



SG CAPITAL PARTNERS

INVESTOR SELECT PROGRAM GUIDE

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1 OVERVIEW and UNDERWRITING CRITERIA

This Product Eligibility Policy outlines the parameter requirements for non-owner occupied loans on residential properties to be sold to SG Capital Partners, LLC ("SGCP"). This document is an integral part of the loan underwriting review process and should be reviewed in conjunction with all potential fundings. Originators and sellers should become familiar with the contents of this document in its entirety.

The Product Eligibility Policy may not include all provisions or documents establishing the relationship between an originator or seller and SGCP, and is not intended to replace, modify, or otherwise alter the terms of a respective counterparty's Mortgage Loan Purchase Agreement or any other applicable agreement.

SGCP seeks to purchase investment non-owner occupied loans that will be designated for business purposes only. All borrowers will be required to sign a Business Purpose & Occupancy Statement prior to funding declaring that the property is, or will be, for commercial business or investment purpose only.

All loans purchased by SGCP 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.

Investor Advantage 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 and will be reviewed and considered prior to granting or denying any request for purchase approval.

SGCP Overlays are intended to reference and supplement Fannie Mae's Seller Guide. Originators should refer to the Fannie Mae Seller Guide for specific information concerning qualification requirements that are not specifically referenced in our Overlays. To the extent there is a difference in standards between the SGCP Overlays and the Fannie Mae Guides; Originators may rely on the SGCP Overlays.

All loans must be manually underwritten.

Employment/income not required on 1003. **Schedule of real estate owned may be completed on 1003.**

FNMA security instruments, notes, riders, addenda and special purpose documents can be utilized for loan documentation.

All Loans must include a third party fraud detection report

Loans eligible for sale to FNMA or FHLMC are not eligible for purchase.

Prepayment Charges allowable to the extent permitted under law.

All references to borrowers will also include Guarantors.

2 PRODUCT ELIGIBILITY

2.1 AVAILABLE PRODUCTS

- 3/1 Adjustable Rate Mortgage
- 5/1 Adjustable Rate Mortgage
- 7/1 Adjustable Rate Mortgage

2.2 ADJUSTABLE RATE CRITERIA

Product	Index	Margin	Initial	Periodic	Life Cap	Interest Rate Floor
3/1	1 Yr Libor	6%	2	2	5	Margin
5/1	1 Yr Libor	6%	2	2	5	Margin
7/1	1 Yr Libor	6%	5	2	5	Margin

3 PRODUCT MATRIX

3.1 DSCR MATRIX

- Minimum DSCR of 1.1 required to be eligible

Purpose	Property Type	Loan Amount	FICO	LTV ⁴
Purchase/Rate-Term	SFR, PUD, 2-4 Unit ² , Condos ³	\$1,000,000	720	80%
			640	75%
			620	65%
		\$1,500,000	700	75%
			640	70%
			620	65%
\$2,000,000	700	70%		
	640	65%		
	Cash-Out ¹	SFR, PUD, 2-4 Unit ² , Condos ³	\$1,500,000	640
620				60%
\$2,000,000			640	60%

¹See section 5.1.3 for cash-out restrictions

²Max LTV for 2-4 Unit 75%

³Max LTV for Condo 70%

³Max LTV for Non-Warrantable Condo 65%

⁴LTV reduced by 5% for unleased **refinances**

3.2 NO RATIO MATRIX

Purpose	Property Type	Loan Amount	FICO	LTV ³
Purchase/Rate-Term	SFR, PUD, 2-4 Unit, Condos ²	\$1,000,000	700	75%
			640	70%
		\$1,500,000	700	70%
			640	65%
		\$2,000,000	700	65%
			640	60%
Cash-out ¹	SFR, PUD, 2-4 Unit, Condos ²	\$1,500,000	640	65%
		\$2,000,000	640	60%

¹See section 5.1.3 for cash-out restrictions

²Max LTV for Warrantable Condo 70%

²Max LTV for Non-Warrantable Condo 65%

³LTV reduced by 5% for unleased **refinances**

3.3 GEOGRAPHY

The following U.S. States and territories are not eligible:

- West Virginia , Guam, Puerto Rico, American Samoa, Northern Mariana Islands, and the U.S. Virgin Islands

3.4 PREPAYMENT CHARGES

Hard Prepayment penalties are required on investment property transactions when permissible by state law

- 6 Month interest on 80% of the amount prepaid. Standard Prepayment Penalty Term – 3 years. May be bought down, see rate sheet for details.

3.5 LOAN AMOUNTS

- Minimum eligible loan amount is \$75,000
- Maximum eligible loan amount is \$2,000,000

4 BORROWER ELIGIBILITY

4.1 ELIGIBLE BORROWERS

- U.S. Citizens
- First Time Investor
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- Foreign Nationals
- Inter-Vivos Revocable Trust
- Limited partnerships, general partnerships, corporations
 - Guarantor required
- Ownership must be fee simple for all borrowers

4.1.1 FIRST TIME INVESTOR

- Unless the borrower is purchasing a multi-unit property, the subject property value cannot exceed the property value of the borrower's primary residence
- Maximum LTV must be reduced by 5% for first time investor
- No Ratio program not permitted

4.1.2 PERMANENT RESIDENT ALIEN:

Permanent Resident Aliens are individuals who permanently reside in the United States

- A legible front and back copy of the borrower(s) valid Green Card.

4.1.3 NON-PERMANENT RESIDENT ALIENS:

Non-Permanent Resident Aliens must meet the following requirements:

- Must have an unexpired passport from their country of citizenship containing INS form I-94 (or equivalent) which must be stamped Employment Authorized
- An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker form I-140 (or equivalent) in file
- The borrower(s) must have a minimum of 2 years residency, with the likelihood of employment continuance.
- Valid visas are required
- Visa must have a minimum remaining duration of 1 year
- Borrowers with diplomatic immunity are ineligible
- 70% LTV/CLTV Maximum

4.1.4 FOREIGN NATIONALS

A foreign national is a person who is not a citizen of the United States and/or does not permanently reside in the U.S.

- Ineligible
 - Residents of any country not permitted to transact business with US companies (as determined by any US government authority)
- Program restrictions:
 - Maximum LTV/CLTV 65%
 - Cash-Out not permitted
- Must have a valid Passport and Visa to enter the U.S.
 - Borrowers who are residents of countries which participate in the State Departments Visa Waiver Program will not be required to provide a valid visa.
- Credit:
 - Assume 660 Credit Score for locking purposes (not required for matrix/qualifying purposes)
 - When a foreign credit report is not available, the following is required:
 - 2 credit reference letters written in English

- Can include non-traditional credit sources, i.e. utility company
- Borrower's Accountant, Financial Institution Officer, or Financial Advisor located in the borrower's country of residence
 - 1 bank reference letter written in English
- Title vested in borrower(s) name, including LLC with personal guarantee
- Funds required for down payment and closing costs must be held in a U.S. bank
- Escrow for taxes and insurance is required
- For Rate/Term Refinances, existing loan must be with a U.S. financial institution
- Limited Power of Attorney (POA) is acceptable for executing closing documents
- Business accounts are eligible for reserves and can remain at a financial institution in borrower's home country

4.2 INELIGIBLE BORROWERS

- Irrevocable, Blind, and Land Trusts
- First Time Home Buyers

4.2.1 FIRST TIME HOME BUYER

- First Time Homebuyers (FTHB) are individuals that have not owned a home or had a residential mortgage in the last 3 years
- Not eligible for this program

