



QUONTIC BANK

RESIDENTIAL MULTIFAMILY 5-10 UNITS / MIXED USE 2-8 UNITS

DSCR

PRODUCT GUIDELINES

03/17/2025

Investor - DEBT SERVICE COVERAGE RATIO (DSCR) Residential Multifamily 5-10 Units / Mixed Use 2-8 Units				
OCCUPANCY	MAXIMUM LOAN AMOUNT	MAXIMUM LTV	MINIMUM CREDIT SCORE	MINIMUM DSCR
INVESTOR	PURCHASE			
	\$2,000,000	75%	720	1.00x
	\$3,000,000	70%	720	1.00x
	\$1,500,000	75%	700	1.00x
	\$2,000,000	70%	700	1.00x
	\$3,000,000	65%	700	1.00x
	\$1,500,000	70%	680	1.00x
	\$3,000,000	65%	680	1.00x
	\$1,500,000	65%	660	1.00x
	\$2,000,000	60%	660	1.00x
	RATE/TERM REFINANCE			
	\$1,500,000	75%	720	1.00x
	\$3,000,000	70%	720	1.00x
	\$1,500,000	75%	700	1.00x
	\$2,000,000	70%	700	1.00x
	\$3,000,000	65%	700	1.00x
	\$1,500,000	65%	680	1.00x
	\$3,000,000	60%	680	1.00x
	\$1,500,000	65%	660	1.00x
	\$2,000,000	60%	660	1.00x
	CASH-OUT REFINANCE (maximum cash-out proceeds up to \$1,000,000)			
	\$1,500,000	70%	720	1.00x
	\$3,000,000	65%	720	1.00x
	\$2,000,000	65%	700	1.00x
	\$3,000,000	60%	700	1.00x
	\$1,500,000	65%	680	1.00x
	\$3,000,000	60%	680	1.00x
	\$1,500,000	60%	660	1.00x
\$2,000,000	55%	660	1.00x	
NOTES	<ul style="list-style-type: none"> • Loan sizes under \$400,000 require a 5% reduction to the Maximum LTV limit. • Properties located in the following States are limited to ARM products ONLY: AK, DC, IL*, KS, MI, MN, MS, NH, NJ*, NM, RI.* Fixed Rate Options are available to properties located in IL & NJ for loan that are closed and vested in the name of an entity (guidelines to follow). • FTHBs not permitted. Evidence of primary occupancy is required. 			

Loan Amounts:

- Minimum: \$250,000
- Maximum: \$3,000,000
- Loan sizes under \$400,000 require a 5% reduction to the maximum LTV limit.

Eligible Properties and Property Requirements:

- Residential Multifamily 5-10 Units
- Mixed Use 2-8 Units
 - Properties less than 5 units, at least 1 must be commercial.
 - 2-3 units: Max 1 commercial unit
 - 4-5 units: Max 2 commercial units
 - 6-8 units: Max 3 commercial units
 - Commercial space must not exceed 49% of total building area.
 - Commercial rental income must not exceed 49% of the total property income.
- Minimum 400 square feet per unit
- Must be accessible and available for year-round residential use.
- Must contain a full kitchen and bathroom.
- Represent highest and best use of the property.
- Must not contain any health or safety issues.

Ineligible Properties:

- Short-Term Rentals
- Single-Room Occupancies
- Mixed-Use properties with:
 - Commercial space exceeding 49% of total building area, *or*:
 - Commercial rental income exceeding 49% of the total property income.
- Unit(s) less than 400 square feet.
- Rural properties.
- Properties with environmental, health, or safety issues, such as excessive deferred maintenance or storage/use of hazardous material, such as dry cleaners/laundromats.
- Properties that contain one or more commercial establishment in any of the following businesses are prohibited:
 - Adult Activities.
 - Any activity not permitted by law, ordinance, or regulation.
 - Day care or childcare.
 - Gambling activities.
 - Manufacturing, distribution, and warehouse.
 - Marijuana related activities.
 - Medical activities not under the supervisor of a licensed doctor, dentist, chiropractor, psychologist, nurse practitioner, or nutritionist.
 - Transient boarding, rooming house or similar.
 - Vehicle repair or vehicle related included garages.
 - Dry Cleaners or laundromats.
 - Other property uses outside of character for the property's neighborhood which present higher than ordinary risks for safety, or which are controversial within their community.

