Debt Service Coverage Ratio (DSCR)
Program Guide

July 22, 2024

The DSCR program is designed for experienced real estate investors who are seeking to purchase or refinance investment properties held for business purposes. The borrower is qualified solely on the cash flow of the subject property regardless of the number of properties owned by the borrower.

All information contained herein is proprietary and shall be kept confidential

1.0 Fair Lending Statement

Federal law prohibits discrimination in connection with the origination of 1-4 family mortgage loans. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Also, the Fair Housing Act prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability. It is the responsibility of all DMC clients to ensure that they adhere to these laws and their underlying principles in connection with mortgage loans closed with DMC.

2.0 Overview

The DSCR program is designed for experienced real estate investors who are seeking to purchase or refinance non-owner occupied investment properties held for business purposes. An experienced real estate investor must have a minimum of 12 months ownership and management of income-producing residential or commercial real estate within the past 24 months. A letter of explanation is required to detail relevant real estate experience.

The borrower is qualified solely on the cash flow of the subject property regardless of the number of properties owned by the borrower. The loan file should include a Loan Approval indicating the loan is DSCR and a DSCR Calculation Worksheet detailing the DSCR calculation. A Statement of Business Purpose and Occupancy Affidavit signed by the borrower prior to closing declaring that the property is or will be used for a business or investment purpose only is required.

All loans submitted to DMC must be manually underwritten to the Underwriting Guidelines. For scenarios not specifically addressed in the following Underwriting Guidelines, please contact Underwriting for assistance.

3.0 Products

3.1 Products Offered

Fixed Rate Products

A fixed rate mortgage is a mortgage transaction in which the interest rate remains fixed throughout the amortized term.

- Terms: 30-year amortization. Qualified using the fully amortizing payment.
- Interest-Only Option: available with a 30-year term including a 10-year initial interest-only period followed by a 20-year fully amortizing period. Qualified using the interest only payment.

3.2 DSCR Product Matrix

DSCR Program									
30 Year Fixed Rate, ARM and Interest Only[1]									
Purchase and Rate/Term Refinance					Cash-Out Refinance				
Number of Units	Maximum Loan Amount	Maximum LTV	Minimum Credit Score	Minimum DSCR	Number of Units	Maximum Loan Amount	Maximum LTV	Minimum Credit Score	Minimum DSCR
1-4	$1,000,000	80%	700	1.00	1-4	$1,000,000	75%	700	1.00
		75%	700	0.75			70%	720	0.75
		75%	680	1.00			70%	680	1.00
		70%	660	1.00			65%	700	0.75
		65%	680	0.75			65%	660	1.00
							60%	680	0.75
	$1,500,000	80%	700	1.00		$1,500,000	75%	700	1.00
		75%	680	1.00			70%	680	1.00
		70%	700	0.75			65%	700	0.75
		70%	660	1.20			60%	660	1.00
		65%	660	1.00					
	$2,000,000	80%	700	1.00		$2,000,000	75%	700	1.00
		75%	680	1.00			70%	680	1.00
		70%	660	1.20					
		65%	700	0.75					
		60%	660	1.00					
	$2,500,000	80%	700	1.00		$2,500,000	75%	700	1.00
		75%	680	1.00			70%	680	1.00
		70%	660	1.20					
	$3,000,000	80%	700	1.00					
		75%	680	1.00					
		70%	660	1.20					

[1]Interest Only: Minimum Credit Score 700. Reduce maximum LTV by 5%.

Program Highlights - Refer to Guidelines for all Requirements. **In addition, refer to the DSCR Program Buyer Overlays effective on the lock date to confirm the loan remains eligible for the buyer on the lock confirmation if there are data changes after the initial lock that could impact eligibility.**

Underwriting	Loans must be underwritten manually to the 5 a / guidelines. The loan file should include a Loan Approval indicating the loan is DSCR and a DSCR Calculation Worksheet detailing the DSCR calculation. For items not addressed in the guidelines please contact Underwriting for assistance.
Loan Seasoning	To be eligible for purchase, the period between the closing date and the lock date cannot exceed 90 days.
Minimum Loan Amount	$100,000
Minimum Reserves	-Loan Amount <=$1,000,000: 3 Months -Loan Amount >$1,000,000 and <=$2,000,000: 6 months -Loan Amount >$2,000,000 and <=$3,000,000: 9 months -Calculated based on PITIA (fully amortizing loans) or ITIA (interest only loans) of the subject property. -Cash-Out proceeds may be used as reserves.
Maximum Cash-Out	-LTV <=60%: No Maximum -LTV >60%: $500,000

Subordinate Financing	New subordinate financing is not permitted. Subordination of an existing loan is not permitted.
Occupancy	Must be a non-owner occupied investment property. Signed Occupancy Affidavit and Statement of Business Purpose indicating the loan purpose is for the acquisition, improvement or maintenance of a rental property is required from borrower.
Products:	
Fixed Rate	30 year fully amortizing. 30 (10/20) year interest only.
ARM	5/6, 7/6 and 10/6 30 year fully amortizing. 5/6, 7/6 and 10/6 30 (10/20) year interest only.
Property:	
Eligible Property Types	Single Family, 2-4 Unit, PUD, Agency Warrantable Condo and Non-Warrantable Condo (Non-Warrantable Condo Overlays: Maximum Loan Amount $1,500,000; Maximum LTV 75% for Purchase and Rate/Term Refinance; Maximum LTV 70% for Cash-Out Refinance).
Ineligible Property Types	Manufactured homes, working farms, log homes, condo hotels, co-ops, mixed-use, builder model leaseback, boarding houses, timeshares, assisted living facilities, zoning violations, C5 or C6 condition grades, geodesic domes, unique properties, properties with more than 10 acres, lot loans and properties with deed/resale restrictions.
Condo Review	Seller is responsible for Condo Project Review.
Leasehold	Not allowed.
State Restrictions	Guam, Puerto Rico, American Samoa, Northern Mariana Islands, and the U.S. Virgin Islands not allowed. Texas 50(a)(6) not allowed. Hawaii lava zones 1-2 not allowed.
Appraisal Requirements	Clear Capital Collateral Desktop Analysis (CDA) or Protek Valuation Appraisal Risk Review (ARR) required on each loan with no CU score or a CU score >2.5. See Section 12.5 for details. Two full appraisals required for loan amounts >$2,000,000.
Seller Contributions	Maximum 3%.
Prepayment Penalty	Allowed where permitted by 5 a / and applicable federal and state laws, regulations and restrictions. See Section 13.5 for details.
Age of Documents	Maximum age of 90 days for credit documents.
Fraud Report	FraudGuard report or similar must be included in each file submission. The report should include a comparison of all participant names against industry watch and exclusionary lists such as OFAC.
Escrow Holdback	Not allowed. Any inadequacies determined by the appraisal must be remediated prior to closing.

