

# **Axos Bank Portfolio Wholesale Guidelines**

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PLEASE NOTE IF YOU HAVE A LOAN REQUEST THAT IS NOT ADDRESSED IN THIS MATRIX OR MAY BE AN EXCEPTION TO THE GUIDELINES SHOWN HERE, CONTACT YOUR ACCOUNT EXECUTIVE TO DISCUSS IT.

	Axos Bank SFR Portfolio Matrix
1031 Exchange	Assets for the down payment from a "like-kind exchange," also known as a 1031 exchange, are eligible if properly documented. The following documents are required:  • The Closing Disclosure for the property sold by the borrower as part of the exchange  • A statement from the accommodator holding the funds verifying the funds held for the borrower
Adverse Credit	Collection accounts and judgments of minimal amounts require a satisfactory explanation and review by the underwriter to determine if the open account will impact the applicant's ability to keep payments current or if the payoff is required prior to or at closing. Collections and judgments greater than minimal amounts should be determined by the underwriter if they should be paid off prior to or at closing, unless a valid dispute exists, is fully verified, and well-documented. All tax liens must be satisfied prior to or at closing.
Agricultural Properties	Residential properties that are partially utilized for agricultural purposes are eligible, if the agricultural activities represent the borrower's hobby. Hobby is defined as an activity that generates less than 10% of the borrower's gross income. Properties with a commercial business and/or commercial buildings are not eligible.
Alimony/Child Support Income	<ul> <li>Document that alimony or child support will continue to be paid for at least three years after the date of the mortgage application, as verified by one of the following:         <ul> <li>A copy of a divorce decree or separation agreement (if the divorce is not final) that indicates payment of alimony or child support and states the amount of the award and the period of time that it will be received. If a divorce decree, separation agreement, or other legally binding court document is provided</li> <li>If the borrower is recently separated or divorced and the payment is established (received for a minimum of one month), the income can be considered with documentation that shows 6 months of payments made by the former spouse.</li> </ul> </li> <li>Note: If a borrower who is separated does not have a separation agreement that specifies alimony or child support payments, it is acceptable to consider any proposed or voluntary payments as income with supporting documentation and reasonable rationale. A history of receipt should be documented, if there is no formal agreement.         <ul> <li>Any other type of written legal agreement or court decree describing the payment terms for the alimony or child support may be reviewed.</li> </ul> </li> <li>Any non-taxable portion of child support may be grossed up 125%.</li> </ul>



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0/14/2023	<ul> <li>Securities accounts (Stock, ETFs, Bonds or mutual funds) with a margin loan or line of credit the value of the account is reduced by the amount of margin or credit used to net out the value of the assets.</li> <li>Large cap cryptocurrency (Bitcoin, Ethereum) accounts may be considered on a case-by-case basis. Accounts must be held at a U.S. based exchange or custody wallet. Borrower must provide sufficient evidence of ownership. Only 50% of the current value of cryptocurrency asset may be included in depletion calculation.</li> </ul>		
	<ul> <li>Asset depletion may not be used if gift funds are present;</li> <li>Borrower must be 100% owner of assets utilized;</li> <li>Business funds excluding assets in an operating account, may be utilized on an exception basis, if the borrower is 100% owner of the business and a signed letter from a CPA, accountant, or financial officer at the business stating that the borrower is authorized to use the funds, and that doing so</li> </ul>		
	<ul> <li>does not adversely affect the business should also be obtained;</li> <li>For loans where asset depletion is the only source of qualifying income, further exploration of the borrower's asset pattern is warranted; and</li> <li>Assets currently being drawn on for monthly income in the form of monthly distributions, interest income, or dividend income can be utilized if the interest/dividend or other payment is not already being counted in the income calculation.</li> </ul>		
Authorized User Accounts	An authorized user is a person permitted by a credit account holder to use an account. Typically, this facilitates a family member who is trying to manage and build credit for the first time. Only accounts identified with either an Individual or Joint account indicator should be considered as part of the applicant's credit history.		
Auto Allowance	An auto allowance may be included as income, if the allowance is typical for the applicant's occupation. The auto allowance should be verified by the employer or shown on applicant's federal income tax returns. Depreciation on the car may not be added back to income.  The full amount of an auto allowance should be counted as income. Any		
	payment for a corresponding identified auto loan should be counted as a liability if applicable.		
Bank Statement Program	<ul> <li>Bank Statements for calculating qualifying income on 1-4 family residential loans.</li> <li>LTV restrictions apply – refer to Current Rate Sheet for details</li> <li>Credit Score restrictions apply – refer to Current Rate Sheet for details</li> <li>Self-employed borrowers can use either Personal or Business Bank Statement documentation.</li> <li>Minimum 1 year self-employed and 2 years in same line of business</li> <li>Must verify the borrower's percentage of ownership. Acceptable forms of documentation would be a business license, a signed written statement from a CPA or a Third-Party Tax Preparer, a Partnership agreement, a business certificate filed with a governmental agency.</li> <li>Assets must be held in the US</li> <li>NSF – 1x12 is allowed with LOE</li> </ul>		
	NSF — IXI2 is allowed with LOE     Access letters from business owners not on the loan are required		



- 12-months complete bank statements (multiple bank accounts may be used)
- Bank Statements must be the most recent available at the time of application and be consecutive
- Any Rental Income will be calculated separately from the bank statements cash flow and backed out of the eligible deposits calculation
  - Current executed lease is required for all REO income properties;
     If current lease is not available, market rent must be obtained with a 1007. A 25% vacancy factor is applied in either circumstance;
  - Evidence of two months' bank statements if a separate account is used showing proof of rents received; or cancelled checks evidencing two months of rental payments;
  - No tax returns/schedule E allowed as transcripts (TRVs) will not be ordered (Executed 4506-C Required).
- Business narrative + internet search/3<sup>rd</sup> party verification of business existence required

# Personal Bank Statement Program Requirements:

- Borrower(s) must be at least 25% owner of business
- Initial signed 1003 with income disclosed
- Income calculated using 100% of eligible deposits
- Deposits exceeding 50% of qualifying monthly income must be explained with a satisfactory LOE
- Transfers from borrower's business account to personal account will be considered qualifying deposits if 2 months of business statements are provided to support distributions

#### **Business Bank Statement Program Requirements:**

- Borrower(s) must be at least 25% owner of business
- Initial signed 1003 with income disclosed
- Minimum of 2 years in the same industry

#### Business Bank Statement Analysis (2 options):

• (1) Standard Expense Ratio: Gross bank deposits (less ineligible deposits) multiplied by Expense Ratio (from chart below) multiplied by percentage ownership divided by 12 months.

Type of Business	Expense	Examples
Service Business as Individual	40%	Insurance Salesman, Consultant, Accountant, Computer Services, Design Architect, Trades Person (Electrician, Plumber, Repair, Gardener/Landscaper), etc.



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	Service Business w/ Operations	50%	Insurance Company, Accounting Firm, Architect Company, Computer Services Company, Trades (Electrical, Plumbing, Home, Auto, Computer Repair, Gardening/Landscaping etc.
	Non-service Business or Product Business	60%	Restaurants, Retail/Consumer Goods, food services, etc
	The following business types are typically not eligible for the Bank Statement Loan Program:  Import/Export Business, Real Estate Developer, General Contractor/Construction, Real Estate Investor (Rental Income), Property Manager, Investment Advisor/Wealth Manager, Brokerage Services, Law Firm, Trading/Consignment, Exceptions may be granted on the above upon review of acceptable evidence of income through supporting bank statements.  (2) Calculated Expense Ratio: Gross bank deposits (less ineligible deposits) multiplied by Expense Ratio (per P&L) multiplied by percentage ownership divided by 12 months.  Profit & Loss must be prepared and signed by a Tax Professional (Certified Public Accountant, Tax Attorney, Enrolled Agent or Paid Tax Professional) P&L to cover minimum 12-month period (YTD + previous year) Minimum 35% Expense Ratio allowed		
Bankruptcy/Foreclosure/Shor Sale	Generally, no bankruptcies, foreclosures, or short sales are preferred. All submissions with histories of bankruptcies, short sale or foreclosures must be satisfactorily explained in writing by the Borrower. In addition, a three-year history of re-established and clean credit since any bankruptcy discharge is required. Extenuating circumstances may be reviewed. These may include, but not limited to: job loss, death of spouse, serious illness of the borrower or a family member, and job relocation. Current or prior foreclosures and short sales		



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	should have been completed no less than 3 years ago based on the borrower's application date.
BDTI Calculation/Properties Pending Sale	Monthly payments reflected on the credit report (or other identifying sources,) and PITIA is utilized to calculate the back-end debt-to-income BDTI ratio.
	If no monthly payment is indicated on the credit report, or if other forms of verification are not provided, payments the greater of \$10, or 5% of the outstanding principal balance on the account will be projected.
	If current primary is listed for sale but not sold, the payment can be excluded from the BDTI calculation with the following:  1. Copy of current listing agreement including satisfactory documentation evidencing active marketing via MLS or Internet
	<ol> <li>Additional six months of the listed property's underlying PITIA cash reserves (over and above loan program reserve requirements). Additional reserves may be required depending on geographic area and marketing times.</li> </ol>
	3. Loan to value not to exceed 70% of the listing price or value as determined by Axos AVM
	If not able to provide active marketing via MLS or Internet, the following additional documentation may be provided for additional qualifying consideration.
	<ol> <li>Licensed Appraiser comparable rent schedule (From 1007)</li> <li>Borrower Signed satisfactory letter of Intent of property selling or will rent</li> <li>Additional six months of the listed property's underlying PITIA cash reserves (over and above loan program reserve requirements). Additional reserves may be required depending on geographic area and marketing times.</li> </ol>
	Exclusion of Investment and Second Homes not allowed.
Boarder Income	When a borrower with disabilities receives rental income from a live-in personal assistant, whether or not that individual is a relative of the borrower, the rental payments can be considered as acceptable stable income in an amount up to 30% of the total gross income that is used to qualify the borrower for the mortgage loan. Personal assistants typically are paid by Medicaid Waiver funds and include room and board, from which rental payments are made to the borrower. Income is shown as rental income on the borrower's most recent tax returns.
	The two most recent years' of the borrower's individual tax returns must reflect receipt of the boarder income (usually reported on 1040 Schedule E).
Borrower Eligibility	<ul> <li>U.S. Citizen</li> <li>Permanent Resident Aliens – Resident Alien Card required</li> <li>Non-Permanent Resident Alien – Visa or valid Passport required</li> </ul>

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	These borrowers must meet Ability to Repay requirements.
	<ul> <li>Entity with Individual Guaranty Required (See Guarantor Section)</li> <li>Corporation</li> </ul>
	<ul><li>Limited Liability Corporation (LLC)</li><li>General Partnership (GP)</li></ul>
	<ul> <li>Limited Partnership (LP)</li> </ul>
	<ul><li>Limited Liability Partnership (LLP)</li><li>Living Trust</li></ul>
Bridge-to-Sale Loans	Bridge to Sale financing is available on loans made on owner-occupied, second home, or investment 1-4 unit properties (no condominiums or cooperatives) in NON-JUDICIAL FORECLOSURE States ONLY.
	Properties listed in the following Judicial Foreclosure States are INELIGIBLE for the Bridge-to-Sale Loan Program:
	<ul> <li><u>Judicial Foreclosure States</u>: Connecticut, Delaware, District of Columbia, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, New Jersey, New Mexico, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, Vermont, Wisconsin.</li> </ul>

• The LTV is based on the LOWER of: (1) the appraised value of the subject, or (2) the lowest list price listed in the 12 months preceding the loan application date. Additional program details below:

## Loan Term / Renewal Option

- 1-year term with a renewable option
- 6-month renewal option available with a required 0.50% renewal fee
- An additional 6-month renewal option is available with another 0.50% renewal
- Review fee of \$500.00 is required at the time the renewal option(s) is/are requested

# **Required Income Documentation**

• 2 years' individual tax returns (K-1's and Business Returns not required)

#### **Borrower Requirements / Source of Repayment**

- Credit Score restrictions apply refer to Current Rate Sheet for details
- NRA borrowers are not eligible for this program
- Borrowers must provide a letter and proof of assets or income that will be used to make the 12 monthly payments—NO NEGATIVE RATIOS ARE PERMITTED.
  - NOTE: cash proceeds from the loan may be used as a source of making the 12 monthly payments

# **Interest Reserve Requirement**

• Bridge-to-Sale loans require an interest account. The borrower must fund the account with 12 months-worth of the loan's payments.

