ORION LENDING

COINX

DSCR

PROGRAM GUIDELINES AND MATRICES

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Section 1 – Overview & Underwriting Criteria

This Product Eligibility Policy outlines the parameter requirements for residential mortgage loans submitted to Orion Lending. This document is an integral part of the loan underwriting review process and should be reviewed in conjunction with all potential findings.

All loans will be examined and evaluated to determine whether the proposed loans generally conform to these guideline parameters. The qualifying specifications and procedures are meant to serve as a principal foundation to qualify, and each borrower will be reviewed in its entirety on an individual basis.

COIN Business Purpose Investor Cash Flow (DSCR) loans that do not conform to the provisions of this Product Eligibility Policy will be comprehensively reviewed on a case-by-case basis. All applicable mitigating and compensating factors to a policy exception must be fully documented prior to considerations/granting of said exception.

Section 2 – Underwriting Criteria

Orion Lending permits utilization of the Debt Service Coverage Ratio (DSCR) Program with investment property transactions. Orion Lending recognizes the relationship between cash flow and current debt obligations and utilizes property income to qualify the transaction. Orion Lending approaches DSCR by using the gross income provided by the subject property divided by the total debt service. Orion Lending considers current debt obligations to include total debt service (i.e., PITIA or ITIA for Interest Only loans).

Age of Documents:

The following documents may not be more than 120 days old at closing (the date the Note is signed)

- Credit Report
- Income verification
- pay stubs
- Mortgage /rental verification
- Asset documents / bank statement
- Title Commitment

Appraisal Age Requirements

- Residential Appraisals: The appraisal must be dated within 365 days of the Note date. Recertification of value required if the report would exceed 120 days as of Note date

Loan Exceptions

- Exceptions will be reviewed per file on a case-by-case basis. Upon approval, exceptions may incur an additional LLPA and/or a price cap to be determined at time of exception approval

Section 3 – Product Eligibility

3.1 Eligibility

Financing of the investment property must be solely for commercial / business purposes and is required to sign a Certification of Business Purpose/Non-Owner Occupancy

Common occupancy red flags include, but are not limited to:

- Subject property value significantly exceeds the value of the borrower's primary residence
- The borrower is a first-time homebuyer and currently living rent free or renting his/her primary residence. Subject property could reasonably function as a second home
- Borrower documents show subject property as current residence

All loans must be manually underwritten. Schedule of real estate owned must be completed on the 1003, including properties held in LLCs

3.2 Eligible Products

Product	Term	I/O Term	Amort Term	Index	Caps	Qualifying Rate	Program Codes
30 Yr. Fixed	360	NA	360	NA	NA	Note Rate	ICFF30
30 Yr. Fixed I/O	360	NA	240	NA	NA	Note Rate	ICFF30 I/O
40 Yr. Fixed	480[1]	NA	480	NA	NA	Note Rate	ICFF40
40 Yr. Fixed I/O	480[1]	120	360	NA	NA	Note Rate	ICFF40 I/O
5/6 ARM	360	NA	360	30 – day SOFR	2/1/5	Note Rate	ICFA5/6
5/6 I/O ARM	360	120	240	30 – day SOFR	2/1/5	Note Rate	ICFA5/6 I/O
5/6 I/O ARM	480[1,2]	120	360	30 – day SOFR	2/1/5	Note Rate	ICFA5/6 I/O
7/6 ARM	360	NA	360	30 – day SOFR	5/1/5	Note Rate	ICFA7/6
7/6 I/O ARM	360	120	240	30 – day SOFR	5/1/5	Note Rate	ICFA7/6 I/O
7/6 I/O ARM	480[1,2]	120	360	30 – day SOFR	5/1/5	Note Rate	ICFA7/6 I/O
10/6 ARM	360	NA	360	30 – day SOFR	5/1/5	Note Rate	ICFA10/6 I/O
10/6 I/O ARM	360	120	240	30 – day SOFR	5/1/5	Note Rate	ICFA10/6 I/O
10/6 I/O ARM	480[1,2]	120	360	30 – day SOFR	5/1/5	Note Rate	ICFA10/6 I/O

Additional ARM Criteria			
Adjustment Reset Period	Lookback Period	Margin	Floor
6 Months	45 days	6.50	Margin

[1]2-4 Mixed-Use maximum loan term cannot exceed 30 years

[2]40Year term ARMs available when combined with interest only feature

3.3 Loan Amounts	• **1-4 Units**
	  ○ Minimum loan amount: $100,000
	    ▪ Loan amounts < $150,000
	      • Max 70% LTV Purchase
	      • Max 65% LTV Rate/Term and Cash Out
	      • Minimum DSCR 1.25
	  ○ Maximum loan amount is $3,500,000
	• **2-4 Units Mixed Use**
	  ○ Minimum loan amount: $400,000
	  ○ Maximum loan amount is $2,000,000

3.4 Maximum Cash Out	• **1-4 Units**
	  ○ ≥ 65% LTV: $500,000
	  ○ < 65%: $1,000,000
	• **2-4 Units Mixed Use**
	  ○ $1,000,000
	• Proceeds from the loan transaction cannot be used for consumer purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property

3.5 Interest Only	**Interest Only Requirements:**
	• Purchase and Rate/Term
	  ○ Max 75% LTV/CLTV
	• Cash Out
	  ○ Max 70% LTV/CLTV
	• Interest Only Period – 10-year Interest only period followed by a 20-year or 30-year amortization period.
	  ○ 40 yr. term available when combined with I/O feature (40 yr. term not available on 2-4 mixed use)
	• 1-4 Units
	  ○ Min 680 FICO
	  ○ Qualifying is based on ITIA payment
	• 2-4 Mixed Use
	  ○ Min 700 FICO
	  ○ Qualifying is based on ITIA payment

3.6 Prepayment Penalty	• **5% Flat PPP: i.e., 5/5/5/5/5**
	  ○ Available for 1, 2, 3, 4, or 5 yr. PPP
	  ○ PPP calculation = fixed percentage applied to any curtailment or the entire outstanding principal balance during the prepay period
	• **Months Interest Prepayment Penalty Term: 1, 2, 3, 4, or 5 year**
	  ○ PPP calculation = 6 months interest on the amount of the prepayment that exceeds 20% of the original principal balance in a given 12-month time period
	  ○ Not eligible on 2–4-unit mixed use
	• **Tiered Penalty Term: i.e., 5/4/3/2/1** (tiered structures cannot exceed 5% and drop below 3% in the first 3 years)
	  ○ PPP calculation = the percentage in effect and applied to any curtailment or the entire outstanding principal balance during the prepay period
	• **The following states do not allow a PPP and are to be priced as No PPP**
	  ○ AK, KS, MI, MN, NM, OH, RI
	  ○ IL, NJ
	    ▪ Not allowed on loans vested to individuals
	  ○ Pennsylvania - Prepayment penalties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For the calendar year 2025, the amount is $319,777
	  ○ Only declining prepayment penalty structures are allowed in MS
	    ▪ Ex. 5%, 4%, 3%, 2%, 1%
	  ○ Prepayment Penalty Calculator

3.7 Age of Documents	**The following documents may not be more than 120 days old at closing (the date the Note is signed)** • Credit Report • Income verification • pay stubs • Mortgage /rental verification • Asset documents / bank statement • Title Commitment **Appraisal Age Requirements** • Residential Appraisals (1-4 Units): The appraisal must be dated within 365 days of the Note date. Recertification of value required if the report would exceed 120 days as of Note date • Commercial Appraisals (2-4 mixed use): Appraisals dated fewer than 120 days prior to the Note date are acceptable. After 120 days, a new appraisal is required

Section 4 – Product Matrix – DSCR 1-4 Units

4.1 Loan Purpose 1-4 Units

DSCR 1.00+

FICO	LOAN AMOUNT	PURCHASE LTV/CLTV	R/T REFI LTV/CLTV	CASH OUT LTV/CLTV	RESERVES
700+	≤ $1,000,000	80	75	75	LA ≤ $1.5M – 2 Months PITIA LA > $1.5M – 6 Months PITIA LA > $2.5M – 12 Months PITIA Cash out may be used to satisfy reserve requirements
	$1,000,001 - $1,500,000	80	75	75	
	$1,500,001 - $2,000,000	75	70	70	
	$2,000,001 - $3,000,000	70	65	65	
	$3,000,001 - $3,500,000	70	65	NA	
660-699	≤ $1,000,000	75	75	70	
	$1,000,001 - $1,500,000	75	70	70	
	$1,500,001 - $2,000,000	70	65	65	
	$2,000,001 - $2,500,000	70	65	65	
	$2,500,001 - $3,000,000	65	NA	NA	
640-659	≤ $1,000,000	75	70	NA	
	$1,000,001 - $1,500,000	65	65	NA	
	$1,500,001 - $2,000,000	65	NA	NA	
	$2,000,001 - $3,000,000	60	NA	NA	

DSCR < 1.00

FICO	LOAN AMOUNT	PURCHASE LTV/CLTV	R/T REFI LTV/CLTV	CASH OUT LTV/CLTV	RESERVES
700+	≤ $1,000,000	75	70	70	LA ≤ $1.5M – 2 Months PITIA LA > $1.5M – 6 Months PITIA LA > $2.5M – 12 Months PITIA Cash out may be used to satisfy reserve requirements
	$1,000,001 - $1,500,000	75	70	70	
	$1,500,001 - $2,000,000	70	65	65	
	$2,000,001 - $2,500,000	65	NA	NA	
	$2,500,001 - $3,000,000	60	NA	NA	
680-699	≤ $1,000,000	70	65	NA	
	$1,000,001 - $1,500,000	70	65	NA	
	$1,500,001 - $2,000,000	65	60	NA	
	$2,000,001 - $3,000,000	60	NA	NA	
660-679	≤ $1,000,000	65	NA	NA	

NOTE:
See section 4.2 for declining market / State eligibility adjustments
See section 4.2 for 2-4 units and Condo/Condotel LTV restrictions