4.0 Regulatory Compliance

Clients must ensure that each loan delivered to DMC has been originated, closed, serviced and transferred in compliance with all applicable federal, state and local laws and regulations as applicable. All applicable closing documentation and disclosures pertaining to the above regulations should be included in the closed file submission.

For business purpose loans originated under the DSCR program consumer protection laws applicable to consumer loans do not apply, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.)

5.0 Borrower Eligibility

This program is designed for experienced real estate investors that have a minimum of 12 months ownership and management of income-producing residential or commercial real estate within the past 24 months. A letter of explanation is required to detail relevant real estate experience.

Borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. All borrowers must have a valid social security number.

Lender is required to order a third-party fraud report (FraudGuard or similar) to identify any borrower information discrepancies and indications of possible fraudulent activity. The report should include a comparison of all participant names against industry watch and exclusionary lists such as OFAC.

5.1 Eligible Borrowers

- U.S. Citizens
- Permanent resident aliens
    - Copy of valid resident alien card must be included in loan file.
- Non-permanent resident aliens
    - Must be legally present in the U.S. with an acceptable visa type. Acceptable visa types are as follows:
        - E Series (E-1, E-2, E-3)
        - G Series (G-1, G-2, G-3, G-4, G-5)
        - H Series (H-1B, H-1C, H-2, H-3, H-4)

- L Series (L-1A, L-1B, L-2)
- NATO Series (NATO 1 – 6)
- O Series (O-1)
- TN-1, Canadian NAFTA visa
- TN-2, Mexican NAFTA visa

See USCIS.gov for more information.

- Must have a two (2) year credit history in U.S. and must meet minimum the credit requirements as set forth in Section 9.0.
- No funds from outside the U.S are allowed.
- Not eligible for cash-out refinance transactions.

- Inter-Vivos Revocable Trusts
  - Trust must be established by one or more natural persons, individually or jointly.
  - The individual(s) establishing the trust must be the primary beneficiary/beneficiaries.
  - If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.
  - At least one of the trustees must be either the individual establishing the trust, or an institutional trustee that customarily performs the duties of a trustee and is duly authorized to act as a trustee under applicable state law.
  - The mortgage and trust documents must meet agency eligibility criteria including title and title insurance requirements, as well as applicable state laws that regulate the making of loans to intervivos revocable trusts.
  - Title to the mortgaged property may be vested: (1) solely in the trustee(s) of the intervivos revocable trust, or, (2) jointly in the trustee(s) of the intervivos revocable trust and in the name(s) of the individual borrower(s), or, (3) in the trustee(s) of more than one intervivos revocable trust.
  - The title insurance policy (or ownership report, where applicable) must ensure full title protection to the client and must state that title to the mortgaged property is vested in the trustee(s) of the intervivos revocable trust. It must not list any

exceptions with respect to the trustee(s) holding title to the mortgaged property or to the trust;

- The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or deed of trust note.

- Title held in the trust must not diminish the mortgagee's rights as a creditor, including the right to have full title to the security property vested in the mortgagee should foreclosure proceedings have to be initiated to cure a default under the terms of the related mortgage; and

- The mortgage must be underwritten as if the individual establishing the trust (or at least one of the individuals, if there are two or more) were the borrower (or a co- borrower).

- U.S. based Limited Liability Companies (LLC), Partnerships and Corporations.

  - Any business structure is limited to a maximum of four members.

  - Purpose and activities of the business are limited to ownership and management of real estate.

  - Copies of the entities Articles of Organization, Operating Agreements and Certificate of Good Standing must be provided.

  - The following documents must be completed and signed as an individual by each member of the entity.

    - Loan Application: section labelled "Title will be held in what Name(s)" should be completed with the entity name. Each member is subject to the same underwriting requirements as an individual borrower.
    - Personal Guarantee (see Appendix B for Form of Personal Guarantee): must be executed at loan closing and dated the same date as the Note or the loan will be ineligible for purchase. Personal guarantees from community property states must be accompanied with a Spousal Consent to Pledge.

  - The following documents must be signed as an authorized signer of the entity by each member.

    - Applicable federal and state disclosures

- Business Purpose and Occupancy Affidavit
- Note, Deed of Trust/Mortgage and all Riders.
- Any state and/or federally required settlement statements.

5.2 Ineligible Borrowers

- Borrowers with only an ITIN (individual taxpayer identification number).
- First Time Home Buyers
- Irrevocable trusts.
- Land Trusts
- Foreign Nationals
- Borrowers who are a party to a lawsuit.
- Borrowers with Diplomatic Immunity.
- Guardianship
- Life Estates

5.3 Multiple Financed Properties

- Borrowers may not own more than twenty (20) residential 1-4 unit financed properties including the borrower's primary residence and subject property.
- Financed properties that are commercial properties or unimproved land can be excluded from the calculation of number of properties financed.

5.4 Ownership

- Ownership must be fee simple. Borrower(s) may hold title as follows:
    - Individual
    - Joint Tenants
    - Limited Liability Companies (LLC), Partnerships and Corporations
    - Inter-Vivos Revocable Trusts

6.0 Occupancy

6.1 Non-Owner Occupied Investment Property

- Signed Occupancy Affidavit required.

7.0 Borrower Business Purpose & Occupancy Affidavit

7.1 A Borrower Business Purpose & Occupancy Affidavit is required that includes:

- Borrower's and subject property's address.
- Borrower intends to use the proceeds of the mortgage loan for a business purpose.
- Borrower does not currently occupy the subject property or plan to occupy the subject property.
- Subject property is leased or will be leased.
- Statement must be signed and dated by the borrower.

See Appendix A for Form of Affidavit.

8.0 Eligible Transaction Types

8.1 Purchases

- Proceeds from the transaction are used to finance the acquisition of the subject property.

- LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property.

- If Seller has taken title to the subject property ninety days or less prior to the date of sales contract the following requirements apply.

    - Property seller on the purchase contract is the owner of record.
    - LTV/CLTV will be based on the lesser of the prior sales price, current purchase price or the current appraisal value.

Loans that are bank owned or relocation sales are exempt from the above requirements.

- Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property for purposes of this section.

