

Non-QM Equity Advantage Correspondent

Agenda

1. Deephaven Overview
2. Equity Advantage Product
3. Exceptions
4. Resources



Deephaven Overview

About Deephaven Mortgage

Seasoned in-house underwriting that gives us the power and flexibility to review and make common sense exceptions quickly

Dedicated Operations team to move your loans seamlessly through the process

Deephaven is a premier end investor committed to offering robust products, phenomenal customer service, multiple delivery options as well as expertise in the Non-QM space! We are the end investor with the ability to securitize or aggregate whole loans into one of our investment funds. Our financial position is stronger than ever providing stability in any market environment.

We have been a leader in Non-QM since 2012 and are “ready, willing, and stable” in supporting your Non-QM strategy.



Evolution of Non-QM Market Credit Quality

Exhibit 16: Non-QM average details by vintage at issuance

CLTVs and FICO scores have improved consistently since Non-QM issuance in 2015

Year	WA Orig CLTV	WA Original FICO	Self-Employed (%)	WA DTI	WA Gross Coupon
2022	70	742	51	33	4.7
2021	70	735	57	34	5.4
2020	71	724	54	36	5.9
2019	71	725	53	36	6.2
2018	71	722	49	37	6.2
2017	73	711	47	37	6.5
2016	74	701	33	37	7.0
2015	74	688	31	36	7.4

Source: BofA Global Research, Intex, Bloomberg, KBRA



Equity Advantage Secondary Financing Option

The Equity Advantage Program provides a secondary financing option in the form of a stand-alone, closed end second

Equity Advantage: Product Eligibility Matrix

For the most up-to-date matrices visit our website:

<https://deephavenmortgage.com/correspondent/#programs>



Equity Advantage Program Attributes

- Stand-alone second only
- Primary, second home, and investment properties
- Minimum 680 FICO
- Minimum loan amount of \$75,000
- Maximum loan amount of \$500,000
- Maximum CLTV 85% for a primary residence
- Maximum CLTV 70% for second home and investment property
- Maximum DTI 50%
- Mortgage history 0x30x24
- BK/FC/SS/DIL/Seasoning 48 months
- 10Y fixed, 15Y fixed, 20Y fixed, 25Y fixed, 30Y fixed
- SFR, PUD, townhomes, 2-4 units, warrantable condos



Equity Advantage Rate and Term Refinance

The mortgage amount for a rate/term refinance is limited to the sum of the following:

- Existing second mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage
- The amount of any subordinate mortgage liens used in their entirety to acquire the subject property (regardless of seasoning)
- The amount of a home equity line of credit in first or subordinate lien position that was used in its entirety to acquire the subject property (regardless of seasoning)



Equity Advantage Rate and Term Refinance *(Continued)*

The mortgage amount for a rate/term refinance is limited to the sum of the following:

- Any subordinate financing that was not used to purchase the subject property provided:
 - For closed end seconds, the loan is at least one year seasoned as determined by the time between the note date of the subordinate lien and the application date of the new mortgage
 - For HELOCs and other open-ended lines of credit, the loan is at least one year seasoned and there have been less than \$2,000 in total draws over the past 12 months

On rate/term transactions, the borrower may only receive cash back in an amount that is the lesser of 2% of the new mortgage balance or \$2,000.



Equity Advantage Benefit to Borrower

In keeping with the commitment of responsible lending, all primary residence and second home refinance transactions must have a measurable benefit to the borrower.

When determining the benefit on a refinance transaction, one or more of the following must exist to support the benefit to the borrower:

- Balloon payoff
- Title transfer
- Property retention
- Rate reduction
- P&I reduction
- Debt reduction
- Uncontrolled cash-out

Additional restrictions apply if the new loan refinances an existing loan considered to be a special mortgage.



Equity Advantage Cash-Out Refinance

The mortgage amount for a cash-out refinance transaction may include any of the following:

- Existing second mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage
- The amount of any subordinate mortgage liens being paid off that do not meet seasoning and draw history requirements as described in 15.2.4 Rate/Term Refinance
- The amount of any non-mortgage related debt paid off through closing
- Additional cash in hand reflected on the settlement statement

A signed letter from the borrower disclosing the purpose of the cash-out must be obtained on all cash-out transactions. The purpose of the cash-out should also be reflected on the loan application.