4.2 Program Restrictions 1-4 Units

PROGRAM RESTRICTIONS / REQUIREMENTS

Housing History	Credit Event Seasoning	Investor Experience

• 1 x 30 x 12
  ○ No LTV Reduction
• > 1 x 30 x 12 and 0 x 60 x 12
  ○ Max 70% LTV Purchase
  ○ Max 65% LTV Rate/Term and Cash Out
	Bankruptcy, Foreclosure, Short Sale, Deed in Lieu, or Default Modification (from Note Date)
	• ≥ 36 Months
	  ○ No LTV Reduction
	• ≥ 24 Months
	  ○ Max 75% LTV Purchase
	  ○ Max 70% LTV Rate/Term and Cash Out
		The borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years
		First Time Investor:
		• 700 FICO
		• If reported, no mortgage lates in the past 36 months
		  ○ Minimum 12-month housing history required
		• ≥ 36 Months from any credit event
		• Single family residence only
		• DSCR > 1.00
		• Must own a primary residence
		First Time Home Buyer not allowed

Declining Markets / State Overlays	**Unleased Properties (All Long-Term Refinances)**	**Property Type**

If either or both of the following apply:
1) the appraisal report identifies the property as a declining market, and/or
2) the property is located in CT, FL, IL, NJ, or NY, the maximum LTV/CLTV is limited to
• 75% for purchases
• 70% for all refinances, and
• Maximum loan amount of $2MM
• IL and NY: 2-4 Units not eligible
	• Vacant or unleased property is allowed subject to the following:
	  ○ LTV/CLTV limits: Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
	  ○ Not applicable for short-term rentals, see section 9.4 for additional details
		• 2-4 Units & Condos
		  ○ Max 75% Purchase
		  ○ Max 70% Refinance
		• Condotel
		  ○ Max 75% Purchase
		  ○ Max 65% Refinance
		  ○ Max Loan Amount $1.5M
		• Rural
		  ○ Max 75% Purchase
		  ○ Max 70% Refinance

Section 5 – Product Matrix – 2-4 Units Mixed Use

5.1 Purpose

DSCR 1.00+					
FICO	LOAN AMOUNT	PURCHASE LTV/CLTV	R/T REFI LTV/CLTV	CASH OUT LTV/CLTV	RESERVES
700+	≤ $1,500,000	75	70	65	See section 11.4 Cash Out may not be used to meet reserve requirements
	$1,500,001 - $2,000,000	70	65	65	

5.2 Program Restrictions

PROGRAM RESTRICTIONS / REQUIREMENTS - 2-4 Units Mixed Use		
Housing History	**Credit Event Seasoning**	**Investor Experience**
• 0 x 30 x 12	Bankruptcy, Foreclosure, Short Sale, Deed in Lieu, or Default Modification • ≥ 36 Months ○ Any Event	The borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years. **First Time Investor:** • Not Eligible
State Eligibility Restrictions	**Unleased Properties**	**Property Type**

• Ineligible States: IL, NY
• State Overlays for CT, NJ:
• Purchase Transactions
  ○ Max LTV/CLTV 70%
  ○ Min credit score 720
• Refinance Transactions
  ○ Max LTV/CLTV 65%
  ○ Min credit score 720
• Ineligible locations: Puerto Rico, Guam, & the US Virgin Islands
	• Maximum vacancies
	  ○ 1 vacant unit on 2–3-unit properties
	  ○ 2 vacant units on 4+ unit properties
		• See section 13

Declining Markets		
Declining Markets LTV reductions not applicable for 2-4 Units Mixed Use		

Section 6 – Borrower Eligibility

6.1 Eligible Borrowers	• U.S. Citizens
	• First Time Investor
	• Permanent Resident Aliens / Non-Permanent Resident Aliens
	• Deferred Action for Childhood Arrivals (DACA)
	• Inter-Vivos Revocable Trust
	• Limited Liability Companies, Partnerships, Corporations and S Corporations – See section 6.5
	  ○ Purpose and activities are limited to ownership and management of real property
	  ○ Entity must be domiciled in the U.S.
	  ○ Any business structure is limited to a maximum of four (4) member(s) or manager(s)
	  ○ Personal guaranties must be provided by member(s)/manager(s) representing at least 50% ownership of the entity
	  ○ The application of each member providing a personal guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing

6.2 Vesting	Ownership may be fee simple or leasehold title. For more information regarding leaseholds, see Section 14.5
	• **Eligible forms of vesting are:**
	  ○ Individuals
	  ○ Joint tenants
	  ○ Tenants in Common
	  ○ Inter vivos revocable trust
	  ○ Entity (LLC, Partnerships, Corporations, and S Corporations)
	    ▪ Multi-level entity structures are allowed subject to entity documentation requirements are met for all entities
	• **Ineligible forms of vesting are:**
	  ○ Land trusts
	  ○ Blind trusts
	  ○ IRA’s
	  ○ Irrevocable Trusts
	  ○ Not for Profit Entity

6.2 Ineligible Borrowers	• First Time Home Buyers
	    ○ If one borrower on the transaction is a FTHB and married to a borrower on the transaction who is not a FTHB, the transaction may proceed without restriction. In all other FTHB scenarios, an exception would be required.
	• Any parties to a transaction listed on HUD's Limited Denial of Participation (LDP) list, or the federal General Services Administrative (GSE) Excluded Party lists
	• Persons with diplomatic immunity, as defined by US Citizenship and Immigration Services
	• Persons from OFAC sanctioned countries and persons sanctioned by OFAC
	    ○ When the borrower is an entity, Guarantor(s) and all member(s)/manager(s) of the entity must be included in the OFAC search
	• Borrowers without a valid Social Security Number
	• Borrowers party to a lawsuit
	• Not-for-Profit entity
	• Foreign Nationals

6.3 Experienced Investor	• An experienced investor is a borrower/guarantor having a history of owning and managing non-owner occupied commercial or residential real estate for at least one (1) year in the last three (3) years. For files with more than one borrower/guarantor, only one borrower must meet the definition
	• **Experience can be documented by one of the following:**
	    ○ Mortgage history on credit report, or
	    ○ Provide a property profile report, or
	    ○ Other 3rd party documentation (e.g., Fraud Report, Settlement Statement, Closing Disclsoure)

6.4 First Time Investor	A first-Time Investor is a borrower/guarantor not meeting the Experienced Investor definition in Section 6.3, but who currently owns a primary residence for at least one (1) year. First time investors are eligible subject to the following restrictions: • 700 Minimum FICO • If reported, no mortgage lates in the past 36 months (including Primary Residence) ○ Minimum 12-month housing history required • Minimum of 36 months seasoning from any credit event • 1 unit only (SFR, Condo, PUD) • DSCR > 1.00 • Must own a primary residence • First time homebuyers not eligible

6.5 LLC, Partnerships & Corporations	**Limited Liability Companies, Partnerships, Corporations, and S Corporations (each, an "Entity") in accordance with the requirements listed below:**
	To vest a loan in an Entity, the following requirements must be met:
	• Purpose and activities are limited to ownership and management of real property
	• Entity must be domiciled in a US State
	• Any business structure is limited to a maximum of four (4) owners or members
	• Personal guaranties must be provided by member(s)/manager(s) representing at least 25% cumulative ownership of the entity
	• A guarantor must have authority to execute loan documents on behalf of the entity
	• Each Entity member providing a personal guaranty (full recourse) must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guaranty needs to be reflected on the 1003 loan application. The application of each member providing a personal guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing. See section 6.6 Personal Guaranty for additional requirements
	• **Limited Liability Company (LLC)**
	  ○ Entity articles of organization or partnership (or equivalent)
	  ○ Evidence of good standing - good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
	  ○ Entity documents authorizing the guarantor to execute loan documents on behalf of the entity (e.g., Operating Agreement, Certificate of Authorization). If not available, a Borrowing Certificate is required
	  ○ Entity documents that include a list of members/managers and ownership percentage (e.g., organization structure)
	  ○ EIN/Tax Identification Number
	    ▪ Single member LLC may use EIN or the guarantor social security number
	    ▪ Multi-member LLCs require an EIN
	• **Corporation**
	  ○ Filed Certificate/Articles of Incorporation and all amendments (or equivalent)
	  ○ By-Laws and all amendments
	  ○ Evidence of good standing - good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
	  ○ EIN/Tax Identification Number
	  ○ Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
	• **Partnership**
	  ○ Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
	  ○ Partnership Agreement and all amendments
	  ○ Evidence of good standing - good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
	  ○ EIN/Tax Identification Number
	  ○ Limited partner consents (where required by partnership agreement)
	• **Signed by the authorized signer for the entity:**
	  ○ Note, Deed of Trust/Mortgage, and all Riders

6.6 Guarantor(s) Documentation	• Loan Application (e.g., FNMA Form 1003 or other application)
	  ○ Completed for each guarantor
	  ○ Section labelled "Title will be held in what Name(s)" should be completed with only the LLC name
	    ▪ Signed as an individual
	• Credit report from all guarantors completing an application
	• Disclosure Documents
	  ○ Business purpose loan disclosures as applicable
	  ○ Any state or federally required settlement statement as applicable
	• Legal Documents
	  ○ Note, Deed of Trust/Mortgage, and all applicable Riders must be executed by the guarantor in their capacity as authorized signer for the entity
	• Personal Guaranty
	  ○ The guaranty must be full recourse
	  ○ The guaranty must reference the Note and Loan Amount and be dated the same as the Note
	  ○ Members/managers on the application must sign the guaranty as an individual
	  ○ Personal Guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge (included in the closing docs) when the spouse is not a guaranty on the loan

6.7 Permanent Resident Alien	• An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States. Acceptable evidence of permanent residency include the following:
	  ○ Alien Registration Receipt Card I-551 (referred to as a green card)
	  ○ Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card)
	  ○ Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions)
	  ○ Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."
	• Eligible without guideline restrictions

6.8 Deferred Action for Childhood Arrivals (DACA)	Individuals who can provide documentation of current DACA status along with work authorization are eligible for financing under the same criteria as a non-permanent resident. The individual is required to have a valid Social Security number along with a 2-year U.S. credit and employment history. Some forms of documentation may include the following: • Form I-766 Employment Authorization Document (EAD), (work permit/card) referencing code C33, or • Form I-797 conveying approval status for Case Type I765-Application for Employment Authorization referencing code C33, or • Form I-765 Application for Employment Authorization, the form: ○ Must reflect approval status in the Action Block (upper right-hand corner of the form)