8.2 Rate and Term Refinance

- The mortgage amount may include the:
    - Principal balance of the existing first lien.
    - Payoff of a purchase second lien.
    - Payoff of a non-purchase second lien seasoned a minimum of 12 months from date of application. The second lien must not evidence draws exceeding $2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit.
    - Payoff of a co-owner pursuant to a written agreement.
    - Financing of the payment of prepaid items and closing costs.

- Minimum of six (6) months seasoning from the note date of the new transaction required if previous refinance was cash-out, including the payoff of a non-seasoned subordinate lien.

- For properties purchased within six (6) months of closing date the LTV/CLTV will be based upon the lesser of the original sales price (Closing Disclosure/Settlement Statement from subject property acquisition required) plus improvements (proof of improvements required) or the current appraised value conclusion from the appraiser. Inherited properties are exempt from this seasoning requirement and LTV/CLTV will be calculated off current appraised value.

- For properties purchased more than six (6) months prior to the closing date the current appraised value may be used to calculate LTV/CLTV.

- Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing.

- Cash back to the borrower is limited to the lesser of $2,000 or 1% of the new loan.

- Principal reduction is permitted up to the lesser of $2,500 or 2% of the new loan.

8.3 Cash-Out Refinance

- Borrower must have held title for a minimum of 6 months from disbursement date.
- For properties purchased within 12 months of closing date the LTV/CLTV will be based upon the lesser of the original sales price (Closing Disclosure/Settlement Statement from subject property acquisition required) plus improvements (proof of improvements required) or the current appraised value conclusion from the appraiser.
- Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) 6 months prior to the date of closing.
- Texas 50(a)(6) loans are ineligible.
- Cash out is limited to the maximum amounts stated on the Product Matrix in Section 3.2. Cash-out includes the payoff of a non-purchase second lien that does not meet the requirements in the Rate and Term Refinance section above.
- Cash-out may be used for reserves.
- Cash out loan proceeds used for any personal use are not eligible.

8.4 Continuity of Obligation

For a refinance transaction to be eligible for purchase there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction.

Continuity of obligation is met when any one of the following exists:

- At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.
- The borrower has been on title for at least six (6) months and has paid the mortgage for the last six (6) months.
- The borrower has recently been legally awarded the property (divorce, separation or dissolution of a domestic partnership).

Properties that are owned free and clear meet the continuity of obligation requirements. Loans with an acceptable continuity of obligation may be underwritten, priced, and delivered as either cash-out or rate and term refinance transactions based on the requirements for each type of

transaction.

8.5 Delayed Financing Refinance

Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety days (90) from the date of the application are eligible for purchase. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed. If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds were used to pay off or pay down the loan used to purchase the property. Funds received as gifts and used to purchase the property may not be reimbursed with the proceeds of the new loan. Delayed financing refinances are not subject to cash-out refinancing program limitations.

The original purchase transaction must be documented by a Closing Disclosure/Settlement Statement confirming that no mortgage financing was used to obtain the subject property.

8.6 Contract for Deed/Land Contract

Contract for Deed/Land Contracts are ineligible.

8.7 Non-Arm's Length Transactions

All of the parties to a transaction should be independent of one another. Except as indicated below if a direct relationship exists between or among the parties, the transaction is non-arm's length, and the related loan is not eligible for purchase. The following transactions are eligible provided that such transactions and the related circumstances are properly documented:

- Sales or transfers between members of the same family. Transaction may not be due to any adverse circumstances.
- Property seller acting as his or her own real estate agent.
- Borrower/relative acting as borrower real estate agent.
- Borrower/relative is an employee of the originating lender.

For non-arm's length circumstances not specifically addressed above, please contact Underwriting for assistance as other transactions may be eligible on a case-by-case basis.

8.8 Foreclosure Bailout

A foreclosure bailout is a refinance or purchase transaction where the true purpose of the loan is to refinance an existing loan to the borrower which is secured by the mortgaged property that is in foreclosure. Such transactions are ineligible for purchase.

8.9 Loan Seasoning

To be eligible for purchase, the period between the closing date and the lock date cannot exceed 90 days.

9.0 Credit Documentation Requirements

For scenarios not specifically addressed in the following Underwriting Guidelines, please contact Underwriting for assistance.

9.1 Credit Documents Age

- For all transaction types, credit documents may not be older than 90 days from the Note date.

9.2 Credit Score

- The representative credit score for qualification purposes for an individual borrower is the middle score of the three (3) scores reported. If two (2) scores are reported the representative credit score is the lower of the two scores. Credit scores from all three repositories must be requested (Equifax, Experian and TransUnion).
- For multiple borrowers the credit score is the lowest of all representative credit scores.
- If only one credit score or no credit score is reported borrower is not eligible. A minimum of two credit scores is required.
- No borrower in a transaction may have frozen credit. If a borrower has frozen credit and unfreezes their credit after the original report was ordered, a new credit report must be obtained to reflect current updated information for evaluation.
- Credit rescores are not permitted unless the rescore is correcting erroneous line items or disputed accounts.
- See the Product Matrix in Section 3.2 for the minimum credit score requirements.

9.3 Minimum Credit Requirements

- For each borrower, a minimum of 2 trade lines must be evident and must meet the following criteria:
    - One trade line must be open for 24 months and active within the most recent 6 months, and
    - One trade line must be rated for 12 months and may be open or closed.
- Authorized user accounts and non-traditional credit do not count towards meeting the requirements for tradelines.

9.4 Mortgage/Rental History

DMC requires a 12-month housing history on the subject property, primary residence and all additional financed properties. The housing history requirements for additional financed properties (properties other than the subject property and primary residence) are limited to properties with mortgages reflected on the credit report. All payment histories must reflect 0X30.

Mortgage/Rental history must be documented as follows.

- A mortgage payment history from an institutional lender, including the month prior to closing, as verified through (i) credit bureau report reference for 12 months or (ii) 12 months canceled checks.
- For rental verification a standard VOR completed by a professional management company or 12 months bank statements or canceled checks and a lease agreement to document the term and payment are required.
- If a borrower is refinancing a privately held mortgage the following payment verification requirements apply:
    - The privately held mortgage payments must be verified with either cancelled checks or bank statements (if the payment is automatically withdrawn from the borrower's account).
    - Evidence must be included in the loan file that the lien being paid off is a current recorded lien against the subject property.
- If the housing history reflects a forbearance agreement, the payment history must reflect 0X30 in the most recent 12 months since exiting forbearance. The payment history must be provided by the lender/servicer.