5 TRANSACTION ELIGIBILITY

- Borrower is financing the property solely for commercial purposes and is required to sign a Certification of Business Purpose/Non-Owner Occupancy
 - See **Exhibit 1** for SGCP Certification Form
- In addition to the (i) borrower certification of business purpose/non occupancy, and (ii) requirement to obtain rent loss insurance, Sellers 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
 - See **Appendix A** for requirements on SGCP's pre-closing ownership and occupancy analysis

5.1 ELIGIBLE TRANSACTIONS

- Purchase
- Rate/Term Refinance
- Cash-Out Refinance

5.1.1 PURCHASE

- Maximum Interested Party Contributions permitted up to 3%
- Excess IPCs must be netted from the purchase price for LTV qualification.
- Non-Arm's Length transactions are not permitted
- See Section 12 for more details

5.1.2 RATE/TERM REFINANCE

- A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaids, or a court ordered buyout settlement
- Limited cash to the borrower must not exceed the greater of \$2000 or 1% of the principal amount of the new mortgage to be considered a Rate/Term refinance
- If the property is owned less than 6 months at the time of application, the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. The prior settlement statement will be required for proof of purchase price. Proof of improvements is required. The borrower's schedule of improvements made to the subject property must be validated either by the (i) the unqualified opinion of the appraiser or (ii) an independent licensed home inspector
- Refinances in accordance with Fannie Mae Delayed Financing will be considered Rate/Term and will require the following:
 - Purchase settlement statement
 - Title prelim confirming no liens
 - Source of purchase funds must be documented

- Properties that have been listed for sale within the past 6 months from the loan application date are not eligible

5.1.3 CASH-OUT REFINANCE

- A Cash-Out Refinance transaction allows the borrower to pay off the existing mortgage by obtaining new financing secured by the same property or allows the property owner obtain a mortgage on a property that is currently owned free and clear. The borrower can receive funds at closing as long as they do not exceed the program requirements
- There is no limit on cash out
- Properties listed for sale **by the borrower** within the last 12 months are not eligible.
- If the origination date is within 3 months of the subject property's acquisition date the loan amount for a cash-out refinance shall be capped at the lesser of:
 - (A) 70% loan to cost OR (B) 70% loan to value.
- If the origination date is within 12 months of the subject property's acquisition date, the loan amount for a cash-out refinance shall be capped at the lesser of:
 - (A) 100% loan to cost OR (B) 70% loan to value.
- See Section 7 for Loan to Cost (LTC) calculation

5.2 CONTINUITY OF OBLIGATION

- Continuity of obligation occurs on a refinance transaction when at least one of the borrower(s) (or members of the LLC) on the existing mortgage is also a borrower/member on the new refinance transaction secured by the subject property. When an existing Mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met:
 - At least one borrower (or members of the LLC) on the refinance mortgage held title to for the most recent 6 month period and the mortgage file contains documentation evidencing that the borrower has been making timely mortgage payments, including the payments for any secondary financing, for the most recent 6-month period
 - At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation or dissolution of a domestic partnership

5.3 INELIGIBLE TRANSACTIONS

- Construction Loans
- Texas Equity Loans
- Non Arm's length
- Temporary Buydowns
- Builder Bailout
- Conversion Loans
- Subordinate Financing

6 CREDIT ELIGIBILITY

6.1 CREDIT REPORT DETAIL

- A tri-merged in file credit report from all three repositories is required for all individual borrowers and guarantors
- Credit Report is good for 120 days from application to closing

6.2 CREDIT SCORES

- Each borrower's 'Credit Score' is the middle of three or the lesser of two for any borrower
- When there are multiple borrowers or guarantors, the lowest applicable score from the group is the representative credit score for qualifying
- Foreign Nationals without an ITIN are not subject to FICO requirements
- No borrower can have a middle FICO score less than 620

6.3 CREDIT REPORT REQUIREMENTS

- Each Borrower's credit profile must include a minimum of 3 trade lines within the last 24 months
- Tradeline activity is not required.
- Eligible tradelines cannot have any derogatory history in previous 12 months
- Borrowers/Guarantors primary residence housing history may not exceed 1X30X12

- Prior bankruptcies seasoned greater than 2 years are permitted including Chapters 7, 11, & 13.
- Prior Foreclosure, Short Sales, Deed-in-Lieu and Modifications (due to default) seasoned greater than 2 years are permitted
- All past due accounts must be brought current prior to closing
- No authorized user accounts will be used to satisfy minimum tradeline
- Medical derogatory accounts, collections, and charge-offs permitted with letter of explanation
- Derogatory accounts and disputed accounts require a LOE.
- IRS tax payment plans are permitted if current and do not carry a lien on any property
- All borrowers must be current on mortgage at loan application
- Housing history (primary residence) evidenced by Institutional VOM or 12 months proof of payment
- OREO mortgage history not required if not reporting on credit.

6.4 JUDGEMENTS OR LIENS

- All open judgments, garnishments, and all outstanding liens must be paid off prior to loan closing
- All income tax liens (federal, state, local) must be paid off prior to loan closing.

7 LOAN TO COST (LTC)

- LTC is calculated by taking the loan amount divided by the total costs
- Total costs = acquisition price plus borrower's schedule of improvements
 - The borrower's schedule of improvements made to the subject property must be validated either by the (i) the unqualified opinion of the appraiser or (ii) an independent licensed home inspector

8 DEBT SERVICE COVERAGE RATIO (DSCR)

- DSCR is calculated by taking the lower of the subject property's market rent disclosed on the appraisal or the lease rental agreement divided by the monthly PITIA housing payment
- PITIA - principal, interest, taxes, insurance, and homeowners association dues
- Minimum DSCR of 1.1 is required

9 LEASE REQUIREMENTS

- Tenant Occupied - an unexpired executed lease is required at the time of closing
 - 2-4 unit properties will be considered leased if at least 1 unit is leased
 - Leases for refinances - must be supported by a copy of the current lease and the 2 most recent consecutive rental payments via check deposits/bank records
- Unleased
 - Purchase transactions only
 - Refinances may be permitted only if property is either being rehabbed or is listed for rent
- Lease not required on refinance transactions if loans amount < \$1MM and LTV < 65%.

10 ASSET DOCUMENTATION

- Full Asset Documentation is required for both funds to close and reserves.
 - For most asset types, this would include all pages of the most recent 2 months statements or the most recent quarterly statement.
 - All assets from the borrower(s) must be disclosed and verified by the lender
 - 1031 Exchange proceeds are eligible assets and must be verified with bank records and a statement from the 1031 Exchange agent.
- Reserves:
 - Stocks/Bonds/Mutual Funds - 80% may be used
 - Vested Retirement Accounts – 70% may be used
- Business accounts may be used to meet down payment and/or reserve requirements if borrower/guarantor/LLC is 100% owner(s) of the business (requires a letter from the businesses accountant to prove).
- If needed to close, verification that funds have been liquidated (if applicable) is required

- Not Permitted:
 - Assets being used for dividend and interest income
 - Gift funds on Purchase loans with LTV > 75%
 - Gift funds on Refinance loans
 - Gift of Equity
 - Builder profits
 - Employer assistance assets

11 RESERVES

- 6 months PITIA reserves for the subject property net of down payment and closing costs are required
- 2 months reserves (based on subject PITI) for each additional financed property, not to exceed 12 months
- Cash out proceeds are permitted for reserves