6.9 Non-permanent Resident Aliens	An individual admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States
	• Maximum 75% LTV
	• Gift Funds not allowed
	• Employment Status Documentation is required for all borrowers, and may consist of one of the following:
	  ○ Employment Authorization Documents, provide one of the following:
	    ▪ Form I-766 Employment Authorization Document (EAD), (work permit/card) is required for US employment if the borrower is not sponsored by a current employer
	      • If the EAD will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued EAD renewal. The EAD documentation is acceptable up to 540 days if an automatic extension has been granted
	    ▪ Form I-765 Application for Employment Authorization, the form:
	      • Must reflect approval status in the Action Block (upper right-hand corner of the form)
	    ▪ Form I-797, I-797A, I-797B, or I-797C conveying approval status
	      • Petitioner to match employer name on application
	  ○ If EAD is not provided, a copy of the Visa permitting employment authorization needs to be included in the credit file. The following VISA types are acceptable:
	    ▪ E-1, E-2, E-3, G1 through G5, H-1B, L-1A, L-1B, O-1, and R-1~~, and P~~
	    ▪ Other VISA types permitting employment may be considered, see the U.S. Dept of State Website at Directory of VISA categories (state.gov)
	  ○ Asylum – Individuals granted asylum are eligible, documentation includes one of the following:
	    ▪ Form I-766 Employment Authorization Document (EAD), (work permit/card) referencing code C08, or
	    ▪ Form I-94 with a stamp or notation, such as "asylum granted indefinitely" or the appropriate provision of law (8 CFR 274a.12(a)(5) or INA 208) to show their employment authorization. The asylee does not need to present a foreign passport with this Form I-94. An asylee can also present an electronic Form I-94 with an admission class of "AY."
	  ○ Temporary Status or stay borrowers whose country of origin has been vacated or shortened are ineligible.
	    ▪ Status must be verified at the US Citizenship and Immigration Services website below:
	      ▪ https://www.uscis.gov/humanitarian/temporary-protected-status
	• Additional Requirements:
	  ○ Borrower(s) must have been residing in the U.S. for at least 2 years, and
	  ○ Must have been employed in the U.S. for at least 2 years as evidenced on the loan application, and
	  ○ Borrower(s) must have a valid SSN, and
	  ○ Borrower(s) must have established U.S. credit history

Section 7 – Transaction Eligibility

7.1 Transaction Eligibility	Borrower is financing the property solely for commercial purposes and is required to sign a Certification of Business Purpose/Non-Owner Occupancy • The certification will be included with loan closing documents and is required to be notarized Underwriting staff must take additional steps as deemed necessary to further evaluate the reasonableness of the borrower's certification. Any red flags must be researched and resolved No income or Employment (or retirement) information is required to be listed on the 1003
7.2 Eligible Transactions	• Purchase • Rate / Term • Cash Out • CEMA • Delayed Financing • TX Cash Out • 1031 Exchange
7.3 Ineligible Transactions	• Construction Loans • Temporary Buydowns • Builder Bailout & Model leasebacks • Conversion Loans • Lease option to purchase • Community down payment assistance / equity sharing • Reverse 1031 exchanges • Properties where one of the units is owner occupied

7.4 Purchase	• Proceeds from the transaction are used to finance the acquisition of the subject property
	• LTV/CLTV is based upon the lesser of the sales price or appraised value
	• Assignment of contract or finder's fees reflected on the purchase contract are eligible, subject to interested party contribution limits
	• Arm's Length For-Sale-By-Owner (FSBO) transactions allowed
	    ○ If Non-Arm's Length, see Section 7.10, Eligible Non-Arm's Length Transactions
	• Ensure the transaction is compliant with the Higher Priced Mortgage Loan appraisal rule. See Section 7.12 (Flip Transactions) for details
	• The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if applicable) reflecting the following:
	    ○ The purchase contract cannot be expired
	    ○ Borrower as the purchaser of the property. (Business purpose loans may reflect the Guarantor or Entity name)
	    ○ Seller as the vested owner on title
	    ○ Correct sales price
	    ○ Amount of down payment
	    ○ Closing dates
	    ○ Concessions and seller contributions
	• Buyer's Real Estate Agent Commission - In response to the NAR Settlement, the following apply:
	    ○ Commission paid by the property buyer: Considered a closing cost
	        ▪ Source of funds must be documented in assets
	        ▪ If borrowed or financed, the monthly payment must be included in the debt-to-income ratio
	    ○ Commission paid by the property seller:
	        ▪ Not considered an interested party contribution if seller agrees to pay according to the negotiated terms of the purchase contract

7.5 Rate/Term Refinance	**Proceeds from the transaction are used to:**
	• Pay off an existing first mortgage loan and any subordinate loan used to acquire the property
	• Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following apply:
	    ○ Closed-end loan, at least 12 months of seasoning has occurred
	    ○ HELOC, at least 12 months of seasoning has occurred, and total draws over the past 12 months are less than $2,000. (For business purpose transactions, any draw over the life of the loan may not have been used for personal use. Business purpose transactions will require a draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use)
	• Buy out a co-owner pursuant to an agreement
	• Pay off an installment land contract executed more than 12 months from the loan application date
	Other Considerations:
	• Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction
	• If the subject property was acquired greater than six (6) months, as measured from the property acquisition date to the new Note date, the appraised value will be used to determine LTV/CLTV.
	• If the property was acquired less than or equal to six (6) months, as measured from the property acquisition date to the new Note date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV/CLTV. The purchase settlement statement and any invoices for materials/labor will be required
	• Refinance of a previous loan that provided cash out, as measured from the previous note date to the new Note date, and is seasoned less than 12 months, will be considered a cash out refinance
	• A payoff statement that reflects late fees, deferred balance, or delinquent interest are subject to housing history and/or credit event criteria. Transaction is to be considered cashout
	• The transaction must be treated as cash-out when the subject property is encumbered by one of the following:
	    ○ Blanket/Cross-Collateralized loan, or
	    ○ Loan that allows for Paid in Kind (PIK) interest

7.6 Cash-Out Refinance	**A refinance that does not meet the definition of a rate/term transaction is considered cash-out**
	• A mortgage secured by a property currently owned free and clear is considered cash-out
	• The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out
	• Cash-out eligible to satisfy the reserve requirements (Not eligible on 2-4 Mixed Use)
	• **Cash-Out Seasoning is defined as the length of time the subject property has been owned by the borrower as measured by the property acquisition date (Note date) to the subject transaction Note date**
	  ○ A minimum borrower seasoning requirement of six (6) months is required
	  ○ Less than six (6) months seasoning is allowed, the current appraised value may be used, with one of the following documented circumstances:
	    ▪ Borrower acquired the subject property through an inheritance, or
	    ▪ Subject property was legally awarded the property through divorce, separation, or dissolution of a domestic partnership
	• **Property Value Determination**
	  ○ For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value
	  ○ For properties owned greater than 6 months but less than 12-months: LTV/CLTV is limited to the lower of the current appraised value or the property's purchase price plus documented improvements
	  ○ For properties owned less than 6 months, see Section 7.7 – Delayed Financing Refinance
	• Proceeds from the loan transaction cannot be used for consumer purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, or personal collection
	  ○ HELOC: When paying off a HELOC, provide draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use)
	• When the subject property is encumbered by a blank/cross collateralized loan, the transaction is considered cashout. Copy of the note will be required to verify the payoff/release terms
	• **Loans not eligible for cash-out:**
	  ○ Properties listed for sale in the past six (6) months, unless a minimum three (3) year prepay penalty
	    ▪ Prepayment Penalty – See section 3.6
	  ○ There has been a prior cash-out within the past six (6) months
	  ○ Payoff of a Land Contract/Contract for Deed
	  ○ When proceeds from the loan transaction are used for consumer purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property
	  ○ Loans with Power of Attorney

7.7 Delayed Financing Refinance	• Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application ◦ The original purchase transaction was an arms-length transaction ◦ The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property) ▪ If the source of funds are gift from family and documented according the FNMA guidelines, transaction is eligible for delayed financing ◦ The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property’s purchase price plus documented improvements ◦ The preliminary title search or report must confirm that there are no existing liens on the subject property ◦ The new loan amount can be no more than the actual documented amount of the borrower’s initial investment subject to the maximum LTV/CLTV for cash-out transactions ◦ The transaction is considered cash-out refinance for pricing and eligibility
7.8 Subordinate Financing	• Seller carried or private-party subordinate financing not allowed • Existing subordination is permitted on refinances • All subordinate loans must be considered when calculating the Borrower’s DSCR • For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment • HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation showing the line of credit is past its draw period • If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the minimum payment required under the HELOC terms considering fully drawn line amount on or before closing of the subject transaction • A HELOC with zero balance does not require a minimum payment be applied
7.9 Continuity of Obligation	• All borrowers on the refinance transaction must be on title at time of application ◦ When title is held in the name of an entity, the borrower must be majority owner of the entity to meet continuity of obligation

7.10 Eligible Non-Arm's Length Transactions	Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales, and flip transactions
	
	When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property
	
	• Non-Arm's length transaction restrictions:
	    ○ Borrower's EMD must be verified
	    ○ Purchase between family members requires a 12-month mortgage history on the existing mortgage securing the subject property, confirming the family sale is not a foreclosure bailout
	• Exceptions:
	    ○ Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction
	        ▪ Commission earned by buyer/borrower CANNOT be used for down payment or monthly PITIA reserves, but CAN be used towards closing costs
	    ○ Seller(s) representing themselves as agent in real estate transaction

7.11 Properties Listed for Sale	**For cash out and rate term refinances:** • Value will be based on the lesser of lowest list price in prior 12 months or appraised value **For cash out refinances:** • A listing expiration of less than six (6) months is permitted with a 3-year prepayment penalty. If a property is listed for sale, the listing must be cancelled prior to the note date

7.12 Flip Transactions	**Property Flipping defined as:**
	• The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower's purchase agreement
	• The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower's purchase agreement
	• Property Flipping additional requirements:
	    ○ A second appraisal must be obtained
	    ○ If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements
	    ○ The second appraisal must be dated prior to the loan consummation/note date
	    ○ The property Seller on the purchase contract must be the owner of record
	    ○ Increases in value should be documented with commentary from the appraiser and recent comparable sales
	    ○ Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable

7.13 1031 Exchange	• Funds held by a 1031 administrator/agent are permitted for down payment and closing costs • Allowed on investment purchases only • Reverse 1031 exchanges not allowed • Must be in compliance with Internal Revenue Code Section 1031 • Excess proceeds cannot be used to satisfy reserve requirements unless liquidated • Documented by accommodator instructions, fully executed exchange agreement at closing, and settlement statement. • Both the sold property and subject property must be similar and qualify as "like-kind" • NOTE: 2-4-unit properties where one of the units is occupied by the customer are not considered investment properties and therefore are not eligible
Section 8 – Credit Eligibility	
8.1 Credit Report Detail	• A tri-merged in file credit report including scores from Experian, Transunion and Equifax is required ○ The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories • Credit Report may not be more than 120 days old at closing (date the Note is signed) • Credit inquiry letter is not required