#### **Appraisal Requirements**

Loan amounts up to \$1,500,000 requires one appraisal report. Appraisal is engaged by the Residential Appraisal Manager





•	Loan amounts in excess of \$1,500,000 require two (2) appraisal
	reports. One appraisal is engaged by the Residential Appraisal
	Manager; the second appraisal is ordered through an approved AMC
•	Rental surveys are required on ALL loans

#### **Listing Requirements**

- Average marketing time for the neighborhood should be reasonable
- Subject property must be listed
- Must provide evidence supporting how the property is marketed, which may include a public MLS listing or other supportable methods such as a pocket listing with marketing materials.

# **Financing Options**

- Interest only
- No subordinate financing
- No cross collateral financing

#### **Required Disclosures / Post-funding Documentation Collection**

- TRID disclosures, extension addendum
- Bank to request updated financial information from the borrower at the time a renewal option is requested

Note: If Borrower has not yet entered into contract on a new property, or if Axos is not handling the Purchase money loan for their next property, additional restrictions may apply. Contact your Account Executive for details.

#### **Business Assets**

Business assets may be acceptable sources of funds for the down payment, closing costs, and required reserves when a borrower is self-employed. The following applies:

- The borrower must be an owner of the account, which must be verified by tax returns or other documentation.
- The impact on the business should be considered to confirm that the withdrawal of funds for this transaction will not have a negative impact on the enterprise.
- The borrower should be at least 50% owner of the business and available assets will be limited to his/ her percentage of ownership in the business.

# Business Debt in Borrower's Name

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 verified that the obligation was actually paid out of company funds and was considered in the cash flow analysis of the borrower's business.

The account payment does not need to be considered as part of the borrower's individual recurring monthly debt obligations if:

- The account in question does not have a history of delinquency;
- The business provides acceptable evidence that the obligation was paid out of company funds (such as 6 months of canceled company checks);
   and
- The cash flow analysis of the business considered the obligation.

The account payment is part of the borrower's individual recurring monthly debt obligations, if any of the following situations exists:



8/14/2025	<ul> <li>If the business does not provide sufficient evidence that the obligation was paid out of company funds;</li> <li>If the business provides acceptable evidence of its payment of the obligation, but the cash flow analysis of the business does not reflect any business expense related to the obligation (such as an interest expense—</li> </ul>
	<ul> <li>was paid out of company funds;</li> <li>If the business provides acceptable evidence of its payment of the obligation, but the cash flow analysis of the business does not reflect any</li> </ul>
	<ul> <li>If the business provides acceptable evidence of its payment of the obligation, but the cash flow analysis of the business does not reflect any</li> </ul>
	obligation, but the cash flow analysis of the business does not reflect any
	business expense related to the obligation (such as an interest expense—
	and taxes and insurance, if applicable—equal to or greater than the
	amount of interest that one would reasonably expect to see given the
	amount of financing shown on the credit report and the age of the loan).
	It is reasonable to assume that the obligation has not been accounted for
	in the cash flow analysis; or
	If the account in question has a history of delinquency. To ensure that the
	obligation is counted only once, adjust the net income of the business by
	the amount of interest, taxes, or insurance expense, if any, that relates to
	the account in question.
	Loan used for the purpose of recapturing funds used to purchase a property acquired, or
	pay off a loan obtained to acquire the property, within 12 months of the date Axos
	receives the loan application, may use purchase loan to value ratio guidelines. The source
	of down payment documentation is required. The lesser of the sales price or appraised
	value is used. 45 day seasoning from acquisition close required.
CEMA	Provide copies of all original prior notes (and GAP notes). Lost note affidavits are
	accepted on a case by case basis.
	Confirm new money amount with Closing Attorney
	<ul> <li>Exhibit A must list all Notes, Security instruments, assignments that modify,</li> </ul>
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,	Carafully avaluate the harrower's angoing income and provide supporting
	documentation to demonstrate the likelihood of continuance.
	If the horrower has recently begun to receive canital gains or the most recent
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Table   Tabl	documentation to evidence why the most recent year should be utilized in lieu of
	a two-year average.
	A minimum history of two years of commission income is recommended. The
	following documentation should be reviewed to determine the amount of
	commission income used for qualifying:
	The borrower's two most recent paystubs and IRS W-2 forms covering the
	most recent two-year period. I.e. a final paystub from the applicable year
	most recent two-year period, i.e. a miai paystub nom the abblicable year
	should show the commission wage broken-out from other wage income.
	<ul><li>should show the commission wage broken-out from other wage income.</li><li>Additional documentation may be required if the commission income is</li></ul>
Condominiums	<ul> <li>should show the commission wage broken-out from other wage income.</li> <li>Additional documentation may be required if the commission income is not clear in the paystubs and W2 forms.</li> </ul>
	<ul><li>should show the commission wage broken-out from other wage income.</li><li>Additional documentation may be required if the commission income is</li></ul>
	consolidate or extend prior underlying obligations and which predate the CEMA Borrowers whose income is generated primarily through real estate investments, or the sale of other assets that are claimed on Schedule D of the Federal Income Tax Return (form 1040), must demonstrate a two-year history of receipt on their tax returns. The borrower must also have sufficient assets to support the continuity of capital gain income. Generally, a 24-month average of the income is utilized.  Carefully evaluate the borrower's ongoing income and provide supporting documentation to demonstrate the likelihood of continuance.  If the borrower has recently begun to receive capital gains, or the most recent year of capital gains showed an increase, obtain an explanation and supporting



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	All loans secured by condominiums require a completed project questionnaire/certification.	
	If the condominium is located in a judicial foreclosure state, and an LTV deviation has	
	been granted, the borrower will be required to pledge 12 months of HOA dues in an account at the Bank.	
	account at the bank.	
	Pending Litigation – The following documentation is required:	
	Copy of the lawsuit or summary letter from the association's attorney outlining	
	possible outcomes.	
	Current copies of applicable association insurance policies.	
	Current Statement of Financial Position or Balance Sheet, Statement of Cash	
	Flows or Cash Flow	
	Analysis and Current Budget for the association.	
	Comments from appraiser addressing the effect on marketability and any	
Candatala	construction quality issues.	
Condotels	Condotels are allowed on a case-by-case basis, and must be in an established project.	
	All condotels have an LTV restriction. See current rate sheet for details.	
Consumer Credit Counseling	Borrowers that have completed a credit counseling program will be considered as	
(Previous Participant)	long as there is a minimum of 48 months seasoning on re-established credit since	
, ,	the credit counseling was terminated. The re- established credit may not include	
	accounts paid through credit counseling.	
Construction to Permanent	SFR construction lending is defined as ground-up development as well as	
Loan	improvement to an existing structure that <u>does not</u> qualify under "Rehab"	
	definition, namely: 1) Buildings that are weather-tight but require interior	
	physical development work that will be funded partially or fully from loan	
	proceeds 2) Loans funded over 70% at close excluding interest reserves holdbacks	
	Collateral Value Determination Guidance:	
	<ul> <li>Loan to Cost (LTC) – Loan amount as a percentage of "As Is" value</li> </ul>	
	<ul> <li>Equity Contribution to Land – Percent of equity compared to "As Is" value</li> </ul>	
	<ul> <li>"As Completed" Loan to Value (LTV) – Applicable when using "As</li> </ul>	
	Completed" appraised value	
Currency Conversion	Use the website below for any currency conversions:	
	https://www.oanda.com/currency/converter/	
Cooperatives	Cooperatives are limited to NY State only.	
	A cooperative questionnaire is required.	
	Collateral Requirements: stock certificate – proprietary leases and one	
	security instrument	
Corporation Income	Corporations use IRS Form 1120 to report taxes. The cash flow analysis can only	
	consider the borrower's share of business income or loss taking into consideration adjustments when the borrower owns 50% or more of the	
	business.	
Co-Signed Debts	Co-signed debts will not be counted in the BDTI ratio, if sufficient proof is	
January Debts	provided that the Co-Signed primary debtor makes the payments and the	
	payments have not been delinquent for the most recent 12 months.	
Court Ordered Assignment of	When a borrower has outstanding debt that was assigned to another party by	
Debt	court order (such as under a divorce decree or separation agreement) and the	
	creditor does not release the borrower from liability, the borrower has a	
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	contingent liability. It is not required to count this continge the borrower's recurring monthly debt obligations, but will overall credit decision.	· ·		
Credit History	Generally, borrowers with credit delinquency will be scruting	nized closely and		
Create mistory	should be addressed by the underwriter on loans being app			
	appropriate compensating factors. Extenuating circumstance			
	with a letter of explanation from the borrower. Borrower(s			
	· ·	least four active major consumer credit and /or mortgage accounts; however,		
	borrower(s) with no credit history will be considered on a c			
	(See Non Traditional Credit)			
Credit Scores	The lowest middle credit score from all borrowers will be u	tilized to determine		
3.33.1333.33	program eligibility.			
	Foreign borrowers do not have a traditional U.S. cre	edit score and as such		
	are exempt from this guideline.	are score arra as sacri		
	Any exceptions to the FICO requirement should be carefully	considered and the		
	exception must be reasonable and well documented.	,		
Cross Collateral	The cross collateral program allows for 90% financing of the	e eligible property		
	value when ELTV is 5% below published LTV with a maximu			
	certain cases (see below), an allowance for the borrower to			
	down payment.			
	' '			
	Generally, the minimum cash down payment required is as follows:			
		10% cash down required for owner-occupied properties		
		20% cash down required for second home or investment properties		
	'	, ,		
	100% financing may be available if the following three cond	litions are met:		
	Purchase transactions ONLY			
	<ul> <li>Effective LTV that is AT LEAST 15% below the published t</li> </ul>	Effective LTV that is AT LEAST 15% below the published threshold for the		
	transaction	·		
	<ul> <li>12 months' all mortgage payments held in liquid reserve</li> </ul>			
	No gift funds are part of the transaction			
	Effective LTV is calculated by dividing the loan amount by tl	ne total,		
	summed value of both properties.			
	Example: Owner Occupied Property			
	Property A Lesser of Purchase Price or Appraised Value	\$2,000,000		
	Property B Appraised Value	\$ 770,000		
	TOTAL VALUE	\$2,770,000		
	90% of Purchase Price Property A	\$1,800,000		
	Loan Amount Requested	\$1,800,000		
	Cash Required	\$ 200,000		
	Effective LTV	64.98%		
	Other Cross Collateral Requirements:			
	<ul> <li>Primary residences, second homes, and investment</li> </ul>	properties may be		
	crossed with the subject;			



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	<ul> <li>NOTE: properties located in Washington DC, West Virginia, and Virginia and Texas Homestead/Texas Home Equity may not be used for a cross.</li> <li>The second piece of real estate must be owned by the borrower;</li> </ul>
	<ul> <li>Axos Bank should be in first lien position on both properties (deviations from the guideline are allowed, if there is an abundance of equity). These deviations must be reasonable and well-documented;</li> <li>An appraisal report will be required for both properties as follows:         <ul> <li>Loan amount \$1,000,000 or less – one appraisal required for subject property and one for the cross property</li> <li>Loan amounts between \$1,000,000 and \$1,500,000 – If the subject property appraisal is ordered through an Axos Bank-approved AMC, then</li> </ul> </li> </ul>
	only one full appraisal is required. Otherwise two full appraisal Reports are required. One for the cross property
	<ul> <li>For loan amounts over \$1.5 million: two reports for the subject property and one for the cross property</li> </ul>
	<ul> <li>A preliminary title report is required with lender's coverage on both properties;</li> </ul>
	<ul> <li>Proof of hazard insurance for both properties</li> </ul>
	<ul> <li>Proof of flood insurance for both properties (if applicable)</li> </ul>
	<ul> <li>Property taxes due within 60 days must be paid current on both properties</li> </ul>
	<ul> <li>2 recording fees if properties are located in different counties</li> <li>One note and one mortgage will be executed and will be recorded against both properties for the total loan amount (unless the properties are in different counties in which case 2 mortgages will be recorded – 2 recording fees)</li> </ul>
Deferred Installment Debt	Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts, other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies should be obtained of the borrower's payment letters or forbearance agreements, so that a monthly payment amount can be determined and utilized in calculating the borrower's total monthly obligations.
	Deferred student loan payments will not be included as a recurring monthly expense unless repayment begins within 12 months of the conditional approval date.
Depository Accounts	Funds held in a checking, savings, money market, certificate of deposit, or other depository accounts may be utilized for the down payment, closing costs, and financial reserves. The funds must be verified. Unverified funds are not acceptable for the down payment, closing costs, or financial reserves. Any indications of borrowed funds must be investigated.
	It is acceptable to utilize two months or quarterly account statements, to verify that a borrower has sufficient funds for closing, down payment, and/or financial reserves.  This documentation should include the following information:  • Clearly identify the borrower as the account holder;



