

## Choice Advantage Program

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| <b>Program Highlights</b> | <ul style="list-style-type: none"> <li>• Max 90% LTV with no MI</li> <li>• Interest Only option</li> </ul> |
|---------------------------|--|

| Choice Advantage – ARM and Fixed   |      |                  |     |             |                       |
|--|------|------------------|-----|-------------|-----------------------|
| PURCHASE AND RATE TERM REFINANCE <sup>1,2</sup>  |      |                  |     |             |                       |
| Occupancy  | FICO | DTI <sup>4</sup> | LTV | Loan Amount | Reserves <sup>5</sup> |
| Primary/Secondary  | 660  | ≤50%             | 90  | \$3,000,000 | 9 months              |
| Primary/Secondary  | 650  | ≤50%             | 85  | \$3,000,000 | 6 months              |
| Primary/Secondary  | 650  | ≤ 50%            | 80  | \$3,000,000 | 3 months              |
| CASH-OUT REFINANCE <sup>3</sup>  |      |                  |     |             |                       |
| Primary/Secondary  | 700  | ≤ 50%            | 85  | \$1,500,000 | 6 months              |
| Primary/Secondary  | 650  | ≤ 50%            | 80  | \$1,500,000 | 3 months              |
| Program Matrix Notes:  |      |                  |     |             |                       |
| <ol style="list-style-type: none"> <li>1. Delayed Financing may be underwritten and priced as a rate term refinance. Maximum LTV and loan amount per Matrix. Rate term cash back amount restriction does not apply. Delayed financing on a primary residence/homestead in Texas, must be treated as a cash out transaction under <a href="#">Texas 50(a)(6) guidelines</a>.</li> <li>2. For Rate term transactions, maximum cash back amount is equal to the lesser of 2% of new refinance loan balance or \$2,000.</li> <li>3. For Cash Out transactions, maximum cash back amount is \$750,000.</li> <li>4. Maximum 55% DTI considered with compensating factors. Refer to the <a href="#">Specified Credit Factors</a> for details.</li> <li>5. Minimum 2 months reserves considered with compensating factors. Refer to the <a href="#">Specified Credit Factors</a> for details.</li> </ol> |      |                  |     |             |                       |

| Choice Advantage – ARM and Fixed  |      |       |     |             |                       |
|---|------|-------|-----|-------------|-----------------------|
| CASH-OUT REFINANCE - DEBT CONSOLIDATION <sup>1,2,3</sup>  |      |       |     |             |                       |
| Occupancy   | FICO | DTI   | LTV | Loan Amount | Reserves <sup>5</sup> |
| Primary/Secondary <sup>4</sup>  | 660  | ≤ 35% | 90  | \$750,000   | 9 months              |
| Primary/Secondary <sup>4</sup>  | 650  | ≤ 35% | 85  | \$750,000   | 6 months              |
| Primary/Secondary <sup>4</sup>  | 650  | ≤ 35% | 80  | \$750,000   | 3 months              |
| Program Matrix Notes:   |      |       |     |             |                       |
| <ol style="list-style-type: none"> <li>1. Total amount of recurring obligations to be paid off by the borrower cannot exceed \$100,000 (excluding mortgage liens).</li> <li>2. Maximum cash back amount is equal to the lesser of 2% of new refinance loan balance or \$2,000.</li> <li>3. Interest only is not allowed.</li> <li>4. Not allowed on primary residences in Texas. Debt consolidation on primary residences in Texas must follow <a href="#">Texas 50(a)(6) guidelines</a>.</li> <li>5. Minimum 2 months reserves considered with compensating factors. Refer to the <a href="#">Specified Credit Factors</a> for details.</li> </ol> |      |       |     |             |                       |

| Choice Advantage – Texas 50(a)(6) Fixed   |      |                  |     |             |                       |
|---|------|------------------|-----|-------------|-----------------------|
| Texas 50(a)(6) RATE TERM REFINANCE <sup>1,2</sup>   |      |                  |     |             |                       |
| Occupancy <sup>4,5</sup>  | FICO | DTI <sup>6</sup> | LTV | Loan Amount | Reserves <sup>7</sup> |
| Primary   | 650  | ≤ 50%            | 80  | \$3,000,000 | 3 months              |
| Texas 50(a)(6) CASH-OUT REFINANCE <sup>3</sup>  |      |                  |     |             |                       |
| Primary   | 650  | ≤ 50%            | 80  | \$1,500,000 | 3 months              |
| Program Matrix Notes:   |      |                  |     |             |                       |
| <ol style="list-style-type: none"> <li>1. Delayed financing must be treated as a cash out transaction.</li> <li>2. For Texas 50(a)(6) rate term transactions, no cash back is allowed.</li> <li>3. For Texas 50(a)(6) cash out transactions, maximum cash back amount is \$750,000.</li> <li>4. 2-4 units are not allowed.</li> <li>5. Texas 50(a)(6) not offered on 5/1 ARM</li> <li>6. Maximum 55% DTI considered with compensating factors. Refer to the <a href="#">Specified Credit Factors</a> for details.</li> <li>7. Minimum 2 months reserves considered with compensating factors. Refer to the <a href="#">Specified Credit Factors</a> for details.</li> </ol> |      |                  |     |             |                       |