8.2 Credit Scores	• Single borrower/guarantor
	  ○ Middle of 3 scores or lower of 2
	• Multiple borrower(s)/guarantor(s)
	  ○ Highest middle score of all borrowers

8.3 Credit Repair/Rescore	• Not allowed
8.4 Credit Counseling	• Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12 months have elapsed on the plan, and evidence of timely payments for the most recent 12 months is provided • The CCCS Administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan

8.5 Mortgage/Housing History 1-4 Units	• Housing history is required for the borrower's primary residence and the subject property if a refinance transaction. Any mortgage tradeline reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility
	• For any non-subject property, non-primary mortgage not reporting to credit, additional housing history is not required
	    ○ 1 x 30 x 12 (rolling late payments are not considered a single event)
	        ▪ No LTV reduction
	    ○ > 1 X 30 X 12 and 0 x 60 x 12
	        ▪ Max 70% LTV Purchase
	        ▪ Max 65% LTV Rate/Term and Cash Out
	• Primary residence owned free & clear requires a Property Profile Report or similar document
	    ○ Payment history evaluation for property taxes and insurance is not required
	• All borrowers must be current on mortgage or rent at loan application
	    ○ An updated mortgage history, defined as paid current as of 45 days of the loan application date, is only needed for the primary residence and subject property
	    ○ Current means the borrower has made all mortgage payments up to and including the month prior to the note date. If the credit report does not reflect the current payment history, one of the following additional documents in required:
	        ▪ A loan payment history from the servicer or third-party verification service,
	        ▪ A payoff statement (for mortgages being refinanced),
	        ▪ The latest mortgage account statement from the borrower, or
	        ▪ A verification of mortgage
	    ○ If the subject property or the borrower's primary mortgage history is not reported on the credit report, see section 8.8
	• First time homebuyers (FTHB) living with a spouse are eligible with the following:
	    ○ Spouse owns the primary residence
	        ▪ Evidence spouse is on title, and
	        ▪ Proof of 12- month payment history, or evidence the primary residence is owned free & clear
	• For refinance transactions of the subject property, when the existing financing is a Paid In Kind (PIK) loan, a copy of the note must be provided in the credit file to determine required payments. Notes allowing interest to accumulate during the term of the loan are eligible, however, all refinance transactions are treated as cashout
	• Properties owned free and clear
	    ○ Provide verification property taxes, insurance, and HOA (if applicable) are paid current
	• Borrowers currently renting, see section 8.7
	• First Time Investors, see section 6.4

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<td>8.6 Mortgage/Housing History 2-4 Units Mixed Use</td>
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Housing history is required for the borrower’s primary residence and the subject property if a refinance transaction. Any mortgage tradeline reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility

For any non-subject property, non-primary mortgage not reporting to credit, additional housing history is not required
0 x 30 x 12

Primary residence owned free & clear requires a Property Profile Report or similar document

Payment history evaluation for property taxes and insurance is not required

All borrowers must be current on mortgage or rent at loan application

An updated mortgage history, defined as paid current as of 45 days of the loan application date, is only needed for the primary residence and subject property

If the subject property or the borrower’s primary mortgage history is not reported on the credit report, see section 8.8
For refinance transactions of the subject property, when the existing financing is a Paid in Kind (PIK) loan, a copy of the note must be provided in the credit file to determine required payments. Notes allowing interest to accumulate during the term of the loan are eligible, however, all refinance transactions are treated as cashout
Borrowers living rent free are not eligible

Borrowers living rent free with spouse may be considered on a case-by-case basis

Properties owned free and clear

Provide verification property taxes and insurance are paid current

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<td>8.7 Housing History Rental Verification</td>
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A 12-month rental history is required when the borrower is renting their current primary residence. The following documents are required:

A verification of rent (VOR):

A third-party VOR is required for any file when the borrower is currently renting

Borrower must be current on rent at time of application

Any VOR completed by a private party, or any non-institutional landlord must be supported by alternative documentation showing the most recent 6-monht history (cancelled checks, rental statements, including payment history, etc.)

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<td>8.8 Mortgage(s) Not Reported on Credit</td>
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Mortgages not appearing on the credit report other than the primary residence or subject property, can be excluded from determining housing history eligibility
If applicable, 12 months mortgage payment history is to be documented as follows:

Mortgage statement or Note for the review period to verify monthly payment amount, and
Proof of payments through one of the following:

12-months cancelled checks, ACH payment, bank transfer/wire, or electronic payment method from the borrower
Payments made in cash are not eligible, or
12-months mortgage statements for the review period, or
12-months loan payment history from the creditor/servicer
Proof of borrower’s payment for the most recent 6-months is required, or
12-months Verification of Mortgage form (VOM) completed by the creditor/servicer
Proof of borrower’s payment for the most recent 6-months is required

If subject transaction is a refinance, mortgage payoff statement is required from the creditor:
A payoff statement that reflects late fees, deferred balance, or delinquent interest are subject to housing history and/or credit event criteria. Transaction is to be considered cashout

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<td>8.9 Minimum Tradeline Requirements 1-4 Units</td>
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For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually)

Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below:

At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months

Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the below requirements:

No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history
At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months
The borrower has an established credit history for at least eight (8) years
Tradelines with recent serious adverse history are not acceptable
Student loans can be counted in credit depth as long as they are in repayment and not being deferred

The following are not acceptable to be counted as tradelines:

Non-traditional credit as defined by FNMA
Self-reported tradeline
Any liability in deferment
Accounts discharged through BK
Authorized user accounts
Collections, charge-offs, foreclosures, DIL, short sales, pre-foreclosure sales

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8.10 Minimum Tradeline Requirements 2-4 Units Mixed Use	**For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually)**
	• Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below:
	  ○ At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
	  ○ At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months

8.11 Credit Events	• No housing event permitted on any real estate reported on credit within (24) twenty-four months
	  ○ Housing Event = Foreclosure, Short Sale, Pre-foreclosure Sale, Deed in Lieu, Charge-off of a mortgage account, or Default Modification
	  ○ The length of time is measured from the settlement date to the Note date
	• Notice of Default will be considered a 1x90x12 under housing history restrictions
	  ○ If the borrower cured the default and has made 12 timely payments, they are eligible without any restrictions
	• The seasoning for a foreclosure/short sale/deed-in-lieu which was included in a bankruptcy will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date
	• Timeshare obligations are treated as consumer installment loan

8.12 Bankruptcy	• All bankruptcies must be settled and discharged a minimum of (24) twenty-four months ○ See section 4.2 for LTV restrictions if < (36) thirty-six months • The length of time is measured from the discharge/dismissal date to the Note date

8.13 Adverse Credit	• Charge-offs and collections can be ignored unless reporting on title
	• A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods, based on the charge off date
	• All open judgements, garnishments, and all outstanding liens must be paid off prior to or at closing from borrower's own funds
	• All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:
	  ○ The file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due. Multiple payment plans not permitted
	  ○ A minimum of two (2) payments have been made under the plan with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date
	  ○ The balance of the lien, or repayment plan, must be included when determining the maximum CLTV for the program
	  ○ Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property

8.14 Court-Ordered Assignment of Debt	• When a borrower has outstanding debt what was assigned to another party by court order (such as under a divorce decree or separation agreement) and the creditor does not release the borrower from liability, the borrower has a continent liability. The contingent liability may be excluded from the borrower's recurring monthly debt obligations • In addition, the payment history can be excluded for the assigned debt after the effective date of the assignment
8.15 Disputed Accounts	• The total aggregate balance of accounts in dispute remaining unresolved may not exceed $2,000. Disputed tradeline exceeding a balance of or aggregate balance of greater than $2,000 must be documented with a credit supplement showing the accounts have been resolved
8.16 HELOC	• Orion Lending requires the total line limit amount to be included in the CLTV
8.17 Forbearance, Modification, or Deferrals	• **Greater than 12 Months from Note Date:** ○ Forbearance, loan modification, or deferrals completed or reinstated greater than 12 months from the Note date of the subject to housing history requirements for the selected program • **Within 12 Months of Note Date:** ○ Forbearance, loan modification, or deferrals completed or reinstated within 12 months of the Note date of the subject transaction are not allowed
8.18 Balloon Notes	• Balloon notes with Maturity Default ○ Notes with a balloon feature with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent (e.g., delinquent 31 days is 1x30 late, delinquent 61 days is 1x60 late, etc.)
8.19 Subject Default Event	If the subject loan payment is delinquent for 60 days, the loan servicer will enforce provisions from the following: • 1-4 Family Rider (FNMA Form 3170): Paragraph "G" – Assignment of Leases • Assignment of Leases and Rents Rider: Paragraph 5

Section 9 – Income Documentation 1-4 Units

9.1 Property Income Analysis	Gross monthly rents are used to determine the DSCR. See section 9.4 Lease Requirements – Long Term Rental or 9.5 Lease Requirements - Short Term Rental for rental income documentation and DSCR calculation.
9.2 Eligible Tenant	• Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the properties • Borrower affiliated tenants are defined as any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in Borrower or such affiliate, any officer, director, executive employee, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described in the preceding • Borrower(s) must attest via LOE that all tenants are non-borrower affiliated
9.3 DSCR Calculation	Lessor of Market Rents or current lease divided by (P) ITIA. (ARM and I/O based on the Note Rate and I/O Payment) **Ratio Calculation** Monthly Gross Rents / PITIA (ITIA) = Debt Service Coverage Ratio **PITIA Expenses:** • Total Principal, Interest, Taxes, Insurance, and Association Dues (if applicable) • Interest Only, use ITIA expenses • ARM, use Note Rate

