CHAMPIONS FUNDING

ALLY

Consumer - No Ratio

Underwriting Guideline

CHAMPIONS FUNDING

ALLY

Consumer - No Ratio

	LTV	FICO	Reserves
Purchase/Rate and Term	80%	740	3 Months
		700	6 Months
		680	12 Months
		640	18 Months
	LTV	**FICO**	**Reserves**
Cash Out Refinance	75%	740	3 Months
		700	6 Months
		680	12 Months
		640	18 Months

Max Loan Amounts - $3,000,000

*** LTVS ≤ 60% only require 3 months PITIA***

Reserves for a loan with an Interest Only feature are based upon the interest only payment. (ITIA)

Each Additional Financed Property owned requires 2 months Additional PITIA for Subject Property OR Financed Property listed on REO.

Credit

0 x 30 Last 12 - Months Primary Residence and Subject Property Mortgage

Consumer Lates in most recent 12 Months
(LOE required. Compensating documentation may be required at underwriter discretion)

Foreclosure Seasoning - 12 Months

Short Sale/Deed in Lieu - 12 Months

BK Seasoning - Settled/Discharged

Additional Requirements

Appraisal	Loan Amounts > $2,000,000 require 2 appraisals. Properties with condition rating of 5 or 6 are not acceptable. Desk review required for all loan files not requiring 2nd appraisal. Transferred appraisal acceptable. 2nd appraisal or Desk Appraisal must be ordered from Champions Approved AMC.
Assets	Sourced and Seasoned for 30 days
Citizenship	US Citizen, Permanent Resident Alien, Non-Permanent Resident Alien (With US Credit and acceptable VISA).
Compliance	See Guidelines for Escrow Requirements - Compliance with all applicable Federal and State regulatons. No Section 32 or State High Cost.
Forbearance	If the borrower has resolved missed payments through a loss mitigation solution, they are eligible for a new mortgage loan if they have at least three (3) timely payments. FNMA requirements in regards to Forbearance reinstatement apply.
Max Financed Properties	Maximum 20 financed properties.
Occupancy	Primary Residence and Second Homes
Prepayment Penalty	Not Allowed
Ineligible States	District of Columbia, Maine, Maryland, Nevada, Pennsylvania, Washington & West Virginia
Property Types	SFR, PUD, Townhome, Condominium, Non-Warrantable Condominiums (Max 65% LTV), 2-4 Unit, Modular, Rural and Log Homes
Qualifying Rate	Fixed = Note Rate. ARM = Greater of Note Rate or Fully Indexed Rate. Interest Only - ITIA
Reserves	Minimum reserves required per grid above. LTVS ≤ 60% only require 3 months PITIA. Cashout may be used for reserves. Gift funds may not be used for reserves. *Reserves with an Interest Only feature based upon Interest Only payment. (ITIA) *For Adjustable Rate Mortgages (ARM), reserves are based upon the initial PITIA, not the qualifying payment.
Subordinate Financing	Max 85% CLTV. Secondary financing must be institutional. Seller Carrybacks not permitted.
Seller Concessions	6% Max

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Loan Program Mission

Empowering the dreams of diverse homeowners and underserved communities by providing non-traditional access to prime capital for underbanked borrowers and communities.

Community Development Financial Institution (CDFI) Overview

CDFI Certification:

Notice of Certification dated November 9, 2017, Certification Number 171CE014596 issued by the U.S. Department of Treasury certifying Champions Funding, LLC as a CDFI as defined in 12 C.F.R. 1805.104.

CDFI Exemption:

Under Applicable Law, a loan originated by a CDFI is exempt from the Ability-to-Repay (“ATR”) requirements set forth in Section 1411 of the Dodd-Frank Act and Regulation Z. So long as originator is certified as a CDFI when it originates the loan, the exemption to ATR is effective and unconditional.
Accordingly, the originator or purchaser of such loan shall not have any liability with respect to claims to legal actions brought by borrowers based on originators failure to comply with the ATR requirement.

Neighborhood Residential Mortgage Program Overview

Neighborhood Residential Mortgage focuses on underbanked and underserved borrowers and communities with a holistic approach to credit underwriting and loan origination focused on the Five C’s of Credit Principles:

Character: Measures the borrower’s reputation, record of accomplishment, and experience of repayment.
Collateral: Measures the lender’s security for the loan.
Capital: Measures the borrower’s equity contribution and level of seriousness
Capacity: Measures the borrower’s capacity to repay the loan.
Conditions: Measures the terms of the loan versus the purpose of the loan.