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	Include the account number;
	<ul> <li>Include the time period covered by the statement;</li> </ul>
	<ul> <li>Include all deposits and withdrawal transactions (for depository accounts);</li> </ul>
	<ul> <li>Include all purchase and sale transactions (for financial portfolio accounts);</li> </ul>
	Include the ending account balance.
Dividend/	Obtain 2 years' tax returns. Verify the borrower's ownership of the assets where
Interest	the interest or dividend income was earned.
	Documentation of asset ownership must be verified and a two-year history of
	receipt of the income by:
	<ul> <li>Copies of the borrower's signed federal income tax returns, or</li> </ul>
	Copies of account statements.
	An average of the income received for the most recent two years is developed.
	Any assets utilized for down payment or closing costs must be subtracted from
	the borrower's total assets before calculating expected future interest or
	dividend income.
	Interest and dividend income cannot be utilized in conjunction with asset
	depletion, unless the source of the interest or dividends is not included in
	the asset depletion calculation (e.g. when the source of the interest and
	dividend income is from ownership interest in a business). When
	including both, the likelihood that the dividends and/or interest would
	reasonably continue must be reasonable and well-documented.
Earnest Money Deposit	If a copy of the cancelled deposit check is utilized to document the source
	of funds, the bank statements should cover the period up to (and
	including) the date the check cleared the bank account.
	If it cannot be determined that these funds were withdrawn from the
	borrower's account, additional verification of the source and evidence that
	the funds have actually changed hands from the borrower to the seller, the
	realtor, the escrow agent, or the settlement attorney should be provided.
	Large earnest money deposits and deposits that exceed the amount customary for
	the area should be closely evaluated.
Employee Business Expenses	Unreimbursed employee business expenses are not required to be analyzed or
Limployee business expenses	deducted from, or added to, monthly liabilities.
	This applies regardless of whether unreimbursed employee business
	expenses are identified on tax returns or tax transcripts
<b>Employment Offers or</b>	If the borrower is scheduled to begin employment after the loan closes, it
Contracts	is acceptable to utilize an offer or contract for future employment and
	income to underwrite and close the loan.
	If a borrower was previously employed as a W-2 wage earner and recently became
	a partner (e.g. law firm), obtain a copy of the contract. Any guaranteed draws are
	eligible for qualifying. If the borrower is not guaranteed a draw, but the employer
	makes a reasonable projection as to the future earnings of the borrower, the
	income can be utilized; however, supporting documentation to show likelihood of
	continuance for at least three years must be provided
Entity Loan	Additional required documentation and collateral
Littly Loan	Satisfactory UCC-1 search results of Entity
	·
	Assignment of leases and rents



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	<ul> <li>UCC-1 filing against the property's fixtures and personal property</li> </ul>
	<ul> <li>Case-by-case 100% equity pledge and security agreement</li> </ul>
Fixed Income	Social Security, Disability, Pension and/or VA Benefits
	Obtain the most recent 1099's or tax returns; if the income is non-taxable it can be grossed up 125% for qualifying purposes.
	For new or increased distributions, the most recent award letter, policy statement, or benefit statement, as well as proof of receipt of the increased award should be obtained.
	For borrowers on temporary leave, all of the following documentation must be obtained:
	<ul> <li>A borrower-signed LOE confirming their intent to return to work</li> <li>Confirmation of the agreed-upon return date (this may be included in the LOE, in correspondence between the borrower and employer/employer's third party administrator, or a printout from the employer/employer's third party administrator)</li> <li>A verbal or written VOE</li> </ul>
	Confirmation of the amount and duration of the borrower's "temporary leave income" as well as their "regular employment income," (this may be provided by the borrower, the employer, or the employer's third party administrator)
Flood Insurance	All properties located in a flood zone will require flood insurance
	<ul> <li>If the property is in a flood zone, the flood insurance is required to be impounded (unless the Master HOA insurance covers and pays for the flood insurance).</li> <li>If the property is located in an SFHA, borrowers must be notified within a reasonable time (generally, at least 10 days) before loan closing. The Special Flood Hazard Determination Notice must be wet-signed and dated. Axos Bank does not currently accept a digitally signed or PDF-signed notice.</li> <li>The minimum amount of insurance coverage required must be equal to the lesser of: the outstanding principal balance of all loans secured by the property; the maximum amount available under the NFIP</li> <li>The community must participate in the National Flood Insurance Program (NFIP)</li> </ul>
	Evidence Flood Insurance as follows:
	A copy of the Declaration Page
	<ul> <li>A copy of the flood insurance application and evidence of premium payment for purchases only.</li> </ul>
	<ul> <li>For purchases, the Flood Policy must be in effect and paid before the borrowers</li> </ul>
	sign loan documents. Provide proof of payment.
	<ul> <li>Please Note: The NFIP <u>does not</u> recognize binders or certificates of insurance.</li> </ul>
	<ul> <li>Flood Insurance Declaration</li> <li>Must reflect the same flood zone as the flood certification and appraisal</li> <li>The deductible may not exceed a maximum of:         \$10,000 - Residential         \$25,000 - Condos</li> </ul>
	<ul> <li>Subject property address and unit number must match the application</li> <li>Policy number must be listed</li> </ul>
	. Oney frames are noted



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	Axos Bank listed as the Mortgagee
	Policy must be paid current
	If the policy is up for renewal within 60 days, the renewal premium and policy are
	required.
	, equive a
	Condo Flood Insurance:
	Condos require a NFIP Residential Condominium Building Association Policy (RCBAP)
	Coverage required
	Total number of units in condo building multiplied by \$250,000 or
	Outstanding principal balance of the loan or maximum available under NFIP,
	whichever is less
	If the unit's portion of the RCBAP is insufficient to meet the regulatory purchase
	requirements, borrower to ask the association to carry adequate limits or
	borrower to purchase a separate dwelling policy.
	borrower to parenase a separate awening poney.
	Detached Structures:
	Flood insurance shall not be required in the case of residential property, for any
	structure that is part of such property, but is <u>detached</u> from the primary residential
	structure that is part of such property, but is <u>detached</u> from the primary residential structure of such property and does not serve as a <b>residence</b> .
	<ul> <li>Note: All residences such as guest cottages on the property, will require flood</li> </ul>
	insurance. Barns, detached garages, workshop, etc. will not require additional flood coverage.
	The coverage required is the lesser of RCV, NFIP Maximum and the loan balance.
	Private Flood Insurance policies for SFR only:
	Private flood insurance policies are only accepted if they meet all the same
	criteria as a NFIP Policy.
	<ul> <li>Provide a copy of the <u>full</u> private flood insurance policy for our review.</li> </ul>
	•
Foreign Credit Reports and	See NRA Borrower – Section
Credit Scores	
Foreign Income	If a borrower (U.S. Citizen, Permanent Resident Alien or Non-Permanent Resident
	Alien) is employed by a foreign company, U.S. tax returns to support the foreign
	tax credit must be obtained.
	H.C. citizana DDA and NDDA anana NOT madifu adalah an fancina tanananan
	U.S. citizens, PRAs and NPRAs may NOT qualify solely on foreign tax returns.
	Additionally family to make the
	Additionally, foreign tax returns, if applicable, may be required at the
	underwriter's discretion.
	A 250/ Discount for Foreign Currency Conversion Bioleia and in dealer late and available
	A 25% Discount for Foreign Currency Conversion Risk is applied to calculated qualifying
	monthly income.



Gifts	A borrower of a mortgage loan secured by a principal residence, second home, or investment property may utilize funds received as a personal gift from an acceptable donor. Gift funds may fund all or part of the down payment, closing costs, or financial reserves subject to the minimum borrower contribution requirements below:

#### **Acceptable Donors:**

A gift can be provided by:

- A relative, defined as the borrower's spouse, child, or other dependent or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship
- A fiancé, fiancée, or domestic partner.
- Entities including churches, municipalities, nonprofit organizations (excluding credit unions), a regional Federal Home Loan Bank under one of its affordable le housing programs, and public agencies. Gift funds may be received from wellknown NGOs such as The Red Cross, IFRC (Red Crescent), United Nations Refugee Agency, International Rescue Committee, or other recognized refugee programs with verification of the donation.

NOTE: The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

#### **Documentation Requirements:**

Gifts should be evidenced by a letter signed by the donor, called a gift letter. The gift letter should:

- Specify the dollar amount of the gift;
- Specify the date the funds were transferred;
- Include the donor's statement that no repayment is expected; and
- Indicate the donor's name, address, telephone number, and relationship to the borrower.

It should be verified that 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:

- A copy of the donor's check and the borrower's deposit slip;
- A copy of the donor's withdrawal slip and the borrower's deposit slip;
- A copy of the donor's check to the closing agent; or
- A settlement statement showing receipt of the donor's check
- On Non-Resident Alien ("NRA") loans a copy of the donor's depository account statement must be provided and reviewed by Compliance.

When the funds are not transferred prior to settlement, it should be documented that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check.

#### Guarantors

- <u>Corporation</u> 10% Corporation Ownership
- <u>Limited Liability Company (LLC)</u> Managing Members & Member(s) ownership equates to 25% or more
- <u>Limited Parntership or General Partnership</u> All General Partners. General Partners collectively must hold a minimum 5% ownership (a portion of that may be as a limited partner). Limited Partners with a 25% or greater ownership



8/14/2025 <u>Limited Liability Partnership (LLP)</u> – Managing Member and all Limited Partner(s) with a 25% or greater ownership of LLP **Hazard Insurance** Hazard insurance (if applicable) will be required. Borrowers who are not establishing an escrow account for hazard insurance, that have a monthly direct payment plan for their hazard insurance, do not have to prepay the current year of hazard insurance at closing as long as supporting documentation is obtained to show that the monthly direct payment plan is current. Hazard Insurance (HO3) coverage: Declaration page with coverage, premium amount, agent, phone, loan # and mortgagee clause to read: Axos Bank, Its Successors and/or Assigns / As Their Interests May Appear, P O Box 5804, Troy, MI 48007-5804. Dwelling coverage must cover the lesser of loan amount or estimated cost new from the appraisal. Replacement cost estimator from insurance agent on an exception basis Loan amount <\$1,000,000 - max deductible cannot be more than 1% of policy face amount or \$5,000, whichever is the lesser. Loan amount > or equal to \$1,000,000 - max deductible is \$10,000 Must include current balance owed for refinance transactions. Policy must be for a 12-month term Any outstanding balance or premium hazard due within 60 days of funding date must be collected and/or paid in full by closing Insurance should be in the name of the borrower as shown on the Note and not an entity. If policy is in name of an entity the borrower must be listed as an "additional insured". • Subject property address and unit number (if applicable) must match the address as shown on the Note Condo (HO-6) coverage: Condos require separate "walls-in" coverage if the HOA's Master Policy only covers the exterior. Provide declarations page showing coverage amount, borrower name and subject property address. Coverage required is 20% of Appraised Value. Axos Bank, Its Successors and/or Assigns / As Their Interests May Appear, P O Box 5804, Troy, MI 48007-5804. Max deductible cannot exceed 5% of the face amount of the policy Policy must be for a 12-month term Any outstanding balance or premium hazard due within 60 days of funding date must be collected and/or paid in full by closing Insurance should be in the name of the borrower - not an entity. If policy is in name of an entity the borrower must be listed as an "additional insured". **Master Condo Insurance:** Declaration page showing adequate coverage, deductible and insurance

agent's name and phone number.

Must have a minimum of \$1 million liability coverage.