9.4 Lease Requirements – Long Term Rental	• **Purchase Transactions:** ○ Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents ○ If subject property currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent. Monthly gross rent is to be evaluated for each unit individually ▪ If using the lower of the actual lease amount or estimated market rent, nothing further is required ▪ If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007/1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120% ▪ If using a higher estimated market rent from 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120% ○ A vacant or unleased property is allowed without LTV restriction ○ Unit subject to rent control or housing subsidy must utilize current contractual rent to calculate DSCR • **Refinance Transactions:** ○ Original appraisal report reflecting tenant-occupied, and ○ FNMA Form 1007 or 1025 reflecting long term market rents, and lease agreement ○ If the lease has been converted to month-to-month, then provide the most recent two (2) months proof of receipt to evidence continuance of lease. ▪ If unable to provide evidence of receipt, the unit will be treated as vacant and subject to the following: • Lessor of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan Balance Matrix ○ Monthly Gross Rents are determined by using the actual lease amount or estimated market rent from 1007/1025. Monthly gross rent is to be evaluated for each unit individually ▪ If using the lower of the actual lease amount or estimated market rent, nothing further is required ▪ If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007/1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120% ▪ If using a higher estimated market rent from 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120% ○ A vacant or unleased property is allowed subject to the following: ▪ Lessor of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan Balance Matrix ○ Unit subject to rent control or housing subsidy must utilize current contractual rent to calculate DSCR

9.5 Lease Requirements – Short Term/ Variable Rental	**Short-Term Rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis**
	• LTV/CLTV limits:
	  ○ **Purchase:** Lesser of 75%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
	  ○ **Refinance:** Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix
	  ○ See section 4.2 for Condo Hotel LTV/CLTV limits
	DSCR Calculation:
	• Monthly gross rents based upon a 12-month average, to account for seasonality required
	• Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property. (condotel included)
	  ○ If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used
	  ○ (Gross Rents * .80) divided by PITIA (ITIA) = DSCR – (Ex. $2500 * .80)/$2000 = 1.00 DSCR)
	• When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR.
	• Any of the following methods may be used to determine gross monthly rental income:
	  ○ short-term rental analysis provided by an AMC is allowed, subject to the following:
	    ▪ Provide the source of the data used to complete the STR analysis
	    ▪ Include comparable STR properties, focusing on room count, gross living area (GLA), location, and market appeal
	    ▪ Include daily rental rate and occupancy percentage
	    ▪ Factor seasonality and vacancy into the analysis
	    ▪ Must be completed by a licensed appraiser
	  ○ The most recent 12-month rental history statement from the 3rd party rental/management service
	    ▪ The statement must identify the subject property/unit, rents collected for the previous 12 months, and all vendor management fees. The rental income will exclude all vendor or management fees
	  ○ The most recent 12-month bank statements from the borrower evidencing short-term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits
	  ○ AIRDNA Rentalizer and Overview reports must meet the following requirements:
	    ▪ Rentalizer (Property Earning Potential)
	      • Only allowed for purchase transaction
	      • Gross Rents equal the revenue projection from the Property Earning Potential Report
	        a. The gross rents are subject to the application of the 20% extraordinary expense factor
	        b. Revenue projection equals the average daily rate times the occupancy rate
	      • Forecast period must cover 12 months and dated within 90 days of the Note Date
	      • Must have three (3) comparison properties all within the same zip code, as evidenced by a boundary map
	      • Must be similar in size, room count, amenities, availability, and occupancy
	      • Maximum occupancy limited to 2 individuals per bedroom
	    ▪ Overview Report
	      • Market score or sub-market score grade by zip code
	      • Market score or sub-market score must be 60 or greater as reflected on the Property Earning Potential Report
	      • When both a Market and Sub-Market score are present, use the lower of the two
	        ○ Both the Market and Sub-Market score must be at the zip code level
	      • Market Research report no longer reflects zip code results in the Market/Sub-Market analysis. AirDNA broke down zip codes into sub-markets that vary based on city, town, or neighborhood boundaries. To document the accurate Market/Sub-Market score, it is necessary to capture a screenshot of the Market Research report that includes the zip code search. This will verify the zip code used for the search matches the subject property
	• See Appraisal Requirements, Section 12.1 for short term rental AMC information

Section 10 – Income Documentation 2-4 Mixed Use

10.1 DSCR Calculation	Lessor of Market Rents or current lease divided by (P) ITIA. (ARM and I/O based on the Note Rate and I/O Payment)
	• Minimum DSCR ≥ 1.00
	• DSCR = Eligible monthly rents / PITIA (loans with interest only feature may use the ITIA payment)
	• Loan amounts ≥ $2,000,000 require DSCR ≥ 1.00 and Debt Yield of 9% or greater (Net operating income / Loan Amount) = 9% or greater
	• PITIA Expenses:
	  ○ Total Principal, Interest, Taxes, Insurance, and Association Dues (if applicable)
	  ○ Interest Only, use ITIA expenses
	  ○ ARM, use Note Rate

10.2 Lease Requirements	• Leased
	  ○ Use the lower of the Estimated market rent or lease agreement
	    ▪ Copies of any existing leases must be provided (Purchase and Refinance transactions)
	      • If the lease has been converted to month-to-month, then provide the most recent two (2) months proof of receipt to evidence continuance of lease
	• Vacant Unit(s)
	  ○ Use 75% of market rents
	    ▪ Max (1) vacancy on 2–3-unit properties
	    ▪ Max (2) vacancies on 4 unit properties
	      • Vacant residential units must be actively marketed for rent. Provide screenshot of listing or other documentation
	      • Vacant commercial space not allowed
	• Reduce qualifying rents by any management fee reflected on appraisal reports
	• 2-4 units mixed use
	  ○ Income from commercial space must not exceed 49.99% of the total property income
	• Short Term rental income not eligible
	• Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the property

Section 11 – Assets, Source of Funds, & Reserves

11.1 Ineligible Assets and Sources of Funds	• Privately held stock • Stock options • Non-vested restricted stock units • Non-financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated • Assets titled in an irrevocable trust • Custodial Accounts • Cash on hand • Builder Profits • Gifts of Equity • Funds contributed by a non-borrowing spouse unless documented as a gift • Escrow accounts • 529 Accounts • Assets pledged as collateral on another loan • Below investment grade corporate and municipal bonds • Health Savings Accounts • SBA Loans • Gifts or grants which must be repaid / DPAs • COVID-19 Paycheck Protection Funds • Unsecured loans or cash advances • Sweat Equity • Interest Reserve Accounts

11.2 Asset Documentation	• All pages of an account statement covering a one (1) month period or the most recent quarterly statement
	  ○ Large deposits do not need to be sourced
	  ○ Funds held jointly with another individual are considered 100% of the borrower's funds
	  ○ All statements must be dated within 120 days of the loan Note date
	• Exchange traded Stocks/Bonds/Mutual Funds – 100% may be considered for assets
	• Vested Retirement Accounts – 70% may be considered for assets
	  ○ If needed to close, verification that funds have been liquidated is required
	• Earnest money deposit – Follow FNMA requirements. If needed to meet minimum borrowers' contribution, provide documentation

11.3 Reserves 1-4 Units	• 2 Months PITIA
	• **Loan amounts > $1,500,000**
	  ○ 6 Months PITIA (ITIA)
	• **Loan amounts > $2,500,000**
	  ○ 12 Months PITIA (ITIA)
	• **Reserves not required for Rate/Term Refinance if the following are met:**
	  ○ Reduction in monthly P & I of ≥ 10%, and
	  ○ Housing History does not exceed 1 X 30 X 12
	• Cash out may be used to satisfy reserve requirements
	• Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount
	• For Adjustable-Rate Mortgages (ARM), the reserves are based upon the initial PITIA, not the qualifying payment
	• Waived Escrows – 12 months reserves required. See section 15.13

11.4 Reserves 2-4 Mixed Use	• 6 Months PITIA (ITIA if I/O) • **Loan Amounts > $1,500,000** ○ 9 Months PITIA (ITIA if I/O) • Cash out may not be used to satisfy requirement • Waived Escrows – 12 months reserves required. See section 15.13
11.5 Market Based Assets	• Market-based asset account documentation updated within 30 days of note date. Applicable for assets used for reserves
11.6 Borrowed Funds	• Borrowed funds secured by an asset are an acceptable source of funds for the down payment, closing costs, and reserves, since borrowed funds secured by an asset represent a return of equity • Assets that may be used to secure funds include automobiles, artwork, collectibles, real estate, or financial assets, such as savings accounts, certificates of deposit, stocks, bonds, and 401(k) accounts

11.7 Gift Funds	• Purchase transactions only
	  ○ Gift Funds are not allowed for 2-4 Mixed Use Properties
	  ○ Minimum Borrower Contribution
	    ▪ Borrower must contribute 10% of their own funds
	  ○ Gift funds may not be used towards reserves
	  ○ Gift funds must be from a family member as defined by Fannie Mae
	    ▪ For any gift provided by a non-US citizen, the donor must be screened against the OFAC Specially Designated Nationals (SDN) list
	  ○ Gift of equity not permitted
	  ○ Non-permanent Resident Aliens – Gift funds not allowed

11.7 Gift Documentation Requirements	• Gift Documentation Requirements
	  ○ Gifts must be evidenced by a letter signed by the donor, and must contain:
	    ▪ The dollar amount of the gift;
	    ▪ Include the donor's statement that no repayment is expected; and
	    ▪ Indicate the donor's name, address, telephone number, and relationship to the borrower
	  ○ When a gift from a relative or domestic partner is pooled with the borrower's funds to make up the required minimum cash down payment, the follow must also be included:
	    ▪ A certification from the donor stating that he or she has lived with the borrower for the past 12 months; and
	    ▪ Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include but are not limited to a copy of a driver's license, a bill, or a bank statement

11.8 Business Funds	• Business accounts may be considered for asset documentation for down payment, closing costs, and reserves.
	    ○ Assets held in the name of the vested entity: 100% of the assets may be used
	    ○ Assets not held in the name of the vested entity: The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business

11.9 Life Insurance Cash Value	• 100% of the cash surrender value less any loans may be considered for assets

11.10 Foreign Assets	• Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. One of the following options may be utilized:
	• Transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing unless funds are held in a foreign bank with U.S. branches insured by the FDIC; or
	• Verified funds for closing to be wired directly to the closing agent. Wire transfer to include bank name, accountholder name, and account number. Bank used as source of wire transfer must match the bank holding the assets verified in the loan file.
	• Documentation for assets held in foreign accounts:
	    ○ Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table
	    ○ A copy of the most recent statement of that account
	    ○ Reserves may remain in a foreign bank account
	• See section 11.1 – for ineligible sources and types of assets

11.11 Crypto Currencies	• Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves
	    ○ Down payment and closing costs: currency must be liquidated and deposited into an established US bank account
	    ○ Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings
	        ▪ Requirements:
	            • Current valuation, within 30-days of the loan Note date, from the Coinbase Exchange
	            • 60% of the current valuation will be considered eligible funds

11.12 Sale of Personal Assets	Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction. Documentation required supporting borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and borrower's receipt of sale proceeds.