Borrowers who have lived in a rent-free situation are eligible if the borrower is an experienced real estate investor with a minimum of 12 months ownership and management of income-producing residential or commercial real estate within the past 24 months.

9.5 Judgments, Garnishments, and Liens

The borrower is required to pay off prior to or at closing all open judgments, garnishments, and liens, including all tax liens and mechanics' or material men's liens on the mortgaged property. The satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations must be documented to the loan file.

9.6 Past-Due Account

Past-due accounts must be brought current prior to or at closing.

9.7 Charge-off and Outstanding Collections Accounts

- Satisfactory explanation for any delinquent credit from the borrower is required.
- Borrower must pay off all delinquent credit that has the potential to impact lien position.
- Collection accounts or charged-off accounts do not need to be paid off if the balance of an individual account is less than $1,000 or if there are multiple accounts the total balance of all accounts cannot exceed $2,500.

9.8 Bankruptcy, Foreclosure, Notice of Default (NOD), Deed-In-Lieu of Foreclosure, Short Sales and Modifications

- At least four (4) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), short sale, deed-in-lieu or modification measured from the date of completion to the date of application.
- A satisfactory letter of explanation for the event from the borrower is required.
- Borrower must show reestablished credit and meet the minimum credit requirement.

10.0 Income - Debt Service Coverage

10.1 Borrower Employment

The employment section of the loan application should not be completed.

10.2 Gross Income

Gross Income is the lower of the actual monthly rent on the lease agreement and the monthly market rent (Form 1007 or Form 1025) from the subject property appraisal. If the lease agreement reflects higher monthly rent than the appraisal, the lease amount may be used for monthly gross income with two months proof of receipt. For purchase transactions without an existing lease, the market rent from the appraisal may be used.

10.3 Lease Requirements

- An unexpired executed lease is required at the time of closing except for purchase transactions where there is no existing lease or the existing lease is not assigned.
- For refinances, a current lease must be supported with two most recent bank statements showing consecutive rental payments.
- An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed.
- Short term/variable rental income can be used for qualifying on refinance transactions when utilizing an on-line service such as Airbnb or VRBO. A minimum 12-month rental history is required, and the monthly gross income is the average monthly rental income for the most recent 12 months based on statements from the on-line service.

10.4 Debt Service Coverage Ratio (DSCR)

- Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA (principal, interest, taxes, insurance, and homeowners' association dues) of the subject property for fully amortizing loans or the ITIA for interest only loans.
- The loan file should include a Loan Approval indicating the loan is DSCR and a DSCR Calculation Worksheet detailing the DSCR calculation.
- See the Product Matrix in Section 3.2 for the required Debt Service Coverage Ratios.

11.0 Assets and Source of Funds

For information regarding assets and source of funds not addressed below please contact Underwriting for assistance.

11.1 Source of Funds

- The borrower must have sufficient assets to meet the requirements for down payment, pre-paid items, closing costs and reserves.

- Funds needed for closing must be verified with copies of the most recent two (2) months bank statements including all pages.

- Large deposits, defined as a single deposit that exceeds five (5) percent of the loan amount, must be sourced. Large deposits that cannot be sourced may be subtracted from asset amount.

- Acceptable sources of verified funds include:

    - Bank deposits
    - Stocks, stock options, bonds, and mutual funds. Stocks and bonds will be discounted at 70% of value for reserves.
    - Home Equity Line of Credit (HELOC)
    - Life Insurance surrender value if used for cash to close must be liquidated. If used for reserves no liquidation is required.
    - Sale of real property.
    - Sale of personal property with supporting documentation.
    - Disbursement from a Trust Fund.
    - Disbursement from an IRA/401K.
    - Disaster relief grants. Borrowers may use lump sum grant for down payment. No minimum contribution is required. Grant may not be used for closing costs or reserve requirements. Document that payment received is an actual grant and not a loan. Subordinate lien against the property is ineligible.

- Business funds can be used for down payment and cash reserves if the borrower(s) own 100% of the business and requires a letter from the accountant of the business or an underwriter cash flow analysis of the business balance sheet to confirm that the withdrawal will not negatively impact the business.

- Gift funds are not allowed.

- Gifts of equity are not allowed to be used as a source of funds.

11.2 Cash Reserves

All loans require a minimum cash reserve. Reserves are calculated based on the PITIA (fully amortizing loans) or ITIA (interest only loans) of the subject property. Please refer to the Product

Matrix in Section 3.2 for the reserve requirements. Reserves must be verified and comprised of liquid assets that borrower can readily access. Equity lines of credit and gift funds are not acceptable sources to meet the reserve requirement.

12.0 Property

12.1 Eligible Property Types

- 1-4 unit attached and detached.
- Low/mid/high-rise new and established Fannie Mae or Freddie Mac warrantable condominiums.
    - Warrantable condominium types S and T.
    - New condominiums (type R). New condominiums may not be subject to additional phasing or annexation.
    - Limited review is not eligible. All attached condominiums require full lender review with or without Condo Project Manager (CPM). The conventional Condo and PUD warranty form must be used to warrant the condo project.
    - The project must be reviewed within the 3 months preceding the date of the note.
    - All supporting documentation used by the lender to determine eligibility and warranty type criteria must be submitted in the file; including the project acceptance certification generated by CPM and unexpired PERS approval, as applicable.
- Non-Warrantable Condominiums: condominiums that are non-warrantable due to only one of the following are eligible for delivery.
    - Investor concentration up to 60%.
    - Commercial space up to 50% provided it is common and customary to the area and does not have an adverse impact on marketability.
    - Single owner/entity concentration up to 25% (for projects consisting of 10 units or less the maximum is two units).
    - At least 30% of the units must be sold or under bona fide contract.
    - Annual budget allocation to reserves <10% permitted if the appraisal report notes no significant repairs are needed and the following reserves balance thresholds are met.
        - >=7% to 9.99% annual budget is allocated to reserves, then the Reserve Fund balance must equal 50% of the annual budgeting

income.
- >=5% to 6.99% annual budget is allocated to reserves, then the Reserve Fund balance must equal 75% of the annual budgeting income.
- >=3% to 4.99% annual budget is allocated to reserves, then the Reserve Fund Balance must equal 100% of the annual budgeting income.

- Planned Unit Development (PUD).