Equity Advantage Seasoning

- The Equity Advantage Program requires 6 months of seasoning
- The appraised value must be used to determine loan-to-value
- Note date to note date is used to calculate the 6 months



Equity Advantage Credit Requirements

A U.S. credit report is required for each borrower on the loan using a valid Social Security number. A 24-month housing history is also required.

- Each borrower must have a valid score from at least 2 of the following 3 agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable.
- The applicable credit score is the middle of three scores provided for any borrower. If only two credit score are obtained, the lesser of two will be used.
- When there are multiple borrowers, the lowest applicable score from the group of borrowers is the representative credit score for qualifying.

A signed letter of explanation from the borrower or creditor is required for all inquiries within the most recent 90 days to determine whether additional credit was granted as a result of the borrower's request.



Equity Advantage Tradelines

Tradelines

- 3 tradelines reporting for 12+ months, with activity in the last 12 months

-or-

- 2 tradelines reporting for 24 + months, with activity in the last 12 months

-or-

- 1 tradeline for 36+ months with activity in the last 12 months ***Tradeline must be a mortgage account or installment account ***

All borrowers must meet the minimum tradeline requirements under the Equity Advantage Program.



Deephaven

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Equity Advantage More to Know

Texas Home Equity Loans

- Cash-out refinances for all occupancy types in the state of Texas are prohibited under the Equity Advantage Program

Land Contract/Contract for Deed

- Land Contracts or Contracts for Deed are not allowed under the Equity Advantage Program

Reserves

- 6 months of the proposed subject property PITIA for all liens
- The highest reserve requirement, rather than a cumulative total, should be used when a transaction has multiple required reserves

The following assets may not be used to meet the reserve requirement:

- Business assets
- Gift funds
- Net proceeds from cash-out transactions



Equity Advantage Mortgage and Rental Verification

- Mortgage and rental payments not reflected on the original credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM).
- A combined total of all late mortgage and rental payments in the past 24 months must be used to determine the housing history.
- If the borrower is making payments to an individual or interested party, 24 months of cancelled checks or bank statements must be obtained. A VOR/VOM is not required but may be requested for clarification.
- All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify account is current.



Equity Advantage Senior Liens

Deephaven will not permit loans in first lien position to contain any risk features that could impact the borrower's ability to repay. Terms of the subject property first lien must be obtained.

The following documentation is required:

- Copy of Note and Deed of Trust/Mortgage
- Copy of the final CD from the first lien may be required



Equity Advantage Senior Liens *(Continued)*

Ineligible Senior Liens

Ineligible Senior Lien terms include, but are not limited to:

- Loans in active forbearance or deferment
- Negative amortization
- Balloon (if the balloon payment becomes due during the amortization period of the 2nd lien)
- Reverse mortgages
- Private mortgages opened within the past 12 months
- Tax and judgment liens
- Interest-only mortgages



Equity Advantage Sources of Income

For all income sources, borrowers are qualified based on calculated stable monthly income over the most recent 1-year period. Income may be obtained from a variety of sources such as salary, bonus, commission, self-employment, etc..., and should be reasonably expected to continue for the next 3 years.

Income Type:

- Full Documentation: 1 (or) 2 Yrs W-2s or Tax Returns
- Bank Statement: 12 Months Personal (or) Business Bank Statements
- The maximum DTI allowed for the Equity Advantage Program is 50%



Equity Advantage Residual Income

Residual income is required for all primary and second home transactions using the following calculation:

$$\text{Residual Income} = \text{Gross Monthly Income} - \text{Total Monthly Obligations}$$

Residual Income of \$3,500 is required for the Equity Advantage program. An additional \$150 per dependent must also be included for all programs. The initial URLA should reflect the number of dependents for all borrowers on the transaction.



Equity Advantage Asset Requirements

Assets must be seasoned for 60 days or sourced, and verified with one of the following:

- Most recent 2 months' account statements, or most recent quarterly account statement, indicating opening and closing balances, and reflecting a consecutive 60 days of asset verification
- If account summary page provides the required information, additional pages are not required.
- Written Verification of Deposit (VOD), completed by the financial institution
 - Must include the current and average balances for the most recent 2 months
 - Large disparities between the current balance and the opening balances will require additional verification or supporting documentation

