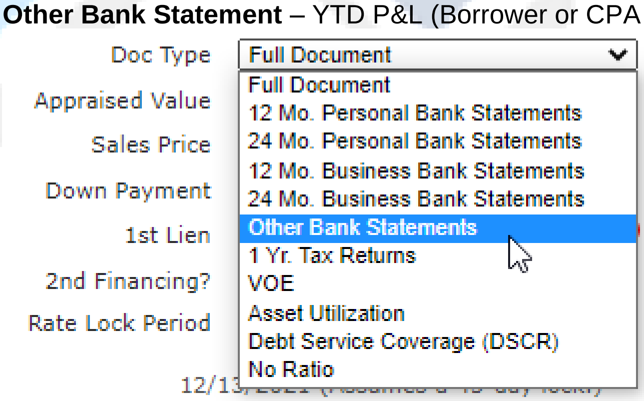
MEGA CAPITAL FUNDING, INC.

SIMPLE MVP (ARM Program)

WVOE and P&L (Borrower or CPA prepared)

SIMPLE MVP					
Occupancy	**Purpose**	**Max Loan amount**	**Minimum FICO**	**Property Type**	**LTV/CLTV**
Primary Residence Second Home Investment Property	**Purchase Rate/Term Refi**	$1,000,000	680	1 Unit SFR & PUD	70%
		>$1M to $1.5M	700		65%
		$1,000,000	680	Condominium	70%
		>$1M to $1.5M	700		65%
		>$1M to $1.5M	700	2 Units	65%
		>$1M to $1.5M	700	3-4 Units	60%
	Cash-Out Refi	$1,000,000	680	1 Unit SFR, PUD & Condo	65%
		>$1M to $1.5M	700	SFR, CONDO, PUD & 2-4 Units	60%

GENERAL REQUIREMENTS	
Underwriting Method	• Manual Underwriting Only • All compliance requirements must be met with Federal & State regulations. • All Borrowers are subject to the Bank Secrecy Act (BSA), the USA PATRIOT Act, the Customer Identification Program (CIP), the Office of Foreign Assets Control (OFAC) and other applicable legal or regulatory requirements.
Minimum FICO	680 with at least two (2) scores per borrower. • Mid fico or lower of the two scores (per borrower) will be used to qualify • 3 tradelines seasoned for at least 12 months required
Loan amount	• Minimum - $150,000 • Maximum - $1,500,000
MEGA LOS Doc Type Options	• **Other Bank Statement** – YTD P&L (Borrower or CPA Prepared)  • **VOE –** Written Verification of Employment (FNMA Form 1005 Only) • **Borrower prepared or CPA prepared P&L (Max LTV 70%)**

<table>
<tr><td>DTI</td><td>Maximum Total Debt-to-Income (DTI) ratio allowed: 43%</td></tr>
<tr><td>Credit Standards</td><td>

We allow a broker provided credit report. All broker provided credit report must have been pulled within 30 days from the loan application date. Otherwise, MCFI will pull a new credit report.
Mortgage/Rent
Max 1x30 in past 12 months
No 60 days or 90 days lates allowed regardless of seasoning.
Tradelines
3 tradelines seasoned for at least 12 months required.
Bankruptcy / SS&DIL / Foreclosure
3yrs/2yrs/5yrs
Loan Modification
5 years

</td></tr>
<tr><td>Asset / Reserves</td><td>
<table>
<tr><th>Property Type</th><th>Transaction Type</th><th>Required Reserves (Subject PITIA based on the qualifying rate)</th></tr>
<tr><td rowspan="2">All Property Type</td><td>Purchase/Rate & term</td><td>3 months in US Financial Institution</td></tr>
<tr><td>Cash-Out Loans</td><td>6 months in US Financial Institution</td></tr>
</table>

Most recent 2-month bank/asset statements.
Business Funds: may be used up to 100% of current balance if borrower can` demonstrate 100% ownership of the business. Not allowed for reserve. CPA letter must confirm that borrower has 100% ownership in the business and that the use of funds will have no negative impact on the business.
Stocks/mutual funds/retirements/life insurance cash value (Allowed up to 70% of the value)
Cash-out proceeds are eligible as reserves
Two-months PITIA reserves for each additional financed property.