12.2 Ineligible Property Types

- Manufactured or mobile homes
- Co-ops
- Factory built housing
- Condo hotel units (Condotels)
- Log homes
- Non-Warrantable Condominiums that do not meet the eligibility requirements in Section 12.1.
- Timeshare units
- Unique properties
- Properties that do not conform to zoning ordinances.
- Mixed use properties
- Working farms
- Hobby farms
- Commercial properties
- Rural zoned properties
- Agriculturally zoned properties (agricultural/residential eligible)

- Any property located in lava zones 1 or 2 on the island of Hawaii.
- Properties with more than 10 acres
- Properties held as leasehold.
- Properties, other than condominiums, with less than seven-hundred fifty (750) square feet
- Condominiums with less than four hundred (400) square feet
- Properties located in Puerto Rico, Guam, America Samoa, Northern Mariana Islands and US Virgin Islands.
- Lot Loans
- Properties with deed/resale restrictions

12.3 Declining Market

- Reduce maximum LTV/CLTV by 10% for any property located in an area of declining property values as reported by appraiser.

12.4 Appraisal Requirements

- All appraisals must be completed on the most current Agency appraisal forms as stipulated in the Seller's Guide and conform to Agency appraisal practices and eligibility requirements.
- Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a new appraisal needs to be performed. For new construction an appraisal update on form 1004D is required.
- Two full appraisals are required for loan amounts >$2,000,000. LTV will be based on the lower of the two values. All inconsistencies between the two appraisals must be addressed and reconciled.
- Appraisals transferred or assigned from another lender are not acceptable.

12.5 Third Party Appraisal Review

- A Collateral Desktop Analysis (CDA) must be obtained from Clear Capital or an Appraisal Risk Review (AAR) from Protek Valuation for each loan with no collateral underwriter (CU) score or a score greater than 2.5.

- A copy of the appraisal desk review report should be submitted in the loan file. The review must not be over 120 days old from the date of the Note.

- If the desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible for purchase; provided, the client has the option to order a Field Review to support the appraised value. If the field review also produces a value in excess of a 10% negative variance to the appraised value, then the loan will remain ineligible for purchase.

- All appraisals are reviewed for eligibility as well as value support. However, the use of an appraisal review product does not relieve the client of its representations and warranties relating to the property and the appraisal including the underwriting thereof.

12.6 Properties Located in a Disaster Area

The following is required for properties located in a FEMA declared disaster zone to be eligible for purchase:

- If the property is in a zone where a Disaster End Date has been declared by FEMA, DMC will order a post disaster inspection prior to loan purchase to confirm the property value has not been impacted by the disaster.

- If the property is in a zone where a Disaster End Date has not been declared by FEMA, in addition to the above inspection requirement, a date and time stamped area map from a state or county agency or similar, showing the subject property in relation to the disaster area is required to evidence that the property is outside of current known fire boundaries.

For scenarios not addressed in this section please contact Underwriting for assistance.

13.0 Additional Loan Attributes and Policies

13.1 Subordinate Financing

- New subordinate financing is not permitted.
- Subordination of an existing loan is not permitted.

13.2 Chain of Title

- All transactions require a minimum twelve (12) month chain of title.

13.3 Balloon Mortgage

- Balloon mortgages are not eligible for purchase.

13.4 Temporary Buydown

- Temporary buydown mortgage loans are not eligible for purchase.

13.5 Prepayment Penalty

Prepayment penalty (PPP) terms may vary from one to five years and the following structures may be used:

- **Six Months Interest**: the PPP charge will be equal to six months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The PPP is applicable regardless of the reason for the prepayment of principal including prepayments resulting from the sale or refinance of the subject property or curtailments that exceed 20% of the original balance in any 12 month period.
- **Fixed Percentage or Declining Structure**: the minimum percentage in a year must be greater than or equal to the remaining PPP term during that year (see examples below). The PPP charge will be equal to the percentage in effect at the time of the prepayment and applied to any curtailment or the entire outstanding principal balance during the prepay period regardless of the reason for the prepayment of principal.

5 Year Term

- Minimum Year 1 Percentage (5 Year Remaining PPP Term): 5%
- Minimum Year 2 Percentage (4 Year Remaining PPP Term): 4%
- Minimum Year 3 Percentage (3 Year Remaining PPP Term): 3%
- Minimum Year 4 Percentage (2 Year Remaining PPP Term): 2%
- Minimum Year 5 Percentage (1 Year Remaining PPP Term): 1%

4 Year Term

- Minimum Year 1 Percentage (4 Year Remaining PPP Term): 4%
- Minimum Year 2 Percentage (3 Year Remaining PPP Term): 3%
- Minimum Year 3 Percentage (2 Year Remaining PPP Term): 2%
- Minimum Year 4 Percentage (1 Year Remaining PPP Term): 1%

3 Year Term

- Minimum Year 1 Percentage (3 Year Remaining PPP Term): 3%
- Minimum Year 2 Percentage (2 Year Remaining PPP Term): 2%
- Minimum Year 3 Percentage (1 Year Remaining PPP Term): 1%

2 Year Term

- Minimum Year 1 Percentage (2 Year Remaining PPP Term): 2%
- Minimum Year 2 Percentage (1 Year Remaining PPP Term): 1%

1 Year Term

- Minimum Year 1 Percentage (1 Year Remaining PPP Term): 1%

Prepayment penalties are not required but there are price adjustments for loans without a PPP, including loans where DMC does not allow a PPP and loans with a PPP that does not meet the structures above.
DMC oes not allow prepayment penalties in the following states.

- AK
- IL
- KS
- MN
- NM

DMC allows prepayment penalties with restrictions in the following states.

- LA: restricted to declining structures only.
- MI: restricted to a 1 year term with a maximum penalty of 1% of the balance at the time of prepayment.
- MO: restricted to a 2 year term with a maximum penalty of 2% of the balance at the time of prepayment.
- MS: restricted to declining structures only.
- NJ: restricted to limited liability companies (LLCs) and corporations only.
- OH: not allowed on loan amounts <=$110,223 or applicable state limit. Restricted to a 1 year term with a maximum penalty of 1% of the original principal amount.
- PA: not allowed on 1 and 2 unit properties with loan amounts <=$312,159 or applicable state limit.
- RI: restricted to a 1 year term with a maximum penalty of 2% of the balance at the time of prepayment.

These requirements do not constitute legal advice and the client is responsible for compliance with all applicable federal and state laws, regulations and restrictions.

13.6 Interested Party Contributions

- Interested party contributions include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses. Interested party contributions exceeding the allowed amount per program highlights found in the Product Matrix in Section 3.2 will be deducted from the sales price to determine LTV.

13.7 Hazard Insurance

- Properties where the insurance coverage on the declaration page does not cover the loan amount must have a cost estimate from the insurance company or agent evidencing the property is insured for its replacement cost.

