

Synopsis

This product allows investors to qualify for the loan based on the subject property Debt Service Coverage Ratio (DSCR) rather than traditional income verifications and DTI calculations. This document is intended as a general guide, is not all inclusive, and provides basic product parameters. For items not otherwise addressed in this product description, refer to the PHH Selling Guide or FNMA guidelines, as applicable.

Key Attributes at a Glance

Income:	Debt Service Coverage Ratio used to qualify
Occupancy:	Investment
Min/Max Loan Amt:	\$100k - \$3.0MM
LTV Maximum:	80%
DSCR:	.75-.99 (See Qualifying Ratios) 1.00+
Non-QM:	All loans originated under this product are Non-QM
Sub Financing:	Not allowed
Prepayment Penalty:	May be required



Correspondents must receive prior approval to originate Non-Agency products. Please contact your Correspondent Specialist, Regional Sales Executive, or contact us via the support line at 1-800-929-4744 for additional information.

Product Codes

Products			
Description	Amortization Term	Interest Only Period	Product Code
Non-Agency Bronze 30 Yr. Fixed – DSCR Connect	360 months	N/A	DSCR30BC
Non-Agency Bronze 5/6 ARM – DSCR Connect	360 months	N/A	DSCR56ARMBC
Non-Agency Bronze 7/6 ARM – DSCR Connect	360 months	N/A	DSCR76ARMBC
Non-Agency Bronze 30 Yr. Fixed – DSCR Premier	360 months	N/A	DSCR30BP
Non-Agency Bronze 5/6 ARM – DSCR Premier	360 months	N/A	DSCR56ARMBP
Non-Agency Bronze 7/6 ARM – DSCR Premier	360 months	N/A	DSCR76ARMBP

Refer to the PHH Seller Guide for questions not addressed in this product description.

PHH Connect DSCR 1.0+			
TRANSACTION TYPE	LTV/CLTV	MAX LOAN AMOUNT	FICO
PURCHASE RATE AND TERM	85%	\$1,500,000	740
	80%	\$1,000,000	640
		\$1,500,000	660
		\$2,000,000	740
	75%	\$1,000,000	620
		\$1,500,000	640
		\$2,000,000	700
	70%	\$1,500,000	620
		\$2,000,000	640
		\$2,500,000	700
	65%	\$2,000,000	620
		\$2,500,000	660
		\$3,000,000	700
CASH OUT	75%	\$1,500,000	700
	70%	\$1,500,000	660
	65%	\$1,000,000	620
		\$2,000,000	660
	60%	\$2,500,000	700

PHH Premier DSCR 1.0+			
TRANSACTION TYPE	LTV/CLTV	MAX LOAN AMOUNT	FICO
PURCHASE RATE AND TERM	75%	\$1,500,000	700
Cash Out	70%	\$1,500,000	700

- Minimum loan amount \$100,000
- Loan amounts ≤ \$150,000 – require min 1.25 DSCR
- Non-Perm Resident Aliens and Foreign Nationals not permitted
- Minimum 3 Year Prepay Penalty Required. Non-PPP state restrictions apply
- All additional overlays of PHH Connect otherwise apply
- FTHB ineligible
- Short-term rental qualifying: Not allowed
- **Geographic Restriction:** Georgia loans must be closed in an entity to be eligible for PHH Premier

PHH Connect DSCR .75-.99			
TRANSACTION TYPE	LTV/CLTV	MAX LOAN AMOUNT	FICO
PURCHASE RATE AND TERM	70%	\$1,500,000	680
	65%	\$2,000,000	700

Min \$175k loan amount

	Max LTV/CLTV	PHH Connect	PHH Premier
PHH Premier - Condos	70%	N/A	X
PHH Connect - Condos	80%	X	N/A
First Time Investor	80%	X	N/A
No PPP	80%	X	N/A
First Time Homebuyer (FTHB)	75%	X	Not Eligible
Listed for Sale w/in 12 Months	70% (Cash-out)	X	X
Appraisal marked "Suburban" but zoned "Rural"	80% (Purchase)	X	Not Eligible
	75% (R/T)	X	Not Eligible
	65% (Cash-out)	X	Not Eligible

Refer to the PHH Seller Guide for questions not addressed in this product description.

Declining Markets	5% Reduction to max eligibility	X	X
Short-Term Rental Purchase	75%	X	Not Eligible
Short-Term Rental Refinance	70%	X	Not Eligible
Recently Inherited Properties	60%	X	X
Gift of Equity	70%	X	X

Refer to the PHH Seller Guide for questions not addressed in this product description.