| Choice Advantage – Interest Only ARM   |      |                  |     |             |                       |
|--|------|------------------|-----|-------------|-----------------------|
| PURCHASE AND RATE TERM REFINANCE <sup>1,2,3</sup>  |      |                  |     |             |                       |
| Occupancy  | FICO | DTI <sup>4</sup> | LTV | Loan Amount | Reserves <sup>5</sup> |
| Primary/Secondary  | 700  | ≤ 50%            | 80  | \$3,000,000 | 3 months              |
| Primary/Secondary  | 650  | ≤ 50%            | 75  | \$3,000,000 | 3 months              |
| Program Matrix Notes:  |      |                  |     |             |                       |
| <ol style="list-style-type: none"> <li>1. Delayed Financing may be underwritten and priced as a rate term refinance. Maximum LTV and loan amount per Matrix. Rate term cash back amount restriction does not apply. Delayed financing on a primary residence/homestead in Texas, must be treated as a cash out transaction under <a href="#">Texas 50(a)(6) guidelines</a>.</li> <li>2. For Rate term transactions, maximum cash back amount is equal to the lesser of 2% of new refinance loan balance or \$2,000.</li> <li>3. Interest Only not offered on 30 year Fixed.</li> <li>4. Maximum 55% DTI considered with compensating factors. Refer to the <a href="#">Specified Credit Factors</a> for details.</li> <li>5. Minimum 2 months reserves considered with compensating factors. Refer to the <a href="#">Specified Credit Factors</a> for details.</li> </ol> |      |                  |     |             |                       |

| Product Detail                     | Product Guidelines  |
|------------------------------------|---|
| <b>Amortization Type</b>           | 5/1 Adjustable and 30 Year Fixed Rate<br>5/1 ARM Interest Only permitted. 10 year interest only period followed by 20 year amortization.  |
| <b>Appraisal</b>                   | <ul style="list-style-type: none"> <li>• Purchases: <ul style="list-style-type: none"> <li>○ One appraisal required for all loans ≤ \$1,500,000.</li> <li>○ Two appraisals required for all loans &gt; \$1,500,000.</li> </ul> </li> <li>• Refinances: <ul style="list-style-type: none"> <li>○ One appraisal required for all loans ≤ \$1,000,000.</li> <li>○ Two appraisals required for all loans &gt; \$1,000,000.</li> </ul> </li> </ul> |
| <b>ARM Caps</b>                    | 5/1 : 2/2/6   |
| <b>ARM Index</b>                   | 1 year LIBOR  |
| <b>ARM Margin &amp; Floor Rate</b> | 4.50%   |
| <b>ARM Qualification</b>           | 5/1 ARM must be qualified at the higher of the fully indexed rate or note rate<br>5/1 ARM Interest Only must be manually qualified at the fully amortizing (PITI) based on a 20 year amortizing term at the higher of the fully indexed rate or note rate   |
| <b>Asset Depletion</b>             | Borrower can qualify solely if they can evidence liquid assets equal to or in excess of 180 months of PITI payments (see guidelines for specific requirements)  |
| <b>AUS</b>                         | Manual Underwriting is required, however, an AUS is required to demonstrate the borrower is not eligible for agency product including high balance loans.   |
| <b>Borrower Contribution</b>       | 100% gifts funds are permitted if the gift is received from a family member.<br>5% borrower contribution required otherwise.  |
| <b>Declining Markets</b>           | If appraiser denotes market as declining, reduce maximum LTV by 5% from maximum financing limits.   |
| <b>Derogatory Event Seasoning</b>  | <ul style="list-style-type: none"> <li>• No derogatory events permitted in the most recent 4 years.</li> <li>• A Derogatory Event is defined as short-sale (SS), deed-in-lieu (DIL), mortgage loan charge-off (MCO), foreclosure (FCL) or Chapter 7 or Chapter 13 Bankruptcy (BK). A modification is not a Derogatory Event.</li> </ul>   |
| <b>Documentation</b>               | All loans must meet ATR requirements to be eligible. Full Income and Asset documentation is required in compliance with <a href="#">Appendix Q</a> requirements.  |
| <b>Escrow Waivers</b>              | Not allowed on HPML loans under 12 CFR 1026.35. Per HPML requirements, an escrow account must be established before consummation of the loan for payment of property taxes and premiums for mortgage-related insurance required by Royal Pacific Funding. The escrow account must be maintained for at least five years after the date of consummation.   |
| <b>FICO/Credit Score</b>           | 650 ( <i>Minimum FICO requirement may be higher depending on loan parameters. Please refer to the matrix for details.</i> )<br>Traditional Credit: Borrower must have two open and active trades.<br>Non-traditional credit not permitted   |
| <b>Lien Position</b>               | First   |
| <b>Mortgage Insurance</b>          | Not required.   |
| <b>Maximum Loan Amount</b>         | \$3,000,000 ( <i>Maximum loan amount may be lower depending on loan parameters. Please refer to the matrix for details.</i> )   |
| <b>Minimum Loan Amount</b>         | \$100,000   |

