

Delegated Correspondent

Silver Hill Capital Bank Statement



Silver Hill Capital

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These programs are offered to qualified residential lending institutions and are not applicable to the general public or individual consumers. Equal Housing Lender.

Silver Hill Capital Bank Statement

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Bank Statement Eligibility Matrix				
Primary Residence				
Transaction Type	Units	FICO ³	Maximum LTV/CLTV/HCLTV ⁴	Maximum Loan Amount
Purchase or Rate and Term Refinance	1	660	75%	\$1,000,000
	1-4	680	80%	\$1,000,000
		720	80%	\$1,500,000
		680	75%	
		700	75%	\$2,000,000
		680	70%	
		720	75%	\$2,500,000
		700	65%	
		740	75%	\$3,000,000 ¹
		720	70%	
Primary Residence				
Transaction Type	Units	FICO ³	Maximum LTV/CLTV/HCLTV ⁴	Maximum Loan Amount
Cash-Out Refinance ²	1	660	70%	\$1,000,000
		660	65%	\$1,500,000
	1-4	700	80%	\$1,000,000
		680	75%	
		720	80%	\$1,500,000
		680	70%	
		700	75%	\$2,000,000
		680	65%	
		720	70%	\$2,500,000
		700	60%	
		740	70%	\$3,000,000 ¹
		720	65%	
Second Home				
Transaction Type	Units	FICO ³	Maximum LTV/CLTV/HCLTV ⁴	Maximum Loan Amount
Purchase or Rate and Term Refinance	1	700	80%	\$1,000,000
		680	75%	\$1,500,000
		700	75%	\$2,000,000

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Second Home				
Transaction Type	Units	FICO ³	Maximum LTV/CLTV/HCLTV ⁴	Maximum Loan Amount
Cash-Out Refinance ²	1	680	65%	\$1,000,000
		700	75%	\$1,500,000
		720	65%	\$2,000,000
Investment				
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV ⁴	Maximum Loan Amount
Purchase or Rate and Term Refinance	1-4	680	75%	\$1,000,000
		680	70%	\$1,500,000
		700	75%	\$2,000,000
Investment				
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV ⁴	Maximum Loan Amount
Cash-Out Refinance ²	1-4	680	65%	\$1,000,000
		700	70%	\$1,500,000
		720	65%	\$2,000,000

¹ Loan amounts greater than \$2,500,000 require 24 months of income verification via either bank statements or 1099s

² Cash-Out Refinance Transactions: Maximum Cash-Out

- LTV ≥ 70%: \$250,000
- LTV > 50 & < 70: \$500,000
- LTV ≤ 50%: \$1,000,000

³ Interest Only

- Minimum 680 FICO

⁴ Non-warrantable condominiums: LTV/CLTV must be 10% below product/program maximum up to a maximum of 70% LTV/CLTV

Silver Hill Capital Bank Statement Notes:

- Single loan variances may be granted on a case-by-case basis by Silver Hill Capital (at its sole determination) for loans with terms or characteristics that are outside of Silver Hill Capital's Bank Statement Eligibility requirements. Approval of the single loan variance must be granted by Silver Hill Capital prior to the delivery of the loan

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Loan Product																
Seller must ensure that each loan delivered to the Silver Hill Capital is in compliance with the Ability to Repay (ATR) rules established by the Consumer Financial Protection Bureau (“CFPB”). Seller shall deliver loans that were originated in accordance with the Special Products Seller Guide unless otherwise stated in this product matrix. For topics not specifically addressed in this product matrix or the Special Products Seller Guide, refer to the Fannie Mae Single Family Selling Guide.																
Product Description	• The Silver Hill Capital Bank Statement product is designed for strong credit quality self-employed borrowers and permits the use of bank statements (personal or business), in lieu of tax returns, to support self-employed income for qualification purposes. The documentation must provide evidence that the borrower’s self-employed income is stable, sufficient to repay the borrower’s debts and likely to continue • Business or personal bank statements are permitted • Twelve (12) or twenty-four (24) month bank statement option is available • 1099 income option permitted • Loans that are eligible for sale to a government-sponsored enterprise (GSE) – Fannie Mae or Freddie Mac – are ineligible for the Silver Hill Capital Bank Statement program															
Minimum Loan Amount	• \$100,000															
Eligible Products Terms	<table><tr><th>30 Year Terms</th><th>40 Year Terms</th></tr><tr><td> • PBF330 – 30 Year Fixed </td><td> • PBF400 Bank Statement Plus – 40 Year Fixed </td></tr><tr><td> • PBF305 – 5 Year I/O with loan fully amortizing over remaining 25 years </td><td> • PBF410 Bank Statement Plus – 10 Year I/O with loan fully amortizing over remaining 30 years </td></tr><tr><td> • PBF310 – 10 Year I/O with loan fully amortizing over remaining 20 years </td><td></td></tr><tr><td> • PBF331 Bank Statement Plus – 30 Year Fixed </td><td></td></tr><tr><td> • PBF306 Bank Statement Plus – 5 Year I/O with loan fully amortizing over remaining 25 years </td><td></td></tr><tr><td> • PBF311 Bank Statement Plus – 10 Year I/O with loan fully amortizing over remaining 20 years </td><td></td></tr></table>		30 Year Terms	40 Year Terms	• PBF330 – 30 Year Fixed	• PBF400 Bank Statement Plus – 40 Year Fixed	• PBF305 – 5 Year I/O with loan fully amortizing over remaining 25 years	• PBF410 Bank Statement Plus – 10 Year I/O with loan fully amortizing over remaining 30 years	• PBF310 – 10 Year I/O with loan fully amortizing over remaining 20 years		• PBF331 Bank Statement Plus – 30 Year Fixed		• PBF306 Bank Statement Plus – 5 Year I/O with loan fully amortizing over remaining 25 years		• PBF311 Bank Statement Plus – 10 Year I/O with loan fully amortizing over remaining 20 years	
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Interest Only	• Minimum 680 FICO • See DTI section for calculation requirements															
Ineligible Product Types	• High Cost Loans (Federal, State or Local) • Balloons • Graduated Payments															

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	• Temporary Buydowns • Adjustable Rate Terms • Single Close Construction to Permanent Transactions
Loan Purpose	• Purchase • Rate/Term Refinance • Cash-Out
Rate/Term Refinance Transactions	• The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items ◦ If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed \$2000 in the most recent twelve (12) months ◦ A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months ◦ A seasoned equity line is defined as not having draws totaling over \$2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history ◦ Max cash back at closing is limited to the greater of \$2000 or 1% of the loan amount • Properties inherited less than twelve (12) months prior to application date can be considered for a Rate and Term refinance transaction if the following requirements are met: ◦ Must have clear title or copy of probate evidencing borrower was awarded the property ◦ A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries ◦ Borrower retains sole ownership of the property after the pay out of the other beneficiaries ◦ Cash back to borrower not to exceed the greater of \$2000 or 1% of the loan amount
Cash-Out Transaction	Maximum Cash-Out • LTV ≥ 70%: \$250,000 • LTV > 50 & < 70: \$500,000 • LTV ≤ 50%: \$1,000,000 • Borrower must have owned the property for at least six (6) months. If the property is owned free and clear and six (6) month seasoning is not met, refer to Delayed Purchase Refinancing section below • Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand • Inherited properties may not be refinanced as a cash-out refinance prior to twelve (12) months ownership. See Rate and Term Refinances for requirements • Explanation letter signed by the borrower stating purpose of cash-out on all investment property cash-out transactions. May be incorporated within the body

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	of the Business Purpose Affidavit • Cash-out refinances where the borrower is paying off a loan from a pledged asset/retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the property, the following guidelines apply: ◦ Cash-out limitation is waived if previous transaction was a purchase ◦ Seasoning requirement for cash-out is waived (borrower does not have to have owned for six (6) months prior to subject transaction) ◦ Funds used to purchase the subject property must be documented and sourced ◦ HUD-1/CD for subject transaction must reflect payoff or pay down of pledged asset/retirement account loan, secured loan, unsecured family loan or business asset account. If cash-out proceeds exceed payoff of loans, excess cash must meet cash-out limitations ◦ The purchase must have been arm's length
Delayed Financing	• Property was purchased by borrower for cash within six (6) months of the loan application • HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property • Preliminary title reflects the borrower as the owner and no liens • Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no gift funds or business funds) • Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 401(k) loan are acceptable if the following requirements are met: ◦ The borrowed funds are fully documented ◦ The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction • LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas • Investment properties are allowed if borrower is not a builder or in the construction industry and prior transaction was arm's length
Occupancy	• Primary Residence 1-4 units • Second home residences one (1) unit ◦ Must be a reasonable distance away from borrower's primary residence ◦ Must be occupied by the borrower for some portion of the year ◦ Must be suitable for year-round use ◦ Must not be subject to a rental agreement and borrower must have exclusive control over the property ◦ Any rental income received on the property cannot be used as qualifying income • Investment properties 1-4 units