12 INTERESTED PARTY CONTRIBUTIONS (IPCs)

- Maximum Interested Party Contributions permitted up to 3%
- Excess IPCs must be netted from the purchase price for LTV qualification
- All IPCs must be properly disclosed in the sales contract, appraisal, and HUD-1/Closing Disclosure
- IPCs may only be used for closing costs and prepaid expenses

13 GUARANTY

SGCP requires all of its entity borrowers to submit their loan application with a guarantor subject to the following requirements:

- The guarantor must be an individual person and not an entity
- A guarantor is required to be a significant owner (25% or greater) of the entity and is subject to the same FICO and background checks as individual borrowers
- See **Exhibit 2** for sample Guaranty

14 BACKGROUND CHECK

All Loans must include a third party fraud detection/background report on the borrowing entity and the guarantor. Report findings must cover standard areas of quality control including but not limited to borrower validation, Social Security verification, OFAC, Patriot Act, criminal records and property information (including other real estate owned). If background check is not available, lender must provide evidence via an unsuccessful return

15 ENTITY IDENTITY REVIEW PROCESS

SGCP will review entity documents to ensure the borrowing entity is duly formed with full authority to conduct real estate transactional and borrowing activity as stated in their organizational documents. Furthermore, for entities with more than 1 member, Sellers must provide evidence that the individual signing on behalf of the borrowing entity has the authority to conduct real estate transactions. Confirmation of good standing status must be reviewed on state websites to ensure borrowing counterparties are current on all state taxes and fees. Any entity must be in good standing and provide proper formation

16 TITLE INSURANCE

- Satisfactory title insurance coverage must be obtained for all loans confirming first lien position and no associated liens with the property including but not limited to mechanics, municipal, HOA, etc.
- The amount of coverage must be at least the amount of the original principal balance
- All applicable title endorsements must be included in the title policy
- Title policy affirmatively insures ingress and egress, and against encroachments by or upon the Mortgaged Property or any interests therein

17 RENT LOSS INSURANCE

- Rent Loss Insurance for the subject property must equal at least six months rent
- Blanket policies covering the subject property are permitted
- Loss of Use Policy must explicitly include rent loss insurance

18 HAZARD INSURANCE

- Policy must have minimum coverage equal to full replacement cost, or lower coverage as required by law
- Coverage cannot be lower than loan amount
- Policy must provide for coverage for a minimum term of 12 months, with 90 days remaining

19 FLOOD INSURANCE

- Flood Insurance required only for properties in flood zones
- Coverage must be equal to the maximum required NFIP

20 WINDSTORM INSURANCE

- Required for properties located in windstorm areas as defined by applicable states. The policy must have minimum coverage as defined as -
 - 100% of the insurable value of the improvements, as established by the property insurer; 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 basis. If it does not, then coverage that does provide the minimum required amount must be obtained

21 PROPERTY REQUIREMENTS

21.1 APPRAISAL

- All appraisals must comply with and conform to USPAP and the Appraisal Independence Requirements
- The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction.
- 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
- Assigned appraisals are acceptable
- Two appraisals are required to be delivered for loan amounts > \$1,500,000
- Interior photos are required
- Appraisals are good for 120 days. Any appraisal seasoned greater than 120 days will require a recertification of value completed by the original licensed appraiser. A recertification of value will be permitted up to 180 days
- Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed
- Form 1007 Schedule of Rents is required for all Non-Owner Occupied loans on Single Family residences
- For 2-4 unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required
- Negative property influences must be disclosed and adjusted accordingly by appraiser
- Properties with unpermitted additions should be sent to the SGCP Scenario Desk for an eligibility review
- Solar panel agreements are permitted in accordance with FNMA guidelines
- Loans with appraisals that predate a FEMA disaster area require SGCP review prior to purchase

21.2 THIRD PARTY APPRAISAL REVIEW

- Prior to submitting a loan for SGCP's loan review, sellers should submit the appraisal to either:
 - (A) Clear Capital for a CDA **or Proteck Valuations for an ARR.**
 - Must be present in file when submitting a loan for review
 - (B) SGCP's fulfillment vendor who will obtain an equivalent third party appraisal review to validate the origination appraisal(s)
- The CDA or SGCP's equivalent appraisal review final opinion of value must be within 10% (i.e. above or below) the lowest origination appraisal(s) or sales price
- Desk review is not required for loans with 2 appraisals

21.3 ELIGIBLE PROPERTY TYPES

- One Unit SFR - Attached and Detached
- 2-4 Unit Properties
 - 75% Max LTV
- PUDs - Attached and Detached
- Townhouse
- Warrantable Condo
 - 70% Max LTV
 - A project review is required to be performed by sellers to document FNMA eligibility
- 5 Acres Maximum
- Non-Warrantable Condos
 - SGCP condo questionnaire required to be performed by sellers
 - LTV maximum of 65%
 - Minimum of 6 months reserves required
 - Must meet Fannie Mae warrantability requirements, with the exception of permitted variances as described in the chart below (Section 12.6)

21.4 INELIGIBLE PROPERTY TYPES

- Manufactured/Mobile
- Log Homes
- Condotels
- Unique Properties
- Mixed Use properties
- Builder Model Leaseback
- Boarding Houses
- Live/Work Condos
- Co-ops
- Properties with inaccessible roads
- Properties not suitable for year round occupancy
- Properties located in lava zone 1 or 2
- Rural Properties
- Assisted Living/Continuing Care Facilities
- Mandatory Country Club Memberships
- Zoning violations
- Properties under construction
- C5 or C6 property condition grades
- Vacant Land/Land Developments
- Houseboats
- Indian Reservations
- Agricultural properties including but not limited to farms, ranches, and orchards.
- Ground leases
- Gas or Oil Leases

21.5 DECLINING MARKETS

A 5% reduction in LTV/CLTV will be required for all properties located in a declining market as designated by the appraiser.

21.6 RURAL PROPERTIES

Properties that include any of the following criteria listed below will be classified as rural, and therefor deemed ineligible for purchase

- Appraisal indicates property is rural, zoned rural, residential agricultural, agricultural, or has no zoning
- Appraisal indicates the neighborhood is less than 25% built up
- Appraisal indicates present land use is at least 50% vacant
- Appraisal sale comparable distance greater than 1 mile
- Surrounding properties lots are 10 or more acres
- Neighborhood has agricultural influences or features
- Subject property is located on dirt or gravel road
- Subject property lot exceeds 5 acres
- Town population is less than 25,000
- Subject property is not within 10 miles of schools, hospitals, retail shopping centers, etc.

21.7 NON-WARRANTABLE PROJECT REVIEW

ELIGIBLE	CONSIDERED FOR EXCEPTION	INELIGIBLE
(No Pre-Approval Required)	(Pre-Approval Required)	(N/A)
Presale - at least 30% of units must sold or under bonafide contract.	Non-Material Litigation - slip and fall/single unit complaints/3rd party claims with adequate reserves	Material Litigation - Structural/Functional litigation against developer
Investor Owned - Up to 55% of units can be tenant occupied	Insurance Coverage-Exceptions to Fannie Mae minimum coverage requirements	Delinquent HOA- in excess of Fannie Mae 15% limit
Single Entity Ownership - A single entity can own up to 30% of units	Reserves- <10% replacement, maintenance, and/or deductible	Newly Converted - Non full gut rehabs
Seller Concessions- permitted up to 1% in excess of Fannie limits	(N/A)	Environmental hazards

22 MISCELLANEOUS PROGRAM REQUIREMENTS

22.1 DOCUMENTATION AGE

- All credit documents including credit report, income docs, and asset statements must be dated no more than 120 days prior to the note date. The note date is utilized for document expiration for all funding types including escrow and non-escrow fundings.