Equity Advantage Property Eligibility

PROPERTY ELIGIBILITY	
PROPERTY TYPE	ELIGIBLE
Single-Family Residence	Yes
Planned Unit Development (PUD)	Yes
Townhomes	Yes
2-4 Unit Multi-Family Properties*	Yes
Condominium (low-rise and high-rise)	Yes
Site Condominium	Yes
Non-Warrantable Condominiums	No
Age-Restricted Communities	No
Assisted Living/Continuing Care Facilities	No
Boarding Houses	No
Condotels or Condo Hotels	No
Co-operative Units	No
Farms or Hobby Farms	No
Log Homes	No
Manufactured Homes	No
Mixed-Use Properties	No
Modular Homes	No
Properties Subject to Rent Control Regulations	No
Unique Properties (Earth Homes, Berm Homes, Dome Homes, etc.)	No
<i>*See the applicable Deephaven Matrix for LTV restrictions.</i>	



Equity Advantage Appraisal Report Requirements

For loan amounts \leq \$250,000, one of:

- AVM from an approved provider with acceptable FSD, drive-by appraisal (Fannie Mae Form 2055 or 1075), or full interior appraisal (Fannie Mae Form 1004, 1073 04 1025)

For loan amounts $>$ \$250,000:

- Full interior appraisal (Fannie Mae Form 1004, 1073 or 1025)

Other requirements:

- Appraisal waivers are not acceptable
- High priced mortgage loans (HPML) require full interior appraisal



Equity Advantage AVM Requirements

AVM must have minimum confidence score of $\geq 90\%$ with Forecast Standard Deviation (FSD) Score of less than or equal to 0.10 from approved vendors:

- Approved vendor: Clear Capital
- Acceptable for SFR, PUD, and 2-4 unites
- Not acceptable for condos and townhomes
- If the AVM does not provide the required FSD score or confidence rating, the AVM is considered ineligible and an exterior-only or full interior appraisal is required

Note: AVMs are not allowed on condo transactions.

Expanded-Prime Borrowers Just Outside of Prime

This is our core product with our lowest rates

Expanded-Prime

Program Attributes:

- 660 minimum FICO
- Loan amounts up to \$3.5 million
- LTV up to 90% *No MI required
- 1x30x12 mortgage history acceptable
- 48 months of seasoning for recent housing events
- Standard debt ratio 50%
- 30 year fixed I/O, 40 year fixed I/O, 5/6 ARM, and 5/6 ARM I/O
- Cash out up to \$1,000,000
- SFR, PUD, townhomes, 2-4 units, condos, non-warrantable condos, and rural up to 15 acres
- First-time homebuyers allowed on primary residence and second home residence



Expanded-Prime: Product Eligibility Matrix

For the most up-to-date matrices visit our website:

[https://deephavenmortgage.com/correspondent/ - programs](https://deephavenmortgage.com/correspondent/-programs)



Non-Prime Borrowers Outside of Prime

Flexible solutions for borrowers recovering from recent credit events



Non-Prime: Product Eligibility Matrix

For the most up-to-date matrices visit our website:

<https://deephavenmortgage.com/correspondent/#programs>



Non-Prime

Program Attributes:

- 620 minimum FICO
- Loan amounts up to \$1.5 million
- LTV up to 80%
- 1x120x12 mortgage history acceptable on a primary residence, 0X60X12 mortgage history acceptable on second homes and investment properties
- Lighter seasoning on recent housing events
- Standard debt ratio 50%
- 30 year fixed I/O, 40 year fixed I/O, 5/6 ARM, and 5/6 ARM I/O
- Cash out up to \$500,000 with a 660 FICO
- SFR, PUD, townhomes, 2-4 unit, condos, non-warrantable condos, and rural properties up to 15 acres
- 12 or 24 months of bank statement income with a recent housing event
- 1 year of P&L income with a recent housing event
- First-time homebuyers allowed on primary residence and second home residence



DSCR Debt Service Coverage Ratio

DSCR is a formula for determining a borrower's ability to repay a mortgage using the cash flow from the subject investment property



DSCR: Product Eligibility Matrix

For the most up-to-date matrices visit our website:



DSCR

Program Attributes:

- 660 minimum FICO
- Loan amounts up to \$2 million
- LTV up to 80%
- Cash-out LTV up 75%
- 0X30X12 mortgage history acceptable
- 36 months of seasoning for recent housing events
- 30 year fixed, 30 year fixed I/O, 5/6 ARM, and 5/6 ARM I/O
- Unlimited financed properties
- LLC vesting allowed
- SFR, PUD, townhome, 2-4 units, condos, and non-warrantable condos
- Max 2 acres
- First-time investors allowed – Max LTV 75%



Deephaven Exceptions

Exceptions

General standards applicable to exception requests

- Exceptions to published guidelines are considered on a case-by-case basis
- Exception requests must be supported by strong compensating factors
- Exception requests must be submitted by the seller in writing to Deephaven on the Deephaven Exception Request Form along with any supporting documentation



Deephaven Resources



The Deephaven Difference

Your Deephaven representative is your point of contact to initiate an exception request for loans prior to submission.

