AAA Capital Investment, Inc.

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Full-HELOC Guideline

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1 GENERAL POLICY

1.1 LOAN PURCHASE ELIGIBILITY POLICY

AAA HELOC Program Underwriting Guidelines establish the criteria under which a home equity line of credit (HELOC) will be eligible for purchase by AAA. AAA is a secondary market purchaser of HELOCs and does not directly originate or extend or deny credit to Borrowers. AAA does not require originators or clients to make any loan simply because it is eligible for purchase by AAA, nor does AAA prohibit originators or clients from originating a loan that is ineligible for purchase by AAA. Clients should rely on their own underwriting guidelines and any additional industry information they need to determine whether to extend credit to any applicant.

AAA will evaluate many aspects of the loan to make a purchase determination, but primarily relies on evaluation of the Borrower's ability and willingness to repay the loan to predict loan performance. Additional characteristics of the loan will also be examined including credit history, asset position and the property being used for collateral.

AAA has a zero-tolerance policy as it relates to fraud. All clients should follow their own established fraud and identity procedures on every loan to prevent and detect fraud (including, but not limited to, Social Security number verification, verbal verifications of employment, etc.). HELOCs containing fraudulent documentation or information will immediately be rejected for purchase and forwarded for further review. If there is any determination of client involvement, the client will be made inactive, and the appropriate agencies notified. It is the originator's responsibility to ensure that all loans it originates comply with all federal, state, and local laws applicable to the origination and sale of HELOCs.

1.2 FAIR LENDING STATEMENT

AAA operates in accordance with the provisions of the Fair Housing Act and Equal Credit Opportunity Act. The Fair Housing Act makes it unlawful to discriminate in housing-related activities against any person because of race, color, religion, national origin, sex, handicap, or familial status. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided the borrower has the capacity to enter into a binding contract), receipt of public assistance, or because the borrower has in good faith exercised any right under the Consumer Credit Protection Act. AAA fully supports the letter and spirit of both of these laws and will not condone discrimination in any mortgage transaction.

1.3 RESPONSIBLE LENDING STATEMENT

The primary focus of this lending program is the borrower's ability to repay the mortgage obligation. Home equity line of credits acquired or funded by AAA should be affordable to the borrower in his or her pursuit of homeownership.

Under the general Ability to Repay (ATR) standard, at or before consummation of the related Mortgage Loan, lenders must make reasonable, good-faith determination that the consumer has a reasonable ability to repay the Mortgage Loan. Lenders must verify information using reasonably reliable third-party records that provide evidence of income or assets.

If a Mortgage Loan is subject to the ATR rules under the Federal Truth In Lending Act ("TILA"), lenders must consider eight underwriting factors to be compliant:

1. Current or reasonably expected income or assets (other than the value of the property that secures the loan) that the consumer will rely on to repay the loan.
2. Current employment status (if you rely on employment income when assessing the consumer's ability to repay).
3. Monthly mortgage payment for this loan. You calculate this using the introductory or fully indexed rate whichever is higher, and monthly, fully amortizing payments that are substantially equal.
4. Monthly payment on any simultaneous loan secured by the same property.

5. Monthly payments for property taxes and insurance that you require the consumer to buy, and certain other costs related to the property such as homeowner's association fees or ground rent.
6. Debts, alimony, and child support obligations.
7. Monthly debt-to-income ratio or residual income, that you calculated using the total of all of the mortgage and non-mortgage obligations listed above, as a ratio of gross monthly income.
8. Credit history.

AAA will not fund or purchase a loan subject to the ATR requirement under TILA unless it meets the requirements of the rule. Certain loans may be exempt from TILA or otherwise exempt from the ATR rule. In those cases, though AAA may choose to purchase a loan that does not adhere to the formal requirements of the ATR rule, AAA will only fund or purchase loans that the applicant appears able to afford based on application of prudent underwriting standards.

