

Leverage Lite

FICO	Loan Amount	Reserves	Full Income Documentation		Reserves	Bank Statement Documentation	
			24 Months Full Doc (See Program Restrictions for 12 Months)			24 Months Full Doc (See Program Restrictions for 12 Months)	
			LTV/CLTV			LTV/CLTV	
			Purch / RT Refi	Cash Out		Purch / RT Refi	Cash Out
720+	<=1,000,000	2 months	90	85	4 months	90	80
	1,000,001 - 1,500,000	6 months	90	80	6 months	85	75
	1,500,001 - 2,000,000	6 months	85	75	6 months	85	75
	2,000,001 - 3,000,000	12 months	80	70	12 months	70	65
	3,000,001 - 4,000,000	12 months	70	60	12 months	70	60
680 - 719	4,000,001 - 5,000,000	12 months	70	55	12 months	70	55
	<=1,000,000	2 months	90	80	4 months	85	80
	1,000,001 - 1,500,000	6 months	90	80	6 months	85	75
	1,500,001 - 2,000,000	6 months	85	75	6 months	85	75
	2,000,001 - 3,000,000	12 months	75	65	12 Months	70	60
660 - 679	3,000,001 - 4,000,000	12 months	65	60	12 months	65	60
	4,000,001 - 5,000,000	12 months	65	55	12 months	65	55
	<=1,000,000	2 months	85	80	4 months	85	80
	1,000,001 - 1,500,000	6 months	85	80	6 months	85	75
	1,500,001 - 2,000,000	6 months	85	75	6 months	85	75
640 - 659	<=1,000,000	2 months	85	80	4 months	85	80
	1,000,001 - 1,500,000	6 months	85	75	6 months	85	75
	1,500,001 - 2,000,000	6 months	80	75	6 months	80	75
620 - 639	<=1,000,000	2 months	85	80	4 months	85	80
	1,000,001 - 1,500,000	6 months	80	75	6 months	80	75
600 - 619	<=1,000,000	2 months	80	75	4 months	80	75
	1,000,001 - 1,500,000	6 months	80	75	6 months	80	70
580 - 599	<=1,000,000	2 months	80	75	4 months	80	75
	1,000,001 - 1,500,000	6 months	80	70	6 months	80	70
500 - 579	<=1,000,000	2 months	75	70			

GRADE DETERMINATION				
Grade	A	B	B-	C
Minimum FICO	500	500	500	500
Housing	1x30x12	0x60x12	0x90x12	1x120x12
BK (Chap 13 Discharge)	12 mo	Settled	Settled	Settled
BK (Other)	24 mo	24 mo	12 mo	Settled
Foreclosure	24 mo	24 mo	12 mo	Settled
Short Sale/DIL	24 mo	24 mo	Settled	Settled
Max LTV: Purchase & R/T	90	85	85	70
Max LTV: Cash Out	85	80	75	65
Max CLTV	90	90	85	70
Max LTV - 12 Mos of Income Doc	85 - Min 620 FICO	80 - Min 620 FICO	80 - Min 620 FICO	NA
Max LTV - WVOE	80 - Min 620 FICO	NA	NA	NA
Max Loan Amount	\$ 5,000,000	\$ 1,500,000	\$ 1,000,000	\$ 1,000,000
5/1 LIBOR ARM	1 YR LIBOR - 4.0 % Margin/Floor - 2/2/5 Caps		1 YR LIBOR - 5.0 % Margin/Floor - 2/2/5 Caps	
7/1 LIBOR ARM	1 YR LIBOR - 4.0 % Margin/Floor - 5/2/5 Caps		1 YR LIBOR - 5.0 % Margin/Floor - 2/2/5 Caps	
Available Doc Types	Full Doc - 24 mo Full Doc - 12 mo Full Doc - WVOE Bank Statement - 24 mo Bank Statement - 12 mo	Full Doc - 24 mo Full Doc - 12 mo Bank Statement - 24 mo Bank Statement - 12 mo	Full Doc - 24 mo Full Doc - 12 mo Bank Statement - 24 mo	Full Doc - 24 mo

GENERAL	
Loan Amounts	<ul style="list-style-type: none"> Program Minimum Loan Amount: \$100,000 Loan Amount < \$150,000: 80% Max LTV Loan Amounts > \$3,000,000 must meet the following: <ul style="list-style-type: none"> Only Available in the following states: CA, IL, FL, NY, NJ, MD, VA, DC, WA Maximum cash to borrower is the lower of 50% of property value or \$3,000,000 Property Types: SFR, Warrantable and Non-Warrantable Condos See Appraisal overlays below for specific appraisal requirements Loan Amounts > \$1,500,000 require 2 appraisals
Maximum Cash to Borrower	<ul style="list-style-type: none"> Maximum cash to borrower is limited to 75% of Property Value including Free and Clear properties Loan Amounts exceeding \$1,000,000, Loan Amounts less than \$150,000, Condominiums, and Multi-Units limited to 70% of Property Value
Eligible Products	<ul style="list-style-type: none"> 15 Year Fixed 30 Year Fixed 40 Year Fixed (Interest-Only) Interest Only Available for 30 Year and 40 Year 5/1 LIBOR ARM (2/2/5 Caps) 7/1 LIBOR ARM (5/2/5 Caps) ARM Qualifying Rate: Greater of the Fully-Indexed Rate or Note Rate ARM Index: 12 Month LIBOR See Credit Grades for Margin
Interest Only	<ul style="list-style-type: none"> IO Period: 120 Months Available Products: 5/1 ARM, 7/1 ARM, 30 or 40 Year Fixed Loan Term: 360 Months (Qualified Term: 240 Months) Loan Term: 480 Months (Qualified Term: 360 Months) A & B Grades Only Minimum FICO: 580 Maximum LTV/CLTV: 80%