22.2 ASSUMABLE

- Eligible for ARM products after the fixed rate period with prior approval and qualification

22.3 ESCROWS

- Borrower(s) are required to establish initial and monthly escrows for Taxes and Insurance
- Escrows may be waived with an applicable loan level price adjustment

22.4 MAXIMUM FINANCED PROPERTIES

- The maximum number of financed properties to any one borrower is limited to 20 residential properties.

22.5 DEFAULT REQUIREMENTS

- If a loan payment is delinquent for 60 days, the acting servicer will enforce the Assignment of Rents

EXHIBIT 1

BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT (the “Affidavit”)

LOAN NO: _____ (the “Loan”)

BORROWER(S): _____

PROPERTY ADDRESS: _____ (the “Property”)

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

1. **I have applied for this Loan and am seeking financing for the Property for business purposes only.** I do not intend to use the proceeds of the Loan for personal, family, or household purposes.
2. **The proceeds of the loan will be used to purchase, improve, or maintain the Property, and I intend to operate the Property as one or more rental units for profit.** If I have not executed a lease with a tenant (or tenants) at or before closing of the Loan, I intend to, and will, use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.
3. **Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding.** In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.
4. **I understand that Lender originating the Loan in reliance upon this Affidavit.** If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys’ fees, which they may incur as a result of or in connection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an Event of Default under my Loan Documents, and may result in the immediate acceleration of my debt and the institution of foreclosure proceedings, eviction, and any other remedies allowable by law.
5. **I understand that the agreements and covenants contained herein shall survive the closing of the Loan.**
6. **I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by non-owner-occupied real property.** I understand that this means that the Loan may not be subject to the requirements of certain federal and state consumer protection, mortgage lending, or other laws, including but not limited to the provisions of the federal Truth-in-Lending Act (15 U.S.C. §§ 1601 *et seq.*) and its implementing Regulation Z (12 C.F.R. Part 1026), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.
7. **I understand that any false statements, misrepresentations, or material omissions I make in this Affidavit may result in civil and criminal penalties.**

<p>Initial(s): ----- ----- ___The Property is not and will not be occupied by me or any member of the LLC or any family member.</p>

Borrower(s) / Borrowing Entity Members:

_____ Date

NOTARY PUBLIC

_____ Date

Exhibit 2

GUARANTY

This GUARANTY dated as of _____, 20__ (this "Guaranty"), is made by [INSERT NAME OF GUARANTOR], [an individual resident] of the state of [INSERT STATE OF RESIDENCE OR ORGANIZATION/INCORPORATION] ("Guarantor"), in favor of [INSERT LENDER NAME], a [INSERT STATE OF ORGANIZATION/INCORPORATION] [INSERT ENTITY TYPE], as lender under the Note (as defined below) (together with its permitted successors and assigns, collectively, "Lender").

WITNESSETH:

WHEREAS, Lender is making a loan to [INSERT BORROWER NAME], a [INSERT STATE OF ORGANIZATION/INCORPORATION] [INSERT ENTITY TYPE] ("Borrower") in the original principal amount of [_____] and 00/100 Dollars (\$[_____]00) (the "Mortgage Loan") as evidenced by (i) that certain promissory note dated the date hereof, executed by Borrower and made payable to the order of Lender in the amount of the Mortgage Loan (as amended, restated, replaced, supplemented or otherwise modified from time to time, the "Note") and (ii) that certain Mortgage, Deed of Trust, Deed to Secure Debt or Security Deed dated the date hereof, by Borrower in favor of Lender (as amended, restated, replaced, supplemented or otherwise modified from time to time, the "Security Instrument"). The Note and the Security Instrument, together with all riders thereto and related certificates and ancillary documents, are collectively referred to herein as the "Loan Documents".

WHEREAS, pursuant to the Security Instrument, Borrower's obligations under the Loan Documents will be secured by, among other things, the real property described in the Security Instrument (the "Property").

WHEREAS, Guarantor is a direct or indirect owner of an equity interest in Borrower, and accordingly will derive material direct and indirect financial and other benefits from the transactions contemplated by the Note and the other Loan Documents.

WHEREAS, to induce Lender to make the Mortgage Loan, Guarantor has agreed to execute and deliver this Guaranty.

NOW, THEREFORE, in consideration of the covenants set forth in this Guaranty, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree, represent and warrant as follows;

ARTICLE 1

NATURE AND SCOPE OF GUARANTY

Section 1.1 Guaranty of Obligation.

Guarantor hereby irrevocably and unconditionally guarantees the due and prompt payment and performance in full when due, whether at maturity or earlier, by reason of acceleration or otherwise, and at all times thereafter, of the following (the "Guaranteed Obligations"):

- (a) the principal of, interest on, and all other amounts due at any time under the Note or any other Loan Document, including prepayment penalties, late payment charges, interest charged at the default rate (if applicable), and accrued interest as provided in the Loan Documents (including interest that may accrue during the pendency of any proceeding under Bankruptcy

Laws as described below), advances, costs and expenses to perform the obligations of Borrower or to protect the Property or the security of the Security Instrument;

(b) all other covenants, agreements, liabilities, obligations (including indemnity obligations and any other monetary obligations) of Borrower under the Loan Documents; and

(c) all expenses and costs, including reasonable attorneys' fees and expenses, fees and out-of-pocket expenses of expert witnesses and costs of investigation, incurred by Lender as a result of any default under the Loan Documents or in connection with efforts to collect any amount due under the Loan Documents, or to enforce the provisions of the Loan Documents, including those incurred in post-judgment collection efforts and in any bankruptcy or insolvency proceeding or any judicial or non judicial foreclosure proceeding or other exercise by Lender of its rights and remedies under any Loan Document or any transfer in lieu of foreclosure (a "Foreclosure Event"), including any action for relief from the automatic stay of any bankruptcy proceeding or Foreclosure Event, to the extent permitted by law.

Without limiting the generality of the foregoing, Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by Borrower to Lender under the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a proceeding under Title 11 of the United States Code, 11 U.S.C. § 101 *et seq.*, as the same may be amended from time to time, and any successor statute or statutes and all rules and regulations from time to time promulgated thereunder, and any comparable foreign laws relating to bankruptcy, insolvency or creditors' rights or any other Federal or state bankruptcy or insolvency law (collectively, "Bankruptcy Laws").

Section 1.2 Nature of Guaranty.

Guarantor hereby irrevocably and unconditionally covenants and agrees that it is liable for the Guaranteed Obligations as a primary obligor. This Guaranty is an irrevocable, absolute, unconditional, continuing guaranty of payment and performance and not merely a guaranty of collection. This Guaranty may not be revoked by Guarantor and shall continue to be effective with respect to any Guaranteed Obligations arising or created after any attempted revocation by Guarantor. If Guarantor is a married person, and the state of residence of Guarantor or Guarantor's spouse is a community property jurisdiction, Guarantor agrees that Lender may satisfy Guarantor's obligations under this Guaranty to the extent of all of Guarantor's separate property and Guarantor's interest in any community property.

Section 1.3 Survival of Guaranty.