</td></tr>
<tr><td>Qualifying Rate</td><td>5/6 ARM – The greater of the note rate plus 2% or the fully indexed rate is used to determine the qualifying PITIA.
7/6 ARM - The greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA.
The fully indexed rate is calculated by adding the margin to the index.
Qualifying rate will be determined by the date which was locked.</td></tr>
<tr><td>Reserves</td><td>Subject property PITIA reserves are based on the qualifying rate.</td></tr>
<tr><td>Index</td><td>SOFR 30 Day Avg index</td></tr>
<tr><td>ARM term</td><td>
<table>
<tr><th>PROGRAM CODE</th><th>TERMS</th><th>CAPS</th><th>INDEX</th><th>MARGIN</th></tr>
<tr><td>SMVP5/6
SMVP5/6b*</td><td>5/6 ARM</td><td>2/1/5</td><td rowspan="2">SOFR</td><td rowspan="2">See Rate sheet</td></tr>
<tr><td>SMVP7/6
SMVP7/6b*</td><td>7/6 ARM</td><td>5/1/5</td></tr>
</table>
*Borrower-prepared P&L variant
</td></tr>
<tr><td>Approved States</td><td>Arizona, California, Nevada, Oregon & Washington Only</td></tr>
</table>

Temporary Buydowns Option	This is an exclusive 2-1 buydown option only. (24 months) The rate is 2% points lower during the first year and 1% point lower in the second year. Actual note rate will apply during the third year.
	• Occupancy: Primary residence and second home
	• Purchase transactions only
	• Offered only for buydown funds provided by the seller, the builder, interested third parties*. Interested-party contribution limits will apply. (*If buydown funds are from other interested third parties who are the real estate agents, his/her commission must be reduced by distributing buydown amount from the seller or the builder.)
	• The buydown plan must be a written agreement between the party providing the buydown funds and the borrower.
	• Qualifying rate
	  ○ 5/6 ARM – The greater of the note rate plus 2% or the fully indexed rate is used to determine the qualifying PITIA.
	  ○ 7/6 ARM - The greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA.
	The fully indexed rate is calculated by adding the margin to the index. Qualifying rate will be determined by the date which was locked.
	The borrower must be qualified based on the qualifying rate without consideration of the bought-down rate.
	• If reserves are required, the reserves must be calculated using the Qualifying Rate.
	• Additional price adjustment will be applied.
	
	Buydown Agreements
	• Must provide that the borrower is not relieved of his or her obligation to make the mortgage payments required by the terms of the mortgage note if, for any reason, the buydown funds are not available
	
	Buydown Funds
	• Buydown accounts must be established and fully funded.
	• Funds for buydown accounts must be deposited into custodial bank accounts.
	• The borrower’s only interest in buydown funds is to have them applied toward payments as they come due under the note.
	• Buydown funds are not refundable unless the mortgage is paid off before all the funds have been applied.
	• Buydown funds cannot be used to pay past-due payments.
	• Buydown funds cannot be used to reduce the mortgage amount for purposes of determining the LTV ratio.
	
	Program codes
	SMVP5/6-21BD, SMVP5/6b-21BD, SMVP7/6-21BD, SMVP7/6b-21BD

Condominium/PUD Requirement	Condo must be warrantable by Fannie Mae; non-warrantable condominiums NOT ALLOWED. All condominium/PUD guidelines will follow FNMA guideline.
Gift	Gift is allowed for 100% of down payment for all occupancies and properties.
Contributions	No minimum borrower contribution on all occupancies Interest Party Contributions (IPCs) IPCs may not exceed 3% of the sales price for primary and second home ownership, or 2% for non-owner-occupied properties. IPCs may be used towards closing costs only, not for repair or down payment or reserves. If the transaction is an acceptable at-interest transaction in which the realtor/broker is also the borrower or is an immediate family member of the borrower, the realtor/broker commission cannot be used towards the down payment, closing costs, or reserves.