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Refer to the PHH Seller Guide for questions not addressed in this product description.

Appraisal

- Appraisals must meet FNMA's appraisal standards, including Uniform Appraisal Data Set (UAD) specifications and field-specific requirements. Reduced appraisals are not allowed.
- All Appraisals must include COLOR photos.
- Properties in excess of the predominant value of the subject market area are acceptable if supported by similar comparables and represent the highest and best use of the land as improved.
- Transferred appraisals are acceptable unless ordered by borrower or affiliate of the property seller must be less than 60 days old (less than 120 days at closing)
- 1 Full appraisal is required on all transactions.
- Fannie Mae Collateral Underwriter (CU) Reports:
 - No 3rd party review required (desk review or second appraisal) if CU Score is 2.5 or below
- Loans that do not meet an acceptable CU score require a desk review or other third-party valuation product (desk review or second appraisal):
 - PHH will accept a desk review within +/-10% variance of original appraised value from approved TPR valuation vendors.
 - Desk review variance may not exceed +/-5% for loans at 90% LTV.
 - Approved Desk Review Vendors:
 - Consolidated Analytics
 - Clear Capital
 - Service Link
 - Stewart Lender Services
 - Summit Valuations
- When two appraisals are required, they do not require a separate review product. The lowest value of the two appraisals is used as subject property value.

ARM Data

Index	30 Day Average SOFR (Secured Overnight Financing Rate)
Margin	5%
Floor	The margin is the floor
Conversion Option	Non-Convertible
Periodic and Life Cap	5/6 ARM: 2% initial cap, periodic cap is 1%, lifetime cap is 6% 7/6 ARM: 5% initial cap, periodic cap is 1%, lifetime cap is 6%
Interest Rate Change Date	Rate is fixed for 5 or 7 years and changes every six months thereafter
Interest Rate Calculation	For each interest rate adjustment date, the calculation is based on the index rate available plus the margin. The adjustment is equal to the relevant index plus the margin, rounded to the nearest 0.125%.
Payment Adjustment Date	Initial rate is fixed and adjusts to the index plus margin on the first rate change date, and every six months thereafter.
ARM Qualifying Rate	Qualified at the initial PITIA (P&I, taxes, insurance and HOA)

Assumability

ARM products are assumable after the fixed rate period with prior approval and qualification by the servicer.

Refer to the PHH Seller Guide for questions not addressed in this product description.

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Borrower Eligibility

Allowed

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- First Time Investors – Allowed with ≥ 1.00 DSCR, Min 680 FICO, Max 80% LTV
- Experienced Investors – Proof of property ownership and/or management history for at least 1 year in the last 3 years is required.
- First Time Home Buyers – Min 1.00 DSCR, Min 700 FICO, Max 75% LTV, Max \$750,000 loan amount, NO exceptions allowed on the file, Motivation letter required for purchasing an investment and not owning a primary. Rent-free ineligible.
- Inter-Vivos Revocable Trust
- Limited Partnerships, General Partnerships, Corporations

Not Allowed

- Administrative (GSE) Excluded Party lists
- Any parties to a transaction listed on HUD's Limited Denial of Participation (LDP) list, or the Federal General Services
- Asylum applicants
- Borrowers party to a lawsuit
- Borrowers with Diplomatic Immunity
- Borrowers without a valid Social Security Number
- DACA Recipients
- EAD Card without valid Visa
- Foreign Nationals
- Irrevocable, Land or Blind Trusts
- Vesting in retirement vehicles
- Vesting in a life estate
- Employees of originating lender
- Non-arm's length transactions
- Persons from OFAC sanctioned countries: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-list-search-tool>

Multiple Financed Properties

- 15 residential properties is the maximum
- Maximum exposure to PHH for one borrower is \$5MM or 10 loans

Eligible Borrowers	Required Documents	Notes
Permanent Resident Aliens	Alien Registration Card I-551 with no expiration or accompanied by INS Form I-757 (if expiring within 6 months prior to closing proof of a filed form I-90 is required)	Front/Back
	OR Alien Registration Card I-551 with expiration and accompanied by INS Form I-751 (petition to remove conditions)	Front/Back
Non-Permanent Aliens	Evidence of 24-month history of Employment in the U.S AND Non-Immigrant VISA (Following are acceptable: E-Series, H-Series, Series L, O-Series, V Series, I, K-1, K-3, TN, P-1A ³) AND An EAD ^{4 5} card for the following acceptable VISA Types: E-1, E-1D, E-2D, E-3D, H-4, K-1, K-3, L-2, V Series	Front/Back
		Front/Back

Refer to the PHH Seller Guide for questions not addressed in this product description.