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LTV/CLTV/HCLTV Calculation for Refinance Transactions	• If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date • If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date
Age of Documents	• All credit documents, including title commitment must be no older than ninety (90) days from the Note date ◦ See Self-Employment section for restrictions
Documentation	• QM designation must be provided in the loan file; for the Silver Hill Capital Bank Statement program: ◦ QM designation is Non-QM ◦ QM designation is Exempt for investment property transactions when the transaction is exclusively for business purposes. (Refer to §1026.3(a) and the Official Interpretation to §1026(a)) ◦ Investment property transactions require an attestation from the borrower stating that the property is used 100% of the time for business purposes in order for the designation to be Exempt. If the borrower does not use the property 100% of the time for business purposes, the loan is Non-QM and the designation would be Non-QM rather than QM exempt for Silver Hill Capital Bank Statement loans • Loan file must meet and document the eight (8) Ability to Repay (ATR) rules under the federal Truth-in-Lending Act, as implemented by Regulation Z • All bank statement loans must be closed on agency residential loan documents
Higher Priced Mortgage Loans (HPML)	• Must comply with all federal laws and regulations relating to Higher Priced Mortgage Loans (HPML) including but not limited to the bullets points listed below • Higher Priced Mortgage Loans (HPML) are allowed if the following requirements are met: ◦ Loan must have an escrow account for a minimum of 5 years ◦ 1002.14(a)(1) allowing the consumer to waive the requirement that the appraisal copy be provided three (3) business days before consummation, does not apply to Higher Priced Mortgage Loans subject to §1026.35(c). A Consumer of a Higher Priced Mortgage Loan subject to §1026.35(c) may not waive the timing requirement to receive a copy of the appraisal under §1026.35(c)(6)(i) • Appraisal Requirements ◦ If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt.

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	- o If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt - o If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals
Eligibility	
Texas 50(a)(6)	• Permitted. See Special Products Seller Guide for additional requirements
Borrower Eligibility	• US Citizens • Permanent Resident Aliens with evidence of lawful residency - o Must be employed in the US for the past twenty-four (24) months • Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions: - o Primary Residence Only - o Maximum LTV/CLTV/HCLTV 75% - o No other financed properties in the US - o Credit tradeline requirements must be met, no exceptions - o Borrower must have a current twenty-four (24) month employment history in the US • Documentation evidencing lawful residency must be met (see Special Products Seller Guide for requirements) • Illinois Land Trust (see Special Products Seller Guide for requirements) • Inter Vivos Revocable Trust (see Special Products Seller Guide for requirements) • All borrowers must have a valid Social Security Number • The primary borrower must be self-employed and represent the majority of qualifying income
Non-Occupant Co-Borrower	• Must be a family member • Primary Residence – 1 unit only • Reduce maximum LTV/CLTV by 5%
Ineligible Borrowers	• Foreign Nationals • Borrowers with Diplomatic Immunity status • Life Estates • Non-Revocable Trusts • Guardianships • LLCs, Corporations or Partnerships • Land Trusts, except for Illinois Land Trust • Borrowers with any ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying
First-Time Homebuyer	• First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) occupying borrower has owned a home in the last three (3) years, First-Time Homebuyer requirements do not apply

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	- All First-Time Homebuyers must meet the following requirements: - Primary residence only - Maximum 45% DTI - Borrower must contribute 10% of their own funds to the transaction - Payment Shock – maximum 250% - Must be able to document a satisfactory twelve (12) month rental history
Non-Arm's Length Transactions	A non-arm's length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible: - Family sales or transfers - Property seller acting as their own real estate agent - Relative of the property seller acting as the seller's real estate agent - Borrower acting as their own real estate agent - Relative of the borrower acting as the borrower's real estate agent - Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file - Originator is related to the borrower - Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord) - Investment property transactions must be arm's length Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations Other non-arm's length transactions may be acceptable on an single loan variance basis
Continuity of Obligation	When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible: - The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements: - Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or - Is related to the borrower on the mortgage being refinanced - The borrower on the new refinance transaction was added to title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction - The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership

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	- The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply: - Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan NOTE: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement
Credit	
Underwriting	- Manual underwrite is required - Delegated underwriting only - AUS findings are not considered; no documentation waivers are considered - In all cases, the loan file must document the eight (8) ATR rules - In some cases, single loan variances to program eligibility may be acceptable when strong compensating factors exist to offset the risk. Single loan variance must be granted by SILVER HILL CAPITAL - Borrower's Affirmation of Information Form required - Second Home Transactions: Prudent underwriting must be exercised to determine the reasonableness of considering the property a second home
Credit Requirements	- Two (2) tradelines must be open for twenty-four (24) months and active within the most recent twelve (12) months, or - Three (3) tradelines must be rated for twelve (12) months - Each borrower contributing income for qualifying must meet the minimum tradeline requirements; however, borrowers not contributing to income for qualifying purposes are not subject to minimum tradeline requirements - Authorized user accounts are not allowed as an acceptable tradeline - Non-traditional credit is not allowed as an acceptable tradeline <u>Disputed tradelines:</u> - All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute - Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded <u>Credit Inquiries:</u> - If the credit report indicates inquiries within the most recent 120 days of the credit report, the Seller must confirm the borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances, confirmation of no new debt may be in the form of a new credit

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	report, pre-close credit report or gap credit report or borrower explanation for the credit inquiry ○ If additional credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment • <u>Frozen Credit</u>: Follow Fannie Mae Selling Guide requirements except as noted below ○ All borrowers must have a minimum of two (2) credit scores <u>that are generated from the unfrozen bureaus</u>
Housing History	• Mortgage history requirements: ○ If the borrower(s) has a Mortgage in the most recent twelve (12) months, a mortgage rating must be obtained, reflecting 1x30 in the last twelve (12) months ○ The mortgage rating may be on the credit report or a VOM ○ Applicable to all borrowers on the loan ○ Sellers must review the borrower(s) credit report to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan. In addition to reviewing the credit report, the Seller must also apply due diligence for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine the loan payments are current as of the Note date of the subject transaction. Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following: ○ Loan payment history from the servicer or third party verification service ○ Payoff statement for loans being refinanced ○ Current mortgage statement from the borrower ○ Verification of mortgage (VOM) ○ If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required • Rental history requirements: ○ If the borrower(s) has a rental history in the most recent twelve (12) months, a VOR must be obtained reflecting 0x30 in the last twelve (12) months ○ Applicable to all borrowers on the loan ○ Verification of rent must be from a management company or via cancelled checks/bank statements. Private party rental history is not permitted
Significant Derogatory Credit	Waiting Periods • Bankruptcy, Chapter 7, 11, 13 – four (4) years since discharge / dismissal date • Foreclosure – four (4) years since completion date

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	• Notice of Default – four (4) years • Short Sale/Deed-in-Lieu – four (4) years since completion / sale date • Forbearance – four (4) years since exit from forbearance (See below Forbearance section for additional requirements) • Mortgage accounts that were settled for less, negotiated or short payoffs – four (4) years since settlement date • Loan modifications: ◦ Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply ◦ If the modification was due to hardship or included debt forgiveness – four (4) years since modification • Waiting periods down to 36 months permitted and must meet the below criteria: ◦ LTV/CLTV must be 5% below product/program maximum ◦ Additional six (6) months reserves required • Single loan variances for credit events will be considered on a case-by-case basis between two (2) and three (3) years with extenuating circumstances subject to the following: ◦ Extenuating circumstances are defined as non-recurring events that are beyond the borrower's control resulting in a sudden significant and prolonged reduction in income or catastrophic increase in financial obligations ◦ Examples would include death or major illness of a spouse or child but would not include divorce or job loss ◦ Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower has no reasonable option other than to default on their obligations ◦ <u>Single loan variance must be approved by SILVER HILL CAPITAL</u> ◦ If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on a single loan variance basis • Multiple derogatory credit events not allowed, regardless if seasoned over four (4) years ◦ A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event ◦ A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event • Medical collections are allowed to remain outstanding if the balance is less than \$10,000 in aggregate • Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing
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	• Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts • Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full
Forbearance	Determining Eligibility for New Loan <u>For borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.01.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section above.</u> • Any loans that are shown to be in active or previous forbearance but where the borrower continued to make regularly scheduled payments and has made at least one (1) regularly scheduled payment since forbearance inception date are eligible ◦ All payments must have been made within the month due ◦ The forbearance plan must be terminated at or prior to closing and the loan file must contain documentation that the forbearance is no longer active (i.e. removal letter from servicer, etc.). • Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance <u>and borrower has accepted a payment deferral, initiated a repayment plan or has reinstated the mortgage to return to a current status</u> must meet the requirements below: ◦ <u>Purchase & Rate/Term Refinance:</u> ▪ Three (3) consecutive months of required payments since completed forbearance plan ▪ All payments must have been made within the month due ◦ <u>Cash-out Refinance:</u> ▪ Twelve (12) consecutive months of required payments since completed forbearance plan ▪ All payments must have been made within the month due • <u>Payment Deferral:</u> The refinance of a loan that has a payment deferral and where the amount of the deferred payments is included in the new loan is eligible as a rate/term transaction. Funds applied to pay off the prior loan, including the deferred portion, are not considered cash out