Neighborhood Residential Mortgage mortgages are well structured to help borrowers establish and enhance their credit to improve their access to prime financing and do not have predatory prepayment penalties or other consumer adverse terms or conditions.
Neighborhood Residential Mortgage borrowers often need credit underwriters to consider compensating factors or alternative documentation due to limited or irrelevant quantitative underwriting factors to establish a reasonable expectation of repayment in the following areas:
Character & Credit History: Credit underwriting seeks to understand a borrower’s character as part of the process. This can include reference letters, community activities, and reputation as

well as credit history. Certain borrowers with limited FICO scores (e.g., new immigrants etc.) or with irrelevant or misleading FICO scores (e.g., identity theft etc.) may need more bespoke underwriting which considers alternative credit scoring and borrower character to evaluate the borrower's reliability and reasonable expectation of repayment.

Income: Borrowers who meet the Neighborhood Residential Mortgage eligibility requirements are not required to provide income documentation. Income is therefore not calculated nor stated on the loan application (1008/1003) nor is a debt-to- income ratio calculated as part of the programs established reasonable expectation of repayment.

Loan Documentation: Credit underwriting will often use "common sense" approach and use alternative and compensating forms of documentation to evaluate a reasonable expectation of repayment.

Neighborhood Residential Mortgage focuses on the following borrower populations:

- Low Income Individuals and Communities
- Underserved and/or underbanked borrowers due to ATR and Regulation Z requirements:
    - Limited Income History
    - Limited or No Credit History
    - Inadequate Income Documentation

Neighborhood Residential Mortgage Loan Terms

Fully Amortizing

- 5/6 Month SOFR: (2/1/5 Cap Structure)
- 7/6 Month SOFR: (5/1/5 Cap Structure)
- 10/6 Month SOFR: (5/1/5 Cap Structure)
- 30 Year Fixed
- 40 Year Fixed

Interest-Only

- Loan Terms: 360
- 5/6 Month SOFR: (2/1/5 Cap Structure)
- 7/6 Month SOFR: (5/1/5 Cap Structure)
- 10/6 Month SOFR: (5/1/5 Cap Structure)
- 30 Year Fixed
- 40 Year Fixed

Interest Only Period:

Available for fixed period of ARM or 10 years on 30 Year and 40 Year Fixed rate products.

Amortization Period:

30 Year / 40 Year (Refer to program matrices for additional requirements)

Qualifying Rate (All Doc Types):

Fixed:

Qualify borrower(s) at the Note Rate. Interest Only (ITIA)

ARM:

5/6 Month ARM - Qualify borrower(s) at greater of the Fully Indexed Rate or Note Rate.
7/6 Month ARM & 10/6 Month ARM – qualify at the Note Rate.

Qualifying Payment

Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the scheduled remaining loan term at the time of recast after the interest only period has expired. Interest Only = ITIA.

Prepayment Penalty:

None

Balloon Payment:

None

Impound Account:

Required

Minimum Loan Amount:

$100,000

Ineligible States:

District of Columbia, Maine, Maryland, Nevada, Pennsylvania, Washington & West Virginia

State Specific Restrictions:

California: Interest Only prohibited for FICOs below 660

Colorado: All loan transactions require the following:

- Fully executed Colorado LO Reasonable Inquiry Attestation
- HUD Counseling Certification from the Colorado Housing Assistance Corporation

Illinois: Allowed provided payment is based on fully indexed rate

Ohio: Interest Only prohibited on Adjustable-Rate (ARM) loans.

Texas:

- Texas 50 (a)(6) not permitted

Program Eligibility

Eligible Transactions

Purchase:

- Maximum 80% LTV

Rate & Term Refinance:

- Maximum 80% LTV
- Borrower proceeds limited to the lesser of 2% of loan amount or $5,000 max cash in hand
- Any subordinate loan not used in the initial acquisition of the subject property is eligible for payoff should one of the following apply:
  - Closed end loan, at least 12 months seasoning has occurred

  OR:
  - HELOC, at least 12 months seasoned and total draws over the most recent 12 months are less than $2,000. HELOC must be closed.