1. Stamp must state the following: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence, Valid until MM/DD/YYYY Employment Authorized."
2. Employment Authorization Document must be issued by the U.S. Citizenship & Immigration Service providing authorization to work in the U.S. without restrictions.
3. An unexpired (at time of closing) Non-immigrant Visa with an Entry Stamp issued by the U.S. Department of State which will evidence legal entry into the U.S. for temporary residence. Visa expiring within 6 months of closing need USCIS Form 1-797 confirming submitted application to renew and copy of the employer's letter of sponsorship for Visa renewal.
4. EAD's must be unexpired at closing, if expiring within six months of the application the borrower must show evidence they have applied for an extension or provide letter from the employer indicating they will continue to sponsor their employment.
5. An EAD is only required to be provided if using income to qualify regardless of VISA type.

Buydowns

Not Allowed

Cash out Refinance

- Cash-out incidental Cash. If the net proceeds eligible for distribution to the borrower is equal to the lesser of 2% of the principal or 1% of the loan amount, then the transaction will not be considered a cash -out refinance.
- A Cash-Out Refinance transaction may pay off an existing mortgage(s) with a minimum of 6 months seasoning or create a new lien if the property is owned free and clear

Ownership Seasoning	0-6 months	6.1-12 months
Cash Out	Not permitted	Appraisal

- Seasoning = borrower's purchase closing date to application date
- There is no waiting period if the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership), max LTV 60%
- If the borrower acquired the property within the last 12 months as a gift, award, inheritance or other non-purchase transaction, the LTV/CLTV will be based on the current appraised value, max LTV 60%. The lender must obtain appropriate documentation to verify the acquisition and transfer of ownership
- The borrower can receive funds at closing as long as they do not exceed the program requirements
- Subject property recently vacated by borrower requires a lease and proof of three months' rent paid at new primary residence in order to consider the property under DSCR guidelines. Subject property refinance is ineligible if borrower is now rent free.

PHH Connect Max Cash Out	
Unlimited Cash-out	
PHH Premier Max Cash Out	
LTV/CLTV	Maximum Cash Out
>65.01%	\$750k
≤65%	\$1.5MM

Refer to the PHH Seller Guide for questions not addressed in this product description.

Construction to Permanent Financing

- The permanent financing of a construction loan is eligible with the following conditions:
 - If the lot was acquired 12 or more months before applying for the subject loan, the LTV/CLTV/HCLTV is based on the current appraised value of the property
 - If the lot was acquired less than 12 months before applying for the construction financing, the LTV/CLTV/HCLTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs
- A builder refinancing out of a construction loan, is limited to investment only, with minimum 2-year pre-payment penalty
- Payoffs with accrued and unpaid interest > 59 days will be considered cash out

Credit Considerations

Credit scores – A minimum of 2 credit scores are required to be provided and used to determine the qualifying credit score for loan approval. Methodology of which FICO score to use is as follows:

# of Borrowers	# of Scores per Borrower	Methodology
1	2 or 3	Lower of 2 or the Middle of 3 FICO scores
2 or more	2 or 3	<ul style="list-style-type: none"> Determine the lowest score of each Borrower, lowest overall score of that result is used If 2 of the 3 scores are identical, that score is used If Borrower's are 50/50 owners and income is equal, the higher middle score is used

Other credit requirements:

- The maximum age of the credit report is 120 days. The age of the document is measured from the date of the document to the date of the Note.
- Must document that all mortgages are current within 15 calendar days prior to the Note date.
- Minimum 12 months of housing payments required, with maximum delinquency of 1x30. A VOM/VOR is required for all the borrower's outstanding mortgages or rent paid.
- Credit Inquiries in the last 90 days require a written explanation.
- Borrowers living rent free at their primary residence may be eligible if they live with a non-borrowing spouse – a rent free letter and evidence of acceptable 12 month housing payment history from the non-borrower spouse is required.
- Properties owned free and clear satisfies housing history with evidence property taxes are current.
- Tradelines
 - 3 open and active for ≥ 12 months **OR**
 - 2 open and active for ≥ 24 months **OR**
 - Authorized User accounts may be counted toward the tradeline requirement when another borrower on the subject transaction is the owner of the tradeline, the borrower is an authorized user on a spouse's tradeline, or when the borrower can provide proof, they are the actual and sole payer on the tradeline for the most recent 12 months.
- Bankruptcy, Foreclosure, Short Sale, or Deed-in Lieu significant derogatory credit events must be seasoned 36 months for PHH Connect, 48 months for PHH Premier.
- Forbearance, deferred payments, or modifications – Not Allowed except for COVID which must be released and current.