State Restrictions:

- Properties located in the following States are limited to ARM products ONLY:
 - AK, DC, IL*, KS, MD, MI, MN, MS, NH, NJ*, NM, RI.
 - * Fixed Rate Options are available to properties located in IL & NJ for loan that are closed and vested in the name of an entity (guidelines to follow).
- FL: Non-Permanent Resident Aliens from China are ineligible.
- HI: Lava Zones 1 & 2 are ineligible.
- MD: Ineligible.

Eligible Borrowers:

- US Citizens.
- Permanent Residents.
- Non-Permanent Residents with valid Employment Authorization or VISA.
 - FL: Non-Permanent Resident Aliens from China are ineligible.
- Corporations and LLCs vested in name of Guarantor(s)

Ineligible Borrowers:

- First Time Homebuyers
- ITIN Borrowers
- Foreign Nationals

Borrower Eligibility:

- All borrowers must maintain a primary residence. Evidence of primary occupancy is required.
- First-Time Homebuyers: Ineligible
- First Time Investors:
 - Multifamily 5-10 units: Eligible with a 0x30x24 housing history or when the primary residence is owned free and clear.
 - Mixed-Use 2-8 units: Not Eligible. Borrower must have a history of owning and managing commercial or residential real estate for at least 1 year in the last 3 years.

Debt Service Coverage Ratio (DSCR):

- Minimum 1.00x DSCR.
- The DSCR is calculated using the Gross Qualifying Rental Income (below), less any management fee reflected on the appraisal, divided by the proposed Principal, Interest, Real Estate Taxes, and Insurance.

Global DSCR:

- **None.** Calculation not required.

Property Rental Income:

- For a leased property the DSCR is based upon the lesser of the estimated market rents or the leases. On purchase transactions, copies of the leases are not required.
 - Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of two months or the time period after the lease expired.
- Mixed Use: Income from commercial space cannot exceed 49% of the total property income.
- For all transaction types, any Vacant Units (residential or commercial) must use 75% of the market rents to qualify.

- Max 1 vacancy on a refinance of a 2-3 Unit property.
- Max 2 vacancies on a refinance of a 4+ Unit property.
- On a purchase, and/or a refinance situation where a property was recently rehabbed, with evidence the property is currently listed for rent, it is not considered unleased, and it is permissible for all units to be vacant at the time of purchase or refinance, provided all units are in lease-ready condition.

Lease and Occupancy Requirements:

- For Purchase, Rate/Term Refinance and Cash-Out transactions, all units must be either leased or in lease ready condition meaning the properties have been cleaned, no renovations or repairs to the properties are needed and the properties are immediately available to be leased to an eligible tenant.
- Short-term rental use/short-term rental income is not permitted.
- Corporate lease agreements are acceptable with lease terms consistent with typical market standards and will be subject to standard market rent verification.
- Lease agreements that allow single room occupancy or boarder leases are not permitted.
- Third party sale and leaseback agreements or contract for deed transactions will not be permitted.
- All leases must be in US Dollars.

Eligible Tenants:

- Neither the borrower(s) nor the borrower's immediate family shall at any time occupy the residential units.
- Borrower affiliated tenants are defined as any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in Borrower or such affiliate, any officer, director, executive employer, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described previously.
- Borrowers must attest that all residential tenants are non-borrower affiliated. Commercial units may be occupied by the borrower's business, however in that instance the lesser of market rents or the amount of rent from the lease will be used when calculating the DSCR for the borrower occupied units.

Property Seasoning:

- No seasoning for Rate &Term Refinances for all loan programs
- Cash-Out Refinances on properties owned less than 6 months from the closing date are limited to purchase price plus documented improvement costs.