Declaration page to include replacement cost endorsement (100%) or guaranteed replacement cost endorsement. Must reflect all borrowers' names, subject property unit number and total number of units within the complex. List loan number and mortgagee clause to read: Axos Bank, Its Successors and/or Assigns / As Their Interests May Appear, P O Box 5804, Troy, MI 48007-5804. If the Master Policy includes **both** Building and Walls-In Coverage, it must be noted on the Policy. In that case, the HO6 policy will be N/A. **Landlord Policy with Rental Loss Insurance:** Required for all Subject Investment Property qualifying with Rental Income consideration. Rent Loss Coverage must be for 6 months gross rental income. Policy must be for a current 12-month term with same vesting and mortgage clause requirements as Hazard Insurance (HO3) or Condo (HO-6) as applicable. **Self-Insuring Standards:** Full Self-Insure <u>Pledge an amount equal to the lower of the replacement cost value</u> or loan amount at Bank in accordance with standard pledge requirements Separate insurance policy with Liability Coverage protection of at least \$100,000 must obtained High Deductible policy "self-insurance" o Contact Axos Bank Account Executive for details

Home Equity Line of Credit Payment

Current payments on home equity line of credit loans ("HELOC") must be considered as part of the borrower's recurring monthly debt obligations. If the HELOC does not require a payment, there is no recurring monthly debt or need to consider.

#### **Income Tax Payment Plan**

Income tax payment plans are not required to be paid off. The following requirements apply:

- A tax lien has not been recorded
- A letter of explanation regarding the reason for the plan is required
- A copy of the payment plan is required to verify the terms of the plan
- Payments must be current

If more than six months is remaining on the plan, the payment is included in the



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	ratios.
Inquiries	When the credit report indicates that recent inquiries took place, confirmation that the borrower has not obtained any additional credit (that is not reflected in
	the credit report or the mortgage application) is required.
	If additional credit was obtained, a verification of that debt must be
	provided and the borrower must be qualified utilizing the monthly
	payment.
Installment Debt	All installment debt that is not secured by a financial asset, including student
	loans, automobile loans, and home equity loans, must be considered part of the
	borrower's recurring monthly debt obligations, if there are more than ten
	monthly payments remaining. Pay-down of installment debt to ten or less
	monthly payments is allowed to assist in qualifying.
Interest Only	Interest-only payments are calculated using the greater of the start rate or fully indexed rate, utilizing a 25-year amortization term.
<b>Interested Party Contributions</b>	IPCs are costs that are normally the responsibility of the property purchaser, which are
	paid, directly or indirectly, by someone else who has a financial interest in, or can
	influence the terms and sale, or transfer of, the subject property. Interested parties to a
	transaction include, but are not limited to: the property seller, the builder/ developer, the
	real estate agent or broker, or an affiliate who may benefit from the sale of the property
	and/or the sale of the property at the highest price possible.
	A lender or employer is not considered an interested party to a sales transaction unless it
	is the property seller or is affiliated with the property seller or another interested party to
	the transaction. IPCs are either financing concessions or sales concessions. The following
	are considered to be IPCs:
	<ul> <li>Funds that are paid directly or indirectly from the interested party to the borrower;</li> </ul>
	<ul> <li>Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower;</li> </ul>
	Funds that flow to the transaction on the borrower's behalf from an interested
	party, including a third-party organization or nonprofit agency; and
	Funds that are donated to a third party, which then provide the money to pay
	some or all of the closing costs for a specific transaction.
	IPCs are limited to 6%, not to exceed actual closing costs
<b>Investor Owned Residential</b>	Loans on investment properties will be considered an Investor Owned Residential
Real Estate (IORR)	Real Estate (IORR) loan if ALL of the following conditions are met:
	The subject is an investment property;
	Rental income makes up the majority of the borrower's income; and
	The loan amount requested is \$5 million OR the borrower has an
	aggregate of \$10 million in loans at Axos Bank.
	Loans that have been designated IORR will be subject to additional,
	annual post-funding reporting requirements (e.g. rent rolls, balance
	sheet/P&Ls, tax returns, etc.)
IRA and Annuity	IRA distributions are eligible for qualifying, if a copy of the most recent 1099 or
Distributions	tax returns are obtained and verification that the borrower has sufficient funds in
	the IRA or Annuity account to continue the income distributions for at least three
	years.



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	For new or increased IRA or Annuity distributions, it must be documented
	that sufficient assets are available using an increased distribution amount
	and that a revised or new distribution documentation is received from the
	advisor or depository.
	NOTE: IRA distributions are only eligible for borrowers over 59 ½ years of age.
IRS 4506T	A signed IRS form 4506-T and Borrower's Certification and Authorization will be
	required for all loans. The 4506-T will be utilized to request tax transcripts.
Lease Payments	Lease payments must be considered as recurring monthly debt obligations
•	regardless of the number of months remaining on the lease. Automobile leases
	should be considered a recurring obligation regardless of payments remaining
	unless the applicant can demonstrate cash assets to purchase or buy out the
	lease or eliminate use of the automobile.
Leaseholds	Leaseholds will be considered on a case-by-case basis, as approved by Credit
	Management. Generally:
	The leasehold estate and improvements must constitute real property
	subject to a mortgage lien and insured by a title policy.
	The lease must be valid and in full force and effect.
	All ground rent payments, other payments or assessments must be
	current and the borrower must not be in default under any other
	provision of the lease, nor may the ground rent owner have claimed such
	a default.
	The lease should guarantee the lender the right to receive at least 30
	days' notice of default by the borrower and the option to cure the default
	or take over the borrower's rights.
	<ul> <li>The lease should include provisions to protect the lender's interest in the</li> </ul>
	event of a property condemnation.
	The lease should provide that the leasehold can be transferred,
	mortgaged and sublet an unlimited number of times without restriction
	or upon payment of a reasonable fee and delivery of documentation to
	the lessor. The lessor may not require credit qualification on any assignee
	or sub-lessee.
	The estate term should run through at least the term of the mortgage maturity
	unless fee simple title will vest at an earlier date in the borrower or a HOA and
	should be assignable or transferable. In cases where the term of the lease does
	not extend beyond the term of the loan, the borrower must have the ability to
	purchase the fee interest at the expiration of the lease.
Life Insurance Cash Value	Net proceeds from a loan against the cash value or from the surrender of a life
Life mountaince cash value	insurance policy are acceptable sources of funds for the down payment, closing
	costs, and reserves.
	Costs, und reserves.
	If the funds are required for the down payment or closing costs, the
	borrower's receipt of the funds from the insurance company must be
	documented by obtaining either a copy of the check or a copy of the payout
	statement from the insurer. If the cash-value of the life insurance is being
	utilized for reserves, the cash-value must be documented but does not need
	to be liquidated and received by the borrower.
Liquid Assets	Acceptable source of down payment, closing costs and reserves sources include:
Liquiu Assets	Checking or savings accounts
	Investments in stocks, bonds, mutual funds, certificates of deposit, money     market funds, and trust accounts.
	market funds, and trust accounts



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	The amount vested in a retirement savings account
	Trade equity
	Savings bonds
	Trust accounts
	Proceeds from sale of real estate
	Deposits on sales contracts
	Repayment of loans
	Cash value of a vested life insurance policies
	Proceeds from a cash-out refinance transaction on subject property
	Gift funds
	Site rands
	Unacceptable source of down payment, closing costs and reserves sources include:
	Funds that have not been vested
	Funds that cannot be withdrawn under circumstances other than the account
	owner's retirement, employment termination, or death
	Stock held in an unlisted corporation
	Stock options and non-vested restricted stock
	Personal unsecured loans
	<ul> <li>Interested party contributions (IPCs) that are not approved or exceed the amount</li> </ul>
	allowed (See Interested Party Contributions)
	Sweat equity  Bitcoin or other virtual currencies
Lagra Cassurad by Financial	
Loans Secured by Financial	When a borrower uses his or her financial assets—life insurance policies,
Assets	401(k) accounts, individual retirement accounts, certificates of deposit, stocks,
	bonds, etc.—as security for a loan, the borrower has a contingent liability.
	It is not required to include this contingent liability, as part of the borrower's
	recurring monthly debt obligations, provided a copy of the applicable loan
	instrument that shows the borrower's financial asset as collateral for the loan
	is obtained.
	is obtained.
	If the borrower intends to use the same asset to satisfy financial reserve
	requirements, the value of the asset must be reduced (the account
	balance, in most cases) by the proceeds from the secured loan and any
	related fees to help determine whether the borrower has sufficient
	reserves.
Loans To One Borrower	'Loans To One Borrower' verification form must be completed by all borrowers.
Loans to one borrower	The form is located on the Axos Bank website under forms at
	https://www.axosbank.com/Partners/Wholesale-Correspondent-Portfolio-
	Lending/Forms-and-Guidelines?item=%2flending%2fthird-party-
Loop to Value	lending%2fforms&user=extranet%5cAnonymous&site=Axos
Loan-to-Value	• Loan amount \$1,000,000 or less – one appraisal required
	• Loan amounts between \$1,000,000 and \$1,500,000 - If the appraisal is ordered
	through an Axos Bank-approved AMC, then only one full appraisal is
	required. Otherwise two full appraisal Reports are required.
	<ul> <li>Loan amount greater than \$1,500,000 - two appraisals required</li> </ul>
	An appraisal review is completed of all appraisals by the Appraisal Department.
	The final determination of value concluded in the review is used to calculate
	value.





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	<u>Purchase Transactions</u> : generally, the lesser of appraisal review or purchase price is used to calculate LTV
	Rate & Term (Limited Cash Out) Refinance Transactions: generally, the lesser of the appraisal review value or the appraisal value is applied. Based on the appraisal or appraisal review, if the property has been listed in the last 12 months, the value is based on the lower of the appraisal review value or the lowest listed sales price.  • NOTE: if the property has been listed for sale within 90 days of the application date, proof of the listing's removal and an LOE from the borrower will be required
	Cash Out Refinance Transactions: generally, the value is determined as follows—  • If the property was acquired more than 12 months prior to the application date,
	<ul> <li>the appraisal review value should be used</li> <li>If the property was acquired within 12 months of the application date (based on the appraisal or appraisal review), the lower of the appraisal review value or the acquisition price should be used</li> </ul>
	<ul> <li>If funds are used to recapture amount paid for the property, purchase LTV may be utilized if Axos receives the loan application within twelve months of the close of the purchase escrow AND:         <ol> <li>Closing Disclosure issued at close of the purchase escrow.</li> <li>Documentation of source of funds used for down payment that must meet Axos requirements for down payment</li> </ol> </li> </ul>
	If the property was acquired within 12 months AND was subsequently listed within 12 months of the application date, the most recent event (acquisition or listing) should determine how the LTV is calculated
	NOTE: A property must be off the market before receiving cash out on a refinance. Cash-out refinances are not eligible for properties that have been listed within 90 days of the application date.
	Maximum financing may not be available for the following properties. A reduction to LTV will be required for each of these existent factors.  • Rural properties in area less than 25% built-up,
	<ul> <li>Properties at the low or high end of the value range for the neighborhood,</li> </ul>
	<ul> <li>Properties in neighborhoods with declining market values or an over-supply of housing, or</li> <li>Areas with a marketing time of over six months.</li> </ul>
	Please refer to current Axos LTV Matrix for LTV guidelines.
MERS	MERS ID number is 1007359.
Mold Inspection Report	A mold inspection report will be required if mold or dampness is referenced in the appraisal.
Mortgage assumptions	If an applicant had a mortgage loan assumed by another party, the contingent liability may not be included in the applicant's underwriting ratios, if a copy of the formal assumption agreement (with or without release of liability) and evidence of the transfer of ownership are provided. This contingent liability should be apparent on the credit documentation.
Mortgagee Clause	Axos Bank, ISAOA/ATIMA PO Box 5804 Troy, MI 48007-5804
	1 mile 2 mily 12 mile 19 mile 2 mile



Mortgage History	Review the borrower's credit report to determine the status of all mortgage
	accounts. If a borrower had previous mortgages, a credit report, which includes a
	reference to the mortgage(s) and reflects twelve months of the most recent
	payment activity, is acceptable verification.
	If adequate mortgage payment history is not included in the borrower's credit
	report, the following must be utilized to verify the borrower's payment history on
	a previous mortgage(s):
	A standard mortgage verification;
	<ul> <li>Loan payment history from the servicer;</li> </ul>
	The borrower's canceled checks for the last twelve months; or  The borrower's canceled checks for the last twelve months; or
	The borrower's year-end mortgage account statement provided the
	statement includes a payment receipt history, and, if applicable, canceled
	checks for the months elapsed since the year-end mortgage account
	statement was issued.
	Loans with excessive prior mortgage delinquencies should not be eligible for
	exceptions to policy or deviations to guidelines. Excessive prior mortgage
	delinquency is defined as any mortgage trade line that has one or more 60-, 90-,
	120-, or 150-day delinquency reported within the 12 months prior to the credit
	report date.
Non Arm's Length	Transactions with Family Members - The following requirements apply when a
	non-arm's length transaction involves a family member (specifically, the
	borrower's spouse, registered domestic partner, fiancé or fiancée, child, parent,
	or any other individual related to the borrower by blood, adoption, or legal
	guardianship):
	An executed purchase or sales agreement between the purchaser and the
	family member is in the loan file.
	The source and ownership of funds for the down payment, closing costs,
	and reserves are well documented in the loan file.
	Seller may not be delinquent on their mortgage(s) or in a short sale
	transaction. A copy of the demand for payoff for the existing mortgage(s)
	should be obtained for verification.
	If the borrower is not providing a down payment towards the purchase of the
	home, the maximum LTV is 50%.
Non Occupant Co-	A guarantor or co-signer is a credit applicant who may not have an ownership
Borrowers	interest in the security property, but who signs the Note and thus shares joint
	liability of the note with the applicant who is the owner of the property.
	The occupying borrower and non-occupying co-borrower must have
	sufficient combined income and liquidity to qualify under Axos Bank's
	standard requirements. The use of a non-occupant co-borrower is limited
	to purchase transactions and rate and term refinance transactions.
Non Traditional Credit	If a borrower does not have the types of credit, which would appear on
	traditional credit reports, or if the borrower does not have sufficient number of
	credit references to develop a traditional credit report, it is acceptable to obtain
	alternative credit. Examples of non-traditional credit are:
	Cell phone payments;
	Utility bills;
	Rent payments; and
	Insurance payments.