Refer to the PHH Seller Guide for questions not addressed in this product description.

- o Open Judgements, Garnishments, or Liens – must be paid off prior to closing
- o Credit Counseling – allowed with restrictions. Must have a minimum of 12 months elapsed on the plan. See PHH Selling Guide for additional requirements.
- o Collection accounts and charge offs open <2 years and greater than \$10,000 individually or aggregate must be paid, Medical collections less than \$15,000 are not required to be paid.
- o Past due accounts must be brought current.

Declining Markets

Declining Markets (applies to LTVs >65%)			
Property Value	Demand	Market Time	Reduction to LTV
Declining	Shortage or In Balance	Under 3 months	5%
Declining	Shortage	3-6 months	5%
Declining	In Balance	3+ months	5%
Declining	Over Supply	Over 6 months	5%

Down Payment / Source of Funds

- Borrower's own funds of at least 5% must be verified before Gift funds may be used unless the LTV is <75% at which time no minimum contribution is required
- See PHH Selling Guide for list of eligible assets
- Gift funds – Purchase transactions only
 - o Must be from a family member
 - o Can be used to pay off debt
 - o May not be counted towards reserves
- Gift of Equity – not allowed
- Trade Equity – not allowed
- Down Payment Assistance, Employer Assistance and/or grant programs are not allowed

Employment and Income

This product allows the borrower to qualify based on the Debt Service Coverage Ratio (DSCR) for the subject property.

- Employment and income are not required to be disclosed
- When not disclosed, enter "N/A to this loan" in the Employment field, and enter a secondary phone contact for the borrower in the business phone field.
- See Qualifying Ratios for Minimum DSCR Ratio and Calculation
 - o The DSCR Ratio will be shown on the DSCR calculation worksheet and may also be entered on the notes section of the 1008.

Escrow Waiver

The following must be escrowed:

Refer to the PHH Seller Guide for questions not addressed in this product description.

- Debt Consolidation Refinances
- Flood insurance must be escrowed
- Refinance where taxes show delinquent on title

First Time Homebuyer

- Minimum 1.0 DSCR; 700 FICO, Max 75% LTV, Max 750k loan amount
- Motivation letter required for purchasing investment and not owning as primary occupancy
- Borrowers living Rent-Free are ineligible.
- NO EXCEPTIONS will be allowed on the file.

Geographic Restrictions

All 50 states are eligible – Georgia loans must close in an entity to be eligible under PHH Premier.

Guam, US Virgin Islands and Puerto Rico – Not Permitted

Hazard Insurance

- A Commercial, Landlord, or Rental Dwelling policy with 6 months rent loss coverage is required
- Property Insurance Minimum Rating standards – Must meet Agency requirements
- A Loss Payable Endorsement is required on all loan transactions

Ineligible Transactions

- Land Contracts
- Builder Bailout & Model Leasebacks
- Lease with option to purchase
- Community Down payment assistance or equity sharing
- Borrower/Builder Refinance of construction loans without subject loan Pre-payment penalty
- Reverse 1031 Exchanges
- Assumable Loans
- Construction to Perm
- Temporary Buydowns
- Builder Bailout
- Conversion Loans
- Lease Options/Rent to Own
- Non-Arm's Length Transactions
- Land Contracts
- Assignments of the contract to another buyer
- Properties that have been listed for sale within the past 6 months from the loan application date are not eligible for a rate/term refinance or cash-out transaction.
- No Graduated Payment Mortgage Loan
- Work escrows are not permitted
- No mortgage Loans financing builder inventory is permitted

Refer to the PHH Seller Guide for questions not addressed in this product description.

