

RESIDENTIAL FIX AND FLIP UNDERWRITING AND PRICING UPDATES

Coronavirus induced social distancing and forced business closures have shut down key components of the economy. This has dislocated financial markets and injected risk into the housing market. To adjust for these new risks, Roc has made temporary changes to its underwriting guidance. The core philosophy to weather the crisis is to focus lending on high credit professional developers at lower attachment points and profitable projects using more conservative projections while building in a cash flow runway that relies less on rapid liquidity of the housing market.

| | Pre COVID-19 | As of 10/2/2020 |
|----------------------|--|---|
| Loan Amount | <ul style="list-style-type: none"> Min: \$50,000 Max: \$25,000,000 | <ul style="list-style-type: none"> Min: \$50,000 Max: \$1,500,000 [>\$1,500,000 on exception] |
| Maximum Loan to Cost | <ul style="list-style-type: none"> 90% of Purchase Price 100% of Rehab Costs | <ul style="list-style-type: none"> 85% of Purchase Price [90% on exception] 100% of Rehab Costs |
| Maximum Loan to ARV | <ul style="list-style-type: none"> 75% | <ul style="list-style-type: none"> 70% [75% on exception] |
| FICO | <ul style="list-style-type: none"> <620, mandatory IR | <ul style="list-style-type: none"> Minimum IR = 1 months If past bankruptcy or foreclosure: 12 month IR |
| Term Length | <ul style="list-style-type: none"> Up to 18 months | <ul style="list-style-type: none"> Up to 12 months |
| Recourse | <ul style="list-style-type: none"> Full Recourse | <ul style="list-style-type: none"> Full Recourse Pledge of Shares (1%+ increase in rate for no pledge) |
| Experience | <ul style="list-style-type: none"> All levels considered | <ul style="list-style-type: none"> Professional developers only |
| Profit Test | <ul style="list-style-type: none"> Not required if underwritten to rental loan guidelines | <ul style="list-style-type: none"> Minimum \$15,000 Evaluated to appraised value minus 5% in COVID hit markets |
| Borrower Pricing | <ul style="list-style-type: none"> Variable | <ul style="list-style-type: none"> 9.25 / 2+ for experience score = 4,5 10.25 / 2+ for experience score = 3 Loans < \$150,000 full boat mandatory |
| Lender Pricing | <ul style="list-style-type: none"> Variable | <ul style="list-style-type: none"> First 9.25% to Roc, split everything above Split the points with Roc |

HARD NO LOAN TYPE

- Financial crimes on background check
- Inexperienced flippers (experience score <3/5)
- >90% initial loan to cost; >100% construction holdback/ reno budget; >75% ARLTV
- Owner occupied properties
- <1m interest reserve for monthly payments brought to closing
- Advancing against ‘finder’s fees’ - wholesalers are OK, see guidelines below
- Modular homes
- Deals without a strong profit based on conservative timelines

PROBLEM LOAN TYPES AND GUIDELINES

| PROBLEM | GUIDELINE |
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| Lop-Sided Loans (renovation budget > purchase price) | <ul style="list-style-type: none"> ▪ Borrower must have at least 15% of the total project cost in at closing ▪ Full boat interest strongly encouraged |
| Inexperienced Flippers / First Timers (experience score 1, 2) | <ul style="list-style-type: none"> ▪ Do not qualify at this time |
| IRS Tax Liens / Federal Tax Liens | <ul style="list-style-type: none"> ▪ Must be cleared prior to closing |
| Rural Areas | <ul style="list-style-type: none"> ▪ Low initial advance rate (~55% of purchase price) ▪ Should generally stick to lending in densely populated areas |
| Borrower Background Issues | <ul style="list-style-type: none"> ▪ Professional flipper or repeat borrower at Roc’s discretion ▪ Less inclined to deal with messy borrowers in this environment |
| Heavy Construction | <ul style="list-style-type: none"> ▪ Highly experienced borrower ▪ Verifiable track record ▪ Liquid takeout (the properties sell easily) |
| High Loan to Cost (90/100) | <ul style="list-style-type: none"> ▪ >85% initial LTC is not permitted at this time except for repeat Roc borrowers with pristine pay records |
| High ARLTV | <ul style="list-style-type: none"> ▪ Capped at 70% |
| Cash Outs | <ul style="list-style-type: none"> ▪ Borrower should have 15% skin in the game at all times ▪ All members of borrowing entity must PG the loan and show up to closing to sign the loan documents ▪ Should be a well-defined exit strategy |