This Guaranty is a continuing guaranty and shall remain in full force and effect until the repayment and performance in full of the Guaranteed Obligations (subject to Section 1.8). The obligations of Guarantor under this Guaranty shall survive any Foreclosure Event, and any release or reconveyance of the Security Instrument or any release of any other security or guaranty for the Mortgage Loan.

Section 1.4 Obligations Unsecured.

The obligations of Guarantor under this Guaranty shall not be secured by the Security Instrument or the other Loan Documents and shall not be obligations of Borrower notwithstanding anything to the contrary in any other Loan Document.

Section 1.5 Payment By Guarantor.

If all or any part of the Guaranteed Obligations is or shall give rise to a monetary obligation, and such monetary obligation shall not be punctually paid when due, Guarantor shall, immediately upon demand by Lender, and without presentment, protest, notice of protest, notice of non-payment, notice of intention to accelerate the maturity, notice of acceleration of the maturity, or any other notice whatsoever, pay in lawful money of the United States, the amount due on the Guaranteed Obligations to Lender at Lender's address as set forth in such demand. Such demand(s) may be made at any time coincident with or after the time for payment of the Guaranteed Obligations.

Section 1.6 No Duty To Pursue Others.

It shall not be necessary for Lender (and Guarantor hereby waives any rights which it may have to require Lender), in order to enforce the obligations of Guarantor hereunder, first to (a) make any demand upon or institute suit or exhaust its remedies against Borrower or others liable for amounts due under the Guaranteed Obligations or any other person or entity, (b) institute suit or exhaust its remedies with respect to the Guaranteed Obligations or any person or entity, (c) enforce Lender's rights against any collateral which shall ever have been given to secure any of the Guaranteed Obligations, (d) enforce Lender's rights against any other guarantor of the Guaranteed Obligations, (e) join Borrower or any others liable on the Guaranteed Obligations in any action seeking to enforce this Guaranty or (f) resort to any other means of obtaining payment of the Guaranteed Obligations. Lender shall not be required to mitigate damages or take any other action to reduce, collect or enforce the Guaranteed Obligations.

Section 1.7 Payment of Expenses.

Guarantor shall, immediately upon demand by Lender, pay all reasonable costs and out-of-pocket expenses (including court costs and attorneys' fees, disbursements, costs and expenses) incurred by Lender in the enforcement hereof or the preservation of Lender's rights hereunder and any and all damages, losses, claims, liabilities and related reasonable costs and out-of-pocket expenses, including court costs and attorneys' fees, disbursements, costs and expenses incurred by Lender arising from any breach or failure to timely perform any provisions of this Guaranty by Guarantor.

Section 1.8 Reinstatement.

In the event that, pursuant to any controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions (collectively, "Applicable Law"), including any Bankruptcy Law, or any judgment, order or decision thereunder, Lender must rescind or restore any payment, or any part thereof, received by Lender in satisfaction of the Guaranteed Obligations (including pursuant to any settlement entered into by Lender in its discretion), or if Lender elects to do so upon the advice of its counsel, then all obligations under this Guaranty in respect of such payment shall automatically be reinstated as though such payment had been due but not made and shall remain in full force and effect and any prior release or discharge from the terms of this Guaranty given to Guarantor shall be without effect. It is the intention of Lender and Guarantor that Guarantor's obligations hereunder shall not be discharged except by its performance of such obligations and then only to the extent of such performance.

ARTICLE 2

EVENTS AND CIRCUMSTANCES NOT REDUCING
OR DISCHARGING GUARANTOR'S OBLIGATIONS

Section 2.1 Events and Circumstances.

Guarantor hereby consents and agrees to each of the following, and agrees that Guarantor's obligations under this Guaranty shall not be released, diminished, impaired, reduced or adversely affected by any of the following, and waives any common law, equitable, statutory or other rights (including rights to notice) that Guarantor might otherwise have as a result of or in connection with any of the following:

(a) Modifications. Any renewal, extension, increase, modification, alteration or rearrangement of all or any part of the Guaranteed Obligations, the Loan Documents, or any other document, instrument, contract or understanding between Borrower or Guarantor and Lender, or any

other person or entity, pertaining to the Guaranteed Obligations or any failure of Lender to notify Guarantor of any such action.

(b) Adjustment. Any adjustment, indulgence, forbearance or compromise that might be granted or given by Lender to Borrower or Guarantor.

(c) Financial Condition. The commencement, filing or continuation of any voluntary or involuntary bankruptcy, insolvency, reorganization, arrangement, readjustment, assignment for the benefit of creditors, composition, receivership, liquidation, marshaling of assets and liabilities or similar events or proceedings with respect to Borrower, Guarantor or any other person or entity, or any of their respective property or creditors or any action taken by any trustee or receiver or by any court in such proceeding; or the making of a general assignment for the benefit of creditors by Borrower, Guarantor or any other person or entity; or any sale, lease or transfer of any or all of the assets of Borrower, Guarantor or any other person or entity.

(d) Invalidity of Guaranteed Obligations. The invalidity, illegality or unenforceability of all or any part of the Guaranteed Obligations, or any document or agreement executed in connection with the Guaranteed Obligations, for any reason whatsoever, including the fact that (a) the Guaranteed Obligations, or any part thereof, exceeds the amount permitted by law, (b) the act of creating the Guaranteed Obligations or any part thereof is ultra vires, (c) the officers or representatives executing the Loan Documents or otherwise creating the Guaranteed Obligations acted in excess of their authority, (d) the Guaranteed Obligations violate applicable usury laws, (e) Borrower has valid defenses, claims or offsets (whether at law, in equity or by agreement) which render the Guaranteed Obligations wholly or partially unenforceable or uncollectible from Borrower, other than payment and performance in full of the Guaranteed Obligations, (f) the creation, performance or repayment of the Guaranteed Obligations (or the execution, delivery and performance of any document or instrument representing part of the Guaranteed Obligations or that was executed in connection with the Guaranteed Obligations, or given to secure the repayment of the Guaranteed Obligations) is illegal, uncollectible or unenforceable, or (g) the Loan Documents have been forged or otherwise are irregular or not genuine or authentic, it being agreed that Guarantor shall remain liable hereon regardless of whether Borrower or any other person or entity be found not liable on the Guaranteed Obligations or any part thereof for any reason.

(e) Release of Liability. Any full or partial release of the liability of Borrower on the Guaranteed Obligations, or any part thereof, or of any co-guarantors, or any other person or entity now or hereafter liable therefor, whether directly or indirectly, jointly, severally, or jointly and severally, to pay, perform, guarantee or assure the payment of the Guaranteed Obligations, or any part thereof, it being acknowledged and agreed by Guarantor that (a) Guarantor may be required to pay the Guaranteed Obligations in full without assistance or support of Borrower or any other person or entity and (b) Guarantor has not been induced to enter into this Guaranty on the basis of a contemplation, belief, understanding or agreement that any other person or entity will be liable to pay or perform the Guaranteed Obligations, or that Lender will look to any other person or entity to pay or perform the Guaranteed Obligations.

(f) Other Collateral. The taking or accepting of any other security, collateral or guaranty, or other assurance of payment, for all or any part of the Guaranteed Obligations.

(g) Release of Collateral. Any release, surrender, exchange, subordination, deterioration, waste, loss or impairment (including negligent, willful, unreasonable or unjustifiable impairment) of any collateral, property or security at any time existing in connection with, or assuring or securing payment of, all or any part of the Guaranteed Obligations, or any failure to perfect a lien in any collateral.