- No Ground leases, No Buydown Mortgage Loans, No Pledged Asset Loan
- No Convertible Mortgage Loan- allows ARM to convert to a Fixed Rate Mortgage
- Periodic Payment- Loans must have periodic payments due and loans can't have more than 3 monthly payments paid in advance from the proceeds of the mortgage.
- Simple Interest Loans

Interested Party Contributions

- 5% regardless of LTV

Loan to Value Calculation and Seasoning

Declining Market: Properties that are in a declining market as designated by the appraiser may be subject to reductions in LTV/CLTV regardless of transaction type. See Declining Markets section.

Purchase:

- Calculate LTV/CLTV/HCLTV based on lesser of the purchase price or appraised value of the subject property.

Refinance, Rate/Term:

- If the borrower has less than six (6) months ownership in the property, the LTV for a refinance transaction is calculated on the lesser of the purchase price plus documented improvements, or the current appraised value. At least one borrower on the new loan must be an owner of the subject property at the time of the loan application.
- Property acquired through inheritance or legally awarded through a divorce, separation, or dissolution of a domestic partnership may use current appraised value.
- Properties listed for sale must be removed from the listing at least one month prior to the Note date. LTV will be based on the lesser of the list price or appraised value when listed within the last 6 months by the current owner.
- If the borrower has owned the property for six (6) months, the LTV is based on the current appraised value.
- If real estate taxes are more than 60 days delinquent, the transactions is considered cash out.

Refinance, Cash-Out:

- Minimum of 180 days ownership prior to Note date is required.
- The LTV for a Cash-Out Refinance transaction is calculated based on the current appraised value.
- At least one borrower on the new loan must be an owner of the subject property at the time of the loan application.
- If the property was acquired through inheritance or legally awarded the property, the LTV is limited to 60%.

PHH Connect Max Cash Out	
Unlimited Cash-out	
PHH Premier Max Cash Out	
LTV/CLTV	Maximum Cash Out
>65.01%	\$750k
≤65%	\$1.5MM

Delayed Financing: Borrowers who have purchased a subject property within the last 6 months from the disbursement date of the new mortgage are eligible to receive cash back with the loan priced and treated as a Rate/Term if the requirements below are met:

- Delayed financing (on properties purchased by the borrower with cash and owned < 12 months) are permitted if the original transaction was arm's length.
 - Provide settlement statement from purchase confirms no financing used to acquire

Refer to the PHH Seller Guide for questions not addressed in this product description.

- Purchase funds are required to be documented
- If gift funds were used, the borrower may only finance the amount put into the transaction, excluding gift
- The LTV/CLTV will be based on the lesser of the original purchase price or current appraised value. The prior settlement statement will be required for proof of purchase price
- An AIR compliant purchase may be used for this refinance if within the age of document guidelines

Definitions

Rate/Term Refinance – The new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs, prepaid items, buying out a co-owner pursuant to an agreement, and court ordered buyout settlements. Cash-out to the borrower limited to the greater of \$2,000 or 2% of the loan amount.

- Prepayment fees may be included
- Closing costs must be reasonable and within market standards
- The maximum cash-out to the borrower reflects both cash in hand, the payoff of miscellaneous debts, and is net of fees and other related closing costs.

A seasoned non-first lien mortgage is either a purchase money mortgage or any other closed end or HELOC mortgage that has been in place for more than 12 months and has no draws greater than \$2,000 in the past 12 months. Withdrawal activity must be documented with a transaction history from the HELOC.

Cash-Out Refinance – Any transaction that does not qualify for a Limited Cash-Out Refinance is considered a Cash-Out Refinance.

Continuity of obligation is required for all refinance transactions.

Mortgage Insurance

Not Applicable.

Prepayment Penalties

Permitted on investment property loans only. PHH will not purchase loans with prepayment penalties in the following states. All other loans with a prepayment penalty must be in compliance with applicable federal and state laws.

- Alaska, Kansas, Kentucky, Maryland, Michigan, Minnesota, New Mexico, North Dakota, Ohio, Rhode Island
- New Jersey prohibits individual borrowers, LLC's, LP's, & Trusts. Permitted to C-corps and S-corps.
- Pennsylvania loan amounts >\$319,777 (for 2025)
 - Loan amounts ≤\$319,777 are permitted on 3- or 4-unit properties
- Ineligible for Washington ARM loans, permitted on Fixed rate loans
- Oregon – requires state specific disclosure in addition to the Note and SI Rider
- Mississippi – 5-year maximum declining prepayment penalty structure is allowed

Prepayment Structure – allowable 1-to-5-year prepayment types as permitted by applicable state and federal laws.