Cash Out Refinance:

- Cash Out Seasoning of less than 6 months is not permitted unless borrower acquired property through an inheritance or was legally awarded the property (divorce, separation).
  - If the property was owned by an LLC that is majority owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's 6-month ownership requirement.
  - If the property was owned by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's 6-month ownership requirement if the borrower is the primary beneficiary of the trust.
  - Loans not eligible for cash out:
    - A prior cash out transaction within the last 12 months, unless a documented benefit exists.
    - Seasoning is defined as the difference between prior financing note date or date of purchase and note date of the new loan.

Delayed Financing Option:

Borrowers who purchased the subject property within the past 6 months are eligible for a cash out refinance if all of the following requirements are met:

- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan subject to the maximum LTV, CLTV and HCLTV ratios for the refinance transaction based on the lower of the initial purchase price or current appraised value.
- At least one of the following must exist:
  - No mortgage financing was used to obtain the subject property
    - The original purchase transaction is documented by a settlement statement which confirms no mortgage financing was used to obtain the subject property.
    - The preliminary title search or report must confirm there are no existing liens on the property.
  - If the source of the funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance must reflect that all net proceeds are being used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be disclosed in the liabilities section of the loan application.
  - The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
- All other rate & term refinance eligibility requirements are met. R&T pricing applies.

Secondary/Subordinate Financing:

Allowed up to 85% max CLTV.

- Secondary financing must be institutional. Seller-held subordinate liens are not permitted
- Existing secondary financing must be subordinated and recorded or refinanced, paid off, or closed. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the lien of credit is past its draw period.

TILA High Priced Mortgage Loan:

Allowed, subject to TILA HPML requirements.

Borrower Eligibility:

Borrower Type	Requirements
U.S. Citizens:	Must have a valid Social Security Number.

Permanent Resident Aliens (Green Card): An individual legally authorized to reside and work in the United States indefinitely	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 includes the following:
	  ○ Alien Registration Receipt Card I-151 (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 removeconditions).
	  ○ 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.
	• A fully executed Certification of Resident Alien Status Form must be provided at time of submission.

Non-Permanent Resident Aliens: An individual employed in the United States but does not have a green card.	An alien 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.
	• Legal Status Documentation
	  ○ Valid EAD **OR**
	  ○ Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
	  ○ If Visa status will expire within one year and prior history of residency status renewal exists, no further documentation is required. If Visa expires within six (6) months of note date, evidence of renewal filing must be provided OR documentation from current employer supporting likelihood or renewal.

Max Number of Borrowers Allowed	4 Borrowers. Greater than 4 borrowers considered on a case-by-case basis.

Ineligible Borrowers	Non-Occupant borrowers/co-borrowers • Any borrower suspended, debarred, or otherwise excluded per the LDP/GSA and/or OFAC/SAM findings • Diplomats, Diplomatic Immunity • Applicants with temporary protected status (i.e. DACA, Asylum) • Irrevocable Trusts • Land Trusts • Limited or general partnerships (LLC) • Corporations, S Corporations • ITIN Borrowers

Property Eligibility:

Eligible Properties:

- Primary Residences
- Second Homes
    - Must be occupied by the borrower some portion of the year
    - Must be located a reasonable distance from the borrower's current residence
    - Restricted to one-unit dwellings
    - The borrower must have exclusive control over the property
    - Must not be a rental property or a timeshare agreement.
- 1-4 Unit Residential Properties
- Condominiums
    - Fannie Mae warrantable or FHA/VA approved up to max LTV per eligibility grid
    - Non-warrantable up to 65% max LTV
- Agriculturally/Rural Zoned Properties
    - Working farms, ranches, or orchards are ineligible.
    - Acreage limited to 10 acres max
- Mixed-Use Properties
    - The property must be a 1-unit dwelling the borrower occupies as a primary residence
    - The borrower must be both the owner and the operator of the business
    - The property must be primarily residential in nature
    - The dwelling may not be modified in a manner that has an adverse impact on its marketability
    - The appraisal must:

- Provide a detailed description of the mixed-use characteristics of the subject property.
- Indicate the mixed use of the property is legal, permissible use of the property under local zoning requirements.
- Report any adverse impact on marketability and market resistance to the commercial use of the property; and
- Report the market value based on its residential characteristics only
- No more than 35% of a condo project or of the building in which the project is located be commercial space allocated to mixed-use. This includes commercial space that is above and below grade.

