



Silvergate Bank Correspondent Lending

Non-Owner Occupied (DSCR Qualifying)

5/1 & 7/1 ARM Product Only

Effective Date: 7/15/2018

Loans meeting the parameters outlined in this guideline matrix must be consistent with the Dodd Frank Wall Street Reform and Consumer Protection Act Ability to Repay (ATR). Documentation standards are designed to ensure borrowers have demonstrated a reasonable ability to repay the debt based on a reasonable, good-faith determination. Programs are 100% ATR compliant.

See Rate Sheet for interest rates, index, margin, rate cap structures, interest only and other rate adjustments

Investment Property (DSCR) – Eligibility Matrix

Investment Properties

Loan Purpose	Property Type	Credit Score	LTV/CLTV	Maximum Loan Amount
Purchase / Rate & Term Refinance	SFR / CONDO / PUD / 2-4	700+	75% / 75%	\$1,000,000
		680-699	70% / 70%	
		720+	70% / 70%	\$2,000,000
		680-719	65% / 65%	
Cash -Out Refinance*	SFR / CONDO / PUD / 2-4	700+	70% / 70%	\$1,000,000
		680-699	65% / 65%	

- Interest Only Loans are interest only for the initial hybrid period (i.e. 5, 7, or 10 years) and fully amortizing thereafter.

- In addition to the refinance of any properties owned free and clear, the payoff/pay down of any debt except the following will be considered cash-out transactions: First Mortgages Liens; Home Equity Lines of Credit which have had no draws taken in past 12 months; Purchase Money Second Mortgage Liens; Closed-End Second Mortgage Liens at least 12 months old.

*Cash out transactions are limited to \$300,000 cash in hand to the borrower. Property cannot be vacant. Ineligible in AK, NY, WV.

Summary

Eligibility	Borrower is financing the properties solely for investment purposes, including, but not limited to, for (i) retaining the properties as a stabilized rental and (ii) monetizing the investment for capital gains purposes. Borrower is required to sign a certification at application that the properties are not owner occupied and are owned solely for investment purposes.
Income	There is no employment verification or income analysis under the Investor (DCSR) Program
Assets	Sourced or seasoned for 60 days

Credit Standards

Mortgage/Rent	0 x 30 in past twenty-four (24) months.
Trade lines	Two (2) Active Trade-Lines reporting for at least twenty-four (24) months with activity in the last 12 months is required. Lower mid-score of all borrowers/guarantors.
Foreclosure, short sale, bankruptcy, loan modification	Must be seasoned at least twenty-four (24) months.
Judgment, tax lien, collection, charge-off	Must be paid off with no new derogatory credit within the past twelve (12) months (medical excluded).

Loans to One Borrower	Not to exceed 8 properties, and/or \$2,500,000	
Credit Documentation	May not be more than 90 days old at the time of close	
Underwriting		
Minimum Loan	\$100,000	
Lease/Gross Income	Lesser of Estimated Market Rent from Form 1007, or monthly rent from an existing lease Unleased Properties (Refinance only); Max LTV – 70%	
DSCR Calculation	<p>The minimum DSCR is $\geq 1.15\%$. The DSCR calculation is as follows:</p> <p style="text-align: center;">Debt-Service Coverage Ratio = Gross Income / Proposed PITIA</p> <p>To calculate gross income, use the lower of the (a) executed lease agreement or (b) market rent from appraisal form 1007. If the executed lease agreement reflects a higher monthly rent, it may be used in the calculation when evidence of receipt of the higher amount for the 3 most recent, consecutive months is provided.</p>	
Secondary Financing	Secondary Financing NOT allowed	
Condominiums	Must be warrantable by FNMA; non-warrantable condominiums will be reviewed on a case by case basis (5% LTV reduction may apply)	
Seasoning	6 months Seasoning Required for refinance transactions (both rate/term and Cash-Out).	
Vesting	Loans must be closed in the name of an individual, or an Entity	
Seller Concessions	Up to 2% towards closing	
Prepayment Penalty	2 years - 6 months interest on 80% of the amount prepaid; Not allowed in IA, IL, KS, MD, MI, MN, MS, ND, NJ, NM, OH, PA, and RI	
Assets/Reserves		
Minimum Reserve Requirements	Loan Amount	Required Reserves
	\$100,000- \$1,000,000	6 months verified PITI
	\$1,000,001 - \$2,000,000	12 months verified PITI
Appraisals		
Appraisal Requirements	Loan Amount	Appraisal Requirements
	$\leq 1,500,000$	One (1) full appraisal with 3 sold comps < 6 months + Field Review, or Clear Capital CDA (or like product)
	$> \$1,500,000$	Two (2) Full Appraisals with 5 sold comps < 12 months
Compliance Note	<ul style="list-style-type: none"> • The ECOA Valuations Rule requires that copies of appraisals and other written valuations be delivered to borrowers promptly upon completion; or within three (3) business days of closing. • CDA required for all properties • Properties with a condition rating of C5 or C6 are not acceptable 	
Borrower and Property Eligibility		

Eligible Borrowers	<ul style="list-style-type: none"> • US Citizens • Permanent Resident Alien & Non-Permanent Resident Alien
Ineligible Borrowers	First Time Home Buyers (FTHB) NOT allowed. Borrower must own a primary residence Applicants Possessing Diplomatic Immunity
Ineligible Properties	<p>Ineligible properties include but are not limited to:</p> <ul style="list-style-type: none"> • Leasehold Properties • Co-ops • Condotels • Timeshares • Income Producing and Commercial Enterprise Properties (Farms; Ranches; Bed and Breakfasts; Assisted Living; etc.) • Short Term Rental Properties (VRBO, Airbnb) • Manufactured Homes (Including Log Cabins) • Properties > 2 acres
State Eligibility	<ul style="list-style-type: none"> • Loans are eligible for properties in all states except AK, NY, & WV. • Cash Out not allowed in Texas. • In all cases, state specific regulations supersede guidelines stated herein.

Gift Funds

Gift Funds	Gift funds are not allowed
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Assumption, Conversion, HPML, Compliance, & Note Terms

Assumability	Loan may be assumed by a qualified borrower after the initial fixed term.
Conversion	Conversion to a fixed rate mortgage is not allowed
Compliance	Escrows required for taxes and insurance. Fully documented ability-to-repay. Compliance with all applicable Federal and State regulations. NO Section 32 or State High
Note Terms	ARM Documents: 5/1 or 7/1 ARM; 2-2-5 caps; floor rate is equal to the margin; 1 Year LIBOR Index; Margin is 6.00%, Caps 2/2/5; may use Fannie Mae (FNMA) ARM Note 3528.

Product Type	ARM Features				Interest Only Features		
	Product	Margin	Cap	Index	Amort Term	Final Maturity	Interest Only
	5/1	6.00%	2/2/5	1 Year LIBOR	25 Years	30 Years	60 Month Term
7/1	6.00%	2/2/5	1 Year LIBOR	23 Years	30 Years	84 Month Term	

Product Code	DSCR Product					
	ARM			Interest Only		
	Product	ARM Type	Code	Product	I/O Type	Code
5/1	Full Amortization	1000	5/1	Interest Only	1001	
7/1	Full Amortization	1100	7/1	Interest Only	1101	

Information is intended solely for mortgage bankers, mortgage brokers, financial institutions and correspondent lenders. Not intended for distribution to consumers, as defined by Section 1026.2 of Regulation Z, which implements the Truth-In-Lending Act.

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