Section 12 – Property 1-4 Units

12.1 Appraisal Requirements	• 1 full appraisal required for all transactions (The sales comparison approach must be used as the final appraised value)
	  ○ 2nd appraisal required for loan amounts > $2,000,000
	    ▪ When a second appraisal is provided, the transaction's appraised value will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal
	  ○ The transaction is a flip as defined in Section 7.12
	• Loans Vesting in an Entity:
	  ○ Borrower name disclosed on the appraisal report may reflect the individual member(s) of the entity or the entity name
	• An appraisal prepared by an individual who was selected or engaged by a borrower, property seller, real estate agent or other interested party is not acceptable
	• Transferred appraisals are acceptable, unless ordered by borrower or affiliate of the property seller
	• Form 1007 Schedule of Rents is required for all loans on Single Family residences – short term rentals excluded
	• For 2-4-unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required
	• Interior inspections required, including photos, according to USPAP guides
	• Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed
	• Negative property influences must be disclosed and adjusted accordingly by appraiser
	• Properties with unpermitted additions are considered per Fannie Mae
	• **Short Term Rentals:**
	  ○ Below is a list of AMCs that provide short term rental reports. As appraisers are not required to complete a short-term rental income report (FNMA 1007), and/or there may be insufficient data to complete the request, Orion Lending cannot guarantee completion of a report with short term rental data. You must indicate Short Term Rental income in the notes when placing the order
	    ▪ **Nadlan Valuation, Nationwide AMC, Lenders Valuation Services, Advanced AMC, Inc., ARVIS, and Appraisal Hub**

12.2 Appraisal Review	**A third-party appraisal review is required unless the loan file contains:**
	• An eligible score of 2.5 or less from Collateral Underwriter® (CU®) or Loan Collateral Advisor (LCA), or
	• A second appraisal
	Eligible third-party review products are:
	• A CDA from Clear Capital
	  ○ If the enhanced desk review (CDA) reflects a value more than 10% below the appraised value, cannot provide a validation, or contains a FSD score > 0.13, the next option would be either a field review or a second appraisal
	  ○ If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an enhanced desk review product, field review, or a second appraisal
	  ○ CDA must be dated within 90 days of the Note date
	• A field review, which may not be from the same appraiser or appraisal company as the original report
	  ○ Report must provide an "as is" value for the subject property (the "Appraisal Review Value") and be effective prior to the note date

12.3 Appraisal Age	• The appraisal should be dated no more than 365 days prior to the Note date
	• When an appraisal report will be more than 120 days old on the date of the Note, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D)
	  ○ If the appraiser indicates on the Form 1004D that the property value has declined, then the borrower must obtain a new appraisal for the property
	  ○ If the appraiser indicates on the Form 1004D that the property value has not declined, then the borrower may proceed with the loan in process without requiring any additional fieldwork

12.4 Eligible Property Types	• SFR – attached or Detached • 2-4 Unit • PUD – Attached or Detached • Modular (pre-fab) • • Condo Hotel (Condotel) • Warrantable Condo • Non-Warrantable Condo • 2 Acre Maximum • Rural – see section 12.5

12.5 Rural	• Purchase
	  ○ Maximum LTV/CLTV 75%
	• Refinance
	  ○ Maximum LTV/CLTV 70%
	• A property is classified as rural if:
	  ○ The appraiser indicates in the neighborhood section of the report a rural location, or
	  ○ The following two (2) conditions exist:
	    ▪ The property is located on an unpaved road, and
	    ▪ Two of the three comparable properties are more than five (5) miles from the subject property
	  ○ Maximum five (5) acres allowed

12.6 Accessory Dwelling Units (ADU)	• The property is defined as a one-unit property
	• There is only one accessory unit on the property; multiple accessory units are not permitted
	• The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use
	• Rental income may be used for the accessory unit subject to the following:
	    ○ Appraisal to reflect zoning compliance is legal
	        ▪ Permit is not required to establish zoning compliance
	    ○ Appraisal to include at least one comparable with an accessory unit
	• Refinance
	    ○ The market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of the current lease agreement with two (2) months proof of current receipt
	• Purchase
	    ○ User the lower of the market rent on FNMA Form 1007 or actual rent

12.7 Property Conditions	• Properties for which the appraisal indicates condition ratings of C5 or C6, or a quality rating of Q6 as determined by the appraiser are not eligible • No fair or poor ratings • No environmental issues (storage or use of hazardous material, i.e., Dry Cleaners, Laundromat • No health and safety issues as notes by appraiser • No excessive deferred maintenance that could become a health and safety issue for tenants • No structural deferred maintenance (i.e., Foundation, rood, electrical, plumbing) • Permanent and Functioning Heat Source ○ A permanent heat source is required except for properties located in geographic areas where it is typical not to have heat source and has no adverse effect on marketability

12.8 Condos	To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability
	• All Loans secured by condominium projects require a completed Homeowners Association (HOA) questionnaire and condominium review except for:
	  ○ Site Condominium
	  ○ 2-4 Unit project provided the following are met:
	    ▪ Project is not ineligible
	    ▪ Evidence of sufficient hazard, flood, and walls-in insurance coverage if the subject unit has individual coverage. If the insurance covers the entire project, it must be sufficient in the event of a total loss
	    ▪ Homeowner's association dues to be included in DSCR if applicable
	• Special assessment information is to be provided to determine if there is a critical repair. Provide purpose, amount, term, balance, status, and cost per unit
	• Any projects with significantly deferred maintenance or have received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions are not eligible for purchase. Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
	  ○ Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period. Project deficiencies, defects, substantial damage, or deferred maintenance is defined as:
	    ▪ is severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements,
	    ▪ the improvements need substantial repairs and rehabilitation, including many major components, or
	    ▪ impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing; or
	    ▪ has critical repairs with one of the following characteristics:
	      • mold, water intrusions or potentially damaging leaks to the project's building(s); or
	      • unfunded repairs costing more than $10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment)
	  ○ Orion's project exposure maximum shall be $5,000,000 or 20% of the total units in the project, whichever is lower.
	  ○ Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/CLTV
	  ○ Subject Unit Minimum Requirements: Minimum 500 Square Feet, Full Size Kitchen, minimum of one (1) bedroom
	  ○ Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations. Commercial space allowed up to 50% of project
	  ○ No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees
	  ○ For condominium projects consisting of five or more units, single entity ownership is limited to 20% of the project
	  ○ Investor concentration allowed up to 60%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated – Exception required
	  ○ Projects involved in litigation are acceptable provided the lawsuit(s)
	    ▪ Are not structural in nature effecting the subject unit, and
	    ▪ Do not affect the marketability of the project units, and
	    ▪ Potential damages do not exceed 25% of HOA reserves, or
	    ▪ Master insurance policy provider or representative attorney documents the carrier has agreed to conduct defense
	    ▪ And the HOA insurance policy is sufficient to cover the litigation expense
	  ○ Borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit
	• Project documents cannot give a unit owner or any other party priority over the rights of the first mortgagee

12.9 Master Insurance	Master property insurance policies are required for the common elements and residential structures unless the condo project requires individual property insurance policies for each unit • Master insurance policy must provide for claims to be settled on a replacement cost basis. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable. Policies that limit, depreciate, reduce, or otherwise settle losses at anything other than a replacement cost basis are also unacceptable • Master liability of at least $1,000,000 is required per occurrence. Maximum deductible is 10% • Master insurance policy must include the project name and project address for the location of the condo project. Borrower name, unit number, and mortgagee clause are not required to be included in master insurance policy
12.10 Florida Condominiums	• For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects greater than 3 stories. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899 ○ Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements ○ Projects with an unacceptable or no inspection are not eligible
12.11 California Condominiums Inspection Requirement	• Pursuant to California SB-326, starting January 1, 2025, an inspection is required for condominium projects with a wood deck, balcony, stairway, walkway, or railing elevated more than 6 feet above the ground • Completion of an inspection for the project is to be referenced on the condo questionnaire or elsewhere in the credit file • If the inspection identifies safety/soundness items to be repaired, proof of repairs must be provided by the HOA • Loans with a Note date on or after January 1, 2025, are to comply with this requirement

<table>
<tr><td>12.12 Ineligible Condo Projects</td><td>

A project subject to the rules and regulations of the US Securities and Exchange Commission
Timeshare or projects that restrict the owner’s ability to occupy the unit
Houseboat project
Manufactured home projects
Assisted living facilities or any project where the unit owner’s contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs
Multi-family units where a single deed conveys ownership of more than one, or all of the units
Co-ops
Fragmented or segmented ownership
Ownership is limited to a specific period on a recurring basis (i.e., timeshare, quarter share)
Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
Any project that has non-conforming zoning (can’t be rebuilt to current density)
Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association
Any project in need of critical repairs with one of the following characteristics:
mold, water intrusions or potentially damaging leaks to the project's building(s); or
unfunded repairs costing more than $10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment)
Any project with significant deferred maintenance or has received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions
</td></tr>
<tr><td>12.13 Condos – Established Projects</td><td>

90% of the total units in the project must be sold and conveyed to the unit owners
40% of the total units in the project must be owner occupied
All phases are complete
HOA must be conveyed to the unit owners - no developer or builder-controlled projects allowed
All comparable sales may be from within the subject’s project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report
</td></tr>
<tr><td>12.14 Condos – New or Newly Converted Projects</td><td>

50% of the total units in the project or subject’s phase must be sold and conveyed to the unit owners AND at least 50% of the units must be owner occupied
New Projects: project or subject’s legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete
Project may be subject to additional phasing
HOA should be in control - project under Developer or Builder control will be considered by exception only
The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame
</td></tr>
</table>