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	• <u>Repayment Plan</u>: The full amount of the repayment plan monthly payment must be considered in meeting the required consecutive payment requirements (Purchase/Rate Term or Cash-out) detailed above • A mortgage subject to forbearance must utilize the mortgage payment history in accordance with the forbearance plan in determining late housing payments • Loan file must contain a letter of explanation from the borrower detailing the reason for forbearance and that the hardship no longer exists
DTI	• 49.99% ◦ First time homebuyer maximum 45% DTI • Interest Only loans must qualify using the fully amortized PITIA payment amortized over the following: ◦ 30 year term with 5 year I/O: 25 years ◦ 30 year term with 10 year I/O: 20 years ◦ 40 year term with 10 year I/O: 30 years
Payment Shock	• Maximum 350% of the borrower's current primary residence housing payment • First Time Homebuyer - maximum 250% of the borrower's current primary residence housing payment
Lawsuit/Pending Litigation	• If the Uniform Residential Loan Application, title commitment or credit documents indicate that the borrower is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral
Liabilities	
Liabilities	• The monthly payment on revolving accounts with a balance must be included in the borrower's DTI, regardless of the number of months remaining. If the credit report does not reflect a payment and the actual payment cannot be determined, a minimum payment may be calculated using the greater of \$10 or 5% • If the credit report reflects an open-end of net thirty (30) day account, the balance owing must be subtracted from liquid assets • Loans secured by financial assets (life insurance policies, 401(k), IRAs, CDs, etc.) do not require a payment to be included in the DTI if documentation is provided to show the borrower's financial asset as collateral for the loan • Lease payments, regardless of the number of payments remaining, must be included in the DTI • Installment debts lasting ten (10) months or more must be included in the DTI • Child support, alimony, and separate maintenances with ten (10) or more months remaining ◦ Alimony payments may be deducted from income rather than included as a liability in the DTI for divorces prior to 1/1/2019. For borrowers with a divorce on or after 1/1/2019, the alimony payment must be treated as a liability

Business Debt Exclusion

- A business debt is a financial obligation of a business but may also be the responsibility of the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt and it must be included in the debt-to-income ratio. When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report is being paid by the borrower's business, it must be confirmed that the obligation was actually paid out of company funds to exclude the debt. Any of the following supporting documentation can be included in the credit file to exclude business debt:
 - Most recent six (6) months of cancelled checks drawn against the business account
 - Most recent business bank account statement must show assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt
- If the debt is less than six (6) months old, the payment must be included in the DTI ratio

Student Loans

- For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the borrower's monthly debt obligation
 - If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used in qualifying
 - If the credit report does not provide a monthly payment or if it shows \$0 as the monthly payment, the monthly payment may be one of the options below:
 - Loan payment indicated on student loan documentation verifying monthly payment is based on an income-driven plan
 - For deferred loans or loans in forbearance:
 - 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment) or
 - A fully amortizing payment using the documented loan repayment terms

HELOCs and OREOs

- HELOCs with a current outstanding balance with no payment reflected on the credit report may have the payment documented with a current billing statement. HELOCs with a current \$0 balance do not need a payment included in the DTI unless using for down payment or closing costs
- Monthly PITIA for any additional properties owned by the borrower including second homes and investment properties with a negative cash flow
- Current real estate taxes and insurance on properties owned free and clear

Tax liens and Payment Plans

- If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if the tax transcripts show an outstanding balance due:
 - A payment plan for the most recent tax year is allowed if the following requirements are met:
 - Payment plan was setup at the time the taxes were due. Copy of the payment plan must be included in the loan file
 - Payment is included in the DTI
 - Satisfactory pay history based on terms of payment plan is provided
 - Payment plan is only allowed for taxes due for the most recent tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020 A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed
 - Borrower does not have a prior history of tax liens

Contingent Liabilities

- Co-Signed loans – the monthly payment on a co-signed loan may be excluded from the DTI if evidence of timely payments made by the primary obligor (other than the borrower) is provided for the most recent twelve (12) months and there are no late payments reporting on the account
- Court Order – if the obligation to make payments on a debt has been assigned to another person by a court order, the payment may be excluded from the DTI if the following documents are provided:
 - Copy of the court order
 - For mortgage debt, a copy of the document transferring ownership of property
 - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owning on the mortgage property should be considered when reviewing the borrower's credit profile
- Assumption with No Release of Liability – the debt on a previous mortgage may be excluded from the DTI with evidence that the borrower no longer owns the property. The following requirements apply:
 - Payment history showing the mortgage on the assumed property has been current during the previous twelve (12) months or
 - The value on the property, as established by an appraisal or sales price on the HUD-1/CD results in an LTV of 75% or less

Departure Residence

- Departure Residence Pending Sale – To exclude the payment for a borrower's primary residence that is pending sale but will close after the subject transaction, the following requirements must be met:

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	- o A copy of an executed sales contract for the property pending sale and confirmation all contingences have been cleared/satisfied. The pending sale transaction must be arm's length - o The closing date for the departure residence must be within thirty (30) days of the subject transaction Note date - o Six (6) months reserves must be verified for the PITIA of the departure residence • Departure Residence Subject to Guaranteed Buy-Out with Corporation Relocation – To exclude the payment for a borrower's primary residence that is part of a Corporate Relocation, the following requirements must be met: - o Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the third party - o Guaranteed buy-out by the third party must occur within four (4) months of the fully executed guaranteed buy-out agreement - o Evidence of receipt of equity advance if funds will be used for down payment or closing costs - o Verification of an additional six (6) months PITIA of the departure residence
Employment/Income	
Non- Self-Employment Income	Stable monthly income must meet the following requirements to be considered for qualifying • Stable - two (2) year continuous history of receiving the income in the same line of work - o When the borrower has less than a two (2) year history of receiving income, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable • Verifiable • High probability of continuing for at least three (3) years • Borrower to execute attestation at closing changes to employment and income listed on the final loan application and affirming their ability to repay the loan • Sources other than the Borrower's self-employment are permissible for qualifying purposes, i.e., spouse's employment income (if spouse is also a borrower) social security, rent, pension, spouse's employment income • Tax returns/tax transcripts must not be included in the loan file Declining Income (Non-Self Employed): When the borrower has declining income, the most recent twelve (12) months should be used or the most conservative income calculation if the declining period is shorter than 12 months. Income must be stabilized and not subject to further decline in order to be considered for qualifying purposes In certain cases, an average of income for a longer period may be used when the decline is related to a one-time capital expenditure and proper documentation is provided In all cases, the decline in income must be analyzed to determine if the rate of