- 6 months interest allowed on amount of prepayment above 20% of the origination loan amount in any 12-month period.
- Step Down Prepay Structure or Flat Prepay Structure

Properties Listed for Sale

- Properties that have been listed for sale by the borrower, seasoning is from listing removal date to application date
- LTV calculated based on the lower of the last listing price or appraised value

Refer to the PHH Seller Guide for questions not addressed in this product description.

- Unsold builder inventory is ineligible
- Properties listed for sale at application date are ineligible

Listed for Sale	PPP Term/ LTV	0-6 months	6.1-12 months
Rate/Term no Pre-payment Penalty (PPP)	N/A	Not Permitted	Pre-approval
Rate/Term w/ PPP	Min 2 yr. penalty	Permitted	Permitted
Cash Out no PPP	Max LTV 70%	Not Permitted	Pre-approval
Cash Out w/ PPP	Min 2 yrs. and max LTV 70%	Permitted	Permitted

Property Types & Features

Allowed

- 1 Unit SFR, 1 Unit SFR w/ Accessory Unit, 2-4 Unit, Attached or Detached PUD
- Warrantable Condo
- Non-Warrantable Condo (see PHH Selling Guide)
- FNMA Eligible Leasehold
- Modular Homes (site assembled)
- PHH Connect – 10 acres maximum (Rural properties not allowed)
- PHH Premier – 5 acres maximum (Rural properties not allowed)
- Mandatory County Club Fees – cannot exceed 10% of the purchase price
- 1031 exchanges – Purchase only

Not Allowed (list is not all-inclusive)

- Property occupied by the borrower or any relative of the borrower
- Property listed for sale at any time in the 180 days prior to loan application
- Property in foreclosure or which have an open redemption period
- Condotels
- NY CEMA
- Cooperatives
- Mobile or Manufactured Homes
- Properties > 10 acres
- Unique Property (Barndominiums, log homes, geodesic domes, etc.)
- Builder bailout
- Conversion loans
- Lease with option to buy / Rent-to-own
- Undeveloped land
- Tenancy in Common properties
- Properties with less than 500 square feet living space
- Completion escrows
- Timeshares
- Boarding houses
- Mixed Use
- C5 or C6 property condition grades
- Assisted Living
- Commercial Properties

Refer to the PHH Seller Guide for questions not addressed in this product description.

- Rural Properties / Agricultural / Working Farms
 - Appraisals marked 'Suburban' but zoned 'Rural Residential' are allowed with Max LTV: 80% Purchase; 75% Rate & Term; 65% Cash-out
- Properties with values significantly in excess of the predominant value of the subject's market area may be ineligible
- State Condominium Requirements (Warrantable and Non-Warrantable):
 - California Balcony Bill – SB326: An inspection is required for projects with wood deck, balcony, stairway, walkway, or railing elevated more than 6 feet above the ground. Projects with an unacceptable or no inspection are ineligible.
 - Florida – Projects over 30 years old or 25 years if within 3 miles from the coast, a structural inspection within every 10 years is required for projects 3 stories or higher. Inspection must confirm no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements. Projects with unacceptable or no inspections are ineligible.

Qualifying Ratios

- DTI is not calculated for this product. Do not submit any ratios in DTI fields.
- Borrower qualifies using Debt Service Coverage Ratio (DSCR) for the subject property
 - DSCR is .75 - .99%
 - Purchase/Rate & Term Max LTV is 70%, Cash out is not eligible
 - Minimum FICO - 680
- DSCR = Gross Rental Income ÷ Qualifying Monthly Mortgage Payment (PITIA) or (ITIA for interest only loans)
 - If 3 months proof of receipt is obtained, the current lease amount may be used as Gross Rental Income. Otherwise, the Gross Rental Income must reflect the lesser of the current lease amount or the market rent on the 1007 completed by the appraiser.
 - When there is no existing lease, the gross rent indicated on the 1007 may be used.
 - If the current lease is higher than the amount provided on the 1007, PHH will allow the higher lease income with at least 3 months current proof of receipt of the higher rental income and the difference is not greater than 20%.

