



EXPANDED DSCR

DSCR >=1.00					
Max Loan Amount	Minimum FICO	Purchase/Rate & Term		Cash Out**	Reserves ***
			LTV*		
\$1,000,000	720		80%	75%	6 Months****
	700		75%	70%	
	680		75%	65%	
	660		70%	65%	
\$1,500,000	700		75%	70%	6 Months
	680		70%	60%	
	660		65%	60%	

*2-4 units and condo – Max. LTV is 75%.

** Max. cash out: LTV > 60% (\$500K) / LTV <=60% (Unlimited)

***The subject property reserves only. No reserves for additional financed property.

****3 months PITIA reserves required if the loan amount is <=\$500K.

DSCR >=0.75					
Max Loan Amount	Minimum FICO	Purchase/Rate & Term		Cash Out*	Reserves **
			LTV		
\$1,000,000	720		75%	70%	6 Months***
	700		75%	65%	
	680		70%	60%	
	660		60%	60%	
\$1,500,000	700		70%	65%	6 Months

* Max. cash out: LTV > 60% (\$500K)

LTV <=60% (Unlimited)

**The subject property reserves only. No reserves for additional financed property.

***3 months PITIA reserves required if the loan amount is <=\$500K.

NO RATIO DSCR					
Max Loan Amount	Minimum FICO	Purchase/Rate & Term		Cash Out*	Reserves **
			LTV		
\$1,000,000	740		75%	65%	6 Months***
	720		70%	60%	
	700		65%	60%	
	680		65%****/60%	60%	
	660		60%	60%	
\$1,500,000	740		70%	60%	6 Months
	700		65%	60%	

*Max. cash out: LTV > 60% (\$500K)

LTV <=60% (Unlimited)

**The subject property reserves only. No reserves for additional financed property.

***3 months PITIA reserves required if the loan amount is <=\$500K.

**** Purchase Only. 60% for R/T

GENERAL REQUIREMENTS																																																																																												
Underwriting Method	<ul style="list-style-type: none"> Manual Underwriting Only All compliance requirements must be met with Federal & State regulations. Evidence of agency ineligibility is required. Interest Only is not allowed. 																																																																																											
Appraisal report	<ul style="list-style-type: none"> Two appraisals are required for either of the following scenarios: HPML flip transactions as defined by the CFPB. Transferred appraisal report is allowed. Follow MCFI policy. 																																																																																											
Minimum FICO	660 with at least two (2) scores per borrower. <ul style="list-style-type: none"> Mid fico or lower of the two scores (per borrower) will be used to qualify. 																																																																																											
Loan amount	<ul style="list-style-type: none"> Minimum - \$150,000 Maximum - \$1,500,000 																																																																																											
MEGA LOS Doc Type Options	<ul style="list-style-type: none"> Debt Service Coverage (DSCR) No Ratio <div style="border: 1px solid #ccc; padding: 5px; margin-top: 10px;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Doc Type</td> <td style="border: 1px solid #ccc; padding: 2px;">No Ratio ▼</td> </tr> <tr> <td>Amortization Type</td> <td>Full Document</td> </tr> <tr> <td>Rate Lock Period</td> <td>12 Mo. Personal Bank Statements</td> </tr> <tr> <td>Has Non-Occupant Co-Borrower?</td> <td>24 Mo. Personal Bank Statements</td> </tr> <tr> <td>Reserves Available</td> <td>12 Mo. Business Bank Statements</td> </tr> <tr> <td></td> <td>24 Mo. Business Bank Statements</td> </tr> <tr> <td></td> <td>Other Bank Statements</td> </tr> <tr> <td></td> <td>1 Yr. Tax Returns</td> </tr> <tr> <td></td> <td>VOE</td> </tr> <tr> <td></td> <td>Asset Utilization</td> </tr> <tr> <td></td> <td>Debt Service Coverage (DSCR)</td> </tr> <tr> <td></td> <td style="background-color: #f0f0f0;">No Ratio</td> </tr> </table> </div>					Doc Type	No Ratio ▼	Amortization Type	Full Document	Rate Lock Period	12 Mo. Personal Bank Statements	Has Non-Occupant Co-Borrower?	24 Mo. Personal Bank Statements	Reserves Available	12 Mo. Business Bank Statements		24 Mo. Business Bank Statements		Other Bank Statements		1 Yr. Tax Returns		VOE		Asset Utilization		Debt Service Coverage (DSCR)		No Ratio																																																															
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Qualifying Rate	<p>Qualifying ratios are based on PITIA payment with the principal and interest payments amortized over the loan term.</p> <ul style="list-style-type: none"> 5/6 SOFR: (2/1/5 Cap Structure) <ul style="list-style-type: none"> Qualify borrower(s) at original Note Rate Margin: refer to rate sheet Minimum Interest rate Floor is Margin 30 Year Fixed 																								
Subject Property Reserves	Required subject property reserves are PITIA based on the qualifying rate.																								
DSCR	Minimum DSCR = 0.75 No Ratio DSCR is allowed.																								
Approved States	All MCFI approved states																								
MLO State Licensing Exemption	<p>The following states will allow for the origination of DSCR loans without a license:</p> <table border="1"> <tr> <td>Colorado</td> <td>Georgia*</td> <td>Michigan</td> <td>South Carolina</td> </tr> <tr> <td>Connecticut</td> <td>Hawaii</td> <td>Montana</td> <td>Tennessee</td> </tr> <tr> <td>District of Columbia</td> <td>Maryland</td> <td>Nebraska</td> <td>Texas</td> </tr> <tr> <td>Delaware</td> <td>Massachusetts</td> <td>Pennsylvania</td> <td>Washington</td> </tr> <tr> <td>Florida*</td> <td></td> <td></td> <td></td> </tr> </table> <p>*Title must be held by an LLC. Individuals are prohibited.</p>					Colorado	Georgia*	Michigan	South Carolina	Connecticut	Hawaii	Montana	Tennessee	District of Columbia	Maryland	Nebraska	Texas	Delaware	Massachusetts	Pennsylvania	Washington	Florida*			
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District of Columbia	Maryland	Nebraska	Texas																						
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Florida*																									
Declining Market	5% LTV reduction is required.																								
ARM Index	SOFR 30 Day Avg index																								
ARM term	TERMS	CAPS	INDEX	MARGIN