	decline would have a negative impact on the continuance of income and the borrower's ability to repay. The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying Gaps in Employment: A minimum of two (2) years employment and income history is required to be documented Gaps more than thirty (30) days during the past two (2) years require a satisfactory letter of explanation and the borrower must be employed with their current employer for a minimum of six (6) months to include as qualifying income. - o Extended gaps of employment (six (6) months or greater) require a documented two (2) year work history prior to the absence - o Single loan variances may be considered on a case-by-case basis when the borrower is on the job less than six (6) months, and the gap is less than six (6) months • W-2 transcripts for two (2) years are required to validate W-2 wages • Form 4506-C or Form 8821 for non-self-employment income is required to be signed at closing • Income calculation worksheet or 1008 with income calculation for non-self-employment income. • Paystubs must meet the following requirements: - o Clearly identify the employee/borrower and the employer - o Reflect the current pay period and year-to-date earnings - o Computer generated - o Paystubs issued electronically via email or internet, must show the URL address, date and time printed and identifying information - o Year-to-date pay with most recent pay period at the time of application and no earlier than ninety (90) days prior to the Note date • W-2 forms • Verification of Employment Requirements (Requirements below apply when income is positive and included in qualifying income): - o Verbal Verification of Employment (VVOE) must be performed no more than ten (10) business days prior to the Note date. The Verbal VOE should include the following information for the borrower: • Date of contact • Name and title of person contacting the employer • Name of employer • Start date of employment • Employment status and job title • Name, phone #, and title of contact person at employer • Independent source used to obtain employer phone number • Written Verification of Employment may be required for a borrower's income
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	sourced from commissions, overtime and or other income when the income detail is not clearly documented on W-2 forms or paystubs Written VOEs cannot be used as a sole source for verification of employment. Paystubs and W-2s are still required
Self-Employment	- Any borrower who has a 25% or greater ownership interest in a business is considered to be self-employed and must be evaluated as such. Self-employed borrowers must be self-employed with the same business for a minimum of two consecutive years. A CPA/accountant/tax preparer letter or equivalent document (e.g. Current Operating Agreement) verifying self-employment/percentage of ownership must be provided in all cases - At least one borrower must have 51% or more of their qualifying income coming from self-employment - Percentage of self-employment ownership - Personal Bank Statement Option: Minimum 25% ownership - Business Bank Statement Option: Minimum 50% ownership 1099 income option permitted – see 1099 Income section below - Ineligible Self-Employment Sources: - Foreign businesses - Businesses that function as a non-profit enterprise - Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than twenty (20) business days prior to the Note date. In addition, confirmation that the business is currently operating must be provided. Below are acceptable examples of documentation to confirm the business is currently operating: - Evidence of current work (executed contracts or signed invoices) indicating the business is operating on the day the lender verifies self-employment; - Evidence of current business receipts within 10 days of the Note date (payment for services performed); - Lender certification the business is open and operating (lender confirmed through a phone call or other means); or - Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled
Bank Statement Income Calculation Requirements	Personal Bank Statements - Qualifying income is determined by the lower of a) Total eligible deposits from the 24 or 12-months of personal statements divided by 12 or 24 months, or b) Monthly net income stated on the initial Uniform Residential Loan Application. The most recent personal bank statement must be consistent with the qualifying income - If the personal account is jointly owned, and the joint owner is not an owner of the business, additional care must be taken to ensure that only eligible transfers from the business accounts or business deposits are utilized for qualifying purposes

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- o Borrower must provide 2-months business bank statements if utilizing personal bank statements for income qualification to confirm personal account is not utilized as a business account. Business bank statement requirements must be followed for income calculation if 2-months business statements are not provided
- o Unacceptable deposits as identified further below must be excluded from the income calculation
- **Business Bank Statements**
 - o Qualifying income is determined by the lower of the income disclosed on the initial Uniform Residential Loan Application Uniform Residential Mortgage Application or one of the following methods:
 - o Option 1 – Fixed Expense:
 - Gross deposits will be multiplied by a fixed 50% expense factor to determine a net deposit number and divided by 12 or 24 months, dependent upon the number of bank statements provided and then multiplied by the borrower's percentage of ownership of the business
 - A business narrative form is required to be provided by the borrower's business which includes details regarding the industry, size, and operating profile of the business, addressing number of employees/contractors. The business narrative form is to be completed by an employee (non-relative) of the borrower's business, with knowledge and information of the operations and finances of the business. Typical positions held by this employee would include: Controller, Treasurer, V.P. Finance, Finance Manager, or Accounting Manager. This form can also be completed by a third-party individual with direct knowledge of the borrower's business, such as Certified Public Accountant or an IRS Enrolled Agent
 - Businesses within an industry that experience higher expense factors are not eligible for the 50% Fixed Expense option and must utilize another option. Higher expense factor industries include, but are not limited to the following:
 - o Construction
 - o Manufacturing
 - o Retail and Wholesale Trade
 - o Hospitality, Food and Beverage Services
 - o Transportation
 - The business narrative form should be used to determine if the borrower's business is eligible for the Fixed Expense option based on the reasonableness of expenses
 - Option 2 – CPA/accountant/tax preparer statement – In lieu of using a fixed 50% expense factor, the expense factor can be determined via a

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	CPA/accountant/tax preparer produced written statement specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement must not include any unacceptable disclaimer or exculpatory language regarding its preparation. The minimum allowable expense ratio for qualifying is 20% irrespective of a third-party statement showing a lower expense ratio ▪ <u>Option 3 – P&L:</u> • A third-party CPA/accountant/tax preparer produced Profit and Loss (P&L) statement accompanied by a written statement that the CPA or tax preparer has reviewed the P&L. The bank statements and the P&L must cover the same time period. The P&L and accompanying statement must not have any unacceptable disclaimer or exculpatory language regarding its preparation. Net income from the P&L should be divided by the number of the bank statements (12 or 24) and then multiplied by the borrower's percentage of ownership of the business. Net income from the P&L will be used for qualifying provided revenue is supported by the bank statements provided (i.e. the deposits on the bank statements must be at least 85% of the Gross Receipts on the P&L) • A Bank Statement Calculator must be utilized and results made part of the loan file. A sample bank statement income calculator can be found on the Client Portal • W-2 income permitted if not associated with the business • Unacceptable Deposits: Include but are not limited to the following ○ Cash advances from credit cards ○ Income sources already taken into account ○ Non-business related account transfers ○ Tax refunds ○ Product returns/credits ○ Gift funds ○ Credit line deposits/business financing ○ Loan proceeds
Bank Statement Analysis and Documentation and Requirements	Bank Statement Documentation • Business or personal bank statements: 12 or 24 consecutive months within 90 days of note date. Up to 24 months of bank statements may be required at the underwriter's discretion. Income situations that may require additional bank statements for review include but are not limited to inconsistencies in cash flows consistent with occupation type or seasonal types of self-employment. Examples include seasonal income such as that received by a tax accountant whose primary income occurs in the first half of a year, or large isolated

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payments such as those received by political consultants or promoters who are paid for a specific events or contracts and have a history of similar types of payments.

- o Multiple bank accounts permitted
 - o Combination of personal and business accounts not permitted
- When personal bank statements are used, most recent 2 months business statements are also required
 - o If borrower does not maintain a separate business account, then the personal account will be considered comingled and would require the same documentation and income calculation as would be used for Business Accounts
- Bank statements may be obtained from the borrower or via a third-party asset vendor such as Finicity or Form Free.
- CPA letter confirming percentage of ownership required
- Tax returns/tax transcripts must not be included in the loan file
- Bank statements used for qualifying income must be from U.S. bank accounts in U.S. dollars
- **Loan amounts greater than \$2,500,000 require 24 months of bank statements**

Bank Statement Analysis

- Ending Balances: The bank statements should show a trend of ending balances that are stable or increasing over the 12 month or 24 month period. Low ending balances must be explained; additional documentation may be required. Income must be deemed stable to be eligible
- Income Trends:
 - o DTI > 36%: When 12 months of statements are provided, a decline in deposits 6 months over 6 months of up to 10% is allowed. Beyond 10%, an additional 12 months of statements are required. When 24 months of statements are required, a maximum decline in deposits of 10% is allowed from the prior 12 months to the current 12 months. Otherwise, the income is ineligible. If deposits are declining year over year but within the 10% tolerance, use the current 12 month average income for qualifying. In the event a P&L is used to qualify, a revised P&L should be provided covering only the most recent 12 month period and used for determining the borrower's income. If the income is increasing, use the 24 month average income for qualifying
 - o DTI ≤ 36%: When 12 months of statements are provided, a decline in deposits 6 months over 6 months of up to 20% is allowed. Beyond 20%, an additional 12 months of statements are required. When 24 months of statements are required, a maximum decline in deposits of 20% is allowed from the prior 12 months to the current 12 months. Otherwise, the