Ineligible Properties:

- Investment Properties
- 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 farms, ranches, orchards
- Manufactured, Mobile
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Indian reservations, Indian Leased Land
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Acreage > 10 acres
- No truncating allowed
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana.

Condominiums:

Fannie Mae eligible projects are allowed.
FHA/VA approved projects are allowed.

Ineligible Projects

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission.
- Timeshare or Projects that restrict the owner's ability to occupy the unit.

- New Condo conversion completed less than 2 years.
- Houseboat project
- Manufactured home projects
- Assisted living facilities or any project where unit owners' contract in advance for a lifetime commitmentfrom the facility to care for them regardless of future health or housing needs.
- Any project in which a single entity owns more than 25% of the total number of units. Projects that have5-19 Units, one owner can own two units.
- Multi-family units where single deed has ownership of more than one or all of the units.
- Where more than 35% of total square footage in the project or in the building that the project is located in is used for non-residential purposes.
- A Common-interest apartment or a project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
    - The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
    - Fragmented or segmented ownership
    - Ownership is limited to a specific period on a recurring basis (i.e., Timeshare)
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
- Non-conforming zoning (cannot be rebuilt to current density).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefitthe association
- Project in litigation, arbitration, mediation or other dispute regarding safety, soundness or habitability.
- Project with adverse environmental issue(s) involving safety, soundness or habitability.
- Projects that are not well managed or in poor physical or financial condition.
    - Excessive special assessments; Low Reserves; Neglected Repairs

General Project Criteria

- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations
- Project meets all FNMA Insurance requirements for property, liability and fidelity coverage
- Confirmation the project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee

Fannie Mae Warrantable Condominium Projects

For projects that meet Fannie Mae requirements, follow review process as required by Fannie Mae. If the loan does not meet the following criteria for a Fannie Mae Limited Review, a FNMA Full Review is required.

Limited Review Eligible Transactions-Attached Units in Established Condo Projects	
Occupancy Type	**Maximum LTV/CLTV and HCLTV Ratios**
Primary (Outside of Florida)	90%
Primary (Florida)	75%
Second Home (Outside of Florida)	75%
Second Home (Florida)	70%

Projects Eligible for Limited Review OR Review Waiver

Unit and Project Type	Project Review Methods
Attached Condo unit in an established project	Based on the LTV, CLTV, and HCLTV ratios, occupancy, and location (projects in Florida), these projects may be reviewed using a Limited Review. Projects not meeting the Limited Review criteria must be reviewed using a • Full Review (with or without CPM), • FHA (HRAP) Project Approval (with FNMA limited review questionnaire), or • Fannie Mae Review through the streamlined PERS process (for established condo projects)
Unit in a new or established two- to four-unit condo project	Project review is waived, with the exception of some basic requirements that apply.
Detached unit in a new or established condo project	Project review is waived, with the exception of some basic requirements that may apply.
Unit in a PUD project	Project review is waived, with the exception of some basic requirements that apply
Unit in a condo project approved by the FHA	FHA (HRAP) Project Approval (with FNMA limited review questionnaire)

FHA/VA Approved Condominium Projects

For projects with an active FHA (HRAP) or VA approval and FNMA guidelines require either a Full OR Limited Review, the project can be reviewed using FNMA Limited Review Questionnaire.

Non-Warrantable Condominium Projects

- Stacking of risk is not allowed, meaning only one variance in the grid below will be permitted.
- Champions Funding will not finance more than 20% of the units in any one project.
- Investor concentration in project is allowed up to 60%. Higher percentages may be considered on investment property transactions when an established history of a high percentage of rental units in the condo project can be demonstrated. Unsold units owned by a builder/developer are not considered as investor owned.
- A full review of the project is required. The following documents must be provided:
  - Fully executed Champions Funding HOA Questionnaire
  - Master property, liability and flood insurance (if applicable)
  - HOA budget
  - Current Balance Sheet
  - CC&Rs and Bylaws (new construction and conversion only)
  - Litigation court documents, if applicable
  - Ground lease, if applicable