12.15 Condo Hotel (aka Condotel)	• Projects where the units are individually owned, and the project offers hotel amenities.
	    ○ Hotel amenities may include on-site registration, housekeeping services, and other hospitality services
	    ○ A project that offers rentals of units on a daily, weekly, or monthly basis
	• Investor concentration, within the subject project, may exceed established project criteria, up to 100%
	• Gross rents must be reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property – See section 9.4
	• **Maximum Loan Amount: $1.5 million**
	• **Minimum Loan Balance: $150,000**
	• **Minimum square footage: 500 sq feet**
	• Fully functioning kitchen – defined as full-size appliances including a refrigerator and stove/oven
	• Bedroom required
	• **Florida Condominiums:**
	    ○ For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects greater than 3 stories. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899
	    ○ Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements
	    ○ Projects with an unacceptable or no inspection are not eligible
	    ○ For projects not in compliance with this statue, financing is not eligible
	    ○ For projects meeting compliance, financing is eligible subject to a 5% LTV reduction
	• **California Condominiums:**
	    ○ Pursuant to California SB-326, beginning January 1, 2025, an inspection is required for condominium projects with a wood deck, balcony, stairway, walkway, or railing elevated more than 6 feet above the ground
	    ○ Completion of an inspection for the project is to be referenced on the condo questionnaire or elsewhere in the credit file
	    ○ If the inspection identifies safety/soundness items to be repaired, proof of repairs must be provided by the HOA
	    ○ Loans with a Note date on or after January 1, 2025, are to comply with this requirement

12.16 Condo Insurance Requirements	• Borrowers must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit
	  ○ Project meets all Fannie Mae insurance requirements for property, liability, and fidelity coverage
	• **Fidelity of Employee Dishonesty Insurance for Condominiums**
	  ○ For condominium projects consisting of more than 20 units, fidelity insurance coverage equaling at least the sum of three months of assessments on all units in the project is required
	• **HO-6**
	  ○ If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or "walls-in" coverage. The HO-6 insurance policy must provide coverage in an amount as established by the HO-6 insurer
	• **Deductible**
	  ○ The maximum deductible amount is based on the following:
	    ▪ 5% deductible for LTV > 80%
	    ▪ 10% deductible for LTV ≤ 80%
	• **Flood Insurance**
	  ○ The condominium homeowners' owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:
	    ▪ Building Coverage must equal the lesser of:
	      • 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure) or
	      • The total number of units in the condominium building times $250,000
	    ▪ Contents Coverage must equal the lesser of:
	      • 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or
	  ○ The maximum amount of contents coverage sold by the NFIP for a condominium building
	  ○ Deductible may not exceed the maximum deductible amount currently offered by NFIP

Section 13 – Property 2-4 Mixed Use	

13.1 Appraisal 2-4 Mixed Use	• A full interior inspection with photos is required for all units. The sales comparison approach should be used as the appraised value
	• Loans Vesting in an Entity:
	  ○ Borrower name disclosed on the appraisal report may reflect the individual member(s) of the entity or the entity name
	• **2-4 Mixed Use Properties**
	  ○ General Purpose Commercial Forms (i.e., GP Commercial Summary Form available from CoreLogic a la mode); or
	  ○ A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination
	  ○ Commercial space must not exceed 49.99% of the total building area
	    ▪ Commercial unit(s) may be occupied by the borrower's business
	• Regardless of the report type, the following are required:
	  ○ A full interior inspection with photos is required for all units
	  ○ Commercial space must not exceed 49.99% of the total building area
	  ○ The sales comparison approach should be used as the appraised value
	• The following attachments required for 2-4 Mixed Use appraisal reports:
	  ○ Rent Roll
	  ○ Income and Expense Statement
	  ○ Photos of subject including exterior/interior and street scene
	  ○ Aerial photo
	  ○ Sketch or floor plan of typical units
	  ○ Map
	  ○ Appraiser qualifications

13.2 Appraisal Review	• A commercial sales and income Broker Price Opinion (BPO) is required. The appraised value is considered valid if the BPO is greater than or not more than 10% below the value of the appraisal. If the BPO is more than 10% below the appraised value, then the BPO value is used to determine the loan LTV • A second appraisal may be provided. The transaction's "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal
13.3 Appraisal Age	• Commercial Appraisals (2-4 mixed use): Appraisals dated fewer than 120 days prior to the Note date are acceptable. After 120 days, a new appraisal is required

13.4 Eligible Property 2-4 Mixed-Use	• **Mixed use 2 – 4 Units**
	  ○ Commercial usage limited to Retail/Office/Restaurant
	    ▪ 2-3 Units: Max 1 commercial Unit
	    ▪ 4 Units: Max 2 commercial Units
	  ○ Vacant commercial space not allowed
	  ○ Commercial space must not exceed 49.99% of the total building area
	    ▪ Commercial unit(s) may be occupied by the borrower's business
	  ○ Residential Unleased Units in a Mixed-Use building
	    ▪ Maximum 1 -unit on 2–3-unit property
	    ▪ Maximum 2-units on 4-unit property
	  ○ Residential unit(s) not permitted to be occupied by the borrower or the borrower's immediate family
	• Properties up to 2 acres, not meeting rural definition in section 14.1 eligible

13.5 Mixed Use	• **Commercial use limited to retail or office space**
	  ○ Residential/Commercial zoning acceptable
	• **Ineligible mixed use property features include, but not limited to:**
	  ○ Properties with infrastructure buildouts, and/or heavy machinery. i.e., Dry Cleaners, Laundromats, etc.
	  ○ Properties with potential health and safety issues due to on-site chemicals

13.6 Property Conditions	• No fair or poor ratings • No environmental issues (storage or use of hazardous material i.e., dry cleaners, laundromat, chemical storage, fuel station, or auto body repair) • No health or safety issues (as noted by appraiser, i.e., broken windows, stairs) • No excessive deferred maintenance that could become a health or safety issue for tenants • No structural deferred maintenance, (i.e., foundation, roof, electrical, plumbing) • Permanent and Functioning Heat Source ○ A permanent heat source is required except for properties located in geographic areas where it is typical not to have heat source and has no adverse effect on marketability

Section 14 – Property Eligibility – 1-4 Units and 2-4 Mixed Use

14.1 Ineligible Property Types	• 2-4 Unit Properties in NY & IL
	• Vacant land or land development properties
	• Properties not readily accessible by roads that meet local standards
	• Properties not suitable for year-round occupancy, regardless of location
	• Agricultural properties (including vineyards, farms, ranches, orchards, or equestrian facilities)
	• Manufactured or Mobile homes
	• Co-op/timeshare hotels
	• Boarding houses or bed/breakfast properties/individual room rentals
	• Properties with zoning violations
	• Dome or geodesic homes
	• Native American Leased Land (Reservations)
	• Mandatory rental pools/Mandatory country club memberships
	• > 5 Acres 1-4 Units
	• > 2 Acres 2-4 Mixed Use
	• Log Homes
	• Unique properties
	• Hawaii properties located in Lava Zones 1 and/or 2
	• Houseboats
	• Fractional ownership
	• Properties used for the cultivation, distribution, manufacture, or sale of marijuana
	• Properties with nonresidential, income-producing structures on premise (e.g., billboards, cell phone towers, commercial workshop)
	• Properties used as healthcare facilities (e.g., assisted living, elder care, recovery/treatment)
	• Rural property – 2-4 Mixed Use
	  ○ A property is classified as rural if:
	    ▪ The appraiser indicates in the neighborhood section of the report a rural location; or
	    ▪ the following two (2) conditions exist:
	      • The property is located on a gravel road
	      • Two of the three comparable properties are more than 5 miles from the subject property

14.2 Minimum Property Requirements	• **Single Family**
	  ○ 700 sq. ft.
	• **Condo**
	  ○ 500 sq. ft.
	• **2-4 Units**
	  ○ 400 sq. ft. per individual unit
	• **All properties must:**
	  ○ Be improved real property
	  ○ Be accessible and available for year-round residential use. Contain a full kitchen and a bathroom
	  ○ Represent the highest and best use of the property
	  ○ Not contain any health or safety issues

14.3 Escrow Holdbacks	• Escrow Holdbacks are not allowed

14.4 Declining Markets / State Eligibility	If the appraisal report identifies the property in a declining market, or the property is located in CT, FL, IL, NJ, or NY, the following LTV/CLTV caps apply. Maximum loan amount is limited to $2,000,000
	• **1-4 Units Declining Markets/State Eligibility LTV/CLTV Caps**
	  ○ **Purchase** – 75% LTV
	  ○ **Refinance** – 70% LTV
	• **2-4 Mixed Use**
	  ○ Maximum LTVs don't require a market adjustment

14.5 Leasehold Properties	In areas where leasehold estate are commonly accepted and documented via the appraisal, loans secured by leasehold estates are eligible. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the Seller's title policy Documentation must be provided that the leasehold must meet all Fannie Mae® eligibility requirements (i.e., term of lease)
14.6 Properties Located in a Disaster Area	For properties located in a FEMA declared disaster area a re-inspection is required to be performed by the original appraiser if possible is required • The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same • An Inspection Report must include new photographs of the subject property and street view • Any damage must be repaired and re-inspected • The guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA For FEMA declared natural disasters, the inspections must be dated after the disaster end date is declared by FEMA. https://inciweb.nwcg.gov
Section 15 – Miscellaneous Guideline Requirements	
15.1 Recasting/Re-amortizing	• Recasting or re-amortized transactions are not eligible
15.2 Assumability	• Fixed Rate loans are not assumable • ARM loans with assumability language are acceptable if the assumption is at the lender's discretion. The Note and Closing Disclosure must match
15.3 Rental Loss Insurance	• Not required

15.4 2-4 Mixed Use Commercial Insurance	• Commercial General Liability Insurance for 2-4 Mixed Use Properties is required in addition to Hazard Insurance
	• Commercial General Liability insurance blanket policy against claims for personal injury, bodily injury, death or property damage occurring upon, in or about any property, such insurance to be:
	    ○ Per Occurrence Minimum Coverage: $1,000,000
	    ○ Aggregate Coverage: $2,000,000
	    ○ At least as broad as Insurance Services Office's (ISO) policy form CG 00 01

15.5 Temporary Buydown	• Temporary buydown mortgage loans are not eligible
15.6 Interested Party Contributions	• Maximum Interested Party Contributions ○ May not exceed 6% • All interested party contributions must be properly disclosed in the sales contract, appraisal, final HUD, and must be compliant with appliable federal, state, and local laws • Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. A borrower participating in the transaction (i.e., borrower acting as their own agent) may contribute funds (i.e., commission) up to the maximum contribution limits referenced above • Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