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	income is ineligible. If deposits are declining year over year but within the 20% tolerance, use the current 12 month average income for qualifying. In the event a P&L is used to qualify, a revised P&L should be provided covering only the most recent 12 month period and used for determining the borrower's income. If the income is increasing, use the 24 month average income for qualifying • <u>Deposits</u>: Net deposits must not reflect any other income sources already taken into consideration (i.e., SSI, W-2 wage earnings, etc) • <u>Non-Sufficient Funds (NSF)/Overdraft Protection</u> ◦ NSF: With a satisfactory LOE, no more than 3 NSFs are permitted in the last 12 months ◦ Overdraft Protection: An overdraft is any occurrence whereby the account balance goes negative but is linked to another depository account or line of credit with the same financial institution. Such occurrences are not considered in the 3 occurrence limit described above provided the account does not reflect in a negative balance, the account shows a transfer from the other account, and the underwriter has no concerns over the viability of the business. A satisfactory LOE is also required • Bank statement calculator must be used and results included in the loan file. A sample bank statement income calculator can be found on the Client Portal
1099 Income	• 1099 income is permitted for individual(s) earning 100% commission or for independent contractors ◦ 1-year or 2-years of 1099s or 1099 transcript(s) permitted using a 10% Expense Factor • Qualifying income is the 12 or 24 monthly average from the total number of 1099's minus the 10% expense factor • YTD documentation required to support the continued receipt of income from same source • YTD earnings must be documented to support the ongoing receipt of income showing on the 1099s by: ◦ Checks or a single check stub(s) with YTD totals if available, or ◦ Bank statements (YTD) • The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings • Loan amounts greater than \$2,500,000 require 2 years of 1099s
Unacceptable Sources of Income	• Any unverified source • Deferred compensation • Temporary or one-time occurrence income • Rental income from primary residence – One (1) unit property or one (1) unit property with accessory unit

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	• Rental income from a second home • Retained earnings • Education benefits • Trailing spouse income • Capital gains • Dividends and interest • Foreign income • Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying: ◦ Foreign shell banks ◦ Medical marijuana dispensaries if borrower has any ownership ◦ Any income resulting from ownership in a business related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law
Residual Income	• \$2500
Salaried Income	• YTD paystub • W-2s – two (2) years • W-2 transcripts • VVOE
Hourly and Part-time	• YTD paystub • W-2s – two (2) years • W-2 transcripts • VVOE • Stable to increasing income should be averaged over a two (2) year period
Commission Income	• YTD paystub • Two (2) years W-2s if commissions are less than 25% of total income or • W-2 transcripts • VVOE • Stable to increasing income should be averaged for the two (2) years
Overtime and Bonus Income	• YTD paystub • W-2s – two (2) years • W-2 transcripts • VVOE • Stable to increasing income should be averaged for the two (2) years • Bonus income that is received on an annual basis and exceeds 25% of total income must be considered carefully due to the potential impacts of COVID-19 ◦ Employer must confirm that the current year bonus is in line with the prior years and is not negatively impacted due to COVID-19
Rental Income (for all properties except departing primary residence)	• All properties (except departing primary residences) • <u>Documenting Rental Income from Subject Property</u>

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	- o Lease agreements must be provided if rental income is used for qualifying purposes - o Current lease for each rental property; rent rolls are not allowed - o The rental income reflected on the current lease agreement must be discounted by a 25% vacancy factor - o Most recent 2 months' receipt of rental income dated within 30 calendar days of the note date - o For leases that have a roll over clause, or the property is in a state where all leases roll over, a copy of most recent lease is required - o Form 1007 is required to support the rental income on the lease agreements - o Purchase Transactions: If the property is not currently rented, lease agreements are not required and Form 1007 may be used to document rental income and must be discounted by a 25% vacancy factor • <u>Documenting Rental Income from Non-Subject Property</u> - o Copy of the current lease agreement(s) discounted by a 25% vacancy factor are required • Net rental income may be added to the borrower's total monthly income; net rental losses must be added to the borrower's total monthly obligations • If the subject property is the borrower's primary residence (one (1) unit property or one (1) unit property with an accessory unit), rental income is not eligible to be used for qualification and the full PITIA should be included in the borrower's total monthly obligations • If the subject property is the borrower's primary residence with two (2) units, rental income may be included for the unit not occupied by the borrower if the requirements for a lease agreement • Short Term Rental: - o All short-term rental loans must be originated in accordance with federal, state and local regulations and restrictions pertaining to short-term rentals - o New York City short-term rental qualifying income not permitted - o Property leased on a short-term basis utilizing an on-line service such as Airbnb gross monthly rents can be determined by using a 12-month look back period to account for seasonality - o Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties owned, statements from an online service must be provided to associate rents received with the specific property - o 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
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	o A screen shot of the online listing must show the property(s) activity marketed as a short-term rental
Rental Income – Departing Primary Residence	• If the borrower is converting their current primary residence to a rental property and using rental income to qualify or offset the payment the following requirements apply: - o Borrower must have documented equity in departure residence of 25% - o Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction; or documented equity may be evidenced by the original sales price and the current unpaid principal balance - o Copy of current lease agreement - o Copy of security deposit and evidence of deposit to borrower's account - o Net rental income should be calculated using gross rent X 75% minus PITIA - o All short-term rental loans must be originated in accordance with federal, state and local regulations and restrictions pertaining to short-term rentals - o New York City short-term rental qualifying income not permitted
Retirement Income (Pension, Annuity, 401(k), IRA Distributions)	• Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years - o Distribution must have been set up at least six (6) months prior to Note date if there is no prior history of receipt; or two (2) year history of receipt evidenced - o Distributions cannot be set up or changed solely for loan qualification purposes. • Document regular and continued receipt of income as verified by any of the following: - o Letters from the organizations providing the income - o Copies of retirement award letters - o Most recent IRS W-2 or 1099 forms - o Proof of current receipt with two (2) months bank statements <i>If any retirement income will cease within the first three (3) years of the loan, the income may not be used.</i>
Social Security Income	• Social Security income must be verified by a Social Security Administration benefit verification letter • If benefits expire within the first three (3) years of the loan, the income may not be used • Benefits (children or surviving spouse) with a defined expiration date must have a remaining term of at least three (3) years
Alimony/Child Support/Separation Maintenance	• Considered with a divorce decree, court ordered separation agreement, or other legal agreement provided the income will continue for at least three (3) years • If the income is the borrower's primary income source and there is a defined expiration date (even if beyond three (3) years) the income may not be acceptable for qualifying purposes • Evidence of receipt of full, regular and timely payments for the most recent twelve (12) months

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Borrowers Employed by Family	• YTD paystub • Two (2) years W-2s and • VVOE • Borrower's potential ownership in the business must be addressed
Asset Depletion	• Not allowed
Trust income	• Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years • Regular receipt of trust income for the past twelve (12) months must be documented • Copy of trust agreement or trustee statement showing: ◦ Total amount of borrower designated trust funds ◦ Terms of payment ◦ Duration of trust ◦ Evidence the trust is irrevocable • If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income
Disability Income – Long Term (Private Policy or Employer Sponsored)	• Copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amount of payments, frequency of payments, and if there is an established termination date • Termination date may not be within three (3) years of Note date; please note reaching a specific age may trigger a termination date depending on the policy
Restricted Stock and Stock Options	• May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years • A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule. • Additional awards must be similar to the qualifying income and awarded on a consistent basis • There must be no indication the borrower will not continue to receive future awards consistent with historical awards received • Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income • Stock must be a publicly traded stock • Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify • Incentive sign on income and future RSU's are limited to 50% of total qualifying income. Income calculation results may be reduced to meet the 50% restriction

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Projected Income	• Not permitted • May be considered on an single loan variance basis if borrower has a non-revocable contract and employment starts within sixty (60) days of closing		
Assets/Reserves			
Asset Requirements	• Beyond the minimum reserve requirements and to fully document the borrower’s ability to meet their obligations, borrowers should disclose all liquid assets • Eligible assets must be held in a US account • Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs • Lender is responsible for verifying large deposits did not result in any new undisclosed debt • Asset verification by a Fannie Mae approved asset validation provider is allowed in lieu of two (2) months statements provided by the borrower • The asset verification must provide sixty (60) days of account activity and include all items normally indicated on bank statements • Virtual Currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to Fannie Mae Selling Guide for additional details		
	Asset Type	% Eligible for Calculation of Funds	Additional Requirements
	Checking/Savings/Money Market/CDs	100%	Two (2) months most recent statements
	Publicly Traded Stocks/Bonds/Mutual Funds	100%	Two (2) months most recent statements. Non-vested stock is ineligible. Margin account and/or pledged asset balances must be deducted
	Retirement Accounts (401(k), IRAs, etc.)	70% of the vested value after the reduction of any outstanding loans.	• Most recent statement(s) covering a two (2) month period • Evidence of liquidation if using for down payment or closing costs • Evidence of access to funds required for employer- sponsored retirement accounts • Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves.
	Cash Value of Life Insurance/Annuities	100% of value unless subject to penalties	Most recent statement(s) covering a two (2) month period
	1031 Exchange	Allowed on second home and	• HUD-1/CD for both properties • Exchange agreement