Characteristic	Exception Considerations
Commercial Space	Subject property unit must be 100% residential. Project/building commercial percentage must be ≤ 50%. When commercial space exists, it must be "typical for market & have no negative impact on marketability." Commercial percentage is determined by the appraiser. No further assessment required. Commercial space in the building/project exceeding 50% will be reviewed on a single loan exception basis. Commercial entity cannot control the HOA.
New Projects	The project, or the subject's legal phase along with the other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 25% of the units must be sold or under a bona-fide contract. Unsold units owned by a builder/developer are not considered as investor owned and can be included in the presale requirement.
Delinquent HOA Dues	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
HOA Control	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA Reserves	• 3-5% allocation of replacement reserves - annual budget required • < 3% allocation of replacement reserves - annual budget required & reserve study completed by a professional • Projects with excessive insufficient budgetary reserves are allowed on a case by case basis with a reserve study completed within the last 5 years by a professional (Engineer, Architect, CPA, General Contractor, or Property Manager w/ 3 years experience)
Litigation	Pending litigation will be considered on a case by case basis. Pending litigation is not allowed under any circumstance when the litigation involves structural items or items that impact marketability or safety of the project.

Hazard Insurance:

The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer (including guaranteed replacement, if applicable); or
- 100% of the Total Estimate Cost-New per the appraiser; or
- The unpaid principal balance of the mortgage, as long as it at least equals the minimum amount – 80% of the insurable value of the improvements- required to compensate for damage or loss on a replacement cost coverage.

Vesting Eligibility:

Vesting Type	Requirements
Individual/joint tenant	Acceptable, follow each individual state allowances
Community Property	Acceptable, follow each individual state allowances
Tenants in Common	ALL parties must be borrowers on the transaction, follow each individual state allowances
Power of Attorney	• Acceptable for rate/term refinance, no cash out and purchases per FNMA requirements • Must be "specific" and reference the loan transaction • POA needs to be notarized prior to and within 60 days of note date
Revocable Trust/Inter-Vivos	Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae requirements should be followed to the extent this section is silent. The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage. The Trustee must include either:

Revocable Trust |Inter-Vivos (Con)	• The individual establishing the trust (or at least one of the individuals, if two (2) or more)
	• An institutional trustee that customarily performs trust functions in, and authorized to act as trustee under the laws of, the applicable state. The trustee must have the power to hold the title, and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.
	The following documentation is required:
	• If the trust was created under California law, a full executed Certificate of Trust under Section 18100.5 of the California Probate Code.
	• If the trust was created under the laws of a state other than California:
	  o Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all of the following:
	    ▪ The trust is revocable.
	    ▪ The borrower is the settler of the trust and the beneficiary of the trust.
	    ▪ The trust assets may be used as collateral for a loan.
	    ▪ The trustee is:
	      • Duly qualified under applicable law to serve as the trustee
	      • The borrower
	      • The settler
	      • Fully authorized under the trust documents and applicable law to pledge,

Revocable Trust |Inter-Vivos (Con)	or otherwise encumber new assets
Ineligible Vesting	• Tenants in Common with parties who are NOT borrowers on transaction • Irrevocable Trust, Qualified Personal Residence Trust (QPRT) • Corporation or Entity • Blind Trust

Appraisal Eligibility:

Appraisal Items	Requirements
Appraisal Ordering	Transferred appraisals accepted with the following documentation: • Full color copy of appraisal in a PDF format (inclusive of 1007 rent schedules and or 1004d if applicable) • The appraisal must have been completed ay an Appraisal Management Company (AMC) and be no more than 90 days old at time of transfer. Appraisal must be less than 120 days old at note date. • Original lender to provide a signed & dated appraisal transfer letter on their letterhead stating the following: ○ Transfer of ownership and rights for the specific transaction to Champions Funding LLC. ○ Reference the borrower(s) name and subject property address. ○ Include lender certification that the appraisal complies with Federal, State, and Freddie Mac Appraisal Independence Requirements (AIR). ○ Lender certification that the appraisal was ordered and completed within TRID compliance. • Champions Funding LLC must receive confirmation of the borrower's receipt of the appraisal • Provide Champions Funding LLC with a copy of the appraisal invoice. Please note that any changes to the report that are needed cannot be requested by Champions Funding LLC and the broker will