Loan Terms:

- 5/6-month SOFR ARM: 30-year amortization
- 30-Year Fixed
- Interest-Only: Interest-only loans have a 10-year interest-only period followed by a 20-year amortization period. See qualifying information below.

Qualification Rates:

- Interest-Only ARMs: The greater of the note rate or the fully indexed (Index + Margin) rate is used to calculate the qualifying PITI(A).
- Interest-Only Fixed: The note rate is used to calculate the qualifying PITI(A).
- Fully Amortizing Fixed and ARMs: The note rate is used to calculate the qualifying PITI(A).

ARM Caps, Margin, Index:

- 2% Cap after initial fixed period
- 1% Cap per each adjustment
- 6% Cap lifetime cap
- Floor: Equal to Margin
- Margin: 6.500%
- Index: 30-day Average SOFR (adjusting every 6 months)

Personal Guarantee:

- Full personal recourse required.

Vesting:

- Natural Persons
- Limited Liability Corporations (LLC), Partnerships, Corporations, and S Corporations (Corp/Inc):
 - Entity purpose and activities are limited to ownership and management of real property.
 - Business entities are limited to a maximum of 4 owners or members.
 - All members, partners, or shareholders of the entity with a 25% or greater ownership interest must complete and sign a 1003 Loan Application and provide personal guarantee (guarantor). Each guarantor's credit score and creditworthiness will be used to determine qualification and pricing.
 - Each member of the entity must receive notice of the loan and its terms prior to closing.

Corporations and LLCs:

- The following documentation must be provided:
 - IRS Letter evidencing the EIN
 - Filing Receipt
 - Articles of Organization (on LLC's only)
 - Operating Agreement (on LLC's only)
 - Articles of Incorporation (on Corp/Inc's only)
 - Bylaws (on Corp/Inc's only)
 - CPA/Accountant/Attorney letter confirming members, their social security numbers, and percentage of ownership (if Operating Agreement or Bylaws do not provide ownership breakdown)
 - Certificate of Good Standing within 30 days of closing (if entity over 6 months old)
 - Certificate of Authorization for the persons executing all documents on behalf of the entity

Credit Requirements:

- A tri-merge credit report is required for each borrower/guarantor.
- Qualifying FICO is the middle score of the three scores for each borrower. When only two credit scores are obtained, choose the lower score. When there are multiple borrowers, use the lowest of the middle scores.
- Credit reports expire after 90 days.
- No late mortgage payments (on subject or other REO) in prior 24 months.
- Minimum tradelines:
 - 3 tradelines reported for at least 12 months each, ***OR:***
 - 2 tradelines reported for at least 24 months each.

Open Liens:

- All open income tax liens (federal, state, local), judgments, garnishments, and all other outstanding liens must be paid off prior to or at loan closing (prior approval required).

Bankruptcy History:

- Chapter 7 / 11: waiting period is 2 years from dismissal date or discharge date.
- Chapter 13: waiting period is 2 years from discharge date or dismissal date.
- Bankruptcies are allowed if they have been settled. Evidence of bankruptcy resolution is required.
- Bankruptcies resolved require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented. The new housing payment must be considered when determining if the situation is adequately resolved.
- If multiple bankruptcies exist in this time frame each must be addressed in the explanation. Loans where the borrower has any late payments occurring after the bankruptcy may be considered on a case-by-case basis at QB's discretion.

Foreclosures:

- Must be aged 2 years without any other significant derogatory credit history after event.

Short Sale/Deed in Lieu of Foreclosure:

- Must be aged 2 years without any other significant derogatory credit history after event.

Forbearance or Modification:

- May be considered on a case-by-case basis without any other significant derogatory credit history after event.

Foreclosure Bailout:

- Not eligible.