Appraisal Requirement	One Full Appraisal and one CDA (Clear Capital) regardless of the loan amount. A transferred appraisal report is allowed. Follow FNMA guidelines. (Clear Capital CDA report is required) ***The CDA final opinion of value must be within 10% from the lesser of the appraisal value or the purchase price (If applicable). If the CDA produces a value that deviates more than 10% negatively, the 2nd appraisal report must be provided to support the value. When the 2nd appraisal report is required, LTV will be based on the lower of the two appraisal values or the purchase price (If applicable). **Age of Appraisal** The effective date of the appraisal report must be dated within 120 days of the Note date. If the effective date of the appraisal report is more than 120 days but less than 180 days from the Note date, the appraiser must provide recertification of value based on his or her knowledge of current market conditions. The appraiser must acknowledge that the value of the subject property has not declined. **Zoning Compliance** The property should be zoned as "residential." The highest and best use as improved should be the "Present use." Properties with commercial zoning should exhibit no negative impact on marketability or habitability as residential properties and should not change the residential character or atmosphere of properties. The majority of the uses on the Subject Property's Street must also be 1-4 family and at least two of the comparable sales must be from the Subject Property's immediate neighborhood and have the same zoning. Properties with agricultural zoning must be verified that property is residential in nature, its residential use is a permissible use under the zoning classification and its use does not primarily involve commercial activities such as farming or ranching. Residential properties with commercial and agricultural zoning should reflect the current usage as the highest and best use and be eligible to be rebuilt in the case of partial or total destruction and 100% rebuild letter from the city/county required. **For Properties with Solar Panels** For properties with solar panels, copy of purchase contract or lease agreement for solar panel must be reviewed to determine if there is any recurring monthly payment. Any monthly payment must be included in debt-to-income calculation. If solar panel contract is recorded as a lien against subject property, it cannot be in a first lien position. For purchase transaction, if borrower assumes the existing solar panel contact from the current owner/seller, assignment of lease or similar documents must be reviewed to determine the term and validity of transfer. **Acceptable Property Condition and Quality Ratings**: • Condition Rating Range: C1 – C5 • Quality Rating Range: Q1 – Q5 **Changes to the Appraised Value** Particular attention and extra due diligence must be instituted for those loans in which the appraised value is believed to be excessive or when the value of the property has experienced significant appreciation in a short time period since the prior sale. Any appreciation within 12 months greater than 20% of the previous sale value, will require additional explanation from the original appraiser. If the appreciation occurred in under 6 months, one of the following conditions must be added to further address excessive value or undue appreciation: • Field Review

	Additions without Permits MCFI will not lend any property with unpermitted structure including unpermitted ADU. Only SFR with one permitted ADU is allowed. 2-4 unit property with ADU not allowed. **Declining market LTV reduction** When the appraisal report indicates that the subject property is in a declining market, maximum LTV/CLTV should be reduced by 5%. **HPML Appraisal Rule** Mega will follow the HPML Appraisal Rule's provision for all applications received. Two appraisals are required to be delivered for flip transactions as defined by the CFPB. Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/higher-priced-mortgage-loans-appraisal-rule/.
Property Listed for Sale	Subject property cannot be listed for sale at the application date for R&T and C/O
Ineligible Properties	• Vacant land or land development properties • Properties that are not readily accessible by roads that meet local standards • Agricultural properties, such as farms or ranches • Boarding Houses • Bed and breakfast properties • Properties that are not suitable for year-round occupancy regardless of location • Manufacture homes • Mobile homes • Properties in non-residential zoning • Mixed use properties • Title to the property not held as fee simple • Co-Operatives (CO-Ops) • Non-warrantable Condos
Interest Only	Not available
Prepayment Penalty	Not available
Escrow Policy	• Section 32 or State high-cost loan is not allowed. • Flood Insurance must be impounded on all Flood Zone Area properties (SFR, Multi-Units, Detached Condo/PUD) • Escrows for taxes and insurance are required for all HPML loans.
Eligible Borrowers	• U.S. Citizen - U.S. citizen must provide a valid identification card (e.g. driver's license) to document the residency. In addition, if social security issued date disclosed on the credit report is less than 5 years old, copy of passport or proof of the citizenship will be required. • Permanent Resident - A permanent resident is a non-U.S. citizen who is legally eligible to maintain permanent residency in the U.S. and holds a Permanent Resident Card. A permanent resident must document legal residency with one of the following:

	◦ A valid and current Permanent Resident card (form I-551) with photo. ◦ A passport stamped “processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until _______. Employment authorized.” This evidences that the holder has been approved for, but not issued, a Permanent Resident card. See http://www.uscis.gov/ for more information. • Non-Permanent resident alien Eligible without guideline restrictions. All borrowers signing the mortgage note must have a valid Social Security Number. A Non-Permanent Resident Alien is a non-U.S. citizen authorized to live and work in the U.S. on a temporary basis. Valid visa and passport required. Legal Status Documentation: • Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA • Visa must be current. If the visa will expire within six (6) months of the loan closing date, additional documentation is required. Document that extension steps and fees paid as shown by the USCIS website. • When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer. • Ineligible borrowers The following borrowers are ineligible: • Land Trust • Individual possessing diplomatic immunity or otherwise excluded from US jurisdiction • Any material parties (company or individual) to transaction listed on HUD’s Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list. • Asylum applicants. • Foreign Nationals • Loans to Trusts - An inter-vivos revocable trust/living trust/revocable living trust are not allowed. • Power of Attorney (“POA”) - A Power of Attorney is acceptable for the signing of loan documents, as long as the POA is executed prior to signing the loan documents and the signature is complete on each document. POA must be specific to the transaction and specifically identify the subject property address, be signed, and dated by the party granting the power of attorney and be notarized. POA cannot be an interested party in the transaction (i.e., real estate agent, seller, or closing agent). If using POA to sign the loan documents, a letter of explanation stating the relationship between the borrower and attorney-in-fact and the reason for using POA must be obtained from the borrower. Customer Identification Program Form for the borrower must be completed and acknowledged by notary public or escrow officer even if loan docs are signed using POA. • Non-occupant Co-Borrower - Non-occupant co-borrower is not allowed.

