

⚠ 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.

Summary

This product is designed for conforming or jumbo balance loans where the subject property's Debt Service Coverage Ratio is used. All DSCR loans are "Business Purpose Loans"; therefore, to be eligible for the product, the owner cannot occupy the property for more than 14 days during the coming year and all cash out proceeds must only be used for business purposes (e.g., acquisition/maintenance/improvement of rental properties).

Borrowers must certify that they understand that consumer protection laws applicable to consumer loans will not apply to their business purpose loan and complete the Business Purpose Affidavit.

For items not otherwise addressed in this product description, refer to PHH's FlexIQ Non-Agency Underwriting Standard.

Products			
Description	Amortization Term	Interest Only Period	Product Code
PHH Non-Agency Debt Service Coverage 30 Yr. Fixed	360 months	N/A	DSCR30P
PHH Non-Agency Debt Service Coverage 30 Yr. Fixed I/O	360 months	10/20	DSCR30FRM_IOP
PHH Non-Agency Debt Service Coverage 15 Yr. Fixed	180 months	N/A	DSCR15P

Loan-To-Value Grids ¹

Loan Amount	Credit Score ^{1,3}	DSCR ≥ 1.00		DSCR >=0.80 < 1.00	
		Purchase, R/T Refi ¹	Cash-Out ^{1,2}	Purchase, R/T Refi ¹	Cash-Out ^{1,2}
\$1,000,000	720	80%	75%	75%	70%
	700	80%	75%	70%	65%
	680	80%	70%	70%	60%
	660	75%	70%	60%	N/A
\$1,500,000	720	80%	75%	70%	70%
	700	80%	75%	70%	65%
	680	80%	70%	70%	N/A
	660	75%	70%	N/A	N/A
\$2,000,000	740	80%	65%	65%	N/A
	700	75%	65%	65%	N/A
	680	70%	65%	N/A	N/A
	660	70%	N/A	N/A	N/A
\$2,500,000	700	70%	60%	N/A	N/A

¹ Max LTV/CLTV Limits:

- Loans with 1x30x12 Max 75% LTV/CLTV
- First Time Investor: Min 680 FICO, Max 75% LTV/CLTV, Min 1.00 DSCR and Min 12 months reserves, 0x30x12 payment history, rent free are not allowed
- Non-Warrantable Attached Condo: Max 75% LTV/CLTV
- Declining Market: 5% LTV reduction from the max LTV/CLTV for the transaction and occupancy type

- Short Term Rental: 1 unit only, Purch & R/T Max 75% LTV/CLTV, C/O Max 70% LTV/CLTV, Min 1.00 DSCR

² Max Cash in hand: LTV/CLTV: ≤ 65% – Unlimited | > 65% – \$750,000

³ Interest Only: Min 700 FICO, Max 75% LTV and min 1.00 DSCR. Subordinate financing is not allowed.

Product Overview (Refer to PHH's FlexIQ Non-Agency Underwriting Standard for additional requirements.)	
Amortization Type	<ul style="list-style-type: none"> • Full Principal and Interest: 15 yr, 30yr • Interest Only: 30yr
Appraisal Requirement	<ul style="list-style-type: none"> • One appraisal is required for loan amounts \leq \$2,000,000. • Two appraisals are required for loan amounts $>$ \$2,000,000. Refer to PHH's FlexIQ Non-Agency Underwriting Standard for additional collateral requirements.
Assets	<ul style="list-style-type: none"> • Gift funds are permitted for down payment and closing costs on purchase transactions with a 10% borrower contribution and minimum 1.00 DSCR. • Gift funds are not permitted for reserves. • Gift of equity is not permitted. Refer to PHH's FlexIQ Non-Agency Underwriting Standard for additional asset requirements.
Borrower Eligibility	<p>Eligible:</p> <ul style="list-style-type: none"> • U.S. Citizen • Permanent Resident Alien • Non-Permanent Resident Alien • Intervivos Revocable trusts • Corporations, Limited Liability Company (LLC) and Partnerships • All borrowers must currently own and be obligated on a mortgage in the United States for 12 months. • First time investors: First time investors are defined as any borrower who does not have a history of owning and managing commercial or residential real estate in the United States for at least 12 months prior to note date in the last 3 years. Refer to the LTV/CLTV footnotes above for additional requirements. • For borrowers who are not first time investors proof of landlord history is required. Examples include: third-party documentation such as DataVerify/Fraud guard/MERS, a lease agreement that has been in effect for at least 12 months, 12 months of rental receipts, 12 months short term rental remittance statements, or Schedule E. <p>Ineligible:</p> <ul style="list-style-type: none"> • First Time Home buyers • Foreign Nationals • Using a Power of Attorney when vesting in the name of an entity or on a cash-out transaction • If the tenant of the subject property is a family member of the borrower, then the transaction is not allowed. • Non-Arm's length transaction • Employment income disclosed on the application. Refer to PHH's FlexIQ Non-Agency Underwriting Standard for additional requirements.
Credit/Payment History Requirements	<ul style="list-style-type: none"> • A minimum of 2 credit scores are required. • No Derogatory Credit Event allowed within the last 36 months. • Payment history requirements: 1x30x12 mortgage/rental history on the subject property and the borrower's primary residence; however, any mortgages reported on the credit report must reflect a max 1x30x12 payment history. All other REOs are not required to be disclosed on the 1003. Refer to the LTV/CLTV footnotes above for additional requirements. • Non-traditional credit report is not permitted.

