 60% LTV/CLTV • Non-Warrantable Condos <ul style="list-style-type: none"> • Investment property concentration limits (percentage of non-owner occupied properties within a project) do not apply • Minimum 50% of units in project (or subject legal phase, considered with prior legal phases) must be sold or under contract • Single Entity Ownership <ul style="list-style-type: none"> ◦ A single entity (the same individual, investor group, partnership, or corporation) may own up to and including 25% of the total number of units in the project
22. Ineligible Property Types	<ul style="list-style-type: none"> • Condo hotels • Co-ops • Factory built homes

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	<ul style="list-style-type: none"> Leasehold estate condo project Manufactured housing Mixed-use Modular homes More than 20 acres Properties with a C5 and C6 condition rating Properties with less than 600 square feet Unique properties (e.g., log homes, berth homes, dome homes)
23. Ineligible States	<p>Ineligible States</p> <ul style="list-style-type: none"> Alaska
24. Eligible Borrowers	<ul style="list-style-type: none"> U.S. citizens Permanent resident alien Inter vivos revocable trust: Trust must be approved by NewRez legal prior to loan approval The borrower must have property ownership and landlord experience managing residential or commercial real estate for a minimum of 12 months <p>NewRez will not purchase loans from Principal/Owners of NewRez Third Party Originators</p>
25. Ineligible Borrowers	<ul style="list-style-type: none"> Non-permanent resident alien First time homebuyers Non-arm's length transactions between family members
26. Housing Payment History	<ul style="list-style-type: none"> Housing Payment History: 0x30x12 Inclusive of all liens regardless of position Applies to all mortgages on all financed properties
27. Significant Derogatory Credit	<p>Foreclosure</p> <ul style="list-style-type: none"> ≥ 4 years from discharge or dismissal date ≥ 3 years and < 4 years from discharge or dismissal date (pricing adjustment may apply) <ul style="list-style-type: none"> Lesser of 70% LTV or product guidelines Greater of a minimum of 660 credit score or product guidelines Additional three months reserves for subject to property <p>Bankruptcy/Short Sale/DIL/Pre-foreclosure</p> <ul style="list-style-type: none"> ≥ 4 years from discharge or dismissal date ≥ 2 years and < 4 years from discharge or dismissal date (pricing adjustment may apply) <ul style="list-style-type: none"> Lesser of 70% LTV or product guidelines Greater of a minimum of 660 credit score or product guidelines Additional three months reserves for subject to property
28. Forbearance	<ul style="list-style-type: none"> The borrower may not have any active mortgage forbearance on any mortgages A minimum of 12 months reserves is required for any forbearance exited within the last 90 days from application date

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29. Seller Contributions	2%		
30. Reserves	Loan Amount	≤ \$1,000,000	6 months
		> \$1,000,000	9 months
	Additional financed properties, including pending sales		Additional 2 months per financed property
	<ul style="list-style-type: none"> • Maximum required reserves is the lesser of total required or 15 months • The maximum 15 months reserves is based off of the subject property PITIA • Proceeds from the transaction cannot be used for reserves • Rate and Term Refinance transactions do not require reserves if the following are met: <ul style="list-style-type: none"> ○ Loan amount is ≤ \$650,000 ○ Mortgage history is 0x30x24 or since inception if owned between 12-24 months ○ Subject property housing payment is decreasing ○ Borrower does not have a prior foreclosure, bankruptcy, short-sale, or deed-in-lieu 		
31. Employment/Income	<ul style="list-style-type: none"> • Income used to qualify is based on cash flow from the property owned using a Debt Coverage Ratio (DCR) calculation • Borrower's employment and income not required • Additional sources of income are not eligible to be used for qualifying purposes 		
32. Documentation	Purchase		
	<ul style="list-style-type: none"> • The <i>Single Family Comparable Rent Schedule</i> (Form 1007/1000) is required determine the monthly rent. 		
	Refinance		
	<ul style="list-style-type: none"> • The most recent lease agreement and <i>Single Family Comparable Rent Schedule</i> (Form 1007/1000) is required to determine the monthly rent. An expired lease agreement that states that the lease becomes a month-to-month lease is permitted with proof of most recent month's rental payment to the borrower. • If the lease agreement reflects market rents greater than those shown on <i>Single Family Comparable Rent Schedule</i> (Form 1007/1000); <ul style="list-style-type: none"> ○ If the lease is within a 10% variance from the <i>Single Family Comparable Rent Schedule</i> (Form 1007/1000) use the rental income amount on the lease; ○ If the lease is > 10% variance, use the rental income shown on the <i>Single Family Comparable Rent Schedule</i> (Form 1007/1000) • Short Term Leases <ul style="list-style-type: none"> ○ Use all leases used throughout the year and average over the 12-month period. If there are months where the property was vacant, use zero for that month in the average. ○ The average should be supported by the <i>Single Family Comparable Rent Schedule</i> (Form 1007/1000) within reason. AirBNB, VRBO, and similar rental services are not acceptable. 		
33. IRS Form 4506-C	Not required		