Appraisal Ordering (con)	need to request all updates and provide Champions Funding LLC with the updated appraisal prior to final approval.
Second Appraisal	A Second Appraisal from a Champions Funding approved AMC is required when the loan amount exceeds $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.
Appraisal Review	For loan amounts less than $2,000,000 a Desk Appraisal is required and must be ordered from a Champions Approved AMC.
Distressed Markets	If an appraiser identifies a property as "distressed", it must be determined whether any deterioration is material and impactful to the overall value of said property. A minimum reduction of the maximum program LTV will be applied, additional reduction will be subject to underwriter discretion.
Property Flipping	Properties acquired with 90 days of Purchase Agreement Execution are ineligible.
Appraisal Age	All appraisals must be dated within 120 days from the closing/funding of loan. At 121 days, a new full appraisal is required.
Loan to Value (LTV)	Purchase transactions: LTV equals the lesser of the purchase price or appraised value. Refinance transactions: If seasoned ownership is 12 months or greater, current appraised value is used. If the seasoned ownership is less than 12 months, use lesser of original purchase price or current appraised value. If the borrower acquired the property through inheritance or was legally awarded the property (divorce, separation) current appraised value may be used.

Credit Eligibility:

Credit Items	Requirements
Minimum Credit Score	FICO ≥ 640
Tradeline Requirement	Two (2) tradelines reporting for 12+ months or one (1) tradeline reporting for 24+ months, all with activity in the last 90 days. *First Time HomeBuyers are allowed to apply a 12-month recent and satisfactory VOR towards the tradeline requirement. The following are not acceptable tradelines: • "Non-traditional" credit as defined by Fannie Mae • Any liabilities in deferment status • Accounts discharged through bankruptcy • Authorized user accounts • Charge-offs or collection accounts • Foreclosures, deed in lieu of foreclosure, or short sales
VOM | VOR	VOM required on refinance transactions only. If Primary is owned free and clear, no VOM is required. Mortgage being paid off through the transaction must be current, cannot be currently past due. 0 x 30 lates in last 12 months. All disclosed mortgage payment history is subject to review at Underwriter discretion. VOR is required if borrower doesn't currently own a home. ***Note:** For VOMs | VORs tied to private mortgages or private landlord – 12 months recent canceled checks and/or bank statements are required to support the VOM | VOR provided as well as a copy of the original Note\Lease agreement plus any additional Riders or subsequent Modifications to ensure the loan being paid off is current and is not past its maturity date as that isconsidered being in default.

Forbearance	If the borrower has resolved missed payments through a loss mitigation solution, they are eligible for a new mortgage loan if they have subsequently made at least three (3) timely payments: • For a repayment plan, the borrower must have made either three payments under the repayment plan or completed the repayment plan, whichever occurs first. • For payment deferral, the borrower must have made three (3) consecutive timely payments following the effective date of the payment deferral agreement. **Note:** The source of funds used to reinstate the loan must be documented if the reinstatement was completed after the application date on the new transaction. The required three (3) consecutive payments cannot be paid in advance or in a lump sum.
Foreclosures, Short/Deed-in-Lieu Sales	A one (1) year waiting period is required. All of these major derogatory events require a letter of explanation from the borrower. The situation causing the event must be adequately documented as resolved. If multiple events exist in this time frame each must be addressed in the explanation. Compensating documentation may be required at the underwriter's discretion. The length of time is measured from the settlement date to the note date. • In the case of any event which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of the bankruptcy; or b) the event completion date. Re- established credit of at least two (2) tradelines paid as agreed for the most recent 12 months is required or the event date

Foreclosures, Short/Deed-in-Lieu Sales(con)	will be used. Active major derogatory events are not allowed.
Bankruptcies	Must be fully discharged, no seasoning requirements. LOE required. Compensating documentation may be required at underwriter's discretion.
Judgments	Must be paid at time of closing. Acceptable LOE required.
Tax liens	Acceptable proof of release. LOE required. Compensating documentation may be required at underwriter's discretion.
Derogatory Credit	Consumer Lates in most recent 12 Months (LOE required. Compensating documentation may be required at underwriter discretion)
Collections	Acceptable, all open collections reporting in the most recent 24 months totaling more than $5,000 must be paid in full prior to or at closing. LOE required. Compensating documentation may be required at underwriter's discretion. Medical collections not included.
Schedule of REO	• Reserves for additional properties financed may be calculated using Subject Property PITIA (no further documentation for additional properties required) **OR** • Reserves for additional properties may be calculated using PITIA listed on REO for each additional property financed. Validation of PITIA for each property listed will be required. • Initial 1003 must reflect a complete Schedule of Real Estate for all properties owned by the Borrower. If using subject property PITIA for reserve requirement calculations PITIA is not required to be included.