	A minimum of 2 non-traditional credit references are required, if non-traditional credit is utilized. If the borrower is not a U.S. Citizen and credit references are from another Country, the documentation must be translated by a certified translator.
	Please contact your Account Executive if loan amount requests in excess of \$500,000 require non-traditional credit.
Non-Depository Assets	<ul> <li>Stocks, government bonds, and mutual funds are acceptable sources of funds for the down payment, closing costs, and reserves. Stock options may also be an acceptable source of funds, but only for down payments and closing costs.</li> <li>70% of verified funds are utilized as reserves to account for market volatility.</li> <li>A statement verifying the borrower's ownership of the account or asset is required;</li> <li>The value of the asset at the time of sale or liquidation is used for qualifying assets; and</li> <li>The borrower's actual receipt of funds realized from the sale or liquidation of the assets, if the funds will be used for the down payment or closing costs should be verified.</li> <li>Deposits exceeding 50% of qualifying income must be explained</li> </ul>
Non Subject Property Debt	<ul> <li>Variable Rate Mortgage; Short-Term Debt; Conversion from IO to P&amp;I</li> <li>Maturing Debt. If any exist, additional requirements may apply.</li> </ul>
Notes Receivable	Note income is eligible for qualifying, if the borrower has a history of receipt of this kind of income documented on their tax returns. Copies of the notes will be required.  In cases where a borrower with an established history of note income has signed a NEW note, a copy of the note with documented receipt of the income is obtained. At a minimum, the remaining term should be three years of continuance. Secured notes are generally lower risk than unsecured notes
NRA Borrowers	A non-resident alien is defined as a borrower that does not live and work in the U.S. This does not include permanent resident aliens or non-permanent resident aliens. If borrowers do not have a valid work VISA, or work authorization card, and live and work outside the U.S., they are considered non-resident aliens. In addition, non-resident aliens are limited to loans on second home or non-owner-occupied transactions.  The following list contains the most common work visas that indicate a Due Diligence review is required (note, this list is not exhaustive):  B-1, B-2 BBBCV, C1 E-1, E-2, EB, EB-5 NAFTA O, O-1, P-1, P-2, P-3 Temporary Green Card Borrowers from countries participating in the State Department's VISA Waiver Program (VWP) are not required to provide a valid visa.



NOTE: additional documents may be requested as part of the Due Diligence review when there are NRA loans with gift funds (either from U.S. citizens or NRAs), and/or when there are NRA Title Holders or NRA Beneficial Owners.

All NRA loans are submitted for NRA Due diligence review and this is required prior to submission to underwriting. This may take a few days and require additional information. If approved the file will be submitted to Credit for an initial underwriting decision. The review fee is \$250.

#### Additional Requirements:

- Copy of SSN or unexpired ITIN card
- Valid passport
- Valid VISA
  - If the bank statements reflect significant asset amounts that are not necessarily commensurate with the underwritten income (e.g. \$10 million balance in bank but employment pays \$80,000 per year), a Letter of Explanation from borrower explaining the source of their wealth is required by BSA
- Amounts not denominated in U.S. dollars must be converted to USD
- Minimum of 12 months PITIA is required in reserves;
- Thorough online research of borrower name and business is required;
- Professional translation of all income/identity/asset documentation if not in English is required;
- Research country of origin;
- NRA Borrowers are not eligible for the Bridge to Sale Loan Program

#### **Program Exclusions**

- Applicants with diplomatic immunity are not allowed;
- POAs are not allowed;
- Vesting in an entity is allowed, but no part of the entity can be foreign

#### Income

Two years' tax returns are required from Country of Origin, if tax returns are filed in that country. They must be translated by a 3<sup>rd</sup> party professional translation company. Convert all currency into USD.

If tax returns are not required, then one or more of the following items of documentation may be obtained:

- CPA (or equivalent) letter verifying income,
- Paystubs or pay statements
- Letter from employer

All must be translated by a 3<sup>rd</sup> party professional translation company. Convert all currency into U.S. Dollar ("USD").

A 25% Discount for Foreign Currency Conversion Risk is applied to calculated qualifying monthly income.

#### **Credit:**



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	Credit report will be obtained using a valid Social Security number or Individual Tax Payer
	Identification Number (ITIN).
	o Minimum credit score: 680
	<ul> <li>Pricing and credit review based of lowest middle score</li> </ul>
	No FICO score is allowed if borrower(s) provide evidence of credit history through non-traditional credit references covering a minimum of two (2) open tradelines reporting for two (2) years with activity in the most recent 12 months.
	<ul> <li>Housing payment history required (mortgage or rental history)</li> <li>Utilities</li> </ul>
	Banking relationships
	Credit Cards
	Cell phone payments
	Insurance payment
	Primary Residence Expenses
	Every NRA loan should include expenses for the primary residence such as rental payments, mortgage, taxes, insurance HOA dues and any other applicable expenses.
	Assets: Assets should be verified with two months' statements from the borrower's accounts. If
	the statements are not in English, they must be translated by a 3rd party professional translation company. Convert all currency into USD.
	All foreign gift funds should be approved—all donors' identities, sources of the funds, and employment require such clearance. The Bank will consider gifted funds from a maximum of 5 giftors and none may be, or have any affiliation with, the builder, developer, real estate agent, mortgage banker/broker, or any other interested party to the transaction.
	Additional documents:
	US Mailing address must be provided for mailing of monthly statements
Option to Purchase	Rent credit for option to purchase is an acceptable source of funds toward the down payment. If the borrower has been in the home for 12 months, the current appraised value can be utilized to calculate LTV.
	<ul> <li>The original purchase option agreement is required. The amount of rent paid in excess of market rents as determined by a Rent Survey obtained by the Bank may be applied toward the required down payment. The Rent Survey must determine the market rents as of the time the original purchase option agreement was created and went into effect.</li> </ul>
Overtime & Bonus	A minimum history of two years' receipt is recommended. Borrowers relying on overtime or bonus income for qualifying purposes should have a prior history to be considered stable.
	The following documents should be obtained:  Completed VOE  The borrower's recent paystub and IRS W-2 forms covering the most
	recent two-year period.



	Using biweekly overtime to qualify, analyze the most recent paystub to confirm that the earnings match the historic annual income values.
	Borrowers using an annual bonus for qualification will have the annual amount divided by 12 to derive the monthly amount for qualifying purposes. If the borrower has a history of receipt, the prior year's bonus may be utilized for qualifying even if the borrower has not received the bonus in the current year, as long as there is a contract or VOE to assess the likelihood of recurrence. Bonuses should demonstrate a stable or upward trend and may be averaged or otherwise justified based on underwriter discretion.
Part Time and/or Second Job	Verification of a minimum history of two years of uninterrupted secondary employment income is recommended.
Pledged Assets	The pledged asset program allows up to 90% financing of the property value (the lesser of the appraised value or the purchase price). The fee for pledged asset loans is \$250.  Borrower Requirements:
	The obligor (the party that pledges the eligible assets) does not have to be the borrower nor does the obligor need to have a family relation to the borrower.
	Eligible Properties: Primary Residences, Second Homes, and Investment Properties Not available in Washington DC, West Virginia, and Virginia.
	<ul> <li>Eligible Liquid Assets:</li> <li>Eligible Assets include stocks, bonds, CD's, savings accounts and mutual funds.</li> <li>Eligible Assets must be managed by an Axos Bank, an Axos approved RIAA, or Axos Invest.</li> </ul>
	<ul> <li>Eligible Assets must be held in an account based in the U.S., either by a U.S. entity or the U.S. branch of a foreign entity.</li> <li>Eligible Assets do not include assets bought on margin, options, warrants, IRA assets, 401K assets, annuities, insurance benefits, and 529 or other education savings plans.</li> </ul>
	<ul> <li>Securities Documentation</li> <li>If securities are pledged, a review and approval of the securities is required:         <ul> <li>The borrower/obligor must execute the Pledge Agreement prior to loan funding; and</li> <li>The securities intermediary must execute the Account Control Agreement prior to loan funding.</li> <li>FR U-I Form must be completed and executed by borrower. Forms can be found at:</li></ul></li></ul>
	Pledge Amount: The base pledge amount equals the equity requirement percentage multiplied by the property value (minus any equity or down payment).



	The Initial Pledge Amount equals the Base Pledge Amount multiplied by two hundred percent (200%), if non cash and one hundred percent (100%), if cash. The Minimum Pledge Amount equals the Base Pledge Amount multiplied by 168%.  • A Pledged Asset Account funded with 100% Cash Equivalent Assets has an Initial Pledge Amount and Minimum Pledge Amount equal to 100% of the Base Pledge Amount.  • Throughout the term of the pledge agreement, the obligor will be required to maintain a Pledge Account value equal to or above the Initial Pledge Amount. If the Pledged Account value ever falls to or below the Minimum Pledge Amount, the obligor will immediately be required to bring the Pledged Account value equal to or above the Initial Pledge Amount.  Example Pledge Amount Calculation:  • Loan amount requested is 90% of the value (lower of sales price or appraisal value); \$1,000,000 value \$900,000 loan  • Identify the available LTV per the matrix and calculate the notional loan amount at that LTV: (e.g. if max LTV is 70%, then the notional loan amount; and the difference is the base pledge amount required.  • If the borrower is pledging cash the pledge required would be \$200,000, and, if securities, the pledge required would be \$200,000.  • In this example, the actual LTV is 90% and the effective LTV is 70%).
Power of Attorney	<ul> <li>The POA can be used for closing documents only, and is not acceptable for application or credit verification documents.</li> <li>Authorization allows for the attorney-in-fact to perform specific functions related to consumer loan financing or is specific to the subject property.</li> <li>The attorney-in-fact may not have any direct or indirect financial interest in the transaction (NOTE: a co-borrower may be the attorney-in-fact, however).</li> <li>The POA must be in full force and effect on the closing date, survives subsequent disability (durable), and has to be revoked in writing, or gives a specific expiration date that survives the closing date.</li> <li>A statement of the grantor's (applicant's) name exactly as it will appear on all closing documents.</li> <li>Must be dated no more than 180 days prior to the closing date.</li> <li>The POA must be approved by the title company insuring the loan.</li> <li>POA may not be used to sign on behalf of a trustee for a loan using a trust</li> <li>POA is not eligible on Non Resident Alien loan.</li> <li>POA is not eligible on Cash-Out Refinance Transactions</li> </ul>
Prepayment Penalty	<ul> <li>18 month hard prepayment penalty is charged on non-owner occupied portfolio loans (excludes NJ and OR)</li> </ul>
Private Road	A property located on a private road must have a private road maintenance agreement.