15.7 Solar Panel Requirements	• The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:
	    ○ borrower-owned panels,
	    ○ leasing agreements,
	    ○ separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); or
	    ○ power purchase agreements
	• If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage), our standard requirements apply (for example, appraisal, insurance, and title)
	• **Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing**
	• If insufficient documentation is available and the ownership status of the panels is unclear, no value for the panels may be attributed to the property value on the appraisal unless the lender obtains a UCC "personal property" search that confirms the solar panels are not claimed as collateral by any non-mortgage lender
	• A Uniform Commercial Code (UCC) financing statement that covers personal property and is not intended as a "fixture filing" must be filed in the office identified in the relevant state's adopted version of the UCC
	• The underwriter is responsible for ensuring the appraiser has accurate information about the ownership structure of the solar panels and that the appraisal appropriately addresses any impact to the property's value. Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing. Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report
	    ○ Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar financing arrangement must be considered personal property and not be included in the appraised value of the property

15.8 Solar Panel Requirements (continued)

The following table summarizes some of the specific underwriting criteria that must be applied depending on the details of any non-mortgage financing for the solar panels

If the solar panels are…	Then the lender must…
If the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing[1] has been filed for the panels in the real estate records	• Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing*, related promissory note and related security agreement that reflect the terms of the secured loan; • Include the debt obligation in the DSCR ratio calculation; • Provided that the panels cannot be repossessed for default on the financing terms, instruct the appraiser to consider the solar panels in the value of the property (based on standard appraisal requirements); and • Include the solar panels in other debt secured by the real estate in the CLTV ratio calculation because a UCC fixture filing* is of record in the land records **Note:** If a UCC fixture filing* is in the land records as a priority senior to the mortgage loan, it must be subordinated
If the solar panels are reported to be collateral for separate (non-mortgage) debt used to purchase the panels, but do not appear on the title report	• Obtain and review documentation sufficient to confirm the terms of the secured loan (such as copies of the credit report, title report, any UCC financing statement, related promissory note or related security agreement); • Include the debt obligation in the DSCR ratio calculation; • Instruct the appraiser not to provide contributory value of the solar panels towards the appraised value because the panels are collateral for another debt; • Not include the panels in the LTV ratio calculation; and • Not include the debt in the other debt secured by the real estate in the CLTV ratio calculation since the security agreement or any UCC financing statement treat the panels as personal property not affixed to the home.

[1]A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted in the state in which the related real property is located. It covers property that is, or will be, affixed to improvements to such real property. It contains both a description of the collateral that is, or is to be, affixed to that such property, and a description of such real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. Filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage

If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar lease arrangement, the following requirements apply (whether to the original agreement or as subsequently amended)

15.9 Solar Panels – Leased or Covered by a Power Purchase Agreement	• The lender must obtain and review copies of the lease or power purchase agreement
	• The monthly lease payment must be included in the DSCR ratio calculation unless the lease is structured to:
	    ○ Provide delivery of a specific amount of energy at a fixed payment during a given period, and
	    ○ Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period
	• Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DSCR ratio
	• The value of the solar panels cannot be included in the appraised value of the property
	• The value of the solar panels must not be included in the LTV ratio calculation, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority.
	    ○ A "precautionary" UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it.
	    ○ When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement, and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title), as long as the loan is underwritten in accordance with this topic.
	• The value of the solar panels must not be included in other debt secured by real estate in the CLTV ratio calculation because the documented lease or power purchase agreement status takes priority.
	• The property must maintain access to an alternate source of electric power that meets community standards.
	• The lease or power purchase agreement must indicate that:
	    ○ Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
	    ○ The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, the lender may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy; and
	    ○ In the event of foreclosure, the lender or assignee has the discretion to:
	        ▪ Terminate the lease/agreement and require the third-party owner to remove the equipment;
	        ▪ Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
	        ▪ Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner

15.10 Private Roads	• Require a permanent easement for ingress and egress with provisions for road maintenance
15.11 Lien Position	• UCC filings, private transfer covenants, mechanics liens, and other items that would impact title, marketability, or foreclosure are not allowed

15.12 Deed Restrictions	• Deed restrictions are not allowed. Age Restricted communities are allowed

15.13 Escrows – Impound Accounts	HPML loans require an escrow account for property taxes, hazard insurance, and flood insurance (if applicable)
	• Escrow accounts for property taxes and hazard insurance may be waived subject to the following requirements:
	  ○ LTV < 80%
	  ○ Minimum decision FICO of 720
	  ○ Minimum 12-months of reserves
	  ○ Pricing adjustment (LLPA) will apply
	• Flood insurance escrow account:
	  ○ Escrow account for flood insurance premium may be waived

15.14 Hazard and Flood Insurance	**Hazard Insurance**
	• The appropriate amount of hazard insurance is determined as the lesser of:
	  ○ Replacement Cost Estimator from the property insurer or a 3rd party source (i.e., CoreLogic), if provided
	  ○ Estimated cost to replace the dwelling from a recent appraisal, if provided
	  ○ The unpaid principal balance of the mortgage
	• For condominium and PUD properties, the blanket policy must meet the minimum coverage amount per Orion Lending's Insurance policy
	Flood Insurance
	• Life of loan flood insurance coverage is required when a mortgage loan is secured by a property located in:
	  ○ a Special Flood Hazard Area (SFHA), or
	  ○ a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA)

15.15 Maximum Financed Properties	• No limit to the maximum number of financed properties owned
15.16 Closing in a Trust	• Permitted for both purchase and refinance, subject to Orion approval. See Orion Lending Trust Policy for requirements ○ HOI must also reflect trust as insured

15.17 Power of Attorney	• Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial 1003 is signed by the borrower executing the POA • Not eligible on cash-out • No POA may be used if closing in an LLC or Corp • An interested party to the transaction may not act as a Power of Attorney • An LOE regarding why a POA is needed must be provided
15.18 Principal Curtailments	• The maximum amount of the curtailment cannot exceed the lesser of $2,500 or 2% of the original loan amount
15.19 Lock Policy	• Per refer to Orion Lending's website for complete lock policy • Loan amount variance > (10%) ten percent from the locked loan amount will result in worst case pricing
15.20 Maximum Loans to One Borrower	• Orion's exposure to a single borrower and/or household shall not exceed $5,000,000 in current unpaid principal balance (UPB) or ten (10) loans
15.21 Personal Income	• If personal income is provided, loan will be cancelled, and resubmission will be required
15.22 State Licensing Requirements	The following states DO NOT require a license to broker loans • AK • AL • AR • CO • CT • DC • DE • FL • GA • HI • IA • IL • IN • KS • KY • LA • MA • MD • ME • MO • MS • MT • NC • NE • NH • NM • NJ • OH • OK • PA • RI • SC • TN • TX • VA • WA • WI • WV • WY

15.23 Geographic Restrictions	• CT, FL, IL, NJ, NY
	  ○ 1-4 Units
	    ▪ Maximum LTV/CLTV limited to 75% for purchase and 70% for rate/term and cash-out transactions and the maximum loan amount is limited to $2MM
	  ○ 2-4 Units Mixed-Use
	    ▪ Maximum LTV/CLTV limited to 75% for purchase and 70% for rate/term and cash-out transactions
	• Baltimore City, Maryland
	  ○ Investor Occupancy Loans are ineligible
	• Ineligible locations: Puerto Rico, Guam, & the US Virgin Islands

15.24 Property Taxes	• Calculating Real Estate Tax Payment
	  ○ For purchase and construction-related transactions, Orion Lending will use a reasonable estimate of the real estate taxes based on the value of the land and the total of all new and existing improvements. This policy also applies to properties in jurisdictions where a transfer of ownership typically results in a reassessment or revaluation of the property and a corresponding increase in the amount of taxes
	  ○ For properties located in the state of California 1.25% of the purchase price should be used to determine real estate taxes
	  ○ For refinance transactions Orion Lending will base the determination of real estate taxes on no less than the current assessed value

Section 16 – Guideline Updates – Effective 6/6/2025		
	Previous Guideline	Current Guideline
3.6 Prepayment Penalty		Added OH as a no-prepay State

Section 16 – Guideline Updates – Effective 6/16/2025		
	Previous Guideline	Current Guideline
6.9 Non-permanent Resident Aliens		Temporary Status or stay borrowers whose country of origin has been vacated or shortened are ineligible. • Status must be verified at the US Citizenship and Immigration Services website below: ○ https://www.uscis.gov/humanitarian/temporary-protected-status
7.3 Ineligible Transactions	Non-Arm's Length Transactions – See section 7.10 for eligible transactions	
7.10 Eligible Non-Arm's Length Transactions	Non-Arm's length transactions are generally not eligible	Non-Arm's length transaction restrictions: • Borrower's EMD must be verified • Purchase between family members requires a 12-month mortgage history on the existing mortgage securing the subject property, confirming the family sale is not a foreclosure bailout

Section 16 – Guideline Updates – Effective 6/18/2025		
	Previous Guideline	Current Guideline
7.11 Properties Listed for Sale	**For cash out refinances:** • A listing expiration of less than six (6) months is permitted with a 3-year prepayment penalty. If a property is listed for sale, the listing must be cancelled prior to the note date • The value will be based on the lesser of the lowest list price or appraised value	**For cash out and rate term refinances:** • Value will be based on the lesser of lowest list price in prior 12 months or appraised value **For cash out refinances:** • A listing expiration of less than six (6) months is permitted with a 3-year prepayment penalty. If a property is listed for sale, the listing must be cancelled prior to the note date

Section 16 – Guideline Updates – Effective 6/25/2025		
	Previous Guideline	Current Guideline
15.23 Geographic Restrictions	• CT, FL, IL, NJ, NY ○ 1-4 Units ▪ Maximum LTV/CLTV limited to 75% for purchase and 70% for rate/term and cash-out transactions and the maximum loan amount is limited to $2MM ○ 2-4 Units Mixed-Use ▪ Maximum LTV/CLTV limited to 75% for purchase and 70% for rate/term and cash-out transactions • Ineligible locations: Puerto Rico, Guam, & the US Virgin Islands	• CT, FL, IL, NJ, NY ○ 1-4 Units ▪ Maximum LTV/CLTV limited to 75% for purchase and 70% for rate/term and cash-out transactions and the maximum loan amount is limited to $2MM ○ 2-4 Units Mixed-Use ▪ Maximum LTV/CLTV limited to 75% for purchase and 70% for rate/term and cash-out transactions • Baltimore City, Maryland ○ Investor Occupancy Loans are ineligible • Ineligible locations: Puerto Rico, Guam, & the US Virgin Islands