



# Residential Transitional Loans- Renovation

Effective Date: 2/26/2019

For Purchase or Refinance transactions requiring renovation and delayed financing				Proceeds: As Is LTV		Proceeds ARV	
Experience Level	Credit Score	Total Loan Amount	Renovation Ratio	As Is LTV (Purchase)	As Is LTV (Refi)	ARV (Purchase)	ARV (Refi)
Highly Experienced	600+	<=2,000,000	<=50%	85.0	70.0	75.0	67.5
			>50%	80.0	60.0	70.0	65.0
		2,000,000 - 4,000,000	*Ground-Up	70.0	60.0	70.0	60.0
			<=50%	80.0	65.0	70.0	62.5
Experienced	600+	<=2,000,000	>50%	75.0	60.0	65.0	60.0
			*Ground-Up	70.0	60.0	70.0	60.0
			<=50%	80.0	70.0	75.0	67.5
Limited Experience	660+	<=2,000,000	>50%	75.0	65.0	70.0	65.0
			*Ground-Up	70.0	65.0	70.0	60.0
	600 - 659	<=1,000,000	<=50%	80.0	70.0	70.0	62.5
			>50%	75.0	65.0	65.0	57.5
No Experience	660+	<=750,000	<=25%	75.0	60.0	65.0	57.5
			25% - 50%	70.0	55.0	60.0	52.5

Borrower Experience: Renovation	
Highly Experienced	Minimum of 10 verified renovation projects completed (purchased and exited) in the 36 months prior to application. At least 5 projects must be of similar size or larger
Experienced	Minimum of 5 verified renovation projects completed (purchased and exited) in the 36 months prior to application OR 3 verified renovation projects in the 24 months prior to application. At least 2 projects must be of similar size or larger
Limited Experience	Minimum of 1 verified renovation projects completed (purchased and exited) in the 24 months prior to application of similar size or larger
No Experience	Minimum of 1 verified business purpose property owned in the 24 months prior to application. Borrower must partner with a licensed general contractor

Other Criteria		Notes			
Loan Amount	Minimum \$75,000; loan amounts less than \$125,000 will have a pricing adjustment (see rate sheet)	Amortization	Interest Only Loans		
Borrower Type	Business entity/Trusts. Individuals by exception only	Property Type	SFR, Condo, PUD, 2-4 Units (5+ Units on a case by case basis).		
Foreign National	By exception only	Reserves	Minimum 3 months payments		
Occupancy	Non-Owner Occupied Only	Renovation Ratio	Renovation Ratio >100% by exception only		
Minimum Equity	\$20k, only applicable to Limited and No Experience designations; see rate sheet	Condo Cap	5% LTV and ARV reduction on Condos		
Loan Status	Performing loans only	Renovation Holdback	Renovation Loans must have 100% of the holdback financed, anything less than 100% will be considered as an exception		
Cash Out Refi	Cash Out Refi on renovation loans by exception only	Area Conformity LTV/ARV Adjustor		Declining Market LTV/ARV Adjustor	
Term	Up to 18 months, longer terms by exception; extensions may be granted at noteholder's discretion	<200%	0% reduction	ZHV: 2-5% decline	5% reduction
Interest Reserves	Verified minimum 3 months assets covering interest payments; Loan amounts 2m or greater 6 months; may finance below ratio limits	200% - 300%	5% reduction	ZHV: 5%+ decline	Ineligible
State LTV/ARV Cap	5% LTV and ARV reduction on states: CT, DE, HI, IL, IN, MD, ME, NJ, NY, OH,	300%+	10% (by exception)	On Appraisal	Ineligible
Project Feasibility	Required for projects where the Renovation Ratio is greater than 50% square footage is added	Credit Requirements			
As Is Appraisal	BPO and/or appraisal form that will be acceptable to the rating agencies or warehouse lender and is FIRREA compliant for valuations >\$250k. Loan amounts >\$2mm require 2 appraisals. Appraisals will be reviewed by a Verus approved third party with an acceptable variance that does not exceed -	Guarantor Housing History		0x30x12	
As Repaired Appraisal	All renovation loans must have a FIRREA compliant As Repaired Appraisal	Bankruptcy		24 months	
Personal Guaranty	Required of the Sponsor and individuals with ownership of at least 25% in the borrowing entity. All loans must have guarantees from enough members such that at least 51% ownership in the entity is represented.	Housing Event (FCLSR/DIL/SS)		24 months	
Seller Contributions	Seller contributions cannot exceed 3% of the loan amount.				

Definitions:	
Initial Loan Amount:	Initial Loan as of the origination date exclusive of any rehab, escrowed funds, or other funds not distributed to the borrower at closing
Full Loan Amount:	Full loan inclusive of any rehab, escrowed funds, or other funds not distributed to the borrower at closing
Loan to AS IS Value for Purchase Transactions:	Initial Loan Amount as of the origination date, divided by the lesser of 1) The Purchase Price and 2) The AS IS appraised value
Loan to AS IS Value for Refinance Transaction:	Initial Loan Amount as of the origination date, divided by the lesser of 1) The Purchase Price plus documented Improvements and 2) The Current AS IS
Loan to As Repaired Value:	The Full Loan Amount, divided by the Current as Repaired appraised value
Appraisal Seasoning:	For Refinances Transactions Current is defined as no more than 2 months seasoned. For Purchase Transactions appraisals can be no more than 4 months seasoned

*Ground-Up	
Initial Cost: The lesser of 1) The Purchase Price and 2) The As Is appraised value	MCM Capital Solutions will reimburse draws on reimbursement basis based upon % of work completed as approved by third party inspection company who performed original feasibility review
Total Cost: Initial Cost-plus projected rehab including hard and soft costs	
Loan to Cost (LTC): Full Loan Amount / Total Cost	Documentation required prior to draw reimbursement. All are required:
Plans, Permits & Entitlements: Max LTV/ARV above assumes approved Plans, Permits & Entitlements and incorporates a maximum LTC of 85% Entitlements only: Reduce max LTV/ARV by 10% and incorporate a maximum LTC of 75%. See additional requirements below	
Project Feasibility: All projects require a feasibility review from an approved third-party inspection company. See additional requirements below	<ol style="list-style-type: none"> <li>1) Approved plans stamped approved by township</li> <li>2) Lien waivers on applicable lien waiver form as provided by inspection company and Title Date Down</li> <li>3) All approved permits related to work completed (as appropriate)</li> <li>4) License of primary contractor managing the project</li> <li>5) Certificate of Occupancy from township is required prior to final draw</li> </ol>
Experience Qualification: Borrower can qualify under the Experienced or Highly Experienced designation or has completed 3 ground-up deals in the past 3 years	
Additional Insurance Requirements: Builder's Risk and General Construction Liability insurance are required	

Additional Ground-Up Documentation Requirements	
Entitlement, Permits,	Entitlement Only
1. Entitlement approval letters	1. Entitlement approval letters
2. Itemized proposed budget on Verus' approved form	2. Itemized proposed budget on Verus' approved form
3. Evidence of plans approved by township	3. Copy of proposed plans, requires architect letter verifying viability and conformity of plans
4. Full appraisal on FNMA form from an AMC	4. Full appraisal on FNMA form from an AMC

\*Loans outside of these limits can be considered on an exception basis  
 \*\*Disclaimers...