	<ul style="list-style-type: none"> Refer to PHH’s FlexIQ Non-Agency Underwriting Standard for additional requirements.
<p>DSCR Calculation and Documentation</p>	<p>Full Principal and Interest loans: Gross Income divided by PITIA of the subject rental. Interest Only loans: Gross Income divided by ITIA of the subject rental.</p> <p>Purchase transactions:</p> <ul style="list-style-type: none"> Long-Term Rental Income (Any lease agreement term between a month to month and 12 months): Provide a long-term Comparable Rent Schedule Form 1007/1025. When the property has a current tenant who will continue to occupy the property or the borrower has an executed lease agreement that will commence within 60 days after the note date, a copy of the lease agreement is required. Monthly Gross Rents are determined by the lower of the lease agreement amount or market rent from 1007/1025. Short-Term Rental Income (nightly, weekly, monthly rentals, such as AirBNB/VRBO income): Property must be legally permissible (city, county etc) and licensed as a short-term rental where applicable. <ul style="list-style-type: none"> Refer to the LTV/CLTV footnotes above for additional requirements. Provide a short-term Comparable Rent Schedule Form 1007 or Appraisal Management Company specific form. DSCR calculation: 80% of the monthly Gross Rents may be used. If the appraiser is unable to provide a short-term market rental analysis, then an AirDNA Rental Analysis may be used. DSCR calculation: 80% of Projected Revenue divided by 12 months. The AirDNA must meet the following parameters: <ul style="list-style-type: none"> Forecast period must cover 12 months within 90 days from the Note date The occupancy rate must be >= 50% Must have four (4) comparable properties, all within the same ZIP code or within 2 miles of the subject property Must be similar in size, room count, amenities, availability, and occupancy <p>Refinance transactions:</p> <ul style="list-style-type: none"> Long-Term Rental Income (Any lease agreement term between a month to month and 12 months): Provide a long-term Comparable Rent Schedule Form 1007/1025 and lease agreement if the property is currently occupied by a tenant. When the lease agreement is greater than the market rent from the 1007/1025, the lower of the lease agreement or 120% of the market rent may be used with 3 months current proof of receipt of the higher rental income (not including the security deposit). Vacant properties are only eligible for refinance transactions when the subject property has undergone recent renovation or rehab, with the intention of being rented out soon. Support of this must be provided via a letter of explanation from the borrower and evidence from the appraiser confirming recent work completed and providing visual evidence. In scenarios like this, market rent from the 1007/1025 may be used to qualify. Short-Term Rental Income (nightly, weekly, monthly rentals, such as AirBNB/VRBO income): Property must be legally permissible (city, county etc) and licensed as a short-term rental where applicable. <ul style="list-style-type: none"> Refer to the LTV/CLTV footnotes above for additional requirements. Provide a 12-month remittance statement from a professionally managed company (ex. Airbnb, VRBO). In addition, a screen shot of the online listing must show the property is activity marketed as a short-term rental. Provide a short-term Comparable Rent Schedule Form 1007/1025.

	<ul style="list-style-type: none"> ○ DSCR calculation: 80% of payout amount (Gross booking amount minus deductions) divided by 12 months ○ Properties that have been owned for less than 12 months may be considered on a case-by case basis using the same AirDNA and Appraisal criteria as purchase transactions.
Geographic Restrictions	<p>Properties must be located in one of the 50 United States. Hawaii is only allowed in Delegated Correspondent.</p> <p>The Seller is required, in the following geographic locations, to include a Collateral Desktop Analysis (CDA) from Clear Capital in their closed loan package, regardless of the CU score, and is subject to an additional review by PHH. The appraisal and CDA value must meet the appraisal valuation requirements addressed in the Underwriting Standards.</p> <ul style="list-style-type: none"> • Bergen County, N.J. • Essex County, N.J. • Orange County, N.Y. • Rockland County, N.Y. <p>The following locations are not permitted:</p> <ul style="list-style-type: none"> • Guam, US Virgin Islands and Puerto Rico. • Baltimore City, M.D. • Brooklyn, N.Y.
Impound/Escrow Accounts	<p>Escrow funds/impound accounts may be waived for taxes and hazard insurance on non HPML transaction loans if all of the following requirements are met:</p> <ul style="list-style-type: none"> • FICO > 700 and • At least twelve months reserves (cash out proceeds allowed) are documented and • Max 80% LTV/CLTV; In California, max 90% LTV/CLTV <p>Refer to PHH's FlexIQ Non-Agency Underwriting Standard for additional requirements.</p>
Lien Position	First
Minimum Loan Amount	Minimum \$100,000
Number of Financed Properties	<ul style="list-style-type: none"> • Maximum 20 financed properties. Refer to PHH's FlexIQ Non-Agency Underwriting Standard for additional requirements. • DSCR \geq1.0: Maximum exposure to PHH for one borrower is \$5,000,000 or 10 loans. • DSCR <1.0: Maximum exposure to PHH for one borrower is \$2,000,000 or 2 loans.
Occupancy	Investment Property
Prepayment Penalty	May be subject to up to a five-year prepayment penalty or the maximum permitted by state law, whichever is lower. Refer to PHH's FlexIQ Non-Agency Underwriting Standard for additional requirements.
Property Types	<p>Eligible:</p> <ul style="list-style-type: none"> • 1-4 unit (Detached, Semi Detached, Attached) • PUD (Detached, Attached) • Warrantable Condominium (Detached, Attached) • Non-Warrantable Condominium, excluding Condotels. Refer to the LTV/CLTV footnotes above for additional requirements. • Max 5 acres

	<p>Ineligible:</p> <ul style="list-style-type: none"> • Rural properties • Mixed Use properties <p>Refer to PHH’s FlexIQ Non-Agency Underwriting Standard for additional property type requirements.</p>
<p>Reserve Requirements</p>	<p>Reserve requirements are based on the PITIA/ITIA of the subject property.</p> <p>DSCR \geq 1.00</p> <ul style="list-style-type: none"> • Loan amount \leq \$500,000: 3 months reserves • Loan amount > 500,000: 6 months reserves • First time investor = 12 months reserves <p>DSCR < 1.00</p> <ul style="list-style-type: none"> • Loan amount \leq \$500,000: 6 months reserves • Loan amount > 500,000: 9 months reserves <p>Cash-out funds are allowed to be used as reserves regardless of LTV.</p>
<p>Secondary Financing</p>	<ul style="list-style-type: none"> • New subordinate financing is not allowed. • Existing subordinate financing is allowed on refinance transactions and must be subordinated to the subject loan and recorded. • Not allowed on interest only. <p>Refer to PHH’s FlexIQ Non-Agency Underwriting Standard for additional details.</p>
<p>Transaction Types</p>	<p>Eligible:</p> <ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Delayed Financing as a Cash-out transaction • Cash Out Refinance <p>Ineligible:</p> <ul style="list-style-type: none"> • Builder buyer/bailout transactions (builder is buying from their own inventory) • CEMA transactions • Conversion Loans • Graduated Payment Mortgage Loans • Ground leases • Interim Construction • Lease Options/Rent to Own • Periodic Payment – Loans must have periodic payments due and loans cannot have more than 3 monthly payments paid in advance from the proceeds of the mortgage loan. • Purchase contract assignments to another buyer • Simple Interest Loans • Temporary Buydowns • Texas 50(a)(6) Loans • Texas 50(a)(4) Loans <p>For properties recently listed for sale restrictions and other transaction type requirements, refer to PHH’s FlexIQ Non-Agency Underwriting Standard for additional details.</p>
<p>Underwriting</p>	<p>Manual underwriting required. AUS not allowed.</p>