Other Real Estate Owned:

- All Real Estate Owned (REO) that is:
 - a) Owned in borrower's personal name, and/or;
 - b) Borrower is personally liable on the mortgage and appears on the borrower's personal credit report (even if the property is held under an entity),must be listed on the Schedule of Real Estate Owned of the 1003 application. If these properties are financed, they must be linked to at the appropriate mortgages from the Liabilities section of the 1003.
- If borrower owns real estate under an entity (Corp/Inc./LLC) where there is *either*:
 - a) No mortgage or;
 - b) The mortgage is under the entity (i.e., does not appear on the borrower's personal credit report),property does not need to be disclosed on the application.

Employment/Income Documentation:

- No statement of Employment or Income on the 1003. No documentation or verification required.

Down Payment (Earnest Money Deposit) Sourcing:

- Borrower to provide a copy of the cancelled down payment check (front and back) or wire confirmation from the incoming or outgoing bank.
OR
- If down payment was given in the form of an official Bank Check or Certified Check, provide a copy of the bank statement evidencing withdrawal. For any large deposits other than those clearly indicating that they came from a depository institution titled to borrower, borrower must provide a letter of explanation and supporting documentation. Undocumented / Unsourced single and/or cumulative

deposits up to \$10,000 within the transaction period may be used in the qualifying assets. Any undocumented / unsourced single and/or cumulative deposits over the \$10,000 limit within the transaction period will be deducted from the qualifying assets.

Asset Verification:

- One-month recent bank statement(s) (all pages) covering a period of at least 30-days evidencing balance of funds to close, closing costs, and reserves. For any large deposits other than those clearly indicating that they came from a depository institution titled to borrower, borrower must provide a letter of explanation and supporting documentation. Undocumented / Unsourced single and/or cumulative deposits up to \$10,000 within the transaction period may be used in the qualifying assets. Any undocumented / unsourced single and/or cumulative deposits over the \$10,000 limit within the transaction period will be deducted from the qualifying assets.
 - Note: On Refinance transactions, documentation or explanation for large deposits is *not* required for reserves; however, borrower must confirm if any funds have been borrowed. If borrower requires cash to close the transaction, deposit verification guidelines apply.
- Joint account holders not on the loan application must provide a letter stating that Borrower has access to 100% of funds in the bank account(s).
- If Business assets are to be used, Borrower must own 100% of the business. The business's Accountant/CPA/Tax Preparer must verify that business will not be adversely impacted by Borrower withdrawals.

Gift Funds:

- Gifts are permitted provided that the borrower contributes at least 10% of their own funds to the transaction.
- Gifts may NOT be used to meet the reserve requirements. Reserves must come from borrower-sourced funds.
- Borrower must provide fully executed donor gift letter, borrower's bank statement evidencing the deposit of the gift, **AND EITHER:**
 - **Option 1:**
 - donor's cancelled personal check, wire confirmation from the incoming or outgoing bank, or Official Bank/Certified Check (Official Bank check must have donor's name as Remitter).
 - OR*
 - **Option 2:**
 - donor's non-negotiated check *and*
 - donor's bank statement evidencing withdrawal of the gift.
- Donor's Quontic Gift Letter must state donor's source of funds for the gift.

Cash Reserve Requirements:

Loan Amount	Minimum Reserve Requirement
Less than or equal to \$1,500,000	6 months PITIA
\$1,500,001 to \$2,000,000	9 months PITIA
\$2,000,001 to \$3,000,000	12 months PITIA

- **Cash Reserves Notes:**
 - Cash-out proceeds may be used and applied towards Reserves.
 - Reserve requirements above apply to subject property payment only.

Maximum Cash-in-Hand Proceeds: \$1,000,000

Prepayment Penalties:

- Two Prepayment Penalty (“PPP”) Options:
 - 1) 5-Year Soft PPP – 5/4/3/2/1 Stepdown Structure:
 - 5% if within the first year;
 - 4% if within the second year;
 - 3% if within the third year;
 - 2% if within the fourth year;
 - 1% if within the fifth year;
 - 2) 3-Year Hard PPP – 3% Fixed Structure
 - 3% if within the first year;
 - 3% if within the second year;
 - 3% if within the third year;
- With either PPP structure, Borrower may prepay up to 20% of the original principal balance in the preceding 12-month period per year without penalty. Any partial payments or full prepayment in any 12-month period that exceeds 20% of the original principal loan amount will be subject to the prepayment penalty terms defined above.