2 PROGRAM OVERVIEW | Summary and Features

2.1 FANNIE MAE SELLER GUIDE, FREDDIE MAC SELLER GUIDE

- The AAA HELOC Program is intended to reference and supplement Fannie Mae's Seller Guide or Freddie Mac's Seller Guide
  - Loans must be underwritten entirely to either Fannie Mae Guides or Freddie Mac Guides; commingling of guidelines for qualification is not permitted
- Originators should refer to the Fannie Mae or Freddie Mac Seller Guide for specific information concerning qualification requirements that are not specifically referenced herein
- To the extent there is a difference in standards between the AAA Overlays and the Fannie Mae Guides / Freddie Mac guides; Originators may rely on the AAA Overlays
- Manual underwriting only

3 PRODUCT TYPES & ELIGIBILITY (1ST & 2ND LIEN HELOCS)

Product	Qualifying Rate	Index	Draw Period	IO Period	Amort Term	Final Maturity	Min Rate	Lifetime Cap *
30 Year Maturity, 3 Year Draw	PRIME + Margin + 2.00%	PRIME	36	120	240	360	4.00%	18.00%
30 Year Maturity, 5 Year Draw	PRIME + Margin + 2.00%	PRIME	60	120	240	360	4.00%	18.00%
30 Year Maturity, 10 Year Draw	PRIME + Margin + 2.00%	PRIME	120	120	240	360	4.00%	18.00%
20 Year Maturity, 3 Year Draw	PRIME + Margin + 2.00%	PRIME	36	120	120	240	4.00%	18.00%
20 Year Maturity, 5 Year Draw	PRIME + Margin + 2.00%	PRIME	60	120	120	240	4.00%	18.00%
20 Year Maturity, 10 Year Draw	PRIME + Margin + 2.00%	PRIME	120	120	120	240	4.00%	18.00%

*Unless otherwise indicated at the State Level

3.1 GEOGRAPHY

- Forty nine (49) US states including the District of Columbia (DC) are eligible for purchase by AAA
  - Texas is not permitted
  - Paying off HELOCs are not permitted in the following states: NV, RI, WV
- The following US commonwealth and territories are not eligible for purchase by AAA
  - Puerto Rico, Guam, American Samoa, Northern Marina Islands and the U.S. Virgin Islands

3.2 LIEN POSITION

- Requested HELOC may be in either 1st or 2nd lien position

3.3 INDEX (PRIME)

- Wall Street Journal PRIME RATE

3.4 MINIMUM LINE AMOUNT (HELOC)

- $100k Minimum Loan Amount

3.5 MAXIMUM LOAN AMOUNT (HELOC)

- $500k Maximum Line Amount

3.6 MAXIMUM COMBINED LINE AMOUNT FOR 2ND LIENS ONLY (1ST & 2ND LIENS COMBINED)

- $3.0mm Maximum Line Amount (1st & 2nd Lien combined)

3.7 MINIMUM DRAW AMOUNT

- Draw Required at Close: 75% of the maximum line amount or minimum amount required by state law, whichever is greater.

3.8 SUBSEQUENT DRAWS

- Eligible 90 days after the Note Date
- $1,000 or the minimum draw amount required by state law, whichever is greater

3.9 TITLE POLICY / OWNERS & ENCUMBRANCE REPORT

- For loan amounts <$250,000: AAA will accept an Owner's & Encumbrance Report ("O&E") verifying and validating the senior lien or an ALTA Standard Coverage Policy or an ALTA Residential Limited Coverage Junior Loan Policy
- For loan amounts ≥$250k-≤$400k, AAA will accept an Owner's & Encumbrance Report ("O&E") for CLTV's ≤70%
- For loans ≥$250k & ≤$400k with a CLTV >70%, AAA would require a Full ALTA/Title Policy
- Loan balances in excess of $400K will require a Full ALTA/Title Policy
- For concurrent (piggyback transactions), title policy from the 1st lien transaction can be utilized, must include title insurance / CPL / wire instructions

- First & Second Lien HELOCs
  - Six (6) months title seasoning is required for at least one borrower
- All borrowers must be on title at time of application and Note Date
  - Changes in vesting not permitted during application process
  - Not applicable for cases of inheritance, change of marital status, or for removing a borrower who is deceased