(h) Care and Diligence. The failure of Lender or any other person or entity to exercise diligence or reasonable care in the enforcement of its rights under the Loan Documents or the preservation, protection, enforcement, sale or other handling or treatment of all or any part of any collateral, property or security, including but not limited to any neglect, delay, omission, failure or refusal of Lender (a) to take or prosecute any action for the enforcement or collection of any of the Guaranteed Obligations or (b) to foreclose, or initiate any action to foreclose, or, once commenced, prosecute to completion any action to foreclose upon any security therefor, or (c) to take or prosecute any action in connection with any instrument or agreement evidencing or securing all or any part of the Guaranteed Obligations.

(i) Unenforceability. The fact that any collateral, security, security interest or lien contemplated or intended to be given, created or granted as security for the repayment of the Guaranteed Obligations, or any part thereof, shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other security interest or lien, it being acknowledged and agreed by Guarantor that it is not entering into this Guaranty in reliance on, or in contemplation of the benefits of, the validity, enforceability, collectability or value of any of the collateral for the Guaranteed Obligations or the priority of any security interest or lien therein.

(j) Offset. Any existing or future offset, claim or defense of Borrower, Guarantor or any other person or entity, against Lender, Borrower or any other person or entity or against payment or performance of the Guaranteed Obligations, whether such offset, claim or defense arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise, other than the payment and performance of the Guaranteed Obligations in full.

(k) Compliance with Loan Documents. Any failure, omission or delay on the part of Borrower, Guarantor, any other guarantor of the Guaranteed Obligations or Lender to conform or comply with any term of any of the Loan Documents.

(l) Corporate Events. The reorganization, merger or consolidation of Borrower into or with any other person or entity; or any dissolution of Borrower or any other entity; or any changes in the shareholders, partners or members of Borrower or any other person or entity; or any reorganization of Borrower or any other person or entity; or any other change in the relationship between Borrower, Guarantor or any other guarantor of the Guaranteed Obligations, or any termination of such relationship.

(m) Preference. Any payment by Guarantor to Lender that is held to constitute a preference under Bankruptcy Laws, or for any reason Lender is required to refund such payment or pay such amount to any other person or entity.

(n) Other Actions Taken or Omitted. Any other action taken or omitted to be taken with respect to the Loan Documents, the Guaranteed Obligations, or the security and collateral therefor, whether or not such action or omission prejudices Guarantor or any other person or entity or increases the likelihood that Guarantor will be required to pay the Guaranteed Obligations pursuant to the terms hereof.

It is the unambiguous and unequivocal intention of Guarantor that it shall be obligated to pay the Guaranteed Obligations when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or not contemplated, and whether or not otherwise or particularly described herein, which obligation shall be deemed satisfied only upon the full and final payment and performance of the Guaranteed Obligations.

ARTICLE 3

GUARANTOR WAIVERS

Section 3.1 Waiver of Applicable Laws.

Guarantor hereby irrevocably waives the benefit of all principles and provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty (and agrees that Guarantor's obligations shall not be affected by any circumstances, whether or not referred to in this Guaranty, which might otherwise constitute a legal or equitable discharge of a surety or a guarantor) and the benefits of any right of discharge under any and all statutes or other laws relating to guarantors or sureties and any other rights of sureties and guarantors.

Section 3.2 Waiver of Notice.

Guarantor hereby waives all notices with respect to the Loan Documents and this Guaranty that may be required by statute, rule of law or otherwise to preserve Lender's rights against Guarantor under this Guaranty, including notice of (a) any loan or other indebtedness of Borrower, (b) acceptance of this Guaranty, (c) the execution and delivery by Borrower of any documents or instruments relating to the Mortgage Loan or in connection with the Property or any collateral, (d) Lender's transfer or disposition of the Guaranteed Obligations, or any part thereof, (e) the occurrence of any default under the Loan Documents, (f) dishonor, (g) notice of intent to accelerate, notice of acceleration, (h) sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral under the Loan Documents, (i) protest, proof of non-payment or default by Borrower or any other guarantor of the Guaranteed Obligations and (j) any other action at any time taken or omitted by Lender, and, generally, all demands and notices of every kind in connection with this Guaranty or the other Loan Documents.

Section 3.3 Changes in the Guaranteed Obligations.

At any time or from time to time and any number of times, without notice to Guarantor and without releasing, discharging or affecting the liability of Guarantor hereunder: (a) the time for payment of the principal of, interest on or other amounts payable under the Mortgage Loan may be extended or the Mortgage Loan may be renewed in whole or in part; (b) the rate of interest on or period of amortization of the Mortgage Loan or the amount of the monthly principal payments payable under the Loan Documents may be modified; (c) the time for Borrower's performance of or compliance with any covenant or agreement contained in any Loan Document, whether presently existing or hereinafter entered into, may be extended or such performance or compliance may be waived; (d) the maturity of the Mortgage Loan may be accelerated as provided in the Loan Documents; (e) any or all payments due under the Loan Documents may be reduced; (f) any Loan Document may be modified or amended by Lender and Borrower in any respect, including an increase in the principal amount of the Mortgage Loan; (g) any amounts held under the Loan Documents may be released; (h) the payment of the principal of, interest on or other amounts payable under Mortgage Loan or any security for the Mortgage Loan, or both, may be subordinated to the right to payment or the security, or both, of any other present or future creditor of Borrower; (i) any payments made by Borrower to Lender may be applied to the principal of; interest on or other amounts payable under the Mortgage Loan in such order and priority as Lender determines; (j) Lender may foreclose on any collateral securing the Mortgage Loan by one or more judicial or non-judicial sales, accept an assignment of any such collateral in lieu of foreclosure; and (k) any other terms of the Loan Documents may be modified as required by Lender.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties.

To induce Lender to enter into the Loan Documents and extend credit to Borrower, Guarantor represents and warrants to Lender as of the date hereof as follows:

(a) This Guaranty constitutes a legal, valid and binding obligation of Guarantor and is enforceable against Guarantor in accordance with its terms, subject only to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(b) The execution, delivery and performance of this Guaranty by Guarantor (i) will not result in any violation of the provisions of any Applicable Laws, (ii) will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under the terms of any indenture, mortgage, deed of trust, deed to secure debt, loan agreement, management agreement or other agreement or instrument to which Guarantor is a party or to which any of Guarantor's property or assets is subject, and (iii) will not result in or require the creation or imposition of any lien upon or with respect to any of the assets of Guarantor.

(c) Any consent, approval, authorization, order, registration or qualification of or with a governmental authority or other person or entity required for the execution, delivery and performance by Guarantor of this Guaranty has been obtained and is in full force and effect.

(d) Guarantor is an affiliate of Borrower, is the owner of a direct or indirect equity interest in Borrower, and has received, or will receive, direct and indirect material financial and other benefits from the making of this Guaranty.

(e) Guarantor is familiar with, and has independently reviewed books and records regarding, the financial condition of Borrower and is familiar with the value of any and all collateral intended to be created as security for the payment of the Guaranteed Obligations; provided, however, Guarantor is not relying on such financial condition or the collateral as an inducement to enter into this Guaranty.

(f) Neither Lender nor any of its representatives has made any representation, warranty or statement to Guarantor in order to induce Guarantor to execute this Guaranty and Guarantor has not relied on Lender for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Guaranty or any other Loan Document or otherwise relied on Lender in any manner in connection with interpreting, entering into or otherwise in connection with this Guaranty, any other Loan Document or any of the matters contemplated hereby or thereby.