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| Mid-construction Projects | <ul style="list-style-type: none"> ▪ Need an As-is AND ARV Appraisal (2 separate) ▪ The entire rehab budget must be specified in the appraisal with a % complete per line item of work that has been completed ▪ Receipts help to justify work completed ▪ Property taxes, interest/debt payments, and insurance do not qualify as reimbursable costs ▪ Our initial release will be based on the lesser of As-Is value and cost basis |
| Refinancing Another Hard Money Lender | <ul style="list-style-type: none"> ▪ Are we the market fool? ▪ Borrower must have at least 15% skin in the game at all times ▪ Reasonableness test |
| Low Profit Deals | <ul style="list-style-type: none"> ▪ Borrower should be making 40%+ cash on cash return ▪ Minimum profit \$15K after subtracting 5% from ARV with 3-month increase in timeline ▪ Experienced borrower (at least 3 on a scale of 1-5) with verifiable track record ▪ Lower advance rates ▪ Liquid takeout (the properties sell easily) |
| Wholesalers | <ul style="list-style-type: none"> ▪ Not higher than 15-20% of total purchase price ▪ Transparency - we need full chain of title from owner of record to borrower: <ul style="list-style-type: none"> o Wholesaler assigns contract to borrower <ul style="list-style-type: none"> - Need wholesaler contract and assignment agreement o Wholesaler sells entity that is in contract to borrower <ul style="list-style-type: none"> - Need wholesaler contract and share purchase agreement o Wholesaler double closing (A->Wholesaler->B) <ul style="list-style-type: none"> - Need contract from A->Wholesaler and contract Wholesaler->B ▪ Transaction should not 'shock the conscience' |
| Non Arm's Length Transactions | <ul style="list-style-type: none"> ▪ Need an As-is AND ARV Appraisal (2 separate) ▪ Reasonableness test |
| Marginal Urban Areas (high crime, poverty, transitional, etc) | <ul style="list-style-type: none"> ▪ Lower advance rates ▪ Experienced borrowers with verifiable track records in subject area ▪ Liquid takeout (the properties sell easily) |
| Condo Conversions | <ul style="list-style-type: none"> ▪ Architect letter and feasibility study required |

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| | <ul style="list-style-type: none"> Legal opinion regarding conversion required |
| Adding Square footage (vertical and/or horizontal expansion) or change of use (2 family to 4 family) | <ul style="list-style-type: none"> Zoning analysis from architect. The project must conform to local zoning code and be as-of right (no variances required). Experienced borrower with verifiable track record of similar projects Permits in place preferred Lower advance rates Construction budget feasibility study by engineering firm |
| Subdivision of Lot | <ul style="list-style-type: none"> Loan terms to be based on the property as if the subdivided lot land value is \$0 |
| Loan amount >\$750,000 | <ul style="list-style-type: none"> Liquidity is drying up for these properties, 85/100 probably not a good idea |
| 7Luxury Properties | <ul style="list-style-type: none"> Little interest in lending against such projects in this environment Focus more on affordable properties |
| Appraisals | <ul style="list-style-type: none"> Appraisals >3 months old not accepted |

LOAN CLOSING ISSUES

| PROBLEM | GUIDELINE |
|------------------------|--|
| Loan Amount >\$250,000 | <ul style="list-style-type: none"> Survey or survey exception required |
| Loan Amount >\$500,000 | <ul style="list-style-type: none"> Attorney Opinion letter required Survey or survey exception required |
| Entity Status | <ul style="list-style-type: none"> Certificate of Good Standing required if entity is >=1 year old Certificate cannot be older than 90 days |
| Title Issues | <ul style="list-style-type: none"> Clean title No exceptions to Schedule B permitted Will not fund unless gap insurance provided |
| Closing Attendance | <ul style="list-style-type: none"> All guarantors must sign loan documents Digital closings will be permitted on a case by case basis as determined by the closing attorney and Roc's legal team |
| Insurance | <ul style="list-style-type: none"> Must conform to guidelines, no exceptions |

LETTER OF EXPLANATION REQUIREMENTS

CREDIT

| | WHEN TO COLLECT LOE |
|--------------------|---|
| 30D | if past due > \$0 and <> EDU |
| 60D | if past due > \$0 and <> EDU |
| 90D | if past due > \$0 and <> EDU |
| Collection Account | if > \$2k tradeline and no (medical or utility) |
| Bankruptcy | if <7 years old |
| Foreclosure | if <7 years old |
| Forbearance | if active and not covid related |
| IRS Lien | if active |
| Liens | if active and >\$10,000 |
| Judgments | if active and >\$10,000 |

BACKGROUND

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|-----------------------------|-----------------|
| Traffic | No |
| Driving under the influence | 2 or more times |
| Marijuana | 2 or more times |
| Misdemeanor | Always |
| Felony | Always |