Qualifying Rent Calculations

Market rent is determined by the appraisal comparable rent schedule

- Rent qualification is lesser of current lease agreement or 100% of appraisal market rent schedule for annual tenants, except:
 - Refinance Transactions: If current lease exceeds market rent, borrower may use that amount up to 120% of market rent with most recent 3 months of evidence of rent receipts
 - Purchase Transactions: Vacant properties use 100% of market rent
 - 2-4 Units – Rent qualification is the lesser of each individual unit's current lease agreement or individual unit's market rent. (Borrower may use up to 120% as stated above)

Lease Requirements

- A Lease or the lower of 1007 is required except for the scenarios below. In these instances, market rent should be used to qualify.
 - Purchase transactions
 - If using third-party short-term Statements
 - Refinances if the property has recently completed rehab or is listed for rent

Refer to the PHH Seller Guide for questions not addressed in this product description.

- Proof of recently completed rehab or listing required
- Refinance transactions will require a lease agreement except if using as short-term rental, but qualifies as a long-term rental
- Properties leased to family members are not eligible
- Expired Leases will be considered to have renewed automatically with 1 month evidence of rent receipt at lease amount
- Leases that permit subletting as a short-term rental (STR) not permitted

Short Term/Variable Rental

- Examples: Airbnb – VRBO- HomeAway
- PHH Connect Only

Purchase

- AirDNA will be used for all STR purchases
- Min DSCR 1.0 using AirDNA 'Revenue Calculator's
- Max 75% with 1 year experience operating a short-term rental
- Max 70% without 1 year experience operating a short-term rental
- Min Score 700
 - AirDNA Revenue Calculator reports must meet the following requirements:
 - Revenue Calculator:
 - Only allowed for purchase transaction
 - Forecast Period must cover 12 months from the Note date
 - The occupancy rate must be >50%
 - Must have four comparison properties
 - Must be within two miles of subject property or with the same zip code
 - Must be generally similar in size, room count, availability, and occupancy
 - Income calculation
 - Annual revenue x 80%/12
- Market Rent Survey with short-term tenancy will be used when AirDNA does not meet the required searched parameters and must DSCR at 1.0
- 80% of the actual or estimated gross receipts will be used to determine the qualifying rental income
- Market Rent Survey based on long-term tenancy may be used with min DSCR of 1.00 in PHH Connect (or 1.25 for loans ≤ \$150,000 in PHH Premier)
- Property Tax Escrow required
- 2-4 unit properties and condos are ineligible (SFR detached only)
- Short-term rental statements provided by seller are allowed with minimum 1 year experience managing a short-term rental and is subject to SG pre-approval
 - Min DSCR 1.0 – calculated based on average deposits over 12-month history, including zero deposits months, x 80%
 - 12 months payment history required from Property Management Provider
 - Short-term rental statements must clearly identify the subject property by address. Property ID # and property description alone is not sufficient

Refinance:

- Min DSCR 1.0 – calculated based on average deposits over 12-month history, including zero deposit months, x 80%

Refer to the PHH Seller Guide for questions not addressed in this product description.

- AirDNA 'Revenue Calculator' tool is not allowed for Refinances
- Max LTV 70%
- Min Score 700
- 12 months payment history required from Property Management Provider
- 80% of the actual or estimated gross receipts will be used to determine the qualifying rental income
- Short term rental statements must clearly identify the subject property by address. Property ID # and property description alone is not sufficient
- Subject property with less than 12-month short term rental income history, Market Rent Survey based on long term tenancy may be used with Min DSCR of 1.0 in PHH Connect (or 1.25 for loans \leq \$150,000 in PHH Premier)
- Property Tax Escrows required
- 2-4 unit properties and condos are ineligible (SFR detached only)

Reserves

Assets for reserves must be seasoned for **30 days**. Any large deposits will need to be sourced. All unusual deposits must be explained, and the source must be documented.

DSCR >1.0

$<$ \$1.5MM and $<$ 70% LTV – No reserves

$<$ \$1.5MM and $>$ 70% LTV – 6 months

$>$ \$1.5MM – 9 months

DSCR ≤ 1.0

$<$ \$1.5MM – 6 months

$>$ \$1.5MM – 9 months

- Reserves are calculated off actual P&I payment plus Taxes, Insurance, and HOA
- Cash Out may be used to meet reserve requirements
- Gift funds are not permitted for reserves
- Restricted stock is ineligible for to be used for reserves
- A variance may be allowed but never less than 3 months less than program requirements with underwriter justification and compensating factors
- If multiple loans to one borrower, reserves are based on the greater PITIA for all properties

Subordinate Financing

- New subordinate financing - ineligible
 - ARM subordinate financing is not allowed
- Existing subordination may be eligible on refinances
- All subordinate loans must be considered when calculating the Borrower's DSCR
- For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment

Underwriting and Closing

Refer to the PHH Seller Guide for questions not addressed in this product description.