Second Homes	<ul style="list-style-type: none"> Maximum LTV/CLTV: 80% or program max, whichever is lower Minimum FICO: 540 Residual Income: Minimum of \$2,500 / Month. Add \$250 for the first dependent. Add \$125 for each additional dependent.
Debt Consolidation	<ul style="list-style-type: none"> Cash Out Transactions where mortgage & non-mortgage debts are paid off and monthly debt payments are lowered by at least 10% Closing Costs are recouped within 60 months. Cash-in-hand may not exceed \$5,000 or 2% of the loan Cash-in-hand may be used to meet reserve requirements for loans meeting the Debt Consolidation definition
CREDIT	
Income Tax Liens	<p>All income tax liens (federal, state, local) must be paid off prior to or at loan closing. Tax liens that do not impact title may remain open provided the following are met:</p> <ul style="list-style-type: none"> The file must contain a copy of the repayment agreement A minimum of 6-payments has been made under the plan with all payments made on time The balance of the lien must be included when determining the maximum CLTV for the program Refinance transactions require a subordination agreement from the taxing authority

(continued)

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<p>Tradeline Requirements</p>	<p>Standard Tradeline Requirements: At least 3 open and active trade lines that have reported for a minimum of 12 months with activity in the last 12 months OR • At least 2 open and active tradelines reporting for a minimum of 24 months with activity in the last 12 months</p> <p>Limited Tradeline Requirements: If Standard Tradelines requirements are not met and the borrower has a valid credit score per the Credit Score section of this guide the following restrictions apply:</p> <ul style="list-style-type: none"> • Max grade of B • Max LTV/CLTV of 75% • A 10% down payment has been made by the borrower from their own resources • Primary residences only • Not allowed for 12 month bank statement and Asset Depletion doc types
<p>Residency</p>	<ul style="list-style-type: none"> • US Citizen; Permanent resident alien; Non-permanent resident alien
<p>DTI/INCOME/ASSETS</p>	
<p>Bank Statements Restrictions and Documentation Requirements 24 months, 12 months & 3 months</p>	<p>24 Months Bank Statement Restrictions: Min 580 FICO</p> <ul style="list-style-type: none"> • Non-occupant co-borrowers not allowed; • Primary Borrower must be Self-Employed; <p>12 Months Bank Statement Restrictions: Min 620 FICO</p> <ul style="list-style-type: none"> • Maximum DTI is 43%; • Minimum 660 FICO • Qualifying income limited to 3rd Party prepared, Business Expense Statement, or borrower prepared P&L methods. • First-time Homebuyer not allowed • Non-occupant co-borrowers not allowed • Primary Borrower must be Self-Employed <p>Personal Accounts:</p> <ul style="list-style-type: none"> • Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search; • Verify that the borrower owns a minimum of 50% of the business by providing the following; CPA letter, operating agreement or equivalent reflecting the borrower's ownership percentage. • Non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and verifying the borrower's access to the account for income calculations. • Net income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's qualifying income. • Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search; • Verify that the borrower owns a minimum of 20% of the business by providing the following; CPA letter, operating agreement or equivalent reflecting the borrower's ownership percentage. • Most recent 12 months of PERSONAL bank statements; • Most recent 2 months of BUSINESS bank statements <p>Business Accounts</p> <ul style="list-style-type: none"> • Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search; • Verify that the borrower owns a minimum of 50% of the business by providing the following; CPA letter, operating agreement or equivalent reflecting the borrower's ownership