

Program Description – A Third Party Profit and Loss Statement as Alternative Income Documentation

Valere Voltage offers loans to Applicants utilizing a third party prepared profit and loss statement rather than through traditional income documentation. Loans in this program must meet ATR as defined in section 1026.43. This program is designed for Applicants who are sound credit risks based on a common sense approach to underwriting.

Highlights include the following:

- Loan amounts up to \$2MM
- Interest only available with 30 or 40 year term
- DTI up to 50 allowed
- Credit scores down to 680
- All occupancy types allowed
- 5/6, 7/6 and 10/6 ARM, 15, 30, and 40 FRM (40 year term IO only)
- Multiple financed properties allowed

LTV and Loan Amount Requirements

PURCHASE														
Primary Residence					Second Home					Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI
680	80%	80%	\$ 2,000,000	50	680	80%	80%	\$ 2,000,000	50	680	80%	80%	\$ 2,000,000	50

RATE & TERM REFINANCE														
Primary Residence					Second Home					Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI
680	75%	75%	\$ 2,000,000	50	680	75%	75%	\$ 2,000,000	50	680	75%	75%	\$ 2,000,000	50

CASH OUT REFINANCE														
Primary Residence					Second Home					Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI	FICO	LTV	CLTV	Loan Amount	DTI
680	70%	70%	\$ 2,000,000	50	680	70%	70%	\$ 2,000,000	50	680	70%	70%	\$ 2,000,000	50

Eligibility Types

Applicants	<ul style="list-style-type: none"> • US Citizen • Permanent Resident Alien • Non-Permanent Resident Alien with the following visas: E, G, H, L, O, P, and TN • First time home buyer-see Housing Payment History guideline below • Non-Occupant Co-Applicants-see Underwriting Guidelines
Ineligible Applicants	<ul style="list-style-type: none"> • Irrevocable Trust • Diplomatic immunity • ITIN or DACA Applicants • Applicants with limited credit or no FICO scores-see Underwriting Guidelines • Applicants with any ownership in a business that is Federally illegal, regardless of if the income is not being used for qualifying may be considered on exception basis
Eligible Occupancy	<ul style="list-style-type: none"> • Primary, Second Home, and Investment Properties
Property Types	<ul style="list-style-type: none"> • 1-4 unit attached and detached properties • Warrantable Condos • Non-Warrantable Condos/condotels allowed with a pricing adjustment-see Underwriting Guidelines for permissible NW features (max 75 LTV) • PUDs • Mixed use properties-see Underwriting Guidelines • Manufactured Homes-see Underwriting Guidelines
Ineligible Property Types	<ul style="list-style-type: none"> • Properties with more than 20 acres • See Underwriting Guidelines for full list of unacceptable property types

<p>Eligible Transactions</p>	<p>Purchase, including non-arm's length transactions-<u>see Underwriting Guidelines</u></p> <p>Rate and Term Refinance</p> <ul style="list-style-type: none"> • No title seasoning required • Payoff of first and second, where the second is seasoned >6 months and not drawn >\$5,000 in 12 months preceding application date unless the second was used in full to purchase the property • Buyout accompanied by an executed buyout agreement • If loan being paid off was closed in the 12 months preceding the application date and was a cash out transaction, the loan will be treated as cash out. • Recoupment of funds expended to purchase a property acquired for cash within the 6 months prior to application date is considered to be a Technical Refinance: <ul style="list-style-type: none"> ○ Recoupment of gift funds is not allowed under this guideline. ○ Cash out may not exceed Applicant's documented investment ○ See Underwriting Guidelines for additional details and limitations <p>Cash-Out Refinance</p> <ul style="list-style-type: none"> • Refinances which do not fit into the rate and term guidelines are deemed to be cash out. • A refinance of a loan which was a cash out in the preceding 12 months will be considered a cash out refinances. • Six months title seasoning required for cash out refinances. • No limit to maximum cash out • Value to be utilized must be supported-<u>see Underwriting Guidelines</u>
<p>Credit Requirements</p>	
<p>Trade Lines</p>	<p>Each Applicant contributing income must have three trade lines and a credit history covering 24 months. One trade line must have been active within the last 6 months. At least one trade line must be seasoned 24 months. The same trade line may be used to cover both the 24 month history and active requirement. The trade lines do not need to be open. If an Applicant's spouse is the only Co-Applicant listed, only one Applicant is required to meet this guideline. See <u>Underwriting Guidelines</u> for more details and alternatives.</p>
<p>Credit Score</p>	<ul style="list-style-type: none"> • Credit scores allowed down to 680, subject to loan amount and LTV restrictions • Use the lowest middle score for pricing and guideline purposes.
<p>Housing Payment History</p>	<p>Housing payment history no greater than 0x30x12 for all mortgages/rental verifications.</p> <p>First Time Home Buyer (FTHB)</p> <p>For standard guideline eligibility, Applicants must be able to document a complete 12 month rental history within the last three years preceding the application showing 0x30 over the 12 month period. First time home buyers are limited to 70 LTV/CLTV. The payment history must be documented in accordance with the Underwriting Guidelines. A minimum 5% contribution from the Applicant must be provided, unless guidelines require a higher amount.</p> <p>Applicants who cannot document an acceptable and complete 12 month rent payment history as described above are eligible on an exception basis. Any payment history the Applicant does have must be documented in accordance with the Underwriting Guidelines.</p>