- Hazard insurance must have the same inception date as the date of disbursement on purchase money mortgages. This may be documented with a post-closing Closing Disclosure/Settlement Statement or the correction of the inception date on the hazard policy.

13.8 Rent Loss Insurance

- Rent loss insurance covering a minimum of 6 months is required for the subject property.

13.9 Solar Panels

- Any item that will include a UCC associated with the property and/or will create an easement on title is ineligible.

13.10 Escrows

- Escrow accounts may be created for funds collected by the originator to pay taxes, hazard insurance, flood insurance, special assessments, water, sewer, and other items as applicable.
- All applicable loans must adhere to HFIAA regarding mandatory flood insurance escrow requirements for properties located in a Special Hazard Flood Area.
- Escrow holdbacks are not allowed. Any inadequacies determined by the appraisal must be remedied prior to closing.

14.0 Title and Closing Documentation

14.1 Forms

- Copy of security instrument submitted in the file must be a true and certified stamped copy of the original recorded security instrument.

14.2 Title

Title insurance must meet Agency requirements and be written on the 2006 American Land Title ALTA form providing gap coverage or the ALTA short form. Other state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not been adopted. If alternative forms are used, the lender must ensure that those amendments provide the same coverage. The title insurance policy/commitment must be dated within 90 days and insure the exact loan amount.

- The title policy should include all applicable endorsements issued by a title insurer qualified to do business in the jurisdiction in which the mortgage insured property is located, including the endorsements for Condominiums, PUDs, share loans and ARM loan types.

- The title insurance coverage must include an environmental protection lien endorsement (ALTA 8.1-06 or equivalent state form).

- The policy for any mortgages that is an adjustable rate mortgage loan, must include ALTA Endorsement 6-06.

- The title insurance policy must insure the mortgagee and its successors and assigns as to the first priority lien of the loan amount at least equal to the outstanding principal balance of the loan.

- A statement by the title insurance company or closing attorney on such binder or commitment that the priority of the lien of the related Mortgage during the period between the date of the funding of the related Mortgage Loan and the date of the related title policy (which title policy shall be dated the date of recording of the related Mortgage) is insured.

- Any existing tax or mechanic's liens must be paid in full through escrow.

- No open permits for renovations or code violations are allowed at closing.

Appendix A – Business Purpose & Occupancy Affidavit (the "Affidavit")

LOAN NO:_____(the "Loan")

BORROWER(S) NAME:_____
BORROWER(S) ADDRESS:_____

PROPERTY ADDRESS:_____(the "Property")

I, the undersigned borrower(s), hereby declare that the following is true and correct:

1. **I have applied for this Loan and am seeking financing for the Property, subject to the terms and conditions of certain documentation related to the Loan (the "Loan Documents"), for business purposes only.** I do not intend to use the proceeds of the Loan for personal, family, or household purposes.

2. **The proceeds of the Loan will be used to purchase, improve, or maintain the Property.** If I have not executed a lease with a tenant (or tenants) at or before closing of the Loan, I intend to, and will use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.

3. **Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding.** In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.

4. **I understand that Lender originating the Loan in reliance upon this Affidavit.** If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which they may incur as a result of or inconnection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an event of default under the terms of this Loan and the related Loan Documents, and may result in the immediate acceleration of my debtand the institution of foreclosure proceedings, eviction, and any other remedies allowable by law.

5. **I understand that the agreements and covenants contained herein shall survive the closing of the Loan.**

6. **I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by non- owner-occupied real property.** I understand that this means that the Loan may not be subject to the requirements ofcertain federal and state consumer protection, mortgage lending, or other laws, including but not limited to the provisions of the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.

7. **I understand that any false statements, misrepresentations, or material omissions I make in this Affidavit may result in civil and criminal penalties.**

[*Signature Page Follows*]

Initial(s):	The Property is not and will not be occupied by me or any family member, or if Borrower is an entity, any member or owner of the Borrower entity.

Borrower(s) / Borrowing Entity Members:

[_____]

By:_____
Name:_____
Title:_____
Date:_____

[_____]

By:_____
Name:_____
Title:_____
Date:_____

ACKNOWLEDGMENT

State of _____)
County of _____)

On _____ before me, _____(insert name and title of the officer) personally appeared_____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

Appendix B – Form of Personal Guarantee

GUARANTY

This **GUARANTY** (the "Guaranty") is made and dated as of _____, by _____ _____ ([each, a] "Guarantor")[1] for the benefit of _____[Lender/Originator Name] ("Lender").

RECITALS

WHEREAS, on or about the date hereof, _____ [Borrower Entity Name] ("Borrower") and Lender entered into that certain _____ [Name of loan agreement] (as the same may be hereafter amended, restated, supplemented or otherwise modified pursuant to the terms thereof, the "Loan Agreement"), whereby Lender agreed to make a secured loan (the "Loan") available to Borrower for the acquisition of an investment or business purpose property.

WHEREAS, in connection with the Loan, Borrower has executed and delivered to Lender a Note in favor of Lender (as the same may be hereafter amended, restated, renewed, extended, supplemented or otherwise modified pursuant to the terms thereof, the "Note") in the principal amount of the Loan, payment of which is secured by a mortgage (the "Mortgage") and certain other loan documents (the "Loan Documents").

WHEREAS, [each] Guarantor is a [member/stockholder/partner][2] of Borrower.

WHEREAS, the execution and delivery of this Guaranty by [each] Guarantor is a condition precedent to the making of the Loan by Lender.

NOW, THEREFORE, intending to be legally bound, [each] Guarantor, in consideration of the matters described in the foregoing Recitals, which Recitals are incorporated herein and made a part hereof, and for other good and valuable consideration the receipt and sufficiency of which are acknowledged, hereby covenants and agrees for the benefit of Lender and its respective successors, transferees, and assigns as follows:

1. Each Guarantor, for itself, and its respective successors and assigns, jointly and severally, irrevocably, absolutely and unconditionally hereby guarantees the payment of all debts, liabilities, obligations, or undertakings owed by Borrower to Lender and its successors, transferees, and assigns, arising under or relating to the Loan Agreement, whether direct or indirect, absolute or contingent, due or to become due, voluntary or involuntary, whether now existing or hereafter arising, including (a) the full and prompt payment of the principal of and interest on the Note when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter; and (b) the full and prompt payment of all sums which may now be or may hereafter become due and owing under the Note, the Loan Agreement, the Mortgage or the Loan Documents (collectively and severally, the "Obligations"), whether or not such Obligations are from time to time reduced, or extinguished and thereafter increased or incurred and whether or not such Obligations may be or hereafter become otherwise unenforceable. This is a guaranty of performance and payment and not of collection and shall be enforceable directly against Guarantor without resorting to any action against

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1 Note to Draft: The Guarantor(s) shall be: (a) for Limited Liability Companies, the members, (b) for partnerships, the partners and (c) for Corporations, the stockholders. Each member/partner/stockholder must provide such guarantee.