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		investment purchases only. Reverse 1031 exchanges not allowed	- Sales contract for exchange property - Verification of funds from the Exchange Intermediary
	Business Funds	Allowed for down payment/closing costs and reserves with additional requirements met	- Cash flow analysis required to determine no negative impact to the ongoing operation of the business. - Business bank statements must not reflect any NSF's (non-sufficient funds) or overdrafts. - If borrower(s) ownership in the business is less than 100%, the following requirements must be met: - Borrower(s) must have majority ownership of 51% or greater - The other owners of the business must provide an access letter to the business funds - Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s) - Business funds for reserves or a combination of personal/business funds for reserves, then at least 50% of the reserve requirement must be personal, liquid and non-retirement for the subject property and any additional financed REO - Business funds must be reduced by 50% prior to being used to meet reserve requirements

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	Gift Funds	• Gift funds may be used once borrower has contributed 5% of their own funds • Gift funds not allowed to be used as reserves • Gift funds not allowed on investment properties	• Donor must be a family member, future spouse or domestic partner • Executed gift letter with gift amount and source, donor's name, address, phone number and relationship • Seller must verify sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account • Acceptable documentation includes the following: ◦ Copy of donor's check and borrower's deposit slip ◦ Copy of donor's withdrawal slip and borrower's deposit slip ◦ Copy of donor's check to the closing agent ◦ A settlement statement/CD showing receipt of the donor's gift check
Reserves	Reserve Requirements (# of Months of PITIA)		
	Occupancy	Loan Amount	# of Months
	Primary, Second Home & Investment Property	≤\$1,000,000	6
		\$1,000,001-\$2,000,000	9
		> \$2,000,000	12
	Additional 1-4 Unit Financed REO	• Maximum number of financed properties – follow Fannie Mae Selling Guide requirements • All financed 1-4 unit residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply: ◦ 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage ◦ Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation • If eligible to be excluded from the count of multiple financed properties, reserves are not required	
	• Borrowed funds (secured or unsecured) are not permitted to meet reserve requirements • Cash-out not permitted to meet reserve requirements • Gift funds not permitted to meet reserve requirements		

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Interested Party Contributions	- Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates and/or any other party with an interest in the real estate transaction - The following restrictions for interested party contributions apply: - May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves - Maximum interested party contribution is limited to: - Primary & Second Home – 6% - Investment Property – 3%
Seller Concessions	- All seller concessions must be addressed in the sales contract, appraisal and HUD-1/CD. A seller concession is defined as any interested party contribution beyond the stated limits (as shown in the prior section, Interested Party Contributions) or any amounts not being used for closing costs or prepaid expenses - If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for the purposes of calculating the LTV/CLTV/HCLTV
Personal Property	- Any personal property transferred with a property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal - If any value is associated with the personal property, the sales price and the appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV
Subordinate Financing	
Subordinate Financing	- Institutional financing only - Seller subordinate financing not allowed - Subordinate liens must be recorded and clearly subordinate to the first Mortgage lien - If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the borrower's debt to income ratio - Full disclosure must be made of the existence of subordinate financing and the subordinate financing repayment terms - The following are acceptable subordinate financing types: - Mortgage terms with interest at market rate - Mortgage with regular payments that cover at least the interest due, resulting in no negative amortization - Employer subordinate financing is allowed with the following requirements: - Employer must have an Employee Financing Assistance Program in place - Employer may require full repayment of the debt if the borrower's employment ceases before the maturity date - Financing may be structured in any of the following ways: - Fully amortizing level monthly payments

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	- o Deferred payments for some period before changing to fully amortizing payments - o Deferred payments over the entire term - o Forgiveness of debt over time - o Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien • LTV/CLTV/HCLTV guidelines must be met for loans with subordinate financing • If subject transaction is paying off a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed • Shared equity finance agreements are an ineligible source of subordinate financing
Down Payment/Closing Cost Assistance	• Down payment and closing cost assistance subordinate financing is not permitted
Property/Appraisal	
Eligible Property Types	• 1-4 Unit Owner Occupied Properties • 1 Unit Second Homes • 1-4 Unit Investment Properties • Condominiums – Attached – Warrantable - o Limited review allowed for attached units in established condominium projects: - o Eligible transactions as per Fannie Mae guidelines - o CPM or PERS allowed - o Full Review allowed. Warranty to Fannie Mae full review guidelines - o Projects with 2-4 units – no condominium review or condominium warranty is required. Fannie Mae basic requirements apply - o Florida attached condominiums limited to 50% LTV/CLTV/HCLTV on investment transactions - o Condominium documents to support condominium eligibility review must be no older than 120 days from Note date • Condominiums – Detached (including site condominiums) - o No condominium review or condominium warranty is required. Fannie Mae basic requirements apply • Condominiums – Non-Warrantable (see Non-Warrantable Condominiums section below) • Cooperatives - o Must meet Fannie Mae project standards - o Underlying Blanket Mortgage – Any underlying/blanket mortgage for the project may be a balloon mortgage with a remaining term of less than three (3) years,

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	but not less than six (6) months. If the balloon incorporates an adjustable rate feature, the current interest rate may not be subject to an interest rate adjustment prior to the maturity date ◦ Investment properties not allowed • Modular homes • Planned Unit Developments (PUDs) • Properties with ≤20 Acres ◦ Properties >10 acres ≤20 acres must meet the following: ◦ Maximum land value 35% ◦ No income producing attributes • Properties Subject to Existing Oil/Gas Leases must meet the following: ◦ Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease ◦ No active drilling; Appraiser to comment or current survey to show no active drilling ◦ No lease recorded after the home construction date; Re-recording of a lease after the home was constructed is permitted ◦ Must be connected to public water NOTE: Properties that fall outside these parameters can be considered on a single loan variance basis Miscellaneous: Properties with leased solar panels must meet Fannie Mae requirements Acceptable Forms of Ownership: • Fee Simple with title vesting as: ◦ Individual ◦ Joint Tenants ◦ Tenants in Common • Leaseholds must meet Fannie Mae requirements • Deed/Resale Restrictions must meet Fannie Mae requirements
Non-Warrantable Condominiums	Only one (1) non-warrantable feature is allowed and LTV/CLTV must be 10% below product/program maximum up to a maximum of 70% LTV/CLTV <i>For example, if borrower qualifies for a loan at 70% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 60%</i> • Commercial Space ◦ Includes space above and below grade ◦ Must be compatible with the residential use of the project; for example, restaurants, small shops, business offices, small market/grocery store that

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	complements the neighborhood - Maximum 50% commercial space allowed - Maximum Ownership by one (1) entity is 25% for projects with more than ten (10) units - Units owned by the developer, sponsor, or succeeding developer that are vacant and being actively marketed for sale are not included in the calculation - Units currently leased must be included in the calculation - For projects with ten (10) units or less, Fannie Mae guidelines apply for the number of units owned by one (1) entity and would not be considered non-warrantable - Presale - New projects or converted projects (as defined by Fannie Mae) must have at least 30% of the units sold or under contract to owner occupants or second home purchasers for the subject phase - Common areas/amenities must be complete for the subject phase - Budget – for projects with line item for replacement reserves of less than 10% - Less than 10% but greater than 7% replaced reserves allowed if current reserve balance exceeds 10% of operating expenses - Less than 7% replacement reserves allowed if current reserve balance exceeds 20% operating expenses - Project balance sheet must be provided and within 120 days of the Note date The subject legal phase and any other prior legal phases in which units have been offered for sale are substantially complete (common elements complete and units complete subject to selection of buyer upgrades/preference items) - Primary residence and second home only - All other Fannie Mae condo requirements met - Loan must be locked and property must be identified as a non-warrantable condominium with applicable pricing adjustments applied <i>Loans outside of these parameters with strong compensating factors may be considered on a single loan variance basis</i>
Ineligible Property Types	2-4 unit second home properties - Condotels/Condo Hotels - Manufactured Homes/Mobile Homes - Mixed-Use Properties - Model Home Leasebacks - Properties with condition rating of C5/C6 - Properties with construction rating of Q6