(g) Guarantor has received a copy of each of the Loan Documents and this Guaranty. Guarantor has read this Guaranty and each of the other Loan Documents and understands the nature and structure of the transactions contemplated by this Guaranty and the other Loan Documents. Guarantor understands the risks inherent in such transactions, including the risk of loss of all or any part of the Property or of the assets of Guarantor. Guarantor has had the opportunity to consult with its legal counsel prior to entering into the Guaranty and Guarantor availed himself or herself of such opportunity to the extent he or she desired.

(h) There are no actions, suits or proceedings at law or in equity by or before any governmental authority, arbitrator or other entity now pending or, to Guarantor's knowledge, threatened against or affecting Guarantor.

(i) Guarantor has (i) not entered into the transaction contemplated by this Guaranty with the actual intent to hinder, delay or defraud any creditor and (ii) received reasonably equivalent value in exchange

for its obligations under this Guaranty. After giving effect to this Guaranty, (x) the fair saleable value of Guarantor's assets will exceed its total liabilities, (y) Guarantor's assets will not constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted and (z) Guarantor will be able to pay its liabilities as they mature. In the last ten years, Guarantor has not been the subject of or a party to any pending bankruptcy, reorganization, receivership or other insolvency proceeding or any dissolution or liquidation (each, an "Event of Bankruptcy"). Guarantor is not contemplating an Event of Bankruptcy and to Guarantor's knowledge no other person or entity is contemplating an Event of Bankruptcy in respect of Guarantor.

ARTICLE 5

AGREEMENT TO PAY, SUBROGATION AND SUBORDINATION

Section 5.1 Subordination of All Guarantor Claims.

(a) Without limiting any other right that Lender has at law or in equity against Guarantor, if Borrower fails to pay any Guaranteed Obligation when and as due, whether at maturity, by acceleration, after notice of prepayment or otherwise, Guarantor agrees to promptly pay the amount of such unpaid Guaranteed Obligations to Lender in cash. Upon payment by Guarantor of any sums to Lender as provided herein, all of Guarantor's rights of subrogation, exoneration, contribution, reimbursement, indemnity or otherwise arising therefrom against Borrower with respect to such sum shall be subordinate and junior in right of payment to the prior indefeasible payment in full in cash of all monetary Guaranteed Obligations. If any payment shall be paid to Guarantor in violation of the immediately preceding sentence on account of such subrogation, exoneration, contribution, reimbursement, indemnity or similar right, such amount shall be held in trust for the benefit of Lender, segregated from other funds of Guarantor, and promptly paid or delivered to Lender in the same form as so received (with any necessary endorsement or assignment) to be credited against the payment of the Guaranteed Obligations, whether due or to become due, in accordance with the terms of the Loan Documents or to be held as collateral for the Guaranteed Obligations.

(b) Guarantor hereby subordinates any and all debts, liabilities and obligations owed to it by Borrower (including all rights and claims of Guarantor against Borrower as a result of Guarantor's payment of all or part of the Guaranteed Obligations) (the "Subordinated Obligations") to the Guaranteed Obligations as follows:

(i) Guarantor shall not accept, demand or take any action to collect any payment on the Subordinated Obligations without the prior written consent of Lender.

(ii) Guarantor agrees that Lender shall be entitled to receive full payment in cash of all Guaranteed Obligations (including interest accruing during the pendency of any proceeding under Bankruptcy Laws, regardless of whether allowed or allowable in such proceeding ("Post-Petition Interest")) in any proceeding under Bankruptcy Laws against Borrower before Guarantor receives any payment on account of any Subordinated Obligations.

(iii) After the occurrence and during the continuance of any default under the Loan Documents (including the commencement and continuation of any proceeding against Borrower or Guarantor under Bankruptcy Laws), Guarantor shall collect, enforce and receive payments on the Subordinated Obligations as trustee for Lender and deliver such payments to Lender on account of the Guaranteed Obligations (including Post-Petition Interest), together with any necessary endorsements or other instruments of transfer, without reducing or affecting the liability of Guarantor under this Guaranty in any respect.

(iv) After the occurrence and during the continuance of any default under the Loan Documents (including the commencement and continuation of any proceeding against Borrower or Guarantor under Bankruptcy Laws), Lender is authorized and empowered (but not obligated), in its

discretion, (x) in the name of Guarantor, to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amount so received to the Guaranteed Obligations (including Post-Petition Interest), and (y) to require Guarantor (A) to collect and enforce and to submit claims in respect of, Subordinated Obligations and (B) to pay any amounts received on such obligations to Lender for application to the Guaranteed Obligations (including Post-Petition Interest).

Section 5.2 Payments Held in Trust.

In the event that, notwithstanding anything to the contrary in this Guaranty, Guarantor should receive any funds, payments, claims and/or distributions which are prohibited by this Guaranty, Guarantor agrees to hold in trust for Lender an amount equal to the amount of all funds, payments, claims or distributions so received, and agrees that it shall have absolutely no dominion over the amount of such funds, payments, claims and/or distributions so received except to pay such funds, payments, claims and/or distributions promptly to Lender, and Guarantor covenants promptly to pay the same to Lender.

Section 5.3 Liens Subordinate.

Guarantor agrees that no liens, security interests, judgment liens, charges or other encumbrances shall exist upon Borrower's assets securing payment of the Subordinated Obligations and any such liens, security interests, judgment liens, charges or other encumbrances which may exist shall be and remain inferior and subordinate to any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guaranteed Obligations, regardless of whether such encumbrances in favor of Guarantor or Lender presently exist or are hereafter created or attach. Without the prior written consent of Lender, Guarantor shall not (a) exercise or enforce any creditor's right it may have against Borrower, or (b) foreclose, repossess, sequester or otherwise take steps or institute any action or proceedings (judicial or otherwise, including the commencement of, or joinder in, any proceeding under Bankruptcy Laws) to enforce any liens, mortgages, deeds of trust, deeds to secure debt, security interests, collateral rights, judgments or other encumbrances on assets of Borrower held by Guarantor.

ARTICLE 6

MISCELLANEOUS

Section 6.1 Waiver; Amendment.

No failure to exercise, and no delay in exercising, on the part of Lender, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right. The rights of Lender hereunder shall be in addition to all other rights provided by law. No modification, amendment, extension, discharge, termination or waiver of any provision of this Guaranty, nor consent to any departure by Guarantor or Lender therefrom, shall in any event be effective unless the same shall be in a writing signed by the party or parties against whom enforcement is sought, and then any such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given. No notice or demand given in any case shall constitute a waiver of the right to take other action in the same, similar or other instances without such notice or demand.

Section 6.2 Notices.

All notices given by Guarantor or Lender in connection with this Guaranty must be in writing. Any notice to Guarantor in connection with this Guaranty shall be deemed to have been given to Guarantor when mailed by first class mail or when actually delivered to Guarantor's notice address if sent by other means. Guarantor's notice address shall be the address set forth on the signature page hereto unless Guarantor has designated a substitute notice address by notice to Lender. Guarantor shall promptly notify Lender of Guarantor's change of address. If Lender specifies a procedure for reporting Guarantor's change of address, then Guarantor shall only report a change of address through that specified procedure.

There may be only one designated notice address under this Guaranty at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated in Section 5(A) of the Note unless Lender has designated another address by notice to Guarantor. Any notice in connection with this Guaranty shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Guaranty is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Guaranty.