Correspondent Scenario Desk

- Need help structuring your Non-QM deals?

Our Scenario Desk can help with evaluating credit grading, reviewing non-warrantable condo documentation and answering general Non-QM questions.

- Send an email with your question to the Scenario Desk and we will respond quickly with answers you can trust.

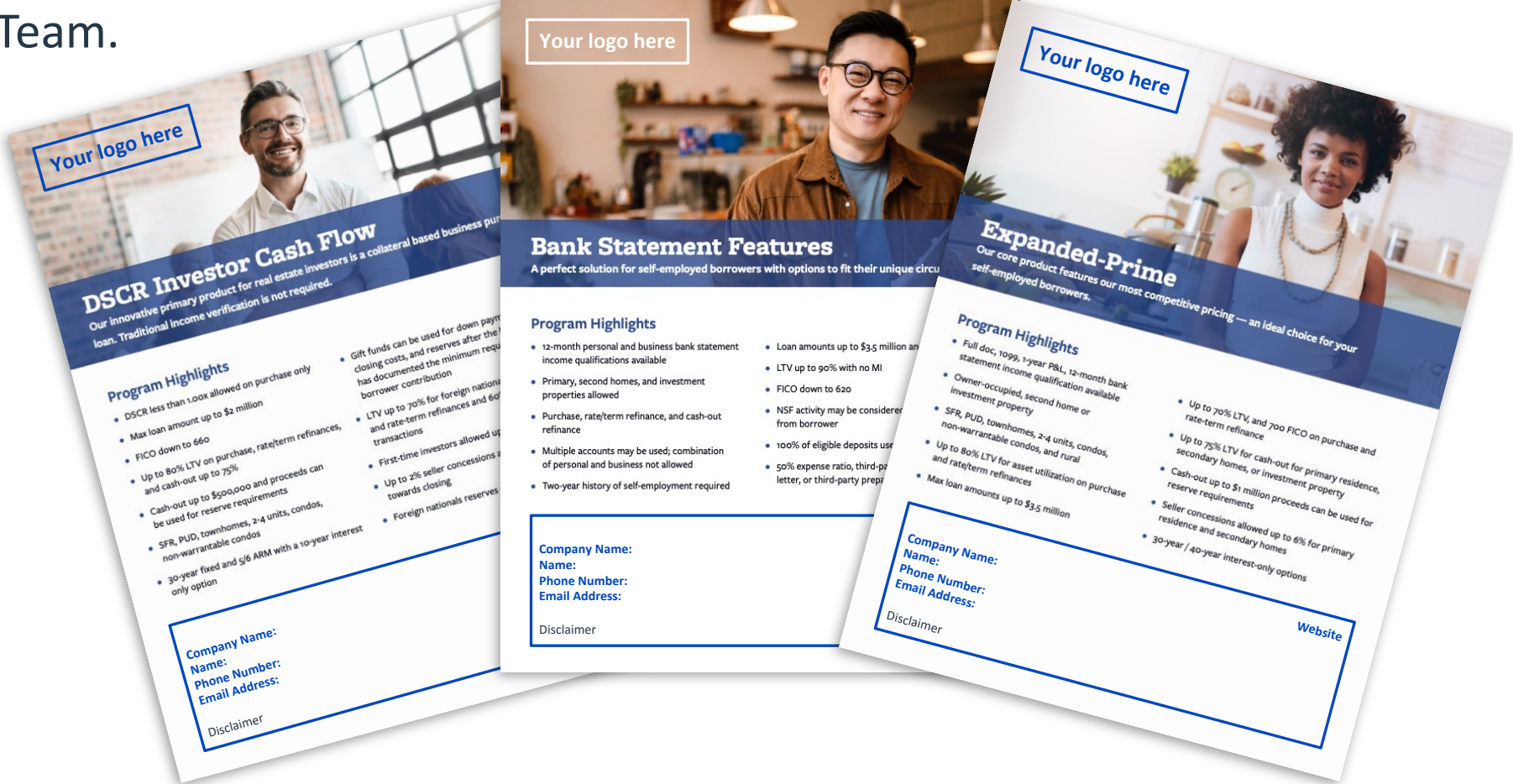
Scenario Desk:

Scenario@deephavenmortgage.com

1.844.512.5626

White Label Flyers

Contact Your Deephaven Team.