2 Note to Draft: To be updated to reflect the number and names of each Guarantor, as well as the type of owner each Guarantor is (dependent upon Borrower entity type).

Borrower. This Guaranty shall continue in full force and effect until all of the Obligations have been fully and irrevocably paid and discharged pursuant to the terms of the Note and Loan Agreement.

2. This is an absolute, present and continuing guaranty of payment and not of collection. Guarantor agrees that this Guaranty may be enforced by Lender without the necessity at any time of resorting to or exhausting any other security or collateral given in connection herewith or with the Note, Loan Agreement, Mortgage or any other Loan Documents through foreclosure or sale proceedings, as the case may be, under any Mortgage or otherwise, or resorting to any other guaranties, and Guarantor hereby waives any right to require Lender to join any Borrower in any action brought hereunder or to commence any action against or obtain any judgment against any Borrower or to pursue any other remedy or enforce any other right. Guarantor further agrees that nothing contained herein or otherwise shall prevent Lender from pursuing concurrently or successively all rights and remedies available to it at law and/or in equity or under the Note, Loan Agreement, any Mortgage or any other Loan Documents, and the exercise of any of its rights or the completion of any of its remedies shall not constitute a discharge of Guarantor's obligations hereunder, it being the purpose and intent of Guarantor that the obligations of Guarantor hereunder shall be absolute, independent and unconditional under any and all circumstances whatsoever. None of Guarantor's obligations under this Guaranty or any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of the Borrower under the Note, Loan Agreement, any Mortgage or other Loan Documents or by reason of the bankruptcy of the Borrower or by reason of any creditor or bankruptcy proceeding instituted by or against the Borrower. This Guaranty shall continue to be effective or be reinstated (as the case may be) if at any time payment of all or any part of any sum payable pursuant to the Note, Loan Agreement, any Mortgage or any other Loan Document is rescinded or otherwise required to be returned by Lender upon the insolvency, bankruptcy, dissolution, liquidation, or reorganization of the Borrower, or upon or as a result of the appointment of a receiver, intervenor, custodian or conservator of or trustee or similar officer for, the Borrower or any substantial part of its property, or otherwise, all as though such payment to Lender had not been made, regardless of whether Lender contested the order requiring the return of such payment. In the event of the foreclosure of any Mortgage and of a deficiency, Guarantor hereby promises and agrees forthwith to pay the amount of such deficiency notwithstanding the fact that recovery of said deficiency against Borrower would not be allowed by applicable law; however, the foregoing shall not be deemed to require that Lender institute foreclosure proceedings or otherwise resort to or exhaust any other collateral or security prior to or concurrently with enforcing this Guaranty.

3. Lender may, without notice to or the further consent of Borrower or Guarantor, transfer or assign this Guaranty in whole or in part to any person acquiring an interest in the Obligations. In the event Lender or any holder of the Note shall assign the Note to any lender or other entity for an amount not in excess of the amount which will be due, from time to time, from Borrower to Lender under the Note with interest not in excess of the rate of interest which is payable by Borrower to Lender under the Note, Guarantor will accord full recognition thereto and agree that all rights and remedies of Lender or such holder hereunder shall be enforceable against Guarantor by such lender or other entity with the same force and effect and to the same extent as would have been enforceable by Lender or such holder but for such assignment. This Guaranty and the liability and obligations of Guarantor hereunder are binding upon Guarantor and its successors and assigns, and this Guaranty inures to the benefit of and is enforceable by Lender and its successors, transferees, and assigns. This Guaranty may not be assigned by the Guarantor without the express written consent of Lender.

4. Guarantor does hereby (a) waive notice of acceptance of this Guaranty by Lender and any and all notices and demands of every kind which may be required to be given by any statute, rule or law, (b) agree to refrain from asserting, until after repayment in full of the Loan, any defense, right of set-off or other claim which Guarantor may have against Borrower (c) waive any defense, right of set-off or other claim which Guarantor or the Borrower may have against Lender, or the holder of the Note, (d) waive any and all rights Guarantor may have under any anti-deficiency statute or other similar protections, (e) waive presentment for

payment, demand for payment, notice of nonpayment or dishonor, protest and notice of protest, diligence in collection and any and all formalities which otherwise might be legally required to charge Guarantor with liability, and (f) waive any failure by Lender to inform Guarantor of any facts Lender may now or hereafter know about the Borrower, the Loan, or the transactions contemplated by the Loan Agreement, it being understood and agreed that Lender has no duty so to inform and that Guarantor is fully responsible for being and remaining informed by Borrower of all circumstances bearing on the risk of nonperformance of Borrower's obligations. Credit may be granted or continued from time to time by Lender to Borrower without notice to or authorization from Guarantor, regardless of the financial or other condition of such Borrower at the time of any such grant or continuation. Lender shall have no obligation to disclose or discuss with Guarantor its assessment of the financial condition of such Borrower. Guarantor acknowledges that no representations of any kind whatsoever have been made by Lender. No modification or waiver of any of the provisions of this Guaranty shall be binding upon Lender except as expressly set forth in a writing duly signed and delivered by Lender.

Guarantor further agrees that Guarantor's liability as guarantor shall not be impaired or affected by any renewals or extensions which may be made from time to time, with or without the knowledge or consent of Guarantor of the time for payment of interest or principal under the Note or by any forbearance or delay in collecting interest or principal under the Note, or by any waiver by Lender under the Loan Agreement, any Mortgage or any other Loan Documents, or by Lender's failure or election not to pursue any other remedies it may have against Borrower or Guarantor, or by any change or modification in the Note, Loan Agreement, any Mortgage or any other Loan Document, or by the acceptance by Lender of any additional security or any increase, substitution or change therein, or by the release by Lender of any security or any withdrawal thereof or decrease therein, or by the application of payments received from any source to the payment of any obligation other than the Obligations even though Lender might lawfully have elected to apply such payments to any part or all of the Obligations, it being the intent hereof that, subject to Lender's compliance with the terms of this Guaranty, Guarantor shall remain liable for the payment of the Obligations, until the Obligations have been paid in full, notwithstanding any act or thing which might otherwise operate as a legal or equitable discharge of a surety. Guarantor further understands and agrees that Lender may at any time enter into agreements with Borrower to amend and modify the Note, Loan Agreement, any Mortgage or other Loan Documents, and may waive or release any provision or provisions of the Note, Loan Agreement, Mortgages and other Loan Documents or any thereof, and, with reference to such instruments, may make and enter into any such agreement or agreements as Lender and Borrower may deem proper and desirable, without in any manner impairing or affecting this Guaranty or any of Lender's rights hereunder or Guarantor's obligations hereunder.