percentage. • Non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and verifying the borrower's access to the account for income calculations. • Net income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's qualifying income. • Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search; • Verify that the borrower owns a minimum of 50% of the business by providing the following; CPA letter, operating agreement or equivalent reflecting the borrower's ownership percentage. • Non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and verifying the borrower's access to the account for income calculations. • Net income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.
	<ul style="list-style-type: none"> • 24 Month Income/Expense Documentation Options: <ul style="list-style-type: none"> o 24 Month CPA compiled P&L Statement <ul style="list-style-type: none"> ▪ 24-month (P&L) prepared/compiled and signed by a CPA (Proof of CPA current state license required) matching the time-period covered by the bank statements, and ▪ A minimum 3-months of business bank statements covering the most recent 3-month period. o Business Expense Statement Letter: <ul style="list-style-type: none"> ▪ An expense statement specifying business expenses as a percent of the gross annual sales/revenue prepared and signed by either a CPA or tax preparer; and ▪ 24 or 12 months of business bank statements covering the most recent time period. o 24 or 12 Month P&L Statement <ul style="list-style-type: none"> ▪ 24 or 12 month P&L compiled by either a CPA/accountant or licensed tax preparer; and ▪ 24 or 12 months of business bank statements covering the most recent time-period and matching the time-period covered by the P&L. o 24 or 12 Month Borrower prepared P&L statement: <ul style="list-style-type: none"> ▪ 24-month P&L prepared and signed by the borrower; and ▪ A business narrative provided by the borrower which includes detail regarding the size and operating profile of the business addressing; location/rent, number of employees/contractors, COGS, Trucks/Equipment (Owned or leased). The expenses listed on the P&L should address all items disclosed in the narrative ▪ 24-months of business bank statements covering the most recent time-period and matching the same period covered by the P&L; and ▪ Eligibility <ul style="list-style-type: none"> • Annual sales of business not to exceed \$2,000,000 • Number of employees not to exceed 10
<p>Asset Utilization</p>	<p>A borrower's liquid assets may be used to augment income for loan and product qualification purposes. See guidelines for details</p> <ul style="list-style-type: none"> • Max LTV: 75% • Max Loan Amount: \$1,000,000 • Max DTI: 43% • Minimum FICO: 680 • Minimum Reserves: 6 Months • A Grade only
<p>Borrowers who live rent free or without a complete 12-month housing history</p>	<ul style="list-style-type: none"> • DTI may not exceed 36% • Full documentation (24 months) or 24 mos bank statement • Primary Residence only • 10% minimum borrower contribution • Any available portion of a 12-month housing history must be paid as agreed. • Borrower(s) who own their primary residence free and clear aren't considered living rent free
<p>Debt-To-Income (DTI)</p>	<ul style="list-style-type: none"> • <u>36% Maximum DTI</u> - Borrowers who live rent free or without a complete 12 month housing history • <u>43% Maximum DTI</u> <ul style="list-style-type: none"> ▪ 12 mos Full Doc or Bank Statement Documentation ▪ Asset Utilization • <u>50% DTI Allowed with the following restrictions:</u> <ul style="list-style-type: none"> ▪ Full Doc - WVOE / 24 month documentation ▪ Bank Statement - 24 month documentation • <u>55% DTI Allowed with the following restrictions:</u> <ul style="list-style-type: none"> ▪ Full doc - 24 month documentation only ▪ A minimum of 12 months of reserves are required; ▪ LTV/CLTV may not exceed 80%; ▪ Primary Residence Only; ▪ First Time Home Buyer not permitted; ▪ Purchase, Rate & Term, Debt Consol Only ▪ Residual: Minimum of \$3,000 / Month. Add \$250 for the first dependent. Add \$125 for each additional dependent;