Multiple Financed Properties for the same Borrower	- Limits on the Number of Financed Properties - If the subject property is a primary residence or second home, there is no limit to the number of financed properties. If the subject property is an investment property, the borrower may own or be obligated on up to 10 financed properties. The financed property limit applies to the borrower's ownership of one-to four-unit financed properties or mortgage obligations on such properties and is cumulative for all borrowers. These limitations apply to the total number of properties financed, not to the number of mortgages on the property. - Aggregate Lending Limit for Borrowers with Multiple Financed Properties with MCFI - Multiple financed properties with MCFI by the same borrower is restricted to eight (8) properties OR a $5,000,000 maximum aggregate loan amount, whichever is less. An aggregate loan amount > $5,000,000 and/or number of MCFI loans to one borrower greater than eight (8) requires prior approval by MCFI Management.
Qualifying Income	**Salaried Borrowers/WVOE** - Salaried borrowers receive a consistent wage or salary from an employer in return for a service rendered and have no ownership or less than 25% ownership interest in the business. Compensation may be based on an hourly, weekly, biweekly, monthly, or semi-monthly basis. If hourly, the number of scheduled hours must be addressed. The income that is verified must be converted into a monthly dollar amount for use on the formal application (FNMA Form 1003). At the discretion of the underwriter, supplementary documentation of income may be requested. Salary income must be compared and supported by the nationwide averaged income posted on Salary.com. The probability of continued employment must be considered. Caution should be exercised in considering this item as negative comments from an employer could indicate a possible problem in the applicant's ability to repay the loan. All applicants must have two years of verified employment. If the applicant has not been on their present job for two years, verification of previous employment must be obtained to cover a two-year period. Employment by family members is not acceptable. No home-based employment is allowed. <u>Documentation Requirements</u> A written verification of employment ("VOE") form (FNMA Form 1005 Only) must contain the following information: - Dates of employment. - Position. - Prospect of continued employment, when available. - Base pay amount and frequency. For employees paid on an hourly basis, the verification must state the hourly wages, including the number of hours worked each week. - Additional salary information, which itemizes bonus, overtime, tip, or commission income, if applicable. A written verification of employment form (FNMA Form 1005) must be used, and it must be sent directly to the employer to the attention of the personnel department, accounting department, or any other personnel who has the authority to verify such information. **Bonus or Overtime** Bonus or overtime income is variable compensation paid in addition to an employee's straight salary or hourly wage. Bonus or overtime will be accepted if it has been received for at least two consecutive years. If the borrower has recently changed positions