Title Insurance:

- Title Insurance amounts must be sufficient to cover the loan amount.

Property Insurance:

- Property insurance policy must be obtained with replacement cost coverage equal to at least the *lesser* of the following:
 - the unpaid principal balance of the mortgage; *or*
 - 100% of the Replacement Cost Coverage as stated on the policy declaration page.
 - If the above requirements are not met, it will be acceptable to provide coverage equal to at least 100% of the insurable value of improvements, as established by the property insurer through a Replacement Cost Estimator or equivalent.
- Rent-Loss coverage equal to or greater than 6 months of total gross rents required.
- Properties located in Flood Zone must obtain Flood insurance with coverage of at least the *lower* of:
 - 100% of the replacement cost of the insurable value of the improvements,
 - The unpaid principal balance of the mortgage loan, *or*;
 - The maximum insurance available from the NFIP.

Impounds:

- Escrows for Real Estate Taxes, Homeowners’ Insurance, and Flood Insurance (if applicable) are required on all loan programs and all property types.
- Escrow waivers not available.

Appraisal Requirements:

- Residential Multifamily 5-10 units:
 - FHLMC 71A, *or*;
 - Narrative Report
- Mixed-Use 2-8 units:
 - FHLMC 71A;
 - General Purpose Commercial Forms (ex. GP Commercial Summary Form) *or*;
 - Narrative Report
- The following are required with each report:
 - Full Interior Inspection of each unit

- Rent roll. Rent regulated NYS properties require Appraiser to verify DHCR filings.
- Income and Expense Statement
- Photos of subject including exterior/interior and street scene
- Aerial photo
- Sketch or floor plan of typical units
- Map
- Appraiser qualifications
- Commercial Broker Price Opinion (BPO) required based upon sales approach is required unless two full appraisals are provided. In PA and NC, a commercial evaluation product is used instead of a BPO. If the value from the BPO is more than 10% below the appraised value, then the value of the BPO is used for LTV purposes.
- Declining Markets: If the appraisal indicates the subject property is located in a declining market, the maximum LTV will be reduced by 5% when the LTV is greater than 65%.

Appraisal Transfers:

- Quontic may accept an appraisal transferred from another lender that originally ordered the appraisal with an accompanying Appraisal Transfer Letter. All transferred appraisals must comply with the Home Valuation Code of Conduct (HVCC) and Appraiser Independence Requirements (AIR). Transferred appraisals must be completed by an appraiser that is not on any Bank Ineligible List or Agency Exclusionary List. All transferred appraisals will be underwritten in adherence to Quontic's standard appraisal review procedures.
- The Appraisal Transfer Letter must be on the letterhead of the original lender must include the following:
 - Current date;
 - Borrower name;
 - Property address;
 - A statement transferring ownership of the appraisal to Quontic;
 - The following statement "Transferring lender certifies that this appraisal was prepared in accordance with, and is compliant with, the Appraisal Independence Rules (AIR), Truth in Lending regulations, and all applicable laws, and;
 - Signature of Authorized Representative.
- The appraisal must be emailed in a suitable electronic format directly from the original lender to Quontic.
- Quontic must receive a copy of the appraisal invoice which evidences it is paid in full.

Application and Disclosures:

- Complete and fully executed Uniform Residential Loan Application (URLA) 1003 form.
- Borrower Statement of Occupancy
- Borrower Statement of Business Purpose
- Certification of Beneficial Owners of Legal Entities (if loan under an entity)

Compliance:

- All loans will be run through Compliance and Fraud Risk software by Quontic prior to closing. Upon review of reports, additional documentation may be requested.
- Wherever QB Guidelines are silent, Quontic will adhere to Fannie Mae and Freddie Mac guidelines.