



Non-QM | Investor Direct

Non-Owner Occupied Only



Investor Direct - Program Highlights

- **4 Available Documentation Types**

- Full Doc
- Alternative Doc
 - 12 months bank statements (S/E only)
 - 24 months bank statements (S/E only)
 - 1 year verification (W-2 or Tax Return)
- Debt Coverage Ratio (DCR) of 1.00 or greater
- No Ratio DCR (DCR less than 1.00)
- Maximum loan amount \$3,000,000, Minimum loan amount \$100,000
- Minimum credit score of 620
- Maximum LTV of 85% for purchase and R/T (Full Doc only)
- Maximum LTV of 80% for cash out (Full Doc)
- Property types: SFR, PUD, Townhome, Condo, 2-4 units, Non-warrantable condos
- Cash out up to \$500K
- Title vesting allowed – Individual, LLC, Corps, Partnerships
- Maximum DTI of 50%, Interest only available



Investor Direct – Selling Proposition

- What To Sell...
- Full Doc
 - Exceeds the maximum allowable number of financed properties for conventional or A paper jumbo
 - Primary Wage Earners credit used as Representative CS
 - Can't meet the guideline requirements for conventional or jumbo, but does meet the Investor Direct guidelines
 - Doesn't meet traditional condo project requirements and needs a non-warrantable aspect that is allowed on Investor Direct
- Alternative Doc (Bank Statements)
 - Borrower doesn't qualify with traditional full doc
 - Doesn't meet traditional condo project requirements and needs a non-warrantable aspect that is allowed on Investor Direct
 - Wishes to close in the name of an LLC, Corp or Partnership



Investor Direct – Selling Proposition

- DCR
 - No income documentation required. Just credit report, assets (if needed), appraisal, title & purchase agreement
 - Allows borrower to refi out of a hard money loan into a lower interest rate loan to better cash flow
 - Non-warrantable condo
 - No Ratio aspect
 - Allowance for first time landlord
 - With a good equity position, it is hard not to get above the 1.00 DCR option



Loan amounts, FICO and LTV's

Program Max LTVs		Doc Type							
		Full Doc		Alt Doc		DSCR ≥ 1.00		DSCR < 1.00 / No Ratio	
Loan Amount	FICO	Purch. & R/T	Cash Out	Purch. & R/T	Cash Out	Purch. & R/T	Cash Out	Purch. & R/T	Cash Out
≤ \$1,000,000	720	85%	80%	80%	75%	80%	75%	75%	70%
	680	80%	75%	80%	75%	80%	75%	75%	70%
	660	80%	75%	75%	70%	75%	65%	75%	65%
	640	80%	75%	75%	70%	75%	65%	75%	65%
	620	80%	70%	75%	70%	75%	65%	75%	65%
\$1,000,001-\$1,500,000	720	85%	80%	80%	75%	75%	65%	75%	60%
	680	80%	75%	80%	75%	70%	65%	70%	60%
	660	80%	75%	75%	70%	65%	60%	65%	60%
	640	80%	75%	75%	70%	65%	60%	65%	60%
	620	80%	70%	75%	70%	65%	60%	65%	60%
\$1,500,001-\$2,000,000	720	75%	70%	70%	70%	70%	65%	70%	60%
	680	75%	65%	70%	65%	70%	65%	70%	60%
	660	75%	65%	70%	60%	65%	60%	65%	60%
	640	75%	65%	70%	60%	65%	60%	65%	60%
	620	75%	65%	-	-	65%	60%	65%	60%
\$2,000,001-\$3,000,000	720	75%	70%	70%	70%	65%	55%	65%	55%
	680	75%	65%	70%	65%	60%	50%	60%	50%
	660	--	--	--	--	--	--	--	--
	640	--	--	--	--	--	--	--	--
	620	--	--	--	--	--	--	--	--