Section 6.3 Governing Law. This Guaranty shall be governed by federal law and the law of the jurisdiction in which the Property is located (the "Property Jurisdiction") without regard to the application of choice of law principles that would result in the application of the laws of another jurisdiction.

Section 6.4 Venue. Guarantor agrees that any controversy arising under or in relation to this Guaranty shall be litigated exclusively in the Property Jurisdiction. The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies that arise under or in relation to this Guaranty or any other Loan Document with respect to the subject matter hereof. Guarantor irrevocably consents to service, jurisdiction and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

Section 6.5 WAIVER OF JURY TRIAL. **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, GUARANTOR (A) AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS GUARANTY OR ANY LOAN DOCUMENT OR THE RELATIONSHIP BETWEEN THE PARTIES AS GUARANTOR AND LENDER THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY GUARANTOR, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.**

Section 6.6 Severability. Wherever possible, each provision of this Guaranty shall be interpreted in such manner as to be effective and valid pursuant to Applicable Law, but if any provision of this Guaranty shall be prohibited by or invalid pursuant to Applicable Law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

Section 6.7 Prior Agreements. **THIS GUARANTY REPRESENTS THE FINAL AGREEMENT OF GUARANTOR WITH RESPECT TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.** All prior or contemporaneous agreements, understandings, representations and statements, oral or written, relating to the subject matter hereof are superseded by this Guaranty.

Section 6.8 Defined Terms; Construction.

- (a) Capitalized terms used herein without definition shall have the meanings ascribed thereto in the other Loan Documents.
- (b) Any reference in this Guaranty to a "Section" shall, unless otherwise explicitly provided, be construed as referring to a Section of this Guaranty.
- (c) The Article and Section headings in this Guaranty are included herein for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose.
- (d) Any reference in this Guaranty to a statute or regulation shall be construed as referring to that statute or regulation as amended from time to time.
- (e) Use of the singular in this Guaranty includes the plural and use of the plural includes the singular.

(f) As used in this Guaranty, the term “including” means “including, but not limited to” or “including, without limitation,” and is for example only, and not a limitation.

(g) Whenever Guarantor’s knowledge is implicated in this Guaranty or the phrase “to Guarantor’s knowledge” or a similar phrase is used in this Guaranty, Guarantor’s knowledge or such phrase(s) shall be interpreted to mean to the best of Guarantor’s knowledge after reasonable and diligent inquiry and investigation.

(h) Unless otherwise provided in this Guaranty, if Lender’s approval, consent, designation, determination, selection, estimate, action or decision is required, permitted or contemplated hereunder, such approval, consent, designation, determination, selection, estimate, action or decision shall be made in Lender’s sole and absolute discretion.

(i) All references in this Guaranty to a separate instrument or agreement shall include such instrument or agreement as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(j) The term “Borrower” as used herein shall include any new or successor corporation, association, partnership (general or limited), limited liability company, joint venture, trust or other individual or organization formed as a result of any merger, reorganization, sale, transfer, devise, gift or bequest of Borrower or any interest in Borrower.

Section 6.9 Recitals. The recital and introductory paragraphs hereof are a part hereof, form a basis for this Guaranty and shall be considered prima facie evidence of the facts and documents referred to therein.

Section 6.10 Rights and Remedies. If Guarantor becomes liable for any indebtedness owing by Borrower to Lender, by endorsement or otherwise, other than under this Guaranty, such liability shall not be in any manner impaired or affected hereby and the rights of Lender hereunder shall be cumulative of any and all other rights that Lender may ever have against Guarantor. The exercise by Lender of any right or remedy hereunder or under any other instrument, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other right or remedy.

Section 6.11 Taxes. Any payments by or on account of any obligation of Guarantor under this Guaranty shall be made without deduction or withholding for any tax; provided, however, that if any law requires deduction or withholding of a tax, such tax shall be deducted and withheld from such payment and paid to the relevant governmental authority in accordance with Applicable Law and the sum payable hereunder shall be increased so that after such deduction or withholding (including deductions or withholdings applicable to additional amounts payable hereunder) Lender receives an amount equal to the sum it would have received had no such deduction or withholding been made; provided, further, that such additional amounts shall not include any taxes measured by net income (however denominated) or franchise taxes imposed on Lender. Guarantor shall promptly indemnify Lender for all such non-excluded taxes (including interest and additions to tax) and related expenses. Guarantor shall promptly deliver evidence satisfactory to Lender of any payments made pursuant to this Section 6.11.

Section 6.12 Assignment. Lender may assign its rights under this Guaranty in whole or in part and, upon any such assignment, all the terms and provisions of this Guaranty shall inure to the benefit of and may be enforced by such assignee to the extent so assigned. Guarantor may not assign its rights, duties and obligations under this Guaranty, in whole or in part, without Lender’s prior written consent, and any such assignment shall be deemed void *ab initio*. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors and assigns of such parties.

Section 6.13 Time is of the Essence. Guarantor agrees that, with respect to each and every obligation and covenant contained in this Guaranty, time is of the essence.

Section 6.14 Credit Report. Guarantor acknowledges and agrees that Lender is authorized, no more frequently than once in any twelve (12) month period, to obtain a credit report (if applicable) on Guarantor, the cost of which shall be paid for by Guarantor. Guarantor acknowledges and agrees that Lender is authorized to obtain a credit score (if applicable) for Guarantor at any time at Lender's expense.

Section 6.15 Non-Uniform Provisions. Borrower and Lender further covenant and agree as follows:

[INSERT STATE SPECIFIC PROVISIONS]

- (a) The parties executing this Agreement intend to create an instrument executed under seal.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Guarantor has signed and delivered this Guaranty as of the date first written above, under seal (where applicable). Where Applicable Law so provides, Guarantor intends that this Guaranty shall be deemed to be signed and delivered as a sealed instrument.

GUARANTOR:

_____(SEAL)

Name:

Title:

Address for Notices to Guarantor:

[INSERT ADDRESS]

APPENDIX A

Ownership and Occupancy Analysis

Loan Application requires (1) Borrower to list all properties in their possession (owned/leased) and (2) residence address history for past 2 years.

Vendor Product will be ordered to validate the Loan Application and will additionally identify 'Properties Ever Owned' (see below)

The evaluation should include, but not be limited to the following:

Purchase Transactions:

Occupied Properties

- Review Purchase Contract for 'tenants in possession' language. Review HUD1 for seller credit to buyer for existing tenants prorated rent/security deposits.
- Review Appraisal 'Subject' section for 'Occupant' status (Owner/Tenant/Vacant)
- Second homes are subject to ATR – Properties in vacation locales should be reviewed for listing

Vacant Properties

- Does borrowers profile indicate that the subject property is likely N/O/O (not commutable to the borrowers place of employment, not appropriate to accommodate borrowers family – size, bedroom count, etc., not consistent with borrowers net worth)
- Is the subject consistent with the borrowers portfolio of other properties owned
- Review PITI for Subject – is it greater than borrowers current rent/mortgage

Refinance Transactions:

- Review payoff statement mailing address of the borrower- should not be the same as the subject property
- Review address on credit report to determine if borrower ever claimed subject property as primary.
- If borrower claims they are departing the subject property and keeping as rental, request purchase contract or lease for proposed new housing and review for reasonableness of move up in size, room count, value, etc.
- Review Appraisal 'Subject' section for 'Occupant' status (Owner/Tenant/Vacant)
- Review for Homestead in homestead states