5. This Guaranty shall be deemed to be made under and shall be governed by the laws of the State of New York, without reference to conflicts of laws principles. The terms and provisions hereof may not be waived, altered, modified or amended except in writing duly signed by Lender and by Guarantor.

6. Guarantor further agrees that its liability hereunder shall be primary, and that in any right of action which shall accrue to the Lender under the Loan Agreement, the Lender may, at its option, proceed against any Guarantor and the Borrower, jointly or severally, without first having commenced any action or obtained any judgment against Borrower.

7. Notwithstanding any payment or payments made by the Guarantor hereunder or any set-off or application of funds of the Guarantor by the Lender, the Guarantor shall not be entitled to be subrogated to any of the rights of the Lender against the Borrower or any other guarantor or any collateral security or guarantee or right of offset held by the Lender for the payment of the Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other guarantor in respect of payments made by the Guarantor hereunder, until all amounts owing to the Lender by the Borrower on account of the Obligations are paid in full. The Guarantor hereby subordinates all of its subrogation rights

against Borrower to the full payment of Obligations due Lender. Any indebtedness of Borrower to Guarantor now or hereafter existing is hereby subordinated to the payment of the Obligations. Guarantor agrees that, until the Obligations have been paid in full, Guarantor will not seek, accept, or retain for its own account, any payment from Borrower on account of such subordinated debt. Any payments to Guarantor on account of such subordinated debt shall be collected and received by Guarantor in trust for Lender and shall be paid over to Lender on account of the Obligations without impairing or releasing the obligations of Guarantor hereunder.

Any amounts received by Lender from any source on account of the Loan may be utilized by Lender for the payment of the Obligations and any other obligations of Borrower to Lender in such order as Lender may from time to time elect. Additionally, if the indebtedness guaranteed hereby is less than the full indebtedness evidenced by the Note, all rents, proceeds and avails of the underlying property, including proceeds of realization of Lender's collateral, shall be deemed applied on the indebtedness of Borrower to Lender that is not guaranteed by Guarantor until such unguaranteed indebtedness of Borrower to Lender has been fully repaid before being applied upon the indebtedness guaranteed by Guarantor.

8. Guarantor's obligations hereunder are independent of the obligations of Borrower, and a separate action or actions may be brought and prosecuted against Guarantor whether or not action is brought against Borrower or any such assignee or whether or not Borrower or any such assignee be joined in any such action or actions.

9. Guarantor shall not be released by any act or event (other than performance) which might, but for this provision of this Guaranty, be deemed a legal or equitable discharge of a surety, or by reason of any waiver, extension, modification, forbearance or delay or costs or by Lender's failure to proceed promptly or otherwise as against Borrower or Guarantor, or by reason of any action taken or omitted or circumstance which may or might vary the risk or affect the rights or remedies of Guarantor as against Borrower, or by reason of any further dealings between Borrower and Lender, whether relating to the Loan Agreement or otherwise, and Guarantor hereby expressly waives and surrenders any defense to its liability hereunder based upon any of the foregoing acts, omissions, things, agreements, waivers or any of them; it being the purpose and intent of this Guaranty that the obligations of Guarantor hereunder are absolute and unconditional under any and all circumstances.

10. Guarantor waives (a) any right to require Lender to (i) proceed against Borrower or any other person or entity; (ii) proceed against or exhaust any security held from Borrower or Guarantor; (iii) pursue any other remedy in Lender's power which Guarantor cannot itself pursue, and which would lighten its burden; (b) any defense based upon any legal disability of Borrower, or any assignee of the Loan Agreement, or any discharge or limitation of the liability of Borrower, or any assignee of the Loan Agreement, to Lender, whether consensual or arising by operation of law or any bankruptcy, reorganization, receivership, insolvency, or debtor-relief proceeding, or from any other cause; and (c) presentment, demand, protest and notice of any kind. Guarantor waives all demands upon and notices to Borrower, or any assignee of the Loan Agreement, and to Guarantor, including demands for performance, notices of non-performance, notices of nonpayment and notice of acceptance of this Guaranty.

11. In the event that any action, suit, or other proceeding is instituted concerning or arising out of this Guaranty, the prevailing party shall recover all of such party's costs and attorneys' fees incurred in each and every such action, suit, or other proceeding, including any and all appeals or petitions therefrom, from the non-prevailing party. As used herein, "attorneys' fees" shall mean the full and actual costs of any legal services actually rendered in connection with the matters involved, calculated on the basis of the usual fee charged by the attorneys performing such services.

12. **GUARANTOR AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR**

DEFEND ANY RIGHT UNDER THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR RELATING THERETO OR ARISING FROM THE LENDING RELATIONSHIP WHICH IS THE SUBJECT OF THIS GUARANTY AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

13. The parties hereto intend and believe that each provision in this Guaranty comports with all applicable local, state and federal laws and judicial decisions. However, if any provision or provisions, or if any portion of any provision or provisions, in this Guaranty is found by a court of law to be in violation of any applicable local, state or federal ordinance, statute, law, administrative or judicial decision, or public policy, and if such court should declare such portion, provision or provisions of this Guaranty to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of all parties hereto that such portion, provision or provisions shall be given force to the fullest possible extent that they are legal, valid and enforceable, that the remainder of this Guaranty shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were not contained therein, and that the rights, obligations and interest of Lender or the holder of the Note under the remainder of this Guaranty shall continue in full force and effect.

14. Guarantor will take such further actions as may be reasonably requested by Lender from time to time to effect the purposes of this Guaranty, including without limitation the execution and delivery of all reasonably necessary documents.

15. This Guaranty may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument, and in making proof of this Guaranty it shall not be necessary to produce or account for more than one such counterpart.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned have executed this Guaranty as of the date first above written.

[_____][3]

By:_____
Name:_____
Title:_____

3 Note: Form to be updated with additional signature blocks if there are multiple Guarantors.