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Proceeds from Pending Sale of	If the proceeds from the sale of a currently owned property are required for the
Real Estate	down payment and closing costs on the new collateral, verify the source of funds by
	obtaining a copy of the final Closing Disclosure on the existing home before, or
	simultaneously with, the settlement on the new home. The document must evidence
	sufficient net cash proceeds to consummate the purchase of the new home.
Properties Acceptable/	Acceptable Properties:
Unacceptable	Single Family and 2-4 unit properties will be accepted. The mortgaged premises must
•	be a detached or semi-detached dwelling, row housing, or unit within a condominium
	("Condo") project, Co-op or planned unit development ("PUD")
	Unacceptable Properties:
	Mobile homes;
	Raw land;
	Commercial properties;
	Multifamily housing greater than four units; and
	Rental properties rented for less than 30 days
	Unique properties listed below will be considered on a case by case basis. The
	appraisal department is consulted prior to the origination of these property types.
	Geodesic domes;
	Berm homes;
	·
	• Earth homes; and
	Off grid homes
Property Flips	Properties owned by a seller for less than 6 months require an additional
	appraisal paid by the Bank if the following exists:
	More than a 10 percent price increase if the seller acquired the
	property in the past 90 days, or
	More than a 20 percent price increase if the seller acquired the
	property in the past 91 to 180 days
Property Taxes	<ul> <li>Property Taxes due within 60 days of the fund date must be paid current.</li> </ul>
	•
Qualifying Rate	<ul> <li>Borrowers are qualified using payments based on the greater of the fully</li> </ul>
	indexed or start rate.
Recent Construction	If there is an indication that construction on the property was recently
	completed, the title company should be notified so that confirmation that
	mechanic's liens will be insured is provided.
	A certificate of occupancy is required if the appraisal is subject to completion of
	major construction or remodel. In some cases, a temporary certificate of
	occupancy may be allowed, subject to management approval.
Refinance	Rate and Term refinance loans may include the following amounts:
Rate and Term	<ul> <li>Unpaid principal balance of the existing first lien.</li> </ul>
	<ul> <li>Non-recurring closing costs, points, and pre-paid items.</li> </ul>
	<ul> <li>Paying off 2nd lien mortgages—12 months seasoning isn't required</li> </ul>
	<ul> <li>Rounded to the nearest \$100, not to exceed applicable LTV ratios.</li> </ul>
	Payoff of outstanding property taxes
	Incidental cash to the borrower may not exceed \$10,000. This includes payment
	of debts, property taxes and tax liens.
Refinance	See "Calculating LTV" for guidelines to determine LTV on cash-out
Cash-Out	transactions.
	<ul> <li>Properties listed for sale must be taken off of the market before obtaining</li> </ul>
	a cash out refinance.



#### **Rental Income**

If a borrower has a history of renting the subject or another property, the rental income should be reported on IRS Form 1040, Schedule E of the borrower's personal tax returns, or on Rental Real Estate Income and Expenses of a Partnership or an S Corporation form of a business tax return.

2 months bank statements evidencing ongoing receipt of income required

If the borrower does not have a history of renting the subject property, or if the tax returns do not accurately reflect the ongoing income and expenses of the property, it is acceptable to utilize a fully executed lease agreement or a signed explanation attesting to the monthly rent the borrower intends to charge for documentation. Such rationale must be reasonable and supported by a rental survey ordered through an approved AMC.

If the subject property is a seasonal rental and the borrower does not yet have a history of receipt of seasonal rental income, an appraiser completed rental survey shown on the appraisal report and letter from the borrower or a property manager documenting the average annual rental income for the subject may be utilized to calculate the projected recurring cash flow.

# **Maximum Four Properties Owned**

When evaluating individual rental income from investment property(s) up to 4 properties, a cash flow analysis including the following adjustments should be utilized when Schedule E is used:

Add back the following items to income:

- Depreciation,
- Interest,
- Homeowners' association dues,
- Taxes.
- Insurance expenses to the borrower's cash flow.
- Non-recurring property expenses

If the rental income (or loss) relates to a property other than the borrower's principal residence the following calculation is followed:

- If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income
- If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.

In order to determine qualifying rental income, the underwriter must determine whether or not the rental property was in service for the entire tax year or only a portion of the year. If it is determined qualifying rental income may be determined by using:

 Schedule E income and expenses, and annualizing the income (or loss) calculation

# **Minimum Five Properties Owned**



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	When analyzing the rental Income from five and over investment properties a cash flow analysis, including the following adjustments, are used when Schedule E is used: Add back the following items to income:  • Depreciation,	
	Non-recurring property expenses	
	The total positive net rental amount is added to income for qualifying. The total negative amount is added to the BDTI for qualifying.  Borrowers with 5 or more rental properties, utilizing a reduced adjustment calculation must have at least 6 months of an aggregated net rental property loss (if applicable) as a satisfactory level of reserves. This amount is in addition to the required six months' cash reserves of the subject property PITIA required.	
	If the property was in service for less than the full year, the rental income must be averaged over the number of months that the borrower used the property as a rental unit.	
	When current lease agreements are utilized, the rental income is projected by multiplying the gross rent(s) by 75% to account for any vacancy losses and/or ongoing maintenance expenses. If the resulting net cash flow is negative, it is added to the BDTI for qualifying.	
	<ul> <li>Additionally, when the borrower does have a minimum of five properties, the supplemental SREO (found here:         <a href="https://www.axosbank.com/Partners/Wholesale-Correspondent-Portfolio-Lending/Forms-and-Guidelines?item=%2flending%2fthird-party-lending%2fforms&amp;user=extranet%5cAnonymous&amp;site=Axos">https://www.axosbank.com/Partners/Wholesale-Correspondent-Portfolio-Lending/Forms-and-Guidelines?item=%2flending%2fthird-party-lending%2fforms&amp;user=extranet%5cAnonymous&amp;site=Axos</a>) must be filled out.</li> </ul>	
Rental Payments	If the borrower pays rent instead of a mortgage payment, a minimum of the most recent six months of timely payment verification of rental history must be provided. If payment is made to a private party, twelve consecutive months cancelled checks, online printout from bill pay, or bank statements are required.	
Reserve Requirements	Minimum 6 months of principal and interest based on the qualification rate, taxes, insurance, and applicable HOA dues on the subject property is required.	
	The reserve requirement may be greater in the following scenarios:  • Loans utilizing DSCR (12 months total required);  • Loans to NRA borrowers (12 months total required);	
	<ul> <li>Loans utilizing Asset Depletion (12 months total required);</li> <li>Loans where the payments on a property pending sale are being omitted from the DTI calculation (6 months of new loan PITIA, plus 6 months of the property pending sale PITIA—total of 12 months—required);</li> <li>When underwriting 5 or more rental properties, 6 months of the new loan PITIA</li> </ul>	
	plus at least 6 months of an aggregated net rental property loss (if applicable)—total of 12—required; When there is no down payment on a purchase transaction utilizing cross collateralization, 12 months of reserves are required.	
Retirement Accounts	The most recent statements are required. This may be monthly or quarterly. The	



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statements should reflect:		
<ul> <li>The borrower's vested amount as well as the terms.</li> </ul>		
<ul> <li>Documents that are faxed or downloaded from the Internet should clearly identify the name of the depository or investment institution and the source of information (e.g. the information in the Internet or fax banner is at the top of the document).</li> </ul>		
<ul> <li>Any borrowed funds should be reduced from liquid asset calculation.</li> <li>The ownership of the accounts must be verified.</li> </ul>		
When funds from retirement accounts are used for reserves, it is not required the funds are liquidated. If the retirement assets are in the form of stocks, bonds, or mutual funds, the account should be discounted by 30% for potential tax liability. In addition, if the borrower is not at retirement age (typically 59 ½) and will be assessed an early withdrawal penalty, that penalty (10% unless confirmed otherwise) should be added to the discount for a total discount of 40%. If the borrower is at or above retirement age, the additional 10% penalty need not be applied.  • To be considered as effective reserves, retirement accounts should be vested and allow for withdrawals regardless of current employment status.		
If no monthly payment is indicated or if other forms of verification are not provided, payments of five percent (5%) of the outstanding principal balance on the account will be projected. In any case, the monthly payment utilized in calculating the BDTI ratio should be the greater of the payment, as listed on the credit report (or other form of verification) or five percent (5%) of the outstanding principal balance.		
Pay-downs to less than 10 months are not allowed on revolving credit simply to avoid inclusion of the debt in the BDTI ratio; however, revolving credit can be paid in full to exclude the payments (these accounts do not need to be closed.) Revolving credit with minimal balances are not included in the ratios.		
A borrower that demonstrates a continued ability to payoff revolving balances on a monthly basis with requisite additional reserves present per underwriter discretion may remove the payment for these accounts (Note: The Underwriter will review the Trended Credit on the Credit Report to justify the demonstrated continued ability to payoff revolving balances on a monthly basis).		
Royalty payment verification requirements are the same as with rental income, and can be found on IRS form 1040 Schedule E. Typically, documentation of at least 12 months of payments is needed for the income to be considered.		
Any royalties received for fewer than 12 months will require further analysis prior to being included in qualifying income. The source of the royalty and its likelihood of continuance for 36 months should be reasonable and well-documented.		
Loans secured by rural properties that consist of contiguous parcels		



# Self-employed Income Documentation

Signed individual Federal Income Tax Returns (Form 1040) with all schedules for the most recent two-year period are required. Individual tax returns do not need to be signed if the loan file has a corresponding IRS tax transcript for the applicable period.

#### Businesses that report income on IRS forms 1120-S or 1065:

K1s (and U.S. business tax returns with all relevant schedules for those businesses in which the borrower has a 25% or more ownership stake) are required for:

- Businesses that generate positive income that will be used to qualify, and
- All businesses generating losses

<u>IF AFTER JUNE 30</u>: A borrower-signed YTD P&L statement with supporting documentation (e.g. 2 most recent months' business bank statements) are required for businesses that generate positive income that will be used to qualify, and all businesses generating losses.

<u>IF BUSINESS RETURNS ARE ON EXTENSION</u>: A borrower-signed year-end P&L statement with supporting documentation (e.g. November and December business bank statements for the applicable year), and the business returns for the available two most recent tax years must be provided.

#### **Businesses that report income on IRS form 1120:**

U.S. business tax returns (for those businesses in which the borrower has a 25% or more ownership stake), with all relevant schedules, for the most recent 2 years are required for:

- Businesses that generate positive income that will be used to qualify, and
- All businesses generating losses

<u>IF AFTER JUNE 30</u>: A borrower-signed YTD P&L statement with supporting documentation (e.g. 2 most recent months' business bank statements) are required for businesses that generate positive income that will be used to qualify, and all businesses generating losses.

<u>IF BUSINESS RETURNS ARE ON EXTENSION</u>: A borrower-signed year-end P&L statement with supporting documentation (e.g. November and December business bank statements for the applicable year), and the business returns for the available two most recent tax years must be provided.

#### Businesses that report income on IRS form 1040, Schedule C:

U.S. individual tax returns with all relevant schedules for the most recent 2 years are required for:

- Businesses that generate positive income that will be used to qualify, and
- All businesses generating losses

<u>IF AFTER JUNE 30</u>: A borrower-signed YTD P&L statement with supporting documentation (e.g. 2 most recent months' business bank statements) are required for businesses that generate positive income that will be used to qualify, and all businesses generating losses.