Loans are manually underwritten

- When paying off a private mortgage, a copy of the note and security instrument for the loan to be paid off is required.

Chain of Title

- An acceptable continuity of obligation exists when any of the following are present:
- At least one borrower obligated on the new loan must be a borrower obligated on the existing loan being refinanced;
- At least one borrower must have been on title for a minimum of six months, and has made the most recent six months payments;
- At least one borrower must be on title and has made the most recent 12 months documented payments
- At least one borrower has recently inherited or was legally awarded the property through a divorce or separation;
- When title is held in the name of a natural person or an entity, as long as the borrower was a member of the entity prior to any transfer. 25% ownership of an entity is considered to meet continuity of obligation
- Continuity of Obligation is met when a borrower is at least 25% owner of an entity and is refinancing from a natural person to an entity or vice versa

Documents

- The following forms are required and can be found in the PHH Selling Guide.
 - Bank Statement Analysis Worksheet
 - LLC Checklist
 - Business narrative
 - Borrower Ability to Repay Attestation
 - Business Purpose & Occupancy Affidavit
 - Personal Guaranty
 - Condo questionnaire (full) * if an approved FNMA Condo Project Manager (CPM) is provided the questionnaire is not required
 - Condo questionnaire (limited review)
 - DSCR calculation worksheet or other evidence to support the DSCR calculation

Other

- Loans eligible for sale to FNMA or FHMLC are not eligible for purchase.
- Rent loss insurance of 6 months PITIA is required
- OFAC and Watchlist – documentation to confirm borrowers, entities as borrower, sellers, realtors, settlement agent, appraiser and appraisal company should be provided.
- Property Taxes must be based on the value of the land and the total of all assessed improvements – new construction or full renovations must be based on the improvements and proposed taxes.
- An Underwriters detailed attestation regarding a borrower's ability to repay is acceptable in lieu of the Signed Borrower Ability to Pay Attestation form.

Vesting

Ownership must be fee simple. Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter-Vivos Revocable Trust

Vesting is permitted in an Entity for Business Purpose Investment loans and 2nd home with the following requirements:

Refer to the PHH Seller Guide for questions not addressed in this product description.

- Purpose and activities are limited to ownership and management of real property.
- Entity must be domiciled in a U.S. state.
- Business structure is limited to a maximum of (4) owners/members.
- Personal Guarantees must be provided by all owners/members of the Entity on the loan.
- Each Entity owner/member on the loan must sign the security instruments.
- Each Entity owner/member providing a Personal Guaranty must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of the guarantor. The application of each member/owner providing a Personal Guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.

For each business type, the following documentation must be provided:

- Limited Liability Company (LLC)
 - Entity Articles of Organization, Partnership, and Operating Agreements as required
 - Tax Identification Number (Employer Identification Number – EIN) – In any case where a sole proprietor is using SSN in lieu of EIN, provide an UW cert or other supporting documentation
 - Certificate of Good Standing
 - Certificate of Authorization for the person executing all documents on behalf of the Entity
 - LLC Borrowing Certificate required when all owners/members are not on the loan
- Corporation
 - Filed Certificate/Articles of Incorporation (Including all Amendments)
 - By-Laws (including all Amendments)
 - Certificate of Good Standing (issued by the Secretary of State (SOS) where the business is incorporated)
 - Tax Identification Number (EIN) – In any case where a sole proprietor is using SSN in lieu of EIN, provide an UW cert or other supporting documentation
 - Borrowing Resolution/Corporate Resolution granting authority of signor to enter loan obligation
 - Receipt of current year franchise tax payment or clear search where applicable per State
- Partnership
 - Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
 - Partnership Agreement (and all Amendments)
 - Certificate of Good Standing (issued by the Secretary of State (SOS) where the Partnership is registered)
 - Tax Identification Number (EIN)
 - Limited partner consent (where required by partnership agreement)
- All parties who take title to the subject property must sign the Security Instrument, all parties to the loan do not have to be on title.

Note: Preference is to use official documentation issued by a CPA, the State, or IRS to satisfy document requirements. Fillable PDF's or emails from borrower's are not sufficient.

Refer to the PHH Seller Guide for questions not addressed in this product description.