	with his or her employer, determine the effect of the change on the borrower's eligibility and opportunity to receive bonus or overtime pay in the new position. Documentation from the employer is required to verify two-year history of receipt of this income and the likelihood of its continuance at least the same or greater level. If bonuses and overtime represent 25% or more of the applicant's total income, additional supporting documentation and letter of explanation will be required. • **Self-Employed Borrowers/P&L (Borrower prepared or CPA prepared P&L - Max. LTV 70%) -** If an applicant is self-employed, the stability of the applicant's income must be established. A self-employed applicant is an individual who has total or proportionate ownership of a business. That business may be a sole proprietorship, a partnership, or a corporation. At least a two-year history of self-employment is required to establish and document a stable income level. No gaps in verified income should exist. Business established in (at least) 1 year is acceptable if two (2) years of self-employment history have been established in the same or a related field and the applicant can document a reasonable probability of success based on market feasibility studies and/or operating statements. Documentation Requirements ○ For application received on or before 6/30- Signed YTD and one (1) full year of Profit & Loss statement. ○ For application received on or after 7/1 – Signed YTD Profit & Loss statement. ○ All Profit & Loss statements *may* be completed by a verified, independent third party. ○ CPA letter verifying business ownership percentage in the same line of business over the last two years at the same location. CPA or licensed independent third-party tax preparer (Enrolled Agent, CTEC and PTIN) license must be verified. CPA letter must be provided by the CPA or licensed independent third-party tax preparer who filed borrower's tax returns. CPA or licensed independent third-party tax preparer must verify that he/she had filed borrower's most recent 2 years business tax returns. Self-employed borrower who filed his/her own tax returns is not eligible. ○ Two years of current Business license.
Rental Income	All properties that the applicant owns, and their statistics must be listed either in the Schedule of Real Estate Owned section of the 1003, or on an attached Schedule of Real Estate Owned, signed by the applicant. Rental income received from other properties borrower owns should be verified from fully executed lease agreement. If the borrower's principal residence is a 2-4 unit property, rental income from the principal residence can be used to qualify the borrower. If the borrower is purchasing a principal residence and is retaining his or her current residence as a rental property, rental income from the departing residence can be used to qualify the borrower. When the borrower is purchasing investment property, fully executed lease agreement may not be needed and rental income from Market Rent Value (Form 1007) from appraiser will be used. Net rental income shall be calculated by subtracting the PITIA from 75% of the gross rental income figure. If the result is a positive cash flow, it will be added to gross income. If the result is negative cash flow, it must be considered a liability. On non-subject investment properties in which the borrower holds title with a third party (non-spouse), the % of the borrower's ownership interest must be multiplied by 75% of the gross income to calculate the borrower's rental income on said property. Rental income with a term of less than 30 days are not acceptable. All departing property rental income will be based on FNMA guideline.

Purchase	Purchase loans are those in which the proceeds are used solely to pay the property seller. To determine underwriting value on a purchase loan, use the lesser of the appraised/alternative market property value or sales price. Purchase loans require copies of the sales contract and/or escrow instructions and all other agreements between the buyer and seller related to the property. All documents should be fully executed by all parties. Proof of earnest money deposit is required. A fully executed sales contract or purchase agreement is required to be received and reviewed on all purchase transactions. • At least one borrower must have signed the sales contract and/or addendum to purchase contract as the buyer. • All Seller concessions listed on the sales contract must be addressed by the appraiser.
Ineligible Purchase Transactions	• Non-arm's length transactions Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Non-arm's length transactions are not permitted. • For sale by owner transactions. • At-Interest Transactions An at-interest transaction involves persons who are not closely tied or related but may have a greater vested interest in the transaction, such as a party who plays more than one role in the same transaction. Acceptable examples of at-interest transactions (Primary home transaction only) include builder/seller also acting as realtor/broker, dual real estate agent (selling/listing agent), Borrower acting as his/her own real estate agent, realtor/broker selling own property, and borrower purchasing from his/her current landlord. Unacceptable examples of at-interest transactions include realtor/broker acting as listing/selling agent as well as the mortgage loan originator, seller acting as the mortgage loan originator, borrower's family member acting as the mortgage loan originator and real estate broker at the same time. Transaction includes unacceptable at-interest characteristics are not permitted.
Property Flips	A transaction in which a property is purchased and resold quickly for a significant profit is commonly referred to as a flip. If the subject property is owned by the seller for less than 90 days, transaction must be arm's length, with no identity of interest between the buyer and seller or other parties participating in the sales transaction and the sales price of the property cannot be 30% or more above the seller's acquisition cost.
Rate-and-Term (No Cash-Out) Refinance	A rate-and-term refinance transaction represents a loan that is used to pay off an existing loan by obtaining a new first mortgage secured by the same property. This type of refinance is allowed under the following conditions: • Closing costs, including prepaid items, may be included in the new loan amount provided that they are reasonable and customary for the market. • Cash back to the borrower(s) cannot exceed 2% of the new loan amount or $2,000.00, whichever is less. • Delinquent real estate taxes (past due by more than 60 days) may not be included in the loan amount. • Subject property cannot be listed for sale and listing must be withdrawn prior to the application date. **Rate-and-term refinances with 2nd trust deed mortgage pay-off** Rate-and-term refinances whose proceeds are being used to pay off a junior lien are allowed with the following conditions:

	• The junior lien must have 12 months seasoning from the closing date of the refinanced mortgage in order to be considered a rate-and-term refinance. If the junior lien is not seasoned for at least 1 year and it is being paid off with the new mortgage loan, the new mortgage is considered a cash-out refinance and must meet the cash-out refinance guidelines. The 12 months will be calculated from the closing date of the current junior lien to the consummation date of the new rate and term refinance. • If a non-purchase money junior lien is seasoned for 12 months, it does NOT require proof of no withdrawals in the past 12 months. • The seasoning may be waived if the junior lien was originated as a purchase-money second mortgage (seller or institutional financing) with the first and second lien was recorded simultaneously.
Cash Out Refinance	A cash-out refinance is a loan whose proceeds exceed the outstanding principal balance of the existing liens plus reasonable and customary closing costs. MCFI requires 6 months title seasoning on cash out loans, and continuity of obligation must exist. This is measured from the date on which the property was purchased to the loan application date. Subject property cannot be listed for sale and listing must be withdrawn prior to the application date. Any refinance done as a cash-out transaction within six months prior to new loan application date is also considered as a cash-out.
Delayed Financing Exception	Cash-Out loans for borrowers who purchase the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) may be eligible for a delayed financing exception, provided that the transaction meets the following requirements: • The original purchase transaction was an arms-length transaction. If the seller of the property was an LLC, the principals of the LLC must be documented. • The original purchase transaction is documented by a final Settlement Statement, which confirms that no mortgage financing was used to obtain the subject property. • The preliminary title search or report must confirm that there are no existing liens on the subject property (i.e., “free & clear” property). • The source of funds used for the purchase transaction must be documented and must be borrower’s own funds. • All other cash-out refinance eligibility requirements must be met, and cash-out pricing is applied.
Continuity of Obligation	Continuity of obligation occurs on a refinance transaction when at least one of the borrower(s) on the existing mortgage is also a borrower on the new refinance transaction secured by the subject property. Continuity of obligation requirements do not apply when there is no existing mortgage on the subject property as a result of the borrower either having purchased the subject property with cash or when any prior mortgage for which the borrower was an obligor was paid in full. If any of the following parameters can be met, loan may be eligible for refinance transaction even if the continuity of obligation does not exist: • The borrower on the new refinance transaction was added to title prior to loan application date. (6-month title seasoning for cash out transaction still required.) • The borrower acquired the property through an inheritance or was legally awarded the property (e.g., divorce, separation, or dissolution of a domestic partnership). • The borrower on the new refinance transaction has been added to title through a transfer from any legal entity (LLC, Corporation, Limited Partnership

	& Etc.) and the borrower is 100% owner prior to the transfer. The transferring entity and/or the borrower has had a consecutive ownership (on title) for at least the most recent 6 months prior to disbursement of the new loan. • The borrower on the new refinance transaction has been added to title through a transfer from a trust and the borrower is a beneficiary/creator of the trust.
Property Assessed Clean Energy Loans	Certain energy retrofit lending programs, often referred to as Property Assessed Clean Energy (PACE) programs, are made by localities to finance residential energy improvements and are generally rapid through the homeowner's real estate tax bill. These loans typically have automatic first lien priority over previously recorded mortgages. MCFI does not allow mortgage loans secured by properties with an outstanding PACE loan. • Paying off the Pace Loan: For purchase transaction, existing PACE loan must be paid off at closing. For refinance transaction, if outstanding PACE loan balance is less than 15% of current appraised value of the property, the payoff amount will be included in the limited cash-out transaction. If outstanding PACE loan balance exceeds 15% of current appraised value of the property, transaction will be considered as cash-out.
Credit History	**Bankruptcy** • Letter of explanation (prepared, signed and dated by the borrower); • Residential mortgage credit report verifying that satisfactory credit has been re-established, and the bankruptcy must be discharged for at least 3 years prior to application. Re-established credit is defined as a minimum of 3 accounts that have been open and active for the past 1 year. These accounts must be in good standing (no late payments) and documented by a traditional credit report. • No multiple bankruptcies allowed per borrower. **Short-sale and Deed in Lieu** • New application date must be at least 2 years from the close and/or transfer of title due to short-sale or deed in lieu • No multiple short-sales or deed in lieu allowed per borrower. **Foreclosure** A borrower who has had an ordinary foreclosure commenced within the last 5 years is not eligible. • No multiple foreclosures allowed per borrower. **Judgments** All judgments, liens, garnishments, etc. which have a balance greater than $1,000.00 must be paid in full at or prior to closing. All tax liens must be paid in full at or prior to closing. **Collections/Charge-Off of Non-Mortgage Accounts** For a collection account or non-mortgage charge-offs with less than $250 balance or an aggregate balance of less than $1,000.00, the collection(s) or non-mortgage charge-offs need not be paid prior to closing. All other collections or non-mortgage charge-offs must be paid at or prior to closing (including medical collections). **Loan Modification** • Letter of explanation required from borrower • Document to verify the loan modification date if not presented on credit report **Covid-19 Forbearance** Follow FNMA guideline.