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34. Tax Transcripts	Not required
35. Multiple Mortgages to the Same Borrower	<ul style="list-style-type: none"> • Borrower may own up to 20 financed properties including the subject property, unless the current primary residence is pending sale <ul style="list-style-type: none"> ◦ Properties owned free and clear are not included ◦ The PITIA must be disclosed for all REO owned • New multiple loans must be underwritten simultaneously • Borrowers limited to eight loans with NewRez not to exceed \$3,000,000 in aggregate • All real estate owned must be disclosed on the application with the full PITIA
36. Appraisals	<ul style="list-style-type: none"> • Appraisals must be ordered through a NewRez approved AMC • If the appraiser notes the market is soft or declining, a 5% reduction to the maximum LTV and a second appraisal is required • Appraisal Requirements <ul style="list-style-type: none"> ◦ ≤\$1,000,000: One appraisal ◦ > \$1,000,000: Two appraisals ◦ A Comparable Rent Schedule is required <p>Collateral Desktop Analysis (CDA)</p> <ul style="list-style-type: none"> • A CDA with accompanying MLS sheets from Clear Capital is required to support the value of the appraisal and is not used to determine value <ul style="list-style-type: none"> ◦ If the CDA or ARR returns a value that is “Indeterminate” or lower than the appraised value and exceeds a 10% tolerance, a second full appraisal must be provided ◦ The lower value of the two appraisals will be used as the appraised value • For properties purchased by the seller of the property within ninety days of the fully executed purchase contract require the following: <ul style="list-style-type: none"> ◦ Second full appraisal regardless of loan amount ◦ Property seller on the purchase contract is the owner of record ◦ Increases in value should be documented with commentary from the appraiser and recent paired sales ◦ The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu <p>Two Appraisals Required</p> <ul style="list-style-type: none"> • Appraisals must be completed by two independent companies • The LTV will be determined by the lower of the two appraised values as long as the lower appraised appraisal supports the value conclusion • Any inconsistencies between the two appraisal reports must be addressed and reconciled • If the two appraisals are completed “subject to,” only one 1004D is required based on the appraisal being used to determine value • A CDA is not required
37. Vesting Options	The loan application must reflect the appropriate vesting

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	<p>Individual, Corporation, LLC, and Partnerships are permitted</p> <ul style="list-style-type: none"> All owners of the borrowing business entity must be listed as borrowers on the transaction All owners of the borrowing business entity must be natural persons Loan must be disclosed to all borrowers and the borrowing business entity All owners of the borrowing business entity must sign the closing documents Transaction is limited to no more than four borrowers, including the borrowing business entity The following documentation must be provided: <ul style="list-style-type: none"> Business Formation Documents (e.g., Articles of Incorporation, Bylaws, Charter, Articles of Association, etc.) <ul style="list-style-type: none"> Any documents received must document that they have been filed properly and certified with the appropriate state Operating/Partnership Agreement <ul style="list-style-type: none"> Document must reflect all member ownership interest in the business/entity; or CPA letter documenting borrower's percentage of ownership in the business Tax Identification Number Certificate of Good Standing
38. Escrow Waivers	LTV ≤ 80% or applicable state law
39. Power of Attorney	Not permitted on cash-out refi unless required by state law
40. Principal Curtailment	A principal curtailment is permitted up to the lesser of 2% of the loan amount of \$2,500
41. Mortgage Insurance	Mortgage insurance not required
42. Ineligible	<ul style="list-style-type: none"> High-cost loans HPML

43. Version History		
Section	Update	Date
Required Documentation	Added Occupancy Certification, signed by the borrower(s)	March 8, 2021
Maximum Cash-out Refi	Added clarification regarding evidencing business purpose use of funds	March 8, 2021
Debt Coverage Ratio	Allow 100% of rental income when determining DCR	April 26, 2021
Reserves	≤ \$1,000,000: increased reserves to 6 months > \$1,000,000: increased reserves to 9 months	April 26, 2021
Significant Derogatory	Added guidelines that are located in the SmartGuide	April 26, 2021
Appraisals	Added soft or declining market guidance from the SmartGuide	April 26, 2021

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