<u>IF TAX RETURNS ARE ON EXTENSION</u>: A borrower-signed year-end P&L statement with supporting documentation (e.g. November and December business bank



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	statements for the applicable year), and the personal returns for the available two most recent tax years must be provided.
	<b>New Businesses:</b> If the borrower is qualifying based on income received from a business that started within the last year (e.g. has not yet filed business tax returns), a borrower-signed YTD P&L to document income must be provided and supported by bank statements for the period indicated on the P&L.
	<b>Distribution Income:</b> The 2 most recent years' K1s evidencing receipt of distribution income, and verification the business has sufficient assets and/or property to continue paying the distributions are required. Distribution income must be used in lieu of Ordinary Income.
	Guaranteed Payments to Partners Income: The 2 most recent years' K1s evidencing receipt of Guaranteed Payments, and verification the business has sufficient assets and/or property to continue making the payments are required. Guaranteed payments may be used in addition to Ordinary Income.
Septic / Private Sewage	A septic/private sewage disposal inspection report by a certified inspector evidencing
Disposal Systems	satisfactory working condition will be required on all purchase transactions, regardless
	of any Buyer/Seller agreement to transfer property in its As-is condition.
Servicing Information	Loan Servicing Queries: servicing@axosbank.com
	Axos Bank
	P.O. Box 401420
	Las Vegas,NV 89140
	Toll Free 866-923-7112
	Hours of operation: 8:00 AM – 5:00 PM (PT)
	Address for loan payments:
Solar Lease / Power	If, during an underwriter's review of the title report, a Solar UCC filing is found,
Purchase Agreement	the borrower will have to provide the full, actual Lease or Power Purchase
	Agreement.
	Any separate lease payment must be included in the DTI for qualifying. However,
	payments under leases or power purchase agreements where the payment is
	calculated solely based on the energy produced may be EXCLUDED from the DTI ratio.
	The Bank will also instruct Title to add a Solar Endorsement to the final title
	report.
Square Footage	There is no minimum square footage requirement. The home should be sufficient living
1	size and not unique to the area. It may be necessary to further reduce loan- to-value
	for studio or 1 bed/ I bath units.
Subordinate Financing	If the secondary financing is not fully amortized, it must have a
	maturity date of more than five (5) years but not more than thirty
	(30) years;
	Payments used to qualify the borrower shall be calculated using equal
	monthly, fully-amortized payment s that are based on the greater of
	the fully indexed rate or start rate.
L	



8/14/2025 If a balloon payment is present, the maturity date must be a minimum of 60 months from the first payment date of the subordinate Note and must be 60 months from the date of consummation of the Axos Bank Note. High Priced Mortgage Loans (HPML) may not have a second trust deed with a balloon payment; The monthly payment on the secondary financing must be included in the calculation of the borrower's PITIA; Copies of the note and deed of trust for the secondary financing must be provided; Negative amortization is not permitted nor is equity share or shared appreciation **Student Loans** Student loans on deferment will not have payments included as a recurring monthly expense unless repayment begins within 12 months of the conditional approval date Student loans in repayment that do not reflect a payment on the borrower's credit report are to be estimated at 1% of the outstanding principal balance Tax Returns on Extension U.S. individual tax returns (1040s) and entity returns (1120, 1120-S, 1065, etc.) that are on extension for the current year are acceptable as long as the filing extensions are provided. NOTE: Once the extension deadline has passed, the returns MUST be provided. Generally, this date is October 15 of the current year (i.e. 2017 individual and entity tax returns on extension must be filed by October 15, 2018). If a loan is submitted before the extension deadline but remains in progress once the deadline has passed, the underwriter has discretion to make the tax returns a requirement. **Tenants in Common** Axos Bank does not recognize fractional interests. All vested owners of the property are required to be borrowers on the credit. For refinance transactions, all current vested owners and borrowers must remain the same, no new borrowers may be added to the loan. **Termite Report** A termite report and clearance is required for the following reasons: A purchase money transaction, if it is required in the purchase contract. The appraiser recommends a report as a result of a visual inspection. **Third Party Authorization** A Third Party Authorization form will be required if the borrower gives permission to a third party for communication and documentation requests only. NOTE: All disclosures and required forms (initial disclosures, appraisal acknowledgments, etc.) must be sent to the borrower for execution (unless an approved POA is on file) Borrower(s) must have their own email address **Trust/Entity Vesting** Provide all entity docs (Trust, LLC paperwork) if loan will be vested in an entity. All items must be reviewed and approved by Axos Bank legal dept. <u>Trust:</u> A Trust will not be a borrower or co-borrower. The promissory note must be in the name of an individual and all interest statements, payment coupons, etc., must be issued in the individual's name. All Trusts are subject to preapproval by the Bank, which must be provided prior to loan closing. For Title held in a Trust, provide the following documentation for review:



- 1. Notarized copy of the fully executed and dated trust agreement and any amendments thereto
- 2. Preliminary Title Report
- 3. Such other documents and certifications reasonably requested by the Bank or the title company, or as required under state law.

The Bank reserves the right to request additional documents and due diligence materials, including but not limited to, an opinion letter from the Trust's attorney.

The trust review carries a \$300.00 fee. The Bank retains the right to invoice the Broker for any fees or costs, both third party and internal, related to the review of all loans and trust vesting requests.

### Criteria for the Trust:

- 1. The Trust must be established by a written document during the lifetime of the individual(s) establishing the Trust (individually and collectively, the "grantor") and be effective during the grantor's lifetime.
- 2. The Bank must receive the entire Trust Agreement, including all amendments and schedules, in executed, dated, and notarized form.
- 3. The loan must be underwritten with at least one individual establishing the Trust as borrower. Additional individuals, including other individuals establishing the Trust, may also be considered co-borrowers if those individuals' credit will be used to qualify for the loan.
- 4. The Trust must be one in which the grantor has reserved to himself or herself the right to revoke the trust during the grantor's lifetime.
- 5. The primary beneficiary of the Trust must be the grantor. If the Trust is established jointly by more than one grantor, there may be more than one primary beneficiary.
- 6. The Trust document must name one or more trustees to hold legal title to, and manage, the property that has been placed in the Trust. The trustees must include either the grantor (or at least one of the grantors, if there are two or more) or an institutional trustee that customarily performs trust functions and is authorized to act as trustee under the laws of the relevant state.
- 7. The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the natural person(s) who are "borrower(s)" under the mortgage or deed of trust note.
- 8. At least one grantor of the trust must execute the Note. The individual(s) executing the note must be the person(s) whose income and assets were used to qualify for the loan.
- 9. The trustee(s) of the trust must have the ability to mortgage the property and the lender must be able to enforce its rights under the mortgage.

#### Criteria for the Mortgage:

- 1. All property and occupancy types are eligible. For properties that are the borrower's principal residence, at least one individual establishing the Trust must occupy the security property and sign the loan documents.
- 2. Title held in the Trust may not in any way diminish the rights of Axos Federal Bank and/or its successors and assigns as a creditor, including the right to have full title to the property vested in Axos Federal Bank and/or



- its successors and assigns should foreclosure proceedings have to be initiated to cure a default under the terms of the mortgage.
- 3. Title insurance fully insures the transaction and the title insurance policy does not list any exceptions with respect to the trustee(s) holding title to the security property or to the Trust.
- 4. Title to the security property is vested solely in the trustee(s) of the inter vivos revocable trust, jointly in the trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrower(s), or in the trustee(s) of more than one inter vivos revocable trust.

NOTE: Vesting in Qualified Personal Residence Trusts (QPRTs) will be considered for approval on a case-by-case basis.

#### Criteria for QPRTs:

- The Trust must be established by a written document during the lifetime
  of the individual(s) establishing the Trust (individually and collectively, the
  "grantor"). The entire Trust Agreement, including all addenda, must be
  submitted to the Bank and the agreement must be executed by all
  parties, dated and notarized.
- 2. The Trust will normally have a set term. If the term of the Trust is shorter than the term of the note, all beneficiaries must execute the Note and mortgage. The beneficiaries must have the legal capacity to be bound to the Note and mortgage (i.e. minors cannot execute).
- 3. The primary beneficiary of the Trust will normally be someone other than the grantor. The beneficiary may not have any powers to control the Trust.
- 4. The Trust document must name one or more trustees to hold legal title to, and manage, the property that has been placed in the Trust.
- 5. The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the natural person "borrower(s)" under the mortgage or deed of trust Note.
- 6. The grantor and the trustees of the Trust must execute the Note. The individuals executing the Note must be the persons whose income and assets were used to qualify for the loan. If real property is in a community property state, the spouse must sign the Note.
- 7. The trustee(s) of the Trust must have the ability to mortgage the property and the lender must be able to enforce its rights under the mortgage.

## Criteria for a Mortgage Vested in a QPRT:

- 1. The security property must be a one-family principal residence that is occupied by at least one of the grantors (and whose income or assets are used to qualify for the mortgage) or a one-family second home.
- 2. Full title to the security property must be vested in the trustee(s) of the Trust. There may be no other owners.
- 3. The title insurance policy must assure full title protection and must state that title to the security property is vested in the trustee(s) of the Trust. There may not be any title policy exceptions with respect to the trustee(s) holding title to the security property or to the Trust.

The mortgage must be underwritten as if the grantor (or at least one of the grantors, if there are two or more) were the borrower (or a co-borrower, if there



0/14/2023	BANK
	are additional individuals whose income or assets will be used to qualify for the mortgage).
	Entity: For Title held in an Entity provide the documents listed below:  1. Filed Articles of Organization/Certificate of Formation, including all amendments (or equivalent document required by the state to register a LLC).
	<ol> <li>Certificate of Good Standing (or equivalent document) issued from the state in which the LLC is organized. The certificate cannot be dated more than 60 days prior to closing</li> </ol>
	3. Signed Operating Agreement, including all amendments, attachments and schedules, if any. The Operating Agreement must provide the term of the LLC and have a stated purpose that will allow ownership of property, the right to borrower and the right to mortgage property. [NOTE: should the LLC not have an operating agreement pursuant to its state law, a Member Certificate shall be required.]
	4. Resolution of Unanimous Consent of the Member(s) of the LLC. The resolution must specifically identify the property, approve the mortgaging of said property and the execution of documents to effect said mortgage. The resolution must also designate a member who shall execute all documents on behalf of the LLC and include a witnessed incumbency signature section (designated member provides sample of his/her signature). (Sample available)
	<ul><li>5. A complete Member List showing all Members and their respective ownership interests.</li><li>6. If the property is located in a state other than the state in which the Limited Partnership is organized, the following documents issued from</li></ul>
	<ul><li>the state in which the property is located shall also be provided:</li><li>7. A filed Certificate of Authority (or equivalent document) showing the LLC is properly registered in that state.</li></ul>
	<ul> <li>8. If the LLC's ownership includes a non-natural person, documents concerning that entity may also be required to be submitted for review.</li> <li>An attorney opinion letter could be requested for an LLC, Corporation or Partnership, if the complexity of the situation warrants. The opinion shall be addressed directly to Axos Bank and its successors and assigns.</li> </ul>
Trust Accounts Assets	(Sample Available)  Funds disbursed from a borrower's trust account are an acceptable source for the down payment, closing costs, and reserves provided the borrower has immediate access to the funds.
	9. Obtain written documentation of the value of the trust account from either the trust manager or the trustee with bank or investment account statements; and document the conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income utilized to qualify the borrower for the mortgage.
Trust Income	Trust income can be verified through a letter from the trustee stating the amount and frequency of the payments. In addition, the current value of the trust must be reasonably estimated to document the continuance of receipt for at least three years. The trustee should provide copies of a recent bank statement of the trust to support the current value of the trust.



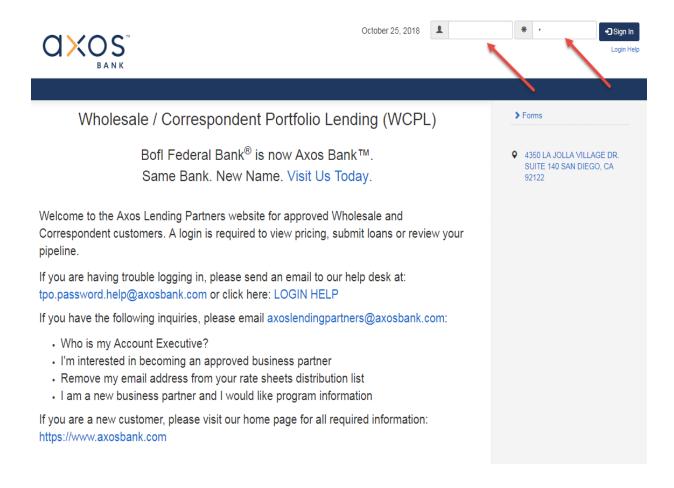
8/14/2025 If the borrower receives the trust income through K1s, then the two most recent years K1s evidencing the income must be provided. Unacceptable sources of Income not reported to the IRS without reasonable and rationale income documentation: Education benefits: Tax refunds; Gambling winnings; Forgiveness of debt; Income derived from illegal activities **Verification Documents** Verification documents must be no more than 90 days old based on the date of the note and closing documents. **Wage Earners** Current paystubs/payroll earnings statements that cover the borrower's earnings for the most recent 30 -day period in addition to the two most recent years' individual tax returns should be requested. Overtime – See Overtime and Bonus Section Bonus - See Overtime and Bonus Section **Restricted Stock** When using restricted stock units, the following documents should be obtained, if applicable: vesting schedule (must include future vestings; stock must be publically traded), or any applicable RSU Agreement to confirm the terms and conditions of the awards **New Employment:** If a borrower recently relocated to the United States from another Country - two years income verification may be waived with the receipt of current paystubs, a signed offer letter, contract or a full written VOE. A water purity test will be required on all purchase transactions, if the **Well Certification** subject property utilizes a private well without a Community Maintenance Agreement. A potable le/ health authority certification will be required on all private water systems.