|                                      |   |
|--------------------------------------|---|
| <b>Number of Financed Properties</b> | <ul style="list-style-type: none"> <li>• Primary Residence <ul style="list-style-type: none"> <li>○ Unlimited Financed Properties</li> </ul> </li> <li>• Second Home <ul style="list-style-type: none"> <li>○ Maximum 10 financed properties</li> </ul> </li> <li>• Royal Pacific Funding will finance 4 properties with a maximum unpaid principal balance of \$4,000,000.</li> </ul>  |
| <b>Occupancy</b>                     | <ul style="list-style-type: none"> <li>• 1–4 unit Primary Residence</li> <li>• 1 unit Second Home</li> </ul>  |
| <b>Payment History</b>               | 0x30 in most recent 24 months on all mortgages/rentals  |
| <b>Program Codes</b>                 | Royal 30 Yr Fixed Choice Advantage<br>Royal 5/1 LIBOR ARM Choice Advantage<br>Royal 5/1 LIBOR ARM IO Choice Advantage   |
| <b>Property Types</b>                | <ul style="list-style-type: none"> <li>• 1-4 units (Detached, Semi Detached, Attached)</li> <li>• PUD (Detached, Attached)</li> <li>• Warrantable Condominium (Detached, Attached)</li> <li>• Non-Warrantable Condominiums (Detached, Attached) including Condotels.</li> </ul>   |
| <b>Ratios</b>                        | Max 50% DTI (up to 55% DTI considered with compensating factors. Refer to the Specified Credit Factors section for details)   |
| <b>Secondary Financing</b>           | Existing and new subordinate financing is not allowed.  |
| <b>Seller Contributions</b>          | 6% Primary Residence or Second Home   |
| <b>Temporary Buydowns</b>            | Not allowed   |
| <b>Term</b>                          | 5/1 ARM and 5/1 ARM IO: 30 year<br>Fixed: 30 year   |
| <b>Transaction Types</b>             | <ul style="list-style-type: none"> <li>• Purchase</li> <li>• Rate term Refinance/Delayed Financing</li> <li>• Cash Out - Debt Consolidation</li> <li>• Cash Out Refinance</li> <li>• Texas 50(a)(6) rate term and cash out refinance</li> </ul>   |
| <b>Specified Credit Factor</b>       | <p>One of the following Specified Credit Factors are allowed.</p> <p>Maximum 55% DTI is allowed as long as the loan parameters meet two of the following compensating factors (loan must be manually locked to exceed 50% DTI):</p> <ul style="list-style-type: none"> <li>• ≤ 80% LTV</li> <li>• ≥ 720 FICO</li> <li>• Either: Reserves ≥ 12 months or ≥ 125% Residual Income</li> </ul> <p>Minimum of 80% of required Residual Income amount is allowed as long as the loan parameters meet two of the following compensating factors.</p> <ul style="list-style-type: none"> <li>• ≤ 80% LTV</li> <li>• ≥ 720 FICO</li> <li>• Either: Reserves ≥ 12 months or DTI ≤ 40%</li> </ul> |

Minimum 2 months reserves is allowed as long as the loan parameters meet two of the following compensating factors.

- $\leq 80\%$  LTV
- $\geq 720$  FICO
- Either:  $DTI \leq 40\%$  or  $\geq 125\%$  Residual Income