Verification of Asset Eligibility:

Verification of Assets	Requirements
Verification of Reserves	• All asset statements must be dated within 90 days of note date. • Reserves are calculated after considerations for required down payment. • 100% value of stocks, bonds, mutual funds, 401k, retirement accounts and deferred compensation are acceptable sources of reserves. • Must provide API data or most recent 1-month third-party statement in borrower's name to meet reserves requirements. Documentation provided must, at minimum, validate the current month's beginning balance, total deposits, total withdrawals, and current month's ending balance. Assuming this required information is provided, all pages of the statements may not be required. • Must provide source of funds for any recent significant deposits. A significant deposit is defined as 10% or more of the loan amount. • Business funds may be used for down payment, closing costs, and for the purposes of calculating reserves. The borrower(s)' ownership of the business, if account is in business name only, must be documented. • Business funds used to qualify are calculated based on the borrower's percentage of ownership in the

Verification of Reserves (Con)	company. For example: if a borrower owns 25% of the business, then only 25% of the available balance of the account would be allowed to qualify. • Gift funds are not acceptable for reserves. • Cryptocurrency is not permitted. • Cash out from transaction can be used to meet reserve requirement.
Verification of Down Payment or Principal Pay Down	• All asset statements must be dated within 90 days of note date. • Must provide API data or most recent 1-month third-party statement in borrower's name to meet reserves requirements. Documentation provided must, at minimum, validate the current month's beginning balance, total deposits, total withdrawals, and current month's ending balance. Assuming this required information is provided, all pages of the statements may not be required. • Must provide source of funds for any recent significant deposit. A significant deposit is defined as 10% or more of the loan amount. • Business funds are acceptable, must show proof of ownership. Business funds used to qualify are calculated based on the borrower's percentage of ownership in the company. For example: if a borrower owns 25% of the business, then only 25% of the available balance of the account would be allowed to qualify. • Cryptocurrency is not permitted. • Assets held in foreign accounts may not be used as a source of funds to close or for reserves.
Gift Funds	• Gift funds are acceptable for 100% or a portion of the down payment,

Gift Funds (con)	principal pay down & closing costs, and require a gift letter with the givers name, address, relationship to borrower, amount and verify that the money is a gift and does not have to be repaid.
	• Guidelines to be followed for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt.
	  ○ A gift can be provided by:
	    ▪ the Borrower's Family Member;
	    ▪ the Borrower's employer or labor union;
	    ▪ a close friend with a clearly defined and documented interest in the Borrower;
	    ▪ a governmental agency or public Entity that has a program providing homeownership assistance to:
	      • Low- to Moderate-Income families; or
	      • first-time homebuyers
	The gift donor may not be a person or Entity with an interest in the transaction, such as the contractor, Dealer, or any person or any other affiliated Entity.
	•
	• Verifying donor availability of funds and transfer of gift funds

Gift Funds (con)	○ Sufficient funds to cover the gift must be verified either in the donor's account or have been transferred to the borrower's account. Acceptable documentation includes thefollowing: ▪ a copy of the donor's check and borrower's deposit slip, ▪ a copy of the donor's withdrawal slip and the borrower's deposit slip, a copy of the donor's check to the closing agent, or ▪ a settlement statement showing receipt of the donor's check. ○ When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, acashier's check, or other official check (i.e., wire confirmation). *Gift funds may not be used to meet reserve requirements. • Gifts of equity are not permitted
Seller Credit	Seller credit not to exceed 6% on purchase transactions.

Homeowner Education:

Counseling Requirement on all transactions *At least 1 borrower must complete:	**Borrower Paid Cost (POC)**
Framework Online Homebuyer Course	$75