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	• Properties located in Hawaii in lava zones 1 & 2 • Properties located in areas where a valid security interest in the property cannot be obtained • Properties >20 acres • Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant • Tenants-in-Common projects (TICs) • Unique properties • Working farms, ranches or orchards
Appraisal Requirements	• A minimum of one full appraisal is required • Transferred appraisals are not allowed • Appraisals must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed • The subject property must be appraised within 90 days prior to the Note date • Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date • For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply: ◦ Second full appraisal is required ◦ Property seller on the purchase contract is the owner of record ◦ Increases in value should be documented with commentary from the appraiser and recent paired sales <i>The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu</i> <u>Third-Party Review:</u> • One (1) of the following secondary valuation products is required to be ordered by the lender to support the appraised value: ◦ Collateral Desktop Analysis (CDA) ordered from Clear Capital, or ◦ A Consolidated Collateral Analysis (CCA XP) ordered from Consolidated Analytics, or ◦ A RicherValues Oversight Report, or ◦ Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA, CCA XP or or RicherValues Oversight Report ▪ Maximum Loan amount \$1,500,000 ◦ If the CDA, CCA XP or RicherValues Oversight Report returns a value that is "Indeterminate" or if the CDA, CCA XP or RicherValues Oversight Report indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the following requirements must be met: ▪ A Clear Capital BPO or Consolidated Analytics BPO (Broker Price Opinion) or a

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RicherValues Desktop Review along with a reconciliation of all valuation reports is required. The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the reconciliation reports

- A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The Seller is responsible for providing the field review or 2nd full appraisal full appraisal
- If two (2) full appraisals are provided, a CDA, CCA XP or RicherValues Oversight Report is not required

Appraisal Requirements Based on Loan Amount:	
First Lien Amount	Appraisal Requirements
Purchase Transactions	
≤ \$2,000,000	1 Full Appraisal
> \$2,000,000	2 Full Appraisals
Refinance Transactions	
≤ \$1,500,000	1 Full Appraisal
> \$1,500,000	2 Full Appraisals

- When two (2) appraisals are required, the following applies:
 - Appraisals must be completed by two (2) independent companies
 - The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion
 - Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled
 - If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon
- Higher Priced Mortgage Loans (HPML)
 - If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt.
 - If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt
 - If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals

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Construction to Permanent Financing	- The borrower must hold title to the lot which may have been previously acquired or purchased as part of the transaction - LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction - For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV - For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot)
Disaster Area Requirements	- Refer to the Disaster Guidelines in the <u>Special Products Seller Guide</u> for requirements pertaining to properties impacted by a disaster in: - FEMA Major Disaster Declarations with designated counties eligible for individual assistance (IA); - Areas where FEMA has not made a disaster declaration, but Silver Hill Capital or an Investor (Fannie Mae, Freddie Mac, FHA, USDA or the Veterans Administration) has determined that there may be an increased risk of loss due to a disaster; - Areas where the Seller has reason to believe that a property might have been damaged in a disaster - Correspondent lenders are responsible for monitoring the <u>Disaster Declaration File</u> and the <u>FEMA Website</u> including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster
Escrow Holdbacks	Not allowed unless the holdback has been disbursed and a certification of completion has been issued prior to purchase by Silver Hill Capital
Special Restrictions	
Multiple Financed Properties	- Maximum number of financed properties – follow Fannie Mae Selling Guide requirements - All financed 1-4 unit residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage - Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation
Geographic Restrictions	- Properties located in Baltimore, MD are not permitted - Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted

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Properties Listed for Sale	• Properties currently listed for sale (at the time of application) are not eligible for refinance transactions • Properties listed for sale within six (6) months of the application date are acceptable if the following requirements are met: ◦ Rate and Term refinance only ◦ Primary and second homes only ◦ Documentation provided to show cancellation of listing ◦ Acceptable letter of explanation from the borrower detailing the rationale for cancelling the listing • Cash-out refinances are not eligible if the property was listed for sale within twelve (12) months of the application date
Escrow Waivers	• Flood insurance premiums paid by the borrower must be escrowed and cannot be waived regardless of LTV. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required • Escrow waivers for property taxes and homeowners insurance are permitted on loans with LTVs less than or equal to 80% in accordance with the Fannie Mae Selling Guide and all state specific restrictions • Tax and insurance escrows are required on all HPML loans.
Mortgage Insurance	• Not required
Pre-payment Penalties	• May be charged on investment property transactions only • Prepayment penalties are not allowed in Kansas, Minnesota, New Mexico, New Jersey, North Dakota, District of Columbia or Alaska • Prepayment penalties may be assessed as noted below, however lenders must also adhere to the state requirements noted in Appendix A • When closing a loan with a pre-payment penalty, if the Note states that there is no PPP and does not contain language that references a separate PPP Rider/Addendum then the PPP Rider/Addendum must explicitly state that it supersedes or modifies the Note • Prepayment penalties apply to all prepayments of principal, whether partial or full, during the prepayment period subject to state PPP restrictions • Prepayment Penalty Calculation (Fixed or Declining) ◦ Partial Prepayment: Use the applicable pre-payment penalty percentage multiplied by the amount of prepaid principal ◦ Full Prepayment: Use the applicable pre-payment penalty percentage multiplied by the unpaid principal balance ◦ Six (6) Month's Interest (available with the 3-year PPP option): Payment of six (6) months' advance interest, at the contract rate of interest then in effect, on the amount prepaid in any 12-month period in excess of twenty percent (20%) of the original principal amount of the loan

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	<table><tr><th colspan="6">Prepayment Penalty by Year</th></tr><tr><th></th><th>Year 0-1</th><th>Year 1-2</th><th>Year 2-3</th><th>Year 3-4</th><th>Year 4-5</th></tr><tr><td rowspan="2">5-year option(s)</td><td>5.00%</td><td>5.00%</td><td>5.00%</td><td>5.00%</td><td>5.00%</td></tr><tr><td>5.00%</td><td>4.00%</td><td>3.00%</td><td>2.00%</td><td>1.00%</td></tr><tr><td rowspan="2">4-year option(s)</td><td>5.00%</td><td>5.00%</td><td>5.00%</td><td>5.00%</td><td>0.00%</td></tr><tr><td>4.00%</td><td>3.00%</td><td>2.00%</td><td>1.00%</td><td>0.00%</td></tr><tr><td rowspan="4">3-year option(s)</td><td>5.00%</td><td>5.00%</td><td>5.00%</td><td>0.00%</td><td>0.00%</td></tr><tr><td>3.00%</td><td>2.00%</td><td>1.00%</td><td>0.00%</td><td>0.00%</td></tr><tr><td>1.00%</td><td>1.00%</td><td>1.00%</td><td>0.00%</td><td>0.00%</td></tr><tr><td>6 month's interest if pay down>20%</td><td>6 month's interest if pay down>20%</td><td>6 month's interest if pay down>20%</td><td>0.00%</td><td>0.00%</td></tr><tr><td rowspan="2">2-year option(s)</td><td>5.00%</td><td>5.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td></tr><tr><td>2.00%</td><td>1.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td></tr><tr><td rowspan="2">1-year option(s)</td><td>5.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td></tr><tr><td>1.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td></tr><tr><td>No Prepay Penalty</td><td>0.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td></tr></table>	Prepayment Penalty by Year							Year 0-1	Year 1-2	Year 2-3	Year 3-4	Year 4-5	5-year option(s)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.00%	3.00%	2.00%	1.00%	4-year option(s)	5.00%	5.00%	5.00%	5.00%	0.00%	4.00%	3.00%	2.00%	1.00%	0.00%	3-year option(s)	5.00%	5.00%	5.00%	0.00%	0.00%	3.00%	2.00%	1.00%	0.00%	0.00%	1.00%	1.00%	1.00%	0.00%	0.00%	6 month's interest if pay down>20%	6 month's interest if pay down>20%	6 month's interest if pay down>20%	0.00%	0.00%	2-year option(s)	5.00%	5.00%	0.00%	0.00%	0.00%	2.00%	1.00%	0.00%	0.00%	0.00%	1-year option(s)	5.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	0.00%	0.00%	0.00%	No Prepay Penalty	0.00%	0.00%	0.00%	0.00%	0.00%
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Loan Documentation Requirements	• Business Purpose Affidavit (on investment property transactions) • Interest-only Note (if applicable) • Interest-only Rider (if applicable) • Pre-payment Penalty Rider (if applicable) • 1-4 Family Rider for investment property transactions • Explanation letter signed by the borrower stating purpose of cash-out on all investment property cash-out transactions. May be incorporated within the body of the Business Purpose Affidavit • Borrower Authorization Form • All other forms required per the document checklist which is posted in the Reference Library of the Correspondent Portal																																																																																			
Maximum Financed Silver Hill Capital Exposure	• Borrower(s) are limited to a maximum of \$6,250,000 in aggregate with Silver Hill Capital																																																																																			
Seller shall deliver loans that were originated in accordance with the Special Products Seller Guide unless otherwise stated with this product matrix.																																																																																				

