

# Multi-Family Guidelines

*(5+ Units - Wholesale)*

# Multi-Family Term Program

## MAXIMUM LTVs

FICO	PURCH/RT REFI	CASHOUT
≥ 740	≤ \$3MM: 70% > \$3MM: 70%	≤ \$3MM: 70% > \$3MM: 70%
720 - 739	≤ \$3MM: 70% > \$3MM: 70%	≤ \$3MM: 70% > \$3MM: 70%
700 - 719	≤ \$3MM: 70% > \$3MM: 70%	≤ \$3MM: 70% > \$3MM: 70%
680 - 699	≤ \$3MM: 70% > \$3MM: 70%	≤ \$3MM: 70% > \$3MM: 65%

- U.S. non-permanent residents/foreign nationals: 65%
- UPB per door \$50k-75k: 5% haircut to max allowable LTV

## PREPAYMENT PENALTIES

For all loans:

- 1 year Penalty with 3%, 0%, 0% Stepdown Structure, OR
- 1 year Penalty with 1%, 0%, 0% Stepdown Structure, OR
- 3 years Penalty with 3%, 2%, 1% Stepdown Structure, OR
- 4 years Penalty with 4%, 3%, 2%, 1% Stepdown Structure, OR
- 5 years Penalty with 5%, 4%, 3%, 2%, 1% Stepdown Structure

## LOAN GENERAL

- Min/Max loan amount: \$250,000 with \$50k UPB min per door/\$3,000,000
- 5-10 unit residential
- No vacation or seasonal rentals
- Properties without existing debt financed within 180 days of purchase are considered delayed purchase loans, and eligible for all terms applicable to purchase loans

## LOAN PRODUCTS/AMORTIZATION

- 5/6, 7/6 and 10/6 ARMs (Adjustable Rate Mortgages): 30-year term loans, with or without partial IOs
- 30-year FRM (Fixed Rate Mortgage): 30-year term loans & loan amount ≤ \$2MM
- 30-year FRM: 30-year amortization
- 5/6 ARM IO: 5-year interest only period + 25-year amortization
- 7/6 ARM IO: 7-year interest only period + 23-year amortization
- 10/6 ARM IO: 10-year interest only period + 20-year amortization

## MAXIMUM LTC FOR C/O REFI LOANS

- Subject to LTV limits:
  - 80% if property purchased < 6 months
  - Additional 5% haircut on Max LTV if property purchased between 3 and 6 months (for borrowers with < 5 rental properties owned in the last 24 months)

## DEBT SERVICE COVERAGE RATIO (DSCR)

- Calculation: In-Place Net Cash Flow (NCF) divided by mortgage payment, after accounting for all property operating revenues, expenses and capital expenditure reserves, as reasonably determined by lender
- Gross Rental Income: the lower of
  - Actual monthly rent in the lease agreement
  - Market monthly rent in the appraisal
  - 10% haircut of market monthly rent for unleased properties
- Mortgage payment: Initial payment amount at close
- Minimum NCF DSCR of 1.20x

## RESERVES/ESCROWS

At closing:

- First 3 months of PITI, not including stub interest for closing month
- Pro-rata property taxes for next tax due date, such that tax due is fully funded 30 days in advance of due date

Ongoing monthly:

- Real estate taxes: 1/12<sup>th</sup> annual taxes due
- Insurance: 1/12<sup>th</sup> annual insurance costs
- Capital expenditures: 1/12<sup>th</sup> annual capital expenditures budget, as reasonably determined by lender

## STATE RESTRICTIONS

- All US, except MN, ND, OR, SD, UT & VT

## BORROWER/GUARANTOR REQUIREMENTS

### CREDIT & BACKGROUND

- New borrower: Tri-Merge Credit Report no older than 90 days
- Existing borrower with 0x30x12 payment History: Tri-Merge Credit Report no older than 120 days
- 660 minimum qualifying FICO determined as:
  - Mid score if 3 scores are available
  - Low score if 2 scores are available
- For multiple guarantors, lowest score calculated as above is used
- Bankruptcy discharge date must be no less than 3 years prior to closing date
- Foreclosure/deed-in-lieu/short sale date must be no less than 3 years prior to closing date

### LIQUIDITY

- Lower of 10% of loan balance and 9 months of PITIA (12 months for Foreign Nationals)
- Two most recent consecutive months of bank statements or investment account statements required
- Up to 50% of the cashout amounts from subject loan may be used to satisfy reserve requirements
- Liquid reserves must be seasoned for a minimum of 3 months for purchase transactions
- The cumulative amount including all guarantors is considered for loans with multiple guarantors
- IRAs/401Ks and other restricted assets are considered with a 50% haircut to market value

- No first time borrowers, need prior multifamily property ownership experience
- Self-managed properties may be allowed for loans ≤ \$5MM, at lender discretion
- Third party property manager required for loans > \$5MM
- Full Recourse with warm body guaranty from all members with ≥ 20% ownership OR Non-Recourse with pledge of equity of borrowing entity and customary bad-boy carveouts
- LLCs and US corporations only

## THIRD PARTY REPORTS

- One full independent Narrative Commercial Appraisal required
- USPAP/FIRREA compliant interior/exterior appraisals with as-is value
- Appraisals dated within 120 days of closing date are required. Appraisals dated between 120 and 180 days are acceptable with a recertification of value
- Environmental Database Survey if loan amount < \$3MM
- Phase I Environmental Report if loan amount ≥ \$3MM
- All third party reports need to be addressed and assigned to lender per guidelines