	Disputed Accounts When there is a disputed tradeline with a reported derogatory payment within the last two years, the accuracy and completeness of the information reported on the borrower's credit report for the disputed tradeline must be confirmed. If it is determined that the disputed tradeline information is accurate and complete, and the disputed tradelines are considered in the credit risk assessment and all payments must be included in the debt-to-income ratios. If documentation can be provided to substantiate the dispute, updated information can be utilized. For instance, if a collection is currently showing an outstanding balance and is in dispute, but the borrower is able to provide a letter from the creditor confirming payment has been made, the collection is not required to be paid.
Liabilities	**Alimony/Child support** Deduct from income if more than 10 months remain. Copy of Divorce decree is required. **Business loans** May be excluded from total debt if evidence showing payment by company for the past 6 months can be provided. **Co-signer obligations** Not counted if verified that 6 months paid by other party. 6 months cancelled checks required. Mortgage loan obligation is not allowed. **Installment account** Less than 10 months balance not counted. Borrower may pay down or pay off the installment loan to exclude from the liability. Account must be paid down or paid off at or prior to closing. **Monthly housing expense** Count PITI, MI premium, flood insurance premium if applicable, leasehold payment, HOA dues, subordinate financing payments. If borrower does not own a primary residence, but does own an investment property, a Verification of Rent (VOR) will be required to satisfy primary residence housing expense. If landlord is a private party, VOR with 12 month rent payment cancelled checks or bank statements are required to verify. If spouse owns primary residence solely, verification of mortgage (VOM) will be required, and payment will be included in DTI as monthly housing expense. VOM on spousal solely owned primary residences are not required in non-community property states. If current lien is from a private lender, VOM with 12 month rent payment cancelled checks or bank statements are required to verify. **Living rent free borrower** • Any reported portion of a 12-month history must show paid as agreed. • A letter from property owner is required to verify living rent-free. • Primary residence transactions only. • Borrowers who own primary residence free and clear are not considered as living rent-free. • Borrowers who sold a primary residence within the last six (6) months and are currently residing rent-free until the subject transaction closes are not considered as living rent-free. **Revolving accounts** Payment shown on credit report or statement. If none, use the higher of $10 or 5% of balance for bank cards or retail stores, 2% for personal credit lines. Borrower may pay off the revolving account at or prior to closing in order to exclude from the liability. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.

	Open 30-day charge accounts For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, borrower must demonstrate funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves. If the borrower paid off the account balance prior to closing, borrower may provide proof of payoff in lieu of verifying funds to cover the account balance. **Student loans** Always counted even if deferred. If monthly payment after the deferred period cannot be verified, use 1% of the outstanding balance. **Subordinate financing** For HELOCs, count monthly payment amount. If there is none, use current balance with current rate and current payment as detailed on the HELOC agreement or note. If interest only payment will change to fully amortized payment within 3 years, fully amortized payment for amortization period must be used to qualify. For example, if a HELOC only has 2 years of interest only payments remaining and will then change to a fully amortized payment for 15 years, the 15-year amortization period will be used at current rate to qualify.
Assets	**Bank Accounts** Bank/financial institution accounts include funds on deposit in savings accounts, checking accounts, certificate of deposits, and money market accounts. These funds may be used for down payment, closing costs, and reserves. • Individual Accounts: Funds in the borrower's individual account are acceptable. • Joint Accounts: Funds in a joint account are acceptable if borrower always has access to all funds in the account. This may be demonstrated with the 100% access letter from the joint account holder. • Trust Accounts: Funds disbursed from a trust account where the borrower is the beneficiary are acceptable if the borrower has immediate access to them. Borrower must provide proper documentation to verify he/she is the beneficiary and has direct access to the funds. Accounts that do not allow the borrower to have immediate access to the funds for the above stated purposes may not be used as acceptable assets, including funds in accounts where the borrower is not the beneficiary, such as custodial accounts. Bank accounts shall be examined carefully for signs of fabrication or alteration. Analyzing the documentation to calculate interest and reviewing deposits against income levels and sources may be necessary to validate the documents. The borrower must provide a written explanation and documentation of the source of funds for any large deposits. Large deposits are defined as a single deposit that exceeds 100% of the total monthly qualifying income for the loan. If the source of the large deposit is readily identifiable on the account statement, such as a direct deposit from an employer, the Social Security Administration, etc., additional documentation may not be required. If there is any question that the funds may have been borrowed or there are consistent deposits that are not income, additional documentation must be obtained. • Verification of Deposit is not allowed. **Business Funds** If business funds are used for down payment, and closing costs, the borrower must be the sole proprietor or 100% owner of the business. If borrower is not 100% owner of the business, business funds may not be used for down payment or closing costs. Funds in the business account may be used up to 100% of current balance. The impact of the withdrawal must be considered in the analysis and the analysis must indicate that withdrawal of funds will not have a detrimental effect on the borrower's business. Large deposits that are