3.10 UNDERWRITING / INCOME / LIABILITIES / ASSETS

- Document employment, income, assets and liabilities per Fannie Mae Seller Guidelines or Freddie Mac Guidelines
  - Verbal Verification of Employment (VVOE) must be obtained within ten (10) business days prior to the Note Date and within one hundred twenty (120) calendar days prior to the Note Date for self-employment income
  - Post closing VVOE will not be accepted
- Transaction can be a stand-alone first mortgage (1^{st} Lien HELOC), a stand-alone second mortgage (2^{nd} Lien HELOC) or be concurrent with a 1^{st} mortgage loan
  - For piggyback 2^{nd} lien, utilize the same income, assets and liabilities (same underwriting methodology) as the 1^{st} lien

3.11 CREDIT REPORT

- AAA requires the use of the Classic FICO credit score model
- To determine the Representative Credit Score, select the middle score when three (3) agency scores are provided and the lower score when only two (2) agency scores are provided
- Representative Credit Score of the Primary Wage Earner is used to qualify. In cases where borrowers earn the same amount, use the lower of the representative credit score to qualify
- Primary Wage Earner must have a valid score from at least two (2) of the following three (3) agencies: Experian, Trans Union and Equifax

3.12 TRADELINES

- Document per Fannie Mae Seller Guidelines or Freddie Mac Seller Guidelines

3.13 DEROGATORY HOUSING HISTORY

- Minimum Derogatory Housing Event seasoning period of <u>four (4) years</u>
  - Derogatory Housing Events:
    - AAA defines Housing Events as Foreclosures, Short Sale, Deed in Lieu, Default Modification, Notice of Default, Lis Pendens or 120+ Days Delinquent
    - Bankruptcies are considered Housing Events, inclusive of Chapter 7, 11, and 13
    - Defaulted 1st and 2nd mortgages on same property are considered one (1) event
    - Events include all occupancy types (Primary, Second Home, and Investment Properties)
    - Seasoning lookback is from the date of discharge / dismissal or property resolution (completion date), as of the note date
    - Default Modification look back commences at inception (when loan was permanently modified)
    - Extenuating circumstance seasoning is not permitted
- Borrowers with multiple Derogatory Housing Events within the last seven (7) years are not eligible

- Housing History (0x30x12), (1x30x24)
  - Twelve (12) month mortgage / housing history includes all occupancy types: Primary, Second Home and Investment Properties

3.14 SUBJECT PROPERTY FINANCING RESTRICTIONS

- Max two (2) consumer lending products on a single property inclusive of subject second lien
- 1st Lien cannot be a HELOC for a subject 2nd Lien HELOC
- New subject lien may pay off existing junior lien on property

3.15 1ST MORTGAGE REQUIREMENTS / DOCUMENTATION, APPLIES TO 2ND LIEN HELOCS ONLY

- $3.0mm Maximum Loan Amount (1st & 2nd Lien combined)
- Must document 1st mortgage with a copy of 1st mortgage note or billing statement
- Ineligible 1st Mortgage Products & Terms
  - Loans with a Negative Amortization feature
  - Outstanding term >30 years
  - Loans in active forbearance or deferment
  - Reverse Mortgages
  - Private 1st liens
  - Balloon loans with a maturity date before the maturity date of the 2nd subject lien
  - First Lien HELOC except for NV, RI and WV where payoff of a HELOC is not permitted
  - Land Contracts
  - Cross Collateralized loans

3.16 CONCURRENT REQUIREMENTS ("PIGGYBACKS"), APPLIES TO 2ND LIEN HELOCS ONLY

- Approval letter / final approval from 1st mortgage showing all conditions have been satisfied
- Documentation requirements from 1st mortgage investor
- Final Closing Disclosure from 1st mortgage transaction
- Use of Appraisal from the 1st lien is acceptable
- Title policy from 1st lien transaction can be used and must include title insurance / CPL / wire instructions
- HOA statement, HOI, flood insurance from the 1st lien transaction (if applicable)

3.17 MORTGAGE INSURANCE

- Not required

3.18 HOMEOWNERS INSURANCE

- Second Lien HELOCs
  - Existing coverage amount must be equal to the lesser of the following:
    - 100% of the replacement cost value of the improvements as established by the insurer or
    - Unpaid principal balance ("UPB") of all existing liens including the subject 2nd lien, provided it equals no less than 80% of the replacement cost value

- First Lien HELOCs
  - Existing coverage amount must be equal to the lesser of the following:
    - 100% of the replacement cost value of the improvements as established by the insurer or
    - Unpaid principal balance ("UPB") of the loan, provided it equals no less than 80% of the replacement cost value

3.19 FLOOD INSURANCE

- First Lien HELOCs
  - The minimum amount of flood insurance required for first mortgages must be equal to the lesser of
    - 100% of the replacement cost value of the improvements,
    - The maximum coverage amount available from the NFIP, or
    - The unpaid principal balance (UPB) of the loan (or loan amount at the time or origination)
- Second Lien HELOCs
  - The minimum amount of flood insurance required for second mortgages must be equal to the lesser of
    - 100% of the replacement cost value of the improvements,
    - The maximum coverage amount available from the NFIP, or
    - The unpaid principal balance (UPB) of all existing liens including the subject 2nd lien

3.20 CASH OUT CLTV

- Use the lesser of the appraised value and the purchase price for properties owned less than 12 months
- Properties that have been on the market within six months of the application date are ineligible

3.21 DEBT TO INCOME ("DTI")

- Max DTI permitted
  - Please see AAA HELOC Matrix
- DTI should be recalculated based on any new debt
- If 1st lien is an Interest Only loan, fully amortizing payment will be used to qualify
- If the underlying 1st lien is an Adjustable Rate Mortgage ("ARM"), the higher of the fully indexed rate or note rate should be used to qualify

3.22 RESERVES

- No reserves required

3.23 ELIGIBLE BORROWERS

- Eligibility per Fannie Mae Seller Guidelines or Freddie Mac Seller Guidelines

3.24 INELIGIBLE BORROWERS

- AAA will not purchase loans that have been made to any of the following Borrower types:
  - Foreign Nationals
  - LLCs

- Non-Occupant Co-Borrowers
- ITINs
- Irrevocable or Blind Trusts
- Land Trusts
- Borrowers with diplomatic immunity
- Asylum applicants
- Self-employed Borrower deriving their income from any Cannabis related business
- Borrowers(s) with residence of any country not permitted to conduct business with U.S. Companies as determined by U.S. government authority

3.25 INELIGIBLE TRANSACTIONS OF THE 1ST LIEN, APPLIES TO 2ND LIEN HELOCS ONLY

- Construction Loans
- Assumed 1st Lien
- Temporary Buydowns
- Builder Bailout & Model leasebacks
- Conversion Loans
- Rent Credits
- Non-Arm's Length
- Lease Option
- Subject Loan being used as Bridge financing
- Cross Collateralized
- Renovation Loans

3.26 ELIGIBLE PROPERTIES

- Eligibility per Fannie Mae Seller Guidelines or Freddie Mac Seller Guidelines

3.27 INELIGIBLE PROPERTIES

- Manufactured Homes
- Log Homes
- Barndominiums
- Condotels
- Cooperatives
- Non-Warrantable Condos
- Properties listed for sale within the last 6 (six) months
- Properties with >20 acres
- Condominium projects with registration services or restrictions on owner's ability to occupy
- Unique Properties
- Unpermitted additions/alterations and deferred maintenance to follow GSE guidelines
- Mixed Use Properties

- Builder Model Leaseback
- Boarding Houses / Group Homes
- Fractional Ownership / Timeshares
- Assisted Living / Continuing Care Facilities
- Mandatory Country Club Memberships
- Zoning Violations
- Properties under Construction
- Working Farms
- C5 or C6 Property Condition Grades
- Live / Work Condos
- Geodesic Domes
- Houseboats
- Homes on Native American Land (Reservations)
- Properties used for the cultivation, distribution, manufacture, or sale of Marijuana
- Theme Park Resort Properties

3.28 VALUATION

- For loans <$250k, Exterior Appraisal (2055) is required.
- For loans ≥$250k, a Full Interior Appraisal is required.
- Loan balances in excess of $400k, a Full Interior Appraisal is required.

3.29 APPRAISAL REQUIREMENTS

- If an Appraisal is required, it must meet the following conditions:
  - Appraisal must comply with and conform to USPAP and the Appraisal Independence Requirements
  - The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction
  - An appraisal prepared by an individual who was selected or engaged by a Borrower, property seller, real estate agent or other interested party is not acceptable
  - Assigned appraisals are acceptable, Max LTV/CLTV reduced by 5% if C/O Refi
  - Original appraisals are valid for one hundred twenty (120) days from the note date. Any appraisal dated greater than one hundred twenty (120) days will require a recertification of value completed by the original licensed appraiser and is good for an additional sixty (60) days
  - Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed
  - Appraisals with condition or quality ratings of C5 or C6 will not be eligible for purchase by AAA
  - Form 1007 Schedule of Rents is required for all Non-Owner-Occupied loans on Single Family residences
- For concurrent (piggyback) transactions, utilization of the Appraisal from the 1st lien is acceptable

3.30 THIRD PARTY VALUATION REVIEW

- HELOCs do not require a secondary valuation product.

3.31 FEMA DISASTER AREAS

- Sellers are responsible for identifying areas impacted by disasters and ensuring that that subject property has not been adversely impacted
- A list of federally declared disaster areas may be found on the FEMA website at http://www.fema.gov.disasters.
- In addition, when there is knowledge of an adverse event occurring near or around the subject property, including but not limited to earthquakes, floods, tornadoes, or wildfires, additional due diligence is required to determine when the disaster area guidelines must be followed
- Guidelines for disaster areas should be followed ninety (90) days from the incident period, unless a completed appraisal dated post-incident is provided

3.32 Verbal Verification of Employment

Seller must obtain a new Verbal Verification of Employment (VVOE) if the disaster event occurs after the original VVOE was completed

Borrower should still be employed at the same employer listed on the initial 1003 and continuing to receive the same amount of income

4 ADDITIONAL GUIDELINE REQUIREMENTS

4.1 FRAUD

- AAA has a zero-tolerance policy as it relates to fraud. A fraud prevention pull is required from Data Verify, Core Logic, SAS or a similar engine

4.2 PREPAYMENT PENALTIES

- Not applicable

4.3 MAX FINANCED PROPERTIES

- Twenty (20)

4.4 ESCROWS

- Not applicable

4.5 ESCROW HOLDBACKS

- Escrow holdbacks are not permitted

4.6 SOLAR LEASES

- PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible

4.7 MERS

- The loan must be properly registered on the MERS® System prior to purchase

4.8 E-SIGNATURES

- E-signatures are permitted with the exception of the following documents: Note, Mortgage, Deed of Trust, Closing Disclosure, Power of Attorney, documents that require a Notary signature, Riders / Addendums, and any state regulated disclosures. These documents require a wet signature

General Requirements	
Product Type	30 Year Maturity (3 Year Draw), 30 Year Maturity (5 Year Draw), 30 Year Maturity (10 Year Draw) 20 Year Maturity (3 Year Draw), 20 Year Maturity (5 Year Draw), 20 Year Maturity (10 Year Draw)
Loan Amount	$100k Min, $500k Max
Occupancy	Primary Residence, 2nd Home, Investment
Max LTV / Min FICO	85% / 680
Max DTI	50% DTI
Payment History	0x30x12, 1x30x24
Housing Event Seasoning	4+ Years
Interest Only	10 Year IO Period

Borrower Eligibility	
Power of Attorney	Not Eligible
Non-Occupant Co-Borrower	Not Eligible
Permanent Resident Alien	Per Fannie Mae Guide or Freddie Mac Guide
Non-Permanent Resident Alien	Primary Residence Only

Property Type	
2-4 Units	Max 65% CLTV
Warrantable Condos	Max 80% CLTV
Non-Warrantable Condos / Cooperatives	Not Eligible