Bank Statement Analysis Tool

Used to provide a quick and accurate analysis of an applicant's bank statements.

The turnaround time for Bank Statement Analysis is approximately **24 hours**.



Income Calculator Tool

- Personal Bank Statement tab
- Business Bank Statement tab
- Asset Utilization tab
- DSCR Calculation tab
- Rental Income - Principal tab
- Rental Income – Investment tab
- Used to provide an accurate analysis of an applicant’s income.

Personal Bank Statement Program Income Calculator

Borrower Name:		Loan Number:		Underwriter:	
Personal Bank Statement Average (total of all statements averaged below):				\$0.00	
QUALIFYING INCOME:				\$0.00	
Comments:			Total NSF's:		0

ACCOUNT #1		BANK NAME				ACCOUNT NUMBER					
Month	Date	NSFs	Monthly Deposits	Disallowed Deposits (enter transfers, unusual deposits, and one-time deposits as positive numbers)				Usable Deposits			
1									\$0.00		
2									\$0.00		
3									\$0.00		
4									\$0.00		
5									\$0.00		
6									\$0.00		
7									\$0.00		
8									\$0.00		
9									\$0.00		
10									\$0.00		
11									\$0.00		
12									\$0.00		
13									\$0.00		
14									\$0.00		
15									\$0.00		
16									\$0.00		
17									\$0.00		
18									\$0.00		
19									\$0.00		
20									\$0.00		
21									\$0.00		
22									\$0.00		
23									\$0.00		
24									\$0.00		
Number of Statements		Monthly Average Deposits				\$0.00				Total Eligible Deposits	\$0.00

Personal Bank Statements
Business Bank Statements
Option 1B
Asset Utilization
DSCR Calculation
Rental Income - Principal
Rental Income - Investment
Cash Flow Ai ...



Scenario Calculator Tool

Used to provide preliminary loan program options.

Change Layout ☐ ☐ 🔍

Quick Qualifier

Purpose * Occupancy *

Purchase Price / Value * Loan Amount *

LTV FICO *

Property Type * Rural Non-Warrantable Condo

Income Doc Type *

DTI * Reserves

State (e.g. CA, NV, FL, etc.) * Citizenship

Bankruptcy Seasoning Housing History

FC/SS/DIL Seasoning

Interest Only Escrow Waiver

First Time Home Buyer

Prepay Term

Tradelines



Resources & Tools

Locating resources:

- Visit our website, www.deephavenmortgage.com
- For help with tools and resources, please contact us at 1-844-346-2677 or email us at sales@deephavenmortgage.com

Reminder:

- Resources and tools are intended solely for the use of licensed mortgage professionals. Distribution to consumers is strictly prohibited.
- The resources and tools are designed to provide preliminary information and the results do not constitute a lock, a credit decision, an offer for the extension of credit, or a commitment to make a loan.



Portal & Submissions Training



**Contact Your Sales Team Or
Email Us At:**

Info@deephavenmortgage.com



Deephaven Non-QM Workshop Series

- Deephaven Product Deep Dive (60 Minutes)
- Deephaven Products Overview (30 Minutes)
- Sourcing The Non-QM Borrower (30 Minutes)
- Realtor Non-QM Alternative Financing (30 Minutes)
- Alternative Income Features Deep Dive (45 Minutes)
- DSCR Alternative Investor Product Deep Dive (45 Minutes)
- Non-Warrantable Condo Deep Dive (30 Minutes)
- ITIN / Foreign National Borrowers (30 Minutes)
- Equity Advantage (30 minutes)

All webinars are available at

<https://deephavenmortgage.com/deephaven-deep-dive-webinar-series/>



The Deephaven Difference / Global Webinars

- All webinars are available at <https://deephavenmortgage.com/deephaven-deep-dive-webinar-series/>
- Follow us on LinkedIn: <https://www.linkedin.com/company/deephavenmortgage/>



Thank you!

You are the critical link to helping qualified homebuyers achieve their homeownership objectives.