(continued)

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WVOE Only Program	<ul style="list-style-type: none"> • 2 year history with same employer is required. • Lender Ordered WVOE Completed on FNMA Form 1005 • Minimum Credit Score: Leverage Lite - 620 (Minimum credit grade "A") • 24 month 0x30 housing history required • Paystubs, Tax Returns, 4506-T or W2s not required • Max LTV 80% for Purchase/Rate and Term of Primary Residence only. Max LTV for Cash out is 70% • WVOE must be completed by Human Resource, Payroll Department or Officer of the Company • 2 months Personal Bank Statements required to support the WVOE. Monthly deposits must support at least 65% of reported income deposited into borrower's account after accounting for tax and insurance withholdings. • FTHB max LTV is 70%, no gift funds allowed • An internet search of the business is required with documentation to be included in the credit file to support existence of the business. 												
Gift Funds	<ul style="list-style-type: none"> • Unless otherwise specified, Gift Funds are acceptable if ONE of the following applies: <ol style="list-style-type: none"> 1. A 5% down payment has been made by the borrower from their own resources 2. 100% Gift Funds are allowed for Leverage Prime and Leverage Lite-Full Doc loans only, with a maximum LTV of 75%. Borrower(s) must meet both reserve and residual income requirements. • Fannie Mae guidelines should be used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt; • Gift funds may not be used to meet reserve requirements; • Gift of Equity allowed for Primary Residence only. Must meet all other guidelines for Gift Funds. 												
Reserves	<ul style="list-style-type: none"> • Additional Reserves - Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 12 months (Additional reserves based upon the PITIA of the subject property); • ARM loans - reserves based upon initial PITIA, not the qualifying payment • Proceeds from a cash-out refinance can be used to meet the minimum reserve requirements • Reserves for a loan with an Interest Only feature based upon the interest only payment; • Proceeds from a cash-out refinance cannot be used to meet the minimum reserve requirements unless the loan meets the requirements listed under, cash-out debt consolidation; • Reserve requirements are waived for Rate-And-Term Refinance transactions when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND housing history is 1x30x12 or better. Waiver not eligible for DTI greater than 50%. For an interest only loan the reduction is based on the amortizing payment used for loan qualification; • Proceeds from 1031 Exchange cannot be used to meet reserve requirements. 												
Residual Income	<ul style="list-style-type: none"> • Minimum of \$1,250 / Month. Add \$250 for the first dependent. Add \$125 for each additional dependent. 												
PROPERTY													
Appraisal	<ul style="list-style-type: none"> • Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certification of value is acceptable up to 180 days. New appraisal is required after 180 days. • Condition rating must be C4 or lower; Quality rating of Q5 or below is acceptable. • Second Appraisal from Clear Capital or Assurance is required when any of the following conditions exist. The lower of the two "Appraised Value" is used and the second appraisal must be from a different company and appraiser than the first appraisal. <ul style="list-style-type: none"> ▪ Loan Amount exceeds \$1,500,000 ▪ Transaction is a flip as defined in the Property Flipping section • Appraisal Review: <ul style="list-style-type: none"> ▪ CDA from Clear Capital is required on all transactions; or ▪ A field review or 2nd appraisal from Approved AMC is acceptable. Source of the appraisal review product may not be the same AMC used for the appraisal. • If the CDA reflects a value more than 10% below the appraised value or cannot provide a validation, the next option in the review must be followed which is a field review or 2nd appraisal. 												