# **Correspondent and Wholesale TPO - Online Rate Lock Procedure**

1. Open your internet browser and navigate to the following URL: <a href="https://thirdpartylending.axosbank.com/index">https://thirdpartylending.axosbank.com/index</a> . Enter the login information and click "Sign In".





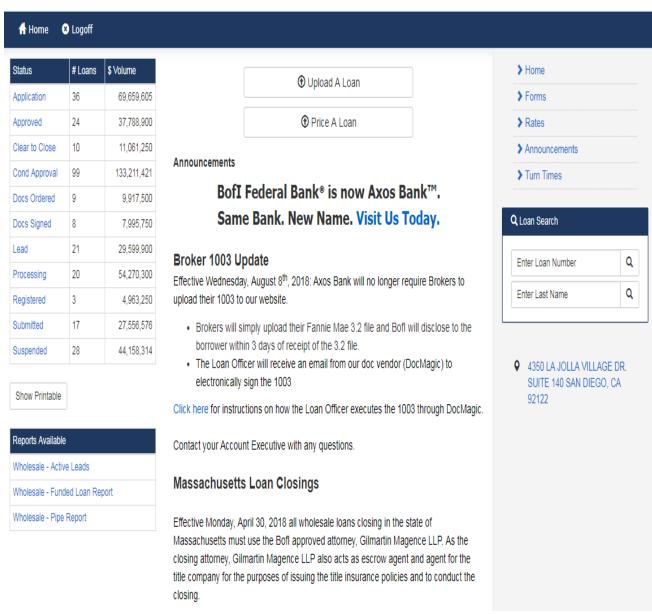


2. Once logged in you will see this home page. The home page is where you can upload and register a new loan, upload conditions, view current rate sheets, request rate locks, and view important announcements from Axos Bank.



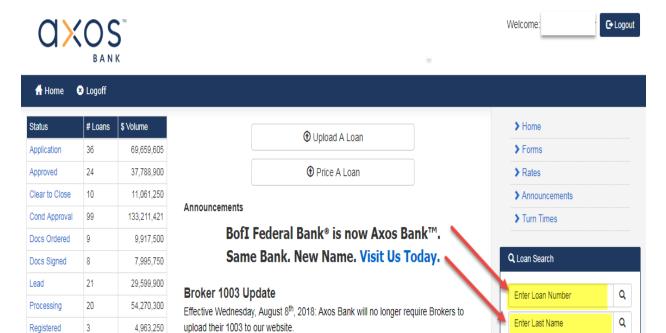






3. Please enter either the Axos Bank loan number or borrower last name in the "Loan Search" field and click the magnifying glass icon (search) to find the loan you wish to lock.





. Brokers will simply upload their Fannie Mae 3.2 file and Bofl will disclose to the

4350 LA JOLLA VILLAGE DR.

92122

SUITE 140 SAN DIEGO, CA

. The Loan Officer will receive an email from our doc vendor (DocMagic) to

Click here for instructions on how the Loan Officer executes the 1003 through DocMagic.

Reports Available

Wholesale - Active Leads

Wholesale - Funded Loan Report

Wholesale - Pipe Report

17

28

27,556,576

44,158,314

Submitted

Suspended

Show Printable

Massachusetts Loan Closings

Contact your Account Executive with any questions.

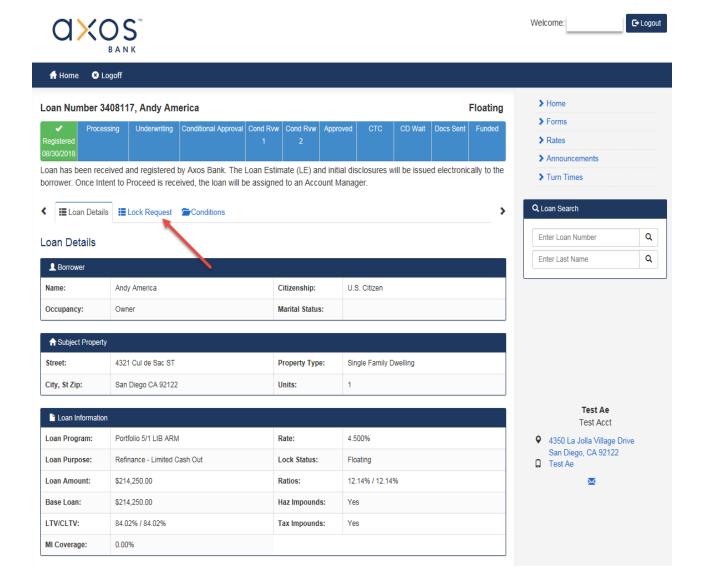
electronically sign the 1003

borrower within 3 days of receipt of the 3.2 file.

Effective Monday, April 30, 2018 all wholesale loans closing in the state of Massachusetts must use the Bofl approved attorney, Gilmartin Magence LLP. As the closing attorney, Gilmartin Magence LLP also acts as escrow agent and agent for the title company for the purposes of issuing the title insurance policies and to conduct the closing.

4. The next screen that appears shows your Axos Bank loan number, the borrower name, and other loan level information. Please click the "Lock Request" tab.





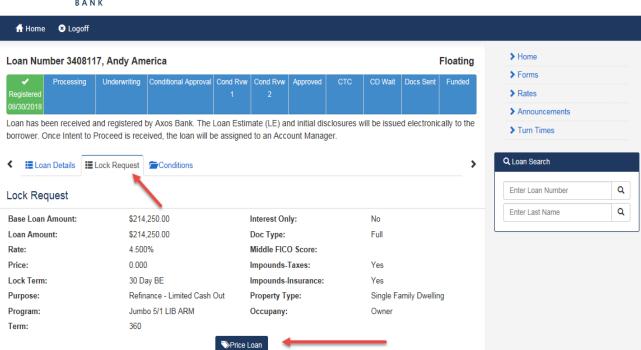
5. Lock Request Tab: Please review your loan information to make sure the information is correct. Once satisfied that your information is correct please click the "Price Loan" button shown below.



**C**→ Logout

Welcome:

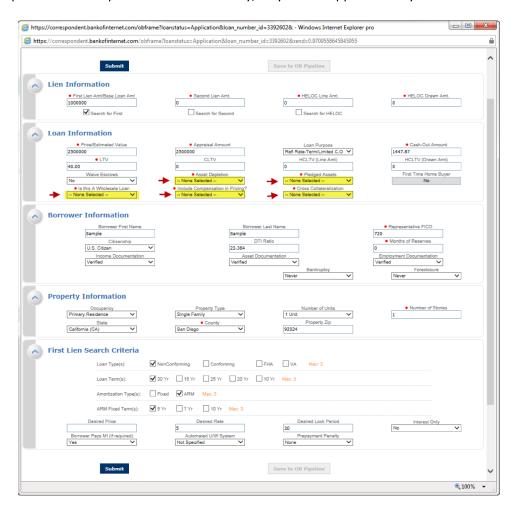








6. A new window will appear that has most of the loan information pre-populated. Please review the information and answer all questions marked with a red dot (required). In this section you will be required to select your compensation plan and other special features that may/may not be applicable to your loan.

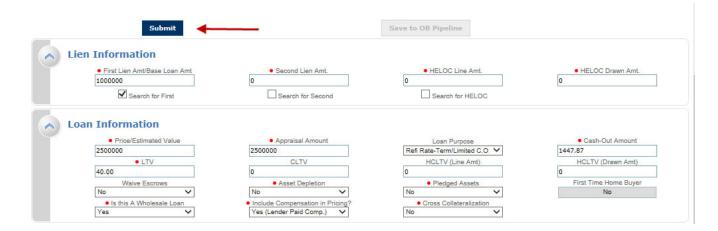


7. In this example we will select the compensation plan as Wholesale/Lender Paid (shown below). We offer both Lender Paid and Borrower Paid comp plans for Wholesale partners. If you are a Correspondent partner you would select "No" for the question "Is this a Wholesale Loan" and "No" for the question "Include Compensation in Pricing".



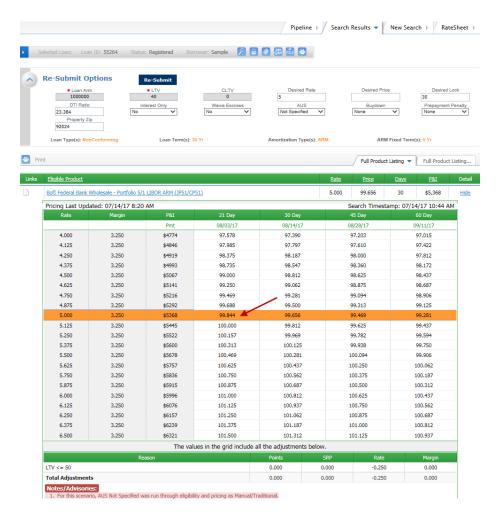


8. At this point once you are able to request pricing. Simply click either of the "Submit" buttons located on the top and bottom of the page.



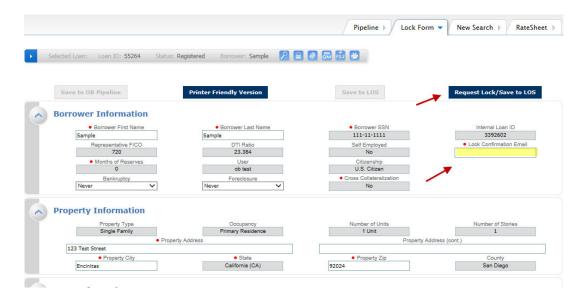
9. The next screen that appears is the rate stack for the program. The orange line shows the pricing for the rate you have selected within your loan submission. Click the price under the appropriate lock term to move to the final lock request screen (shown below). The screen shot below shows we selected 5% @ 99.844 for 21 days as an example.



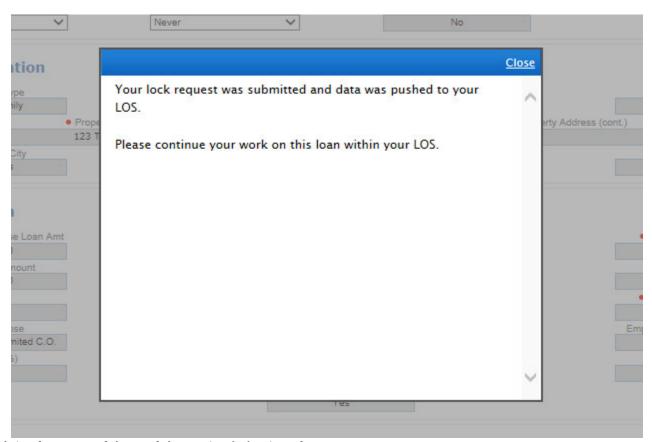


10. After selecting the price you will see the summary page. On this page you will see the "Request Lock/Save to LOS" button. Make sure to complete the field for the email address you want the lock confirmation sent to, it is a required field. Once you have completed the email field you are able to request rate lock. Click "Request Lock/Save to LOS" to submit the lock request.





11. After you click the "Request Lock/Save to LOS" button you will see a final message that shows your rate lock was submitted.



Helpful tips for successful use of the Optimal Blue interface.

1. Rate changes: If your loan is "Approved" you will not be able to make changes to the rate through the Optimal Blue interface. Rate changes on approved loans will need to be reviewed by the underwriter to ensure the DTI increase does not affect the overall eligibility of the loan. If you need to make a change please contact your





Account Manager, the Lock Desk, or your Account Executive to initiate the change request. Changes are generally completed very quickly for most cases.

- 2. Required fields: Please review the required fields thoroughly. Your loan approval will note whether your loan was approved with Asset Depletion, Pledged Assets, or Cross Collateralization. Please make sure to select yes or no for these questions as you will not be able to move forward without answering
- **3.** Comp plans: Please make sure to select the appropriate comp plan for your loan. If you are a Wholesale Broker you will have the choice of Lender Paid or Borrower Paid compensation. Please make sure to select the correct comp plans as there is a large pricing difference between the two plans. Correspondents will always choose "borrower paid" in the comp plan selection.
- **4.** If you have questions or need help please email <a href="lockdesk@axosbank.com">lockdesk@axosbank.com</a>.