	uncommon compared to normal business transaction trends as evidenced through income documentation and business fund statements must be addressed and verified. Business funds may not be used for reserves unless it has already been deposited into borrower's personal account. If business funds are related to a business that the borrower did not disclose on the loan application, CPA letter must confirm that borrower has 100% ownership in the business and that the use of funds will have no negative impact on the business. **Gifts** The borrower may use funds received as a gift from an acceptable donor to use towards down payment and closing costs. An acceptable donor is a relative, defined as a spouse, child, parent, sibling, grandparent, aunt, uncle, cousin, domestic partner, fiancée, or fiancé. The donor may not be, or have any affiliation with the builder, developer, real estate agent, or any other interested party to the transaction. If donor provides gift funds from business account, 100% ownership verification required (Ex. CPA; K-1). If the gift funds are deposited into the borrower's bank account, a donor's ability (i.e., bank statement) is required. A donor's ability is not required when the donor makes a direct gift fund deposit to the escrow prior to closing. Gift funds are not eligible to use as reserves. **Foreign Assets** Foreign assets being used for down payment and closing costs must be held in a U.S. account prior to closing. If the assets are derived from a sale of a foreign asset or from assets held in a foreign institution, the assets must be converted into United States currency by an independent third-party and placed in a United States financial institution. The sale of the foreign asset and conversion of foreign currency must be fully documented and verified. Funds that a non-U.S. citizen borrower recently deposited in a U.S. depository institution are an acceptable source of funds provided all the following requirements are met: • There is documented evidence of funds transfer from the country from which the borrower immigrated. • It can be established that the funds belonged to the borrower before the date of the transfer; and • The sources of all funds used for closing can be verified just as they would for a borrower who is a U.S. citizen. The borrower's source of funds for the down payment and/or closing costs must comply with the Office of Foreign Assets Control (OFAC). **Retirement Accounts** Vested funds from individual retirement accounts (IRA, SEP-IRS, and KEOGH) and tax-favored retirement savings account (e.g., 401(k), 403(b)) may be used as the source of funds for down payment, closing costs and cash reserves. The most recent retirement account statement must be provided and must identify the borrower's vested amount and the terms. Terms of withdrawal may be required. When funds from retirement accounts are used for reserves, only 70% of vested funds will be used, and MCFI does not require the funds to be withdrawn from the account(s). **Stocks/Bonds** Vested assets in the form of stocks, government bonds, and mutual funds are acceptable sources of funds for the down payment, closing costs, and reserves provided their value can be verified. The borrower's ownership of the account or asset must be verified. The value of stocks, bonds or mutual funds must be documented by current statement. When used for reserves, 70% of the value of the assets (as determined above) may be considered, and liquidation is not required. When used for the down payment or closing costs, if

	the value of the asset is at least 20% more than the amount of funds needed for the down payment and closing costs, no documentation of the borrower's actual receipt of funds realized from the sale or liquidation is required. Otherwise, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented. Stock options and non-vested restricted stocks are not an eligible asset source for reserves. **Cash Value of Life Insurance** Net proceeds from a cash value or from the surrender of a life insurance policy are an acceptable source of funds for the down payment, closing costs and reserves. The most recent statements must be provided. If the funds are needed for the down payment or closing cost, proof of liquidation and receipt of the funds by the borrower must be documented. If the cash-value of the life insurance is being used for reserves, 70% of the cash-value will be used and must be documented but does not need to be liquidated and received by the borrower.
Unacceptable Sources of Assets	Sources of funds considered ineligible include, but is not limited to the following: • Cash advance on a revolving charge account. • Bridge Loan. • Cash for which the source cannot be verified. • Funds in a custodial or "in trust for" account. • Gift that must be repaid in full or in part. • Sweat Equity. • Personal unsecured line of credit or loan. • Salary advance.