Appendix

State Specific Pre-Payment Penalty Requirements

<u>State</u>	<u>PPP Permitted</u>	<u>Requirement</u>
Alaska	No	No prepayment penalty shall be permitted
District of Columbia	No	No prepayment penalty shall be permitted
Illinois	Yes with conditions	Prepayment penalty is not allowed when the rate of interest exceeds an annual percentage rate of 8% (APR)
Kansas	No	No prepayment penalty shall be permitted
Louisiana	Yes with conditions	A mortgage lender may contract for and receive a prepayment penalty in an amount not to exceed: (a) Five percent of the unpaid principal balance if the loan is prepaid in full during the first year of its term. (b) Four percent of the unpaid principal balance if the loan is prepaid in full during the second year of its term. (c) Three percent of the unpaid principal balance if the loan is prepaid in full during the third year of its term. (d) Two percent of the unpaid principal balance if the loan is prepaid in full during the fourth year of its term. (e) One percent of the unpaid principal balance if the loan is prepaid in full during the fifth year of its term.
Michigan	Yes with conditions	Max 3YR at max 1% for SFR No restrictions for 2-4 units
Minnesota	No	No prepayment penalty shall be permitted
Mississippi	Yes with conditions	(a) Five percent (5%) of the unpaid principal balance if prepaid during the first year; (b) Four percent (4%) of the unpaid principal balance if prepaid during the second year; (c) Three percent (3%) of the unpaid principal balance if prepaid during the third year;

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		(d) Two percent (2%) of the unpaid principal balance if prepaid during the fourth year; and (e) One percent (1%) of the unpaid principal balance if prepaid during the fifth year No restrictions for 2-4 units
New Jersey	No	Pre-payment penalties cannot be charged to natural person borrowers
New Mexico	No	No prepayment penalty shall be permitted
North Carolina	Yes with conditions	For loans of \$100,000 or less, max 2% repayment fee of the outstanding balance at any time within the first three years after the first payment of principal. After the first three years, the lender may not charge a prepayment fee. For loans of \$100,001 or more, no restrictions
North Dakota	No	No prepayment penalty shall be permitted
Ohio	Yes with conditions	1-2 unit: maximum 1% within 5 years of execution date of the mortgage only if loan amount $\geq$ \$116,356 ; No prepayment penalty permitted if loan amount $<$ \$116,356 (only allowed within first 5 years) 3-4 unit : prepayment penalty permitted without restriction except if the loan amount falls below \$116,356 then no PPP
Pennsylvania	Yes with conditions	1-2 unit: only if loan balance $>$ \$329,411; No prepayment penalty permitted if balance $\leq$ \$329,411 3-4 unit: prepayment penalty allowed without restriction
Texas	Yes with conditions	Property cannot be owner-occupied
Virginia	Yes with conditions	Loans $<$ \$75,000, max 1% prepayment fee of unpaid principal balance. Loans $>$ \$75,000, no prepayment restrictions

Version Control

Author	Section	Date	Update
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DH	Appraisal Requirements	01.24.24	Added CCA XP from Consolidated Analytics as an acceptable third-party vendor for appraisal review
DH	Pre-payment Penalties	01.24.24	Added When closing a loan with a pre-payment penalty, if the Note states that there is no PPP and does not contain language that references a separate PPP Rider/Addendum then the PPP Rider/Addendum must explicitly state that it supersedes or modifies the Note
DH	Appendix A State Specific Pre-payment Penalty Requirements	02.14.24	Updated PPPs for PA for 2024
DH	Appendix A	06.26.24	Removed <u>Ohio</u> 1-2 unit: maximum 1% within 5 years of execution date of the mortgage only if loan amount >=\$107,633; No prepayment penalty permitted if loan amount < \$107,633 3-4 unit : prepayment penalty permitted without restriction Added <u>Ohio</u> 1-2 unit: maximum 1% within 5 years of execution date of the mortgage only if loan amount >=\$110,223; No prepayment penalty permitted if loan amount < \$110,223 (only allowed within first 5 years) 3-4 unit : prepayment penalty permitted without restriction except if loan amount falls below \$110,223, then no PPP
DH	Borrower Eligibility	10.09.24	Removed reference to specific Visa types
DH	Rate/Term Refinance	02.19.25	Removed - Max cash back at closing is limited to 1% of the new loan amount Added - Max cash back at closing is limited to the greater of \$2000 or 1% of the loan amount
DH	DTI	02.19.25	Added First time homebuyer maximum 45% DTI
DH	Bank Statement Income Calculation Requirements	02.19.25	Removed - When using personal bank statements, removed the requirement to multiply total deposits by the borrower's percentage of ownership of the business - Borrower must provide 3-months business bank statements if utilizing personal bank statements for income qualification to confirm personal account is not utilized as a business account. Business bank statement requirements must be followed for income calculation if 3-months business statements are not provided Added - The most recent personal bank statement must be consistent with the qualifying income - If the personal account is jointly owned, and the joint owner is not an owner of the business, additional care must be taken to ensure that only eligible transfers from the business accounts or business deposits are utilized for qualifying purposes - Borrower must provide 2-months business bank statements if utilizing personal bank statements for income qualification to confirm personal account is not utilized as a business account. Business bank statement requirements must be followed for income calculation if 2-months business statements are not provided
DH	Eligible Property Types	02.19.25	Removed - Properties with ≤40 Acres - Properties >10 acres ≤40 acres must meet the following: - Maximum land value 35% - No income producing attributes - Transaction must be 10% below maximum LTV/CLTV/HCLTV as allowed on Silver Hill Capital Bank Statement for transactions over twenty (20) acres. For example, if borrower qualifies for a loan at 80% LTV based on transaction, FICO score, loan amount and reserves, then the

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			maximum allowed would be 70% Added - Properties with ≤20 Acres - Properties >10 acres ≤20 acres must meet the following: - Maximum land value 35% - No income producing attributes
DH	Pre-Payment Penalties	02.19.25	Added - Prepayment penalties apply to all prepayments of principal, whether partial or full, during the prepayment period subject to state PPP restrictions - Prepayment Penalty Calculation (Fixed or Declining) - Partial Prepayment: Use the applicable pre-payment penalty percentage multiplied by the amount of prepaid principal - Full Prepayment: Use the applicable pre-payment penalty percentage multiplied by the unpaid principal balance - Six (6) Month's Interest (available with the 3-year PPP option): Payment of six (6) months' advance interest, at the contract rate of interest then in effect, on the amount prepaid in any 12-month period in excess of twenty percent (20%) of the original principal amount of the loan
DH	Appendix A	02.19.25	- Updated PPPs for PA and OH for 2025 - Added Kansas and North Dakota as ineligible states for PPPs.
DH	Appendix A New Jersey	07.23.25	Added Permitted only when the borrowing entity is either an S-Corporation or a C-Corporation
DH	Appendix A	09.24.25	Added Prepayment penalties in the District of Columbia are not permitted
AM	Appendix A	11.19.25	State specific updates made to the following states: - Illinois - Michigan - Mississippi - New Jersey - North Carolina - Virginia
DH	Eligible Products/Terms	11.19.25	Added new product codes: - PBF331 Bank Statement Plus – 30 Year Fixed - PBF306 Bank Statement Plus – 5 Year I/O with loan fully amortizing over remaining 25 years - PBF311 Bank Statement Plus – 10 Year I/O with loan fully amortizing over remaining 20 years Re-labeled the 40 Year Product Codes - PBF400 Bank Statement Plus – 40 Yr. Fixed - PBF410 Bank Statement Plus – 10 Yr. I/O with loan fully amortizing over remaining 30 years
AM	Geographic Restrictions	12.10.25	Added Properties located in Baltimore, MD are not permitted
DH	Appendix A	03.18.26	Updated 2026 PPPs updated for the following states: - Ohio - Pennsylvania
DH	Income/Employment	05.06.26	Updated Added Form 8821 as another option tax transcript request option for non-self-employment income
DH	Appendix A	05.06.26	Removed from Rhode Island - Prepayment penalty max 2% of balance Added - Prepayment penalty max 2% of balance during first year. No penalty permitted after first year
DH	Appraisal Requirements	06.10.26	Added RicherValues Oversight Report as an acceptable third party valuation tool
DH	Appendix A	06.10.26	Removed from New Jersey Permitted only when the borrowing entity is either an S-Corporation or a C-Corporation. Pre-payment penalties cannot be charged to LLC's or natural person borrowers

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			Added to New Jersey Pre-payment penalties cannot be charged to natural person borrowers
DH	Appendix A	07.29.26	Removed Rhode Island as there are no restrictions/conditions to PPPs for investment properties