Requirements

Requirements						
Program Requirements		Property Overlays	Max LTV	Products		
Min Loan Amount	\$100,000	Full Doc & Alt Doc		Full Doc & Reduced Doc		
Max Loan Amount	\$3,000,000	Condominiums	85%	5/1 ARM	7/1 ARM	30 Year Fixed
		Non-warrantable condos	80%	5/1 ARM-IO	7/1 ARM-IO	40 Year Fixed-IO
Max Cash Out, Full & Reduced Doc	\$500,000	2-4 units	80%	IO Period	Amort Term	Final Maturity
Max Cash Out, DSCR	\$500,000	Rural, Log Homes, Modular	N/A	10 Years	30 Years	40 Years
Max DTI	50%			10 Years	20 Years	30 Years
Interest Only, DSCR	Max 75% LTV	DSCR		ARM Margins & Caps		
	Min 640 FICO	Condominiums	80%	5/1 ARM	Margin: 3.50	Caps: 2/2/5
Credit requirements		Non-warrantable condos	75%	7/1 ARM	Margin: 3.50	Caps: 5/2/5
Mortgage History	1x30x12	2-4 units	75%	Index = 1 Year LIBOR, Floor = Margin		
Foreclosure Seasoning	36 Months	Rural, Log Homes, Modular	N/A	DSCR		
Short Sale/DIL Seasoning	36 Months	Reserve Requirements		3/1 ARM	5/1 ARM	10/1 ARM
Chapter 13 BK Seasoning	36 Months	Full Doc & Alt Doc		3/1 ARM-IO	5/1 ARM-IO	10/1 ARM-IO
Chapter 7/11 BK Seasoning	36 Months	\$100,000 - \$1,500,000	6 Months	Product	IO Period	Amort Maturity
0x60x12 Mortgage History	Reduce LTV by 5%	\$1,500,001-\$3,000,000	12 Months	3/1 ARM	5 YR IO	25 Years 30 Years
24 Month Credit Event Seasoning	Reduce LTV by 5%	Each additional Property	+2 Months	5/1 & 10/1 ARM	10 YR IO	20 Years 30 Years
		DSCR		ARM Margins & Caps		
		≤ \$1,500,000	0 Months	3/1 ARM	Margin: 5.00	Caps: 2/2/6
		\$1,500,001-\$3,000,000	6 Months	5/1 ARM	Margin: 5.00	Caps: 2/2/5
				10/1 ARM	Margin: 5.00	Caps: 5/2/5
				Index = 1 Year LIBOR, Floor = Margin		



Other Requirements

Other Requirements	
Occupancy	Investment Property
Alt Doc Types	12 & 24 Month Bank Statements, 1 Year Tax Returns
Property Types	SFR, PUD, Townhome, Condominium, 2-4 Unit, Non-Warrantable
Cash Out	Cash out is not allowed for Investment Properties in Texas
Subordinate Financing	Not Allowed
DSCR	DSCR = Gross Income / PITIA; Gross income = lesser of market rent or lease in place; Use ITIA for IO loans
Lease / Gross Income	Lesser of Estimated Market Rent from Form 1007 or monthly rent from an existing lease Unleased Properties (Refinance only): Max LTV - 70%
Citizenship	US Citizen, Permanent Resident Alien & Non-Permanent Resident Alien
Assets	Sourced or seasoned for 60 days
Appraisal Requirements	Properties with a condition rating of C5 or C6 are not acceptable CDA required for all properties (see Appraisal Review Policy) Loan Amount > \$1,500,000 require 2nd Full Appraisal
Eligible Borrowers	Individual person(s) or duly formed and existing US domiciled legal entity
First Time Investor	Any borrower who has not owned at least one investment property for a minimum of 12 months anytime during the most recent 12-month period; Max LTV - 70% for DSCR/No Ratio
Guarantor	Personal Guarantee required for loans titled in the name of an LLC or Corporation
Credit	Standard: 3 tradelines reporting for 12+ months or 2 tradelines reporting for 24+ months all with activity in the last 12 months Qualifying FICO: Lower mid-score of all borrowers/guarantors on DSCR/No Ratio. Primary wager earner mid score for all other programs
Compliance	Escrows required for taxes and insurance • Fully documented ability-to-repay • Compliance with all applicable federal and state regulations No section 32 or state high cost
Prepayment Penalty	6 months interest on 80% of the original principal balance Prepays allowed in AZ, CA, CT, FL, GA, NV, OR, VA & WA* <i>*Max 2 YR Prepay on 3/1 program in WA</i>
Seller Concessions	Up to 2% towards closing
Ineligible States	AK, MO in addition to states where Nations Direct Mortgage, LLC is not licensed to conduct business.



Investor Direct – Income Requirements

- **Full Doc – Wage Earners**

- W-2s for the most recent 2 years; and
- Pay stub(s) covering the most recent 30-day period providing year-to-date earnings; and
- Signed and executed 4506-T (W-2 transcripts only); and
- Verbal Verification of Employment (VVOE) completed within 10 days of closing.

- **Full Doc – S/E Sole Proprietorship**

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- Year-to-date profit and loss statement (if the loan application is > 120 days after the year-end reflected on the most recent business tax returns provided); and
- Signed and processed IRS form 4506-T (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 10 calendar days of closing.



Investor Direct – Income Requirements

- **Full Doc – Partnerships**

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- W-2s for the most recent 2 years (if applicable); and
- Partnership tax returns (IRS Form 1065) for the most recent 2 years, including all schedules and K-1s (Note: if borrower is a limited partner with less than 50% ownership, partnership tax returns are not required); and
- Year-to-date profit and loss statement (if the loan application is > 120 days after the year-end reflected on the most recent business tax returns provided); and
- Signed and processed IRS form 4506-T (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 10 calendar days of closing.



Investor Direct – Income Requirements

- **Corporations**

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- W-2s for the most recent 2 years; and
- Corporate tax returns (IRS Form 1120) for the most recent 2 years, including all schedules; and
- Year-to-date profit and loss statement (if the loan application is > 120 days after the year-end reflected on the most recent business tax returns provided); and
- Signed and processed IRS form 4506-T (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 10 calendar days of closing.



Investor Direct – Income Requirements

- **S-Corporations**

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- W-2s for the most recent 2 years; and
- Corporate tax returns (IRS Form 1120-S) for the most recent 2 years, including all schedules and K-1s; and
- Year-to-date profit and loss statement if the loan application is dated more than 120 days after the end of the business's tax year; and
- Signed and processed IRS form 4506-T (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 10 calendar days of closing.



Investor Direct – Income Requirements

- **1 Year Employment Documentation**

- Wage-Earners: the most recent year W-2 **and** pay stub(s) covering the most recent 30-day period providing year-to-date earnings
- Self-Employed Full Doc: the most recent year filed federal income tax returns (personal and business; extensions are not allowed) **and** year-to-date P&L if end of applicable tax year is > 120 days from closing
- Self-Employed Bank Statements: 12 months complete personal or business bank statements from the same account



Investor Direct – Income Requirements

12 or 24 months Personal & Business Bank Statements Combined

- The deposits are analyzed and averaged to determine monthly income.

Expense Ratio Factor			
Number of Employee/FTE	0	1-5	>5
Service Business	25%	40%	60%
Product Business	45%	60%	80%

- The expense ratio factor applies →
- If the type of business operates more efficiently or typically has a materially different expense factor (higher or lower than the expense ratio factor), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
- When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income. The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.



Investor Direct – Income Requirements

- **12 or 24 months Personal & Business Bank Statement Separate**
 - The borrower is to provide the most recent 12 or 24 months consecutive personal bank statements and three (3) months business bank statements (to support the borrower does maintain separate accounts, and to show business cash flows in order to utilize 100% of business-related deposits in personal account).
 - The deposits are analyzed and averaged to determine monthly income.
 - No expense factor
 - When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.
 - A copy of the trust or trust cert is required



Investor Direct – Income Requirements

- **12 or 24 months Business Only Bank Statements**
 - The deposits are analyzed and averaged to determine monthly income.
 - The expense ratio factor is applied to business related deposits.
 - If the type of business operates more efficiently or typically has a materially different expense factor, then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income.
- ****2 month business bank statement with 12 month P&L only available on Income Direct program****



Investor Direct – Income Requirements

- Debt Coverage Ratio Calculation:

A Debt-Service Coverage Ratio (DSCR) may be calculated for the subject property to take advantage of expanded LTVs. See the Investor Direct Matrix for available LTVs when the DSCR is $\geq 1.00\%$. The DSCR calculation is as follows:

$$\text{Debt-Service Coverage Ratio} = \text{Gross Income} / \text{Proposed PITIA (ITIA for Interest Only loans)}$$

To calculate gross income, use the lower of the (a) executed lease agreement or (b) market rent from appraisal form 1007. If the executed lease agreement reflects a higher monthly rent, it may be used in the calculation when evidence of receipt of the higher amount for the 3 most recent, consecutive months is provided.



Investor Direct – Credit Requirements

MINIMUM TRADELINES			
	OCCUPANCY	TRADELINE HISTORY	MINIMUM STANDARDS
STANDARD TRADELINES	Primary and Second Homes	3 tradelines reporting for 12+ months with activity in last 12 months or	0X60 for most recent 12 months
	Investment	2 tradelines reporting for 24+ months with activity in last 12 months	

Charge-offs must be paid in full under the Investor Direct Program.

Judgments & Tax liens must be paid prior to or at closing. Court ordered judgments may remain open with: Copy of repayment agreement, minimum of 3 months on the repayment plan with timely payments and maximum payment under the plan is included in the DTI.



Investor Direct – Credit Requirements

- Outstanding tax liens may remain open on purchase transactions only (additional LTV restrictions may apply) subject to:
 - A copy of the repayment agreement is obtained;
 - A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided (cannot be prepaid);
 - The maximum payment required under the plan is included in the debt-to-income ratio; and
 - The title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien, and (b) there is no impact to first lien position.



Investor Direct – Credit Requirements

- BK/Recent Housing Event (RHE) Seasoning
 - Full Doc = 24 or 36 months – FICO and LTV restriction apply
 - (See slide #5)
 - Alt Doc = 24 or 36 months – FICO and LTV restrictions apply
 - (See slide #6)
 - DCR ≥ 1.00 = 24 months – FICO and LTV restrictions apply
 - (See slide #6)
 - DCR/No Ratio DCR < 1.00 = 24 months – FICO and LTV restrictions apply (See slide #7)



Investor Direct – Credit Requirements

- Mortgage history requirements:
 - Full Doc
 - 1x30x12 or;
 - 0x60x12 (see slide #5)
 - Alt Doc
 - 1x30x12 or;
 - 0x60x12 (see slide #6)
 - DCR ≥ 1.00
 - 1x30x12 (see slide #6)
 - No Ratio DCR < 1.00
 - 1x30x12 (see slide #7)



Investor Direct - Assets

- Funds to close:
 - All required funds to close must be sufficient to meet down payment, closing costs and reserves.
 - Funds must be sourced and seasoned for 2 months.
- Reserves:

10.2 RESERVES

Reserves are measured by the number of months of housing expense a borrower could pay using his or her financial assets. See the applicable Nations Direct Mortgage Matrix for complete reserve requirements. The highest reserve requirement, rather than a cumulative total, should be used when a transaction has multiple required reserves.

Net proceeds from cash-out transactions can be used to meet the reserve requirement. Gift funds may not be considered.

Additional reserves are required when the following situations are present:

- [Multiple Financed Properties](#) : 2 months for each additional property
- [Use of Rental Income Without a Lease](#): 3 months in addition to standard requirement
- [First-Time Homebuyer](#): 6 months
- [Limited Tradelines](#): 6 months
- [No Housing History or Less Than 12 Months Verified](#): 6 months



Investor Direct - Assets

- Acceptable sources of assets
 - Borrowed secured funds – Need terms of repayment and include in DTI (Full doc and Bank Statements only)
 - Business assets
 - Minimum 50% ownership in the business and bank asset(s)
 - Acknowledgement letter from other account holders on use of the assets and confirming borrowers access to the funds
 - CPA letter indicating the use of the business assets will not have an effect on the business
 - Depository accounts
 - Savings, checking, money market, CD etc.
 - Non-borrowing co-account holders must state borrower has full access to the funds
 - ****Gift funds are not allowed on non-owner transactions****



Investor Direct - Property

- Minimum Property Standards:
 - Be improved real property
 - Be designed and available for year around residential use
 - Contain a kitchen and a bathroom
 - Contain a minimum of 600 square feet of gross living area
 - Be heated by a continuously fueled heat source which is permanently affixed to the real estate. Alternative heat sources are acceptable when marketability has been demonstrated.
 - Average or better than average condition
 - Represent the “highest and best” use of the subject
 - Be free of all health and safety violations
 - NOT be in violation of any housing codes or exhibit items that adversely affect the ownership, habitability, or marketability of the subject property
 - Must have a remaining economic life of 30 years



Investor Direct – Property

- Eligible Property Types:

PROPERTY ELIGIBILITY	
PROPERTY TYPE	ELIGIBLE
Single-Family Residence	Yes
Planned Unit Development (PUD)	Yes
Townhomes	Yes
2-4 unit Multi-Family Properties*	Yes
Manufactured Homes	No
Modular Homes*	Yes
Condominium (low-rise and high-rise)*	Yes
Site Condominium	Yes
Non-Warrantable Condominiums*	Yes
Co-operative Units	No
Condotels or Condo Hotels	No
Mixed-Use Properties – Fannie Eligible	Yes
Log Homes*	Yes
Farms or Hobby Farms	No
Properties subject to Rent Control regulations	No
Unique Properties (Earth Homes, Berm Homes, Dome Homes, etc.)	No
<i>*See the applicable Nations Direct Mortgage Matrix for LTV restrictions.</i>	



Investor Direct – Property

- Appraisal Review Process:

The Appraisal Review Process may require a secondary appraisal product to support the appraisal value for the transaction. Acceptable review products include:

- AVM (must contain a value and comparative sales data to support the valuation result)
- Desk Review (must contain a value and comparative sales data to support the valuation result)
- Field Review
- Second Full Appraisal (appraisals must be completed by different, independent appraisers and the lower of the two appraised values used to determine value)

The all transactions not requiring a second appraisal require a Clear Capital CDA

The following transactions require a 2nd full appraisal:

- Approved loan amount exceptions (when exceeding the max loan amount available per the matrix)
- Loan amounts > \$1,500,000

Nations Direct Mortgage reserves the right to request additional appraisal products at their discretion based on the review of the appraisal and loan file.

A 10% tolerance is permitted for secondary review products. If the review product value is more than 10% below the appraisal value, the lower of the two values must be used.

If the tolerance is exceeded, the underwriter may choose to order an additional review product of a higher-level review. The original appraised value may then be used if the additional review product value is within 10% of the appraised value. If the variance is greater than 10%, a second full appraisal is required.



Investor Direct – Wrap Up

- Miscellaneous considerations
 - Business Purpose and Occupancy Certification form is required on all transactions
 - Geographic restrictions
 - Alaska ineligible
 - Missouri ineligible
 - Interest only not allowed in Illinois
 - See Wholesale Licensing on the website for eligible licensed States
 - C5 & C6 appraisal condition ratings are ineligible. Property must be in average or better condition
 - Refinance transactions where the subject property is not currently rented are limited to maximum LTV of 70%.
 - Prepayment penalties available in CA, CT and FL only
 - HPML is not applicable (due to NOO)



Investor Direct – Wrap Up

- Miscellaneous considerations
 - Escrowing for taxes and insurance is required
 - First time investor is allowed at 70% max LTV
 - Personal guarantee is required for loans titled in the name of an LLC or Corporation
 - Exceptions are considered on a case by case basis.
 - Must have strong compensating factors for exception consideration
 - Cash out maximum of \$500K. Up to \$1M with 5% reduction in LTV
 - Non-arms length transactions not allowed
 - Non-permanent resident aliens allowed, Foreign Nationals are not allowed



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