Appraisal Overlays for Loan Amounts >\$3,000,000	<p>Neighborhood Analysis</p> <ul style="list-style-type: none"> • Degree of Development and Growth Rate: Properties designated as "rural" not allowed • Trend of Property Values: "Declining" Markets not allowed • Supply of Properties in the Subject Neighborhood: Markets in "Over-supply" not allowed • Price Range and Predominant Price: The appraised value may not exceed the highest value of the Predominant Price Range by more than 10% • Marketing Time for Properties: "Over 6 months" Not Allowed • Over-Improvement: The subject property may not be designated as an "over-improvement" <p>Comparable Sales</p> <ul style="list-style-type: none"> • Minimum of 4 closed comparable sales • All comparable sales must have occurred within the 12 months preceding the appraisal date • At least 1 closed comparable must have occurred with 120 days of the appraisal date • All comparable sales must be located within 4 miles of subject • At least 1 closed comparable sales must be located within 1 mile of subject • At least 2 closed comparable sales must be located within the same neighborhood as the subject <p>Property Condition</p> <ul style="list-style-type: none"> • Eligible Property Condition Ratings: C1, C2, C3 • Eligible Quality of Construction Ratings: Q1, Q2, Q3, Q4 <p>Maximum Acceptable Acreage= 5 acres</p> <p>Zoning - Properties zoned as agricultural are not eligible</p> <p>Total Adjustments - Total net adjustments should be minimal if the comparable is truly similar. Net Adjustments may not exceed 15% of the sales price of the comparable sale and gross adjustments may not exceed 25%.</p>												
Property Type Limitations	<ul style="list-style-type: none"> • Condo / 2-4 Unit: 80% Max LTV • Non-Warrantable Condo: 80% Max LTV • Non-Warrantable Condo Maximum Loan Amount: \$1,500,000 • Rural Property: 80% Max LTV • Max 10 acres 												
MISCELLANEOUS													
Compliance	<ul style="list-style-type: none"> • Impounds are required • Points and Fees may not exceed 3% • Loans considered high-cost by Federal or State law are not eligible for purchase 												
Eligible States	<ul style="list-style-type: none"> • See our licensed state list 												
Financed Properties	<ul style="list-style-type: none"> • 20 financed properties including subject; Royal's exposure to a single borrower not to exceed \$3,000,000 or 6 properties; • Add 2 months reserves for each additional financed property (including departure residence). Total reserve requirement is not to exceed 12 mo. 												
First Time Home Buyers	<ul style="list-style-type: none"> • Primary residence only • Minimum 540 credit score • DTI may not exceed 50% • Minimum 6 months of reserves • Not eligible for 12-month bank statement income documentation • 12-month rental history required reflecting 0x30. Rental history is not required for borrowers living rent free • Payment shock limited as follows: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Credit Score</th> <th>>36% DTI</th> <th><=36 DTI</th> </tr> </thead> <tbody> <tr> <td>Credit Score >= 620:</td> <td>300% current housing</td> <td>Payment shock not applicable</td> </tr> <tr> <td>Credit Score < 620:</td> <td>200% current housing</td> <td>Payment shock not applicable</td> </tr> <tr> <td>FTHB with gift funds:</td> <td>150% current housing</td> <td>Payment shock not applicable</td> </tr> </tbody> </table>	Credit Score	>36% DTI	<=36 DTI	Credit Score >= 620:	300% current housing	Payment shock not applicable	Credit Score < 620:	200% current housing	Payment shock not applicable	FTHB with gift funds:	150% current housing	Payment shock not applicable
Credit Score	>36% DTI	<=36 DTI											
Credit Score >= 620:	300% current housing	Payment shock not applicable											
Credit Score < 620:	200% current housing	Payment shock not applicable											
FTHB with gift funds:	150% current housing	Payment shock not applicable											
Interested Party Contributions	<ul style="list-style-type: none"> • LTV>=80: 4% • LTV<80: 6% 												
Non-Occupant Co-Borrowers	<ul style="list-style-type: none"> • Allowed for Full Doc only, co-borrowers must be immediate family members. • Borrower and Co-Borrower must complete and sign a Non-Occupant Co-Borrower Certification • Occupying borrower(s) must have a DTI ratio of 60% or less. Excluding income/debts of non-occupant borrower. • Eligible transactions limited to purchase only. 												