<p>Significant Credit Events</p>	<p>Applicants with any of the following major credit events (bankruptcy, foreclosure, modification, short sale, short pay, or deed in lieu of foreclosure) in the last four years, measured from event completion date or discharge/dismissal date to the note date, are ineligible.</p> <p>Additional Guidelines:</p> <ul style="list-style-type: none"> • Active NOD or Lis Pendens not allowed. An historic NOD or Lis Pendens is not against guidelines, however the underlying event will be evaluated against the Significant Credit Event and Housing Payment History requirements guidelines. • Judgment/Tax Lien: May remain open under certain circumstances-see <u>Underwriting Guidelines</u> • Collections/Charge-Offs: May be excluded if individually less than \$2,500 or in aggregate less than \$10,000. Any that are greater which may affect title must be paid off prior to or at closing. Medical collections are excluded from this requirement regardless of amount.
<p>Income and Assets</p>	
<p>DTI</p>	<p>Maximum DTI: 50.000</p>
<p>Applicant Eligibility</p>	<p>Applicants must have been self-employed for at least two years. Self-Employed is defined as ownership interest of 25% or greater in the business which provides them with their primary income source. At underwriter's discretion, current business existence and operations may be re-verified prior to closing.</p>
<p>Documentation Requirements & Calculation Methods</p>	<p>The following documentation is required:</p> <ul style="list-style-type: none"> • A profit and loss statement must be provided by a CPA, EA, or CTEC that covers the most recent 12 or 24 month period must be provided. The end date of the profit and loss statement must not be more than 120 days from the note date. • A letter from the individual who completed the P&L detailing the following: <ul style="list-style-type: none"> ○ The name of the Applicant's business ○ The business' start date ○ The percentage of the business that the Applicant owns ○ Confirmation that the business is still active and/or in good standing based on state requirements ○ That they reviewed and analyzed the business' financial statements ○ That they filed the Applicants' most recent personal and business (as applicable) tax returns • Validation that the license of the individual who completed the P&L remains in good standing. <p>Income will be calculated based on the net income listed on the P&L, divided over the number of months of income represented on the P&L and multiplied by the Applicant's ownership percentage. The following deductions may be added back to the net income listed on the P&L:</p> <ul style="list-style-type: none"> • Depreciation • Depletion • Amortization • Any casualty losses <p>Additionally, any W-2 income claimed as an expense on the P&L may be added back to the income calculation attributed to the Applicant. W-2s and paystubs must be provided as necessary to document amounts paid to the Applicant.</p>
<p>Co-Applicant Options</p>	<p>Full documentation from a Co-Applicant who is not self-employed may be used to supplement the P&L. See full documentation guidelines for additional information on acceptable sources. Taxable income is counted on a "gross" amount.</p>

<p>Other Income Sources</p>	<p>Rental Income Utilize 75% of the current lease income less PITIA on a net basis. Document receipt of rental income. Rental income may not be used to qualify on a vacant unit, except on the subject property on a purchase transaction.</p> <p>Other Income Sources Applicants who have supplemental income sources may utilize them to qualify provided the history of receipt and continuance requirements under the full documentation guidelines are met. The acceptable supplemental income sources are limited to: social security, pension, alimony, child support, asset distribution/utilization, and second job income.</p>
<p>Asset Accounts</p>	<ul style="list-style-type: none"> • Use 100% of cash and cash equivalents • Use 80% of face value for non-retirement asset accounts • Use 70% of retirement assets if Applicant is under 59.5, 80% if over • If Applicant is liquidating funds, document liquidation and end balance • 1031 exchanges eligible for investment properties-see Underwriting Guidelines • Business funds may be used provided the Applicant(s) own(s) a minimum of 51% combined ownership of the business. The amount of funds that may be utilized is based on the Applicant's percentage of ownership. One of the following must be provided: <ul style="list-style-type: none"> ○ A letter from Applicant's CPA, EA, or licensed tax preparer stating that the Applicant(s) may access the business funds and that the withdrawal will have no adverse impact; or ○ A cash flow analysis completed by underwriting-see Underwriting Guidelines • Cash out proceeds MAY be used to meet the reserve requirement Eligible cryptocurrency may be used for reserves or funds to close. See Underwriting Guidelines for allowable types of cryptocurrency and requirements including liquidation.
<p>Gifted Funds</p>	<ul style="list-style-type: none"> • Gift funds are allowed for funds to close. A 5% contribution from Applicant's own funds is required on primary or second homes and a 10% on investment properties. • Gifts must be documented in compliance with FNMA requirements and be from immediate family members-see Underwriting Guidelines. • Gifts of equity are allowed, max 75 LTV. No applicant contribution is required on a primary residence or a second home. Not allowed on investment properties.
<p>Liabilities</p>	
<p>Alimony/Child Support</p>	<p>Alimony may be deducted from income rather than included as a liability, provided the alimony payments are tax deductible to the payor. Otherwise, include as a liability. Child support must be included as a liability.</p>
<p>Installment Debt</p>	<p>Installment loans must be included in the DTI. Installment debt with less than 10 months' worth of payments remaining may be excluded from DTI, as long as the Applicant has the assets to make the remaining payments. Applicants may pay down the debt such that the remaining balance is less than the sum of 10 months' worth of payments. The assets used must be sourced. Loans secured by financial assets (margin loan, 401(K) loan, etc.) do not need to be included in the DTI provided the asset balance exceeds the loan balance.</p>
<p>Other Highlights</p>	
<p>Appraisal / Valuation</p>	<p>Purchases:</p> <ul style="list-style-type: none"> • Loan amount up to \$2MM, one appraisal required <p>Refinances:</p> <ul style="list-style-type: none"> • Loan amount up to \$1.5MM, one appraisal required • Loan amount from \$1.5MM to \$2MM with <=70 LTV, one appraisal required

	<ul style="list-style-type: none"> • Loan amount from \$1.5MM to \$2MM with >70 LTV, two appraisal required <p>In instances where one appraisal is required, said appraisal must have a CU score less than or equal to 2.5. If the CU score exceeds 2.5 or is unavailable, a CDA/CCA with a variance less than 10% is required. Loan amounts above \$1.5MM and up to \$2MM may not utilize the CU score in lieu of obtaining a CDA/CCA. Additional appraisal due diligence may be required at the discretion of underwriting.</p> <ul style="list-style-type: none"> • <u>Purchase</u>: lesser of purchase price or appraised value • <u>Refinance (Technical Refinance)</u>: Use the lesser of purchase price or appraised value. • <u>Refinance (Rate/Term)</u>: The current appraised value may be utilized. Any recently acquired properties with a significant increase in value must have commentary on the appraisal report addressing the increase. • <u>Refinance (Cash-Out)</u>: To the extent an exception is approved for less than six months seasoning on title as of the application date, use the lesser of purchase price plus documented improvements or market value. For properties owned six to twelve months as of the loan's application date, the current value may be utilized provided the increase in value over the period of ownership is acceptably justified and supported by the appraiser and by a CDA/CCA. Increases >25% of the purchase price plus documented improvements must be acceptably explained by the Applicant. If owned more than 12 months as of the application date, use market value.
Geographic Eligibility	<p>Refer to the Geographic Eligibility Supplement. Restrictions:</p> <ul style="list-style-type: none"> • Texas CO Refinances-<u>see Underwriting Guidelines</u> • Puerto Rico is not eligible at this time
Reserves Required	<ul style="list-style-type: none"> • Loan amount up to \$1MM: 6 months PITIA • Loan amount above \$1MM and up to \$2MM: 9 months PITIA • Other real estate owned: 2 months of each property's PITIA • First Time Home Buyer Payment Shock >350% and LTV >70: additional 3 months PITIA
Title Vesting	<ul style="list-style-type: none"> • Individual names as joint tenants, community property, or tenants in common • Living trusts meeting FNMA's requirements • Blind Trusts-<u>see Underwriting Guidelines</u> • Limited Liability Corporations-<u>see Underwriting Guidelines</u> • Partnerships/Corporations-<u>see Underwriting Guidelines</u>
ARM Terms	<ul style="list-style-type: none"> • Margin = 4.250% • Index = 30 Day Average of SOFR • Caps = 2/1/5 • Floor Rate = Note Rate • Adjustment Period = 6 Months
Interest Only	<p>Interest Only features are allowed on ARMs and FRMs. The IO period is 10 years. Minimum FICO of 680 for a loan with an IO feature. 40 year term is not eligible on 5/6 ARM</p>
Qualifying Payment	<p>To determine the P&L component of the Qualifying Payment, utilize the below (except as otherwise specified):</p> <ul style="list-style-type: none"> • Fixed Rate: Utilize the start rate over the amortizing term • Amortizing ARM: Utilize the greater of the start rate or the index plus margin, amortized over full term of the loan • FRM/ARM with IO Feature: Utilize the greater of the start rate or the index plus margin, with a payment calculated based on the remaining term of the loan after the end of the IO period.

Prepayment Penalty	Prepayment penalties may be placed on investment properties where allowed by state and federal law. See the Prepayment Penalty Supplement for information on requirements and allowances.
Min/Max Loan Amounts	Minimum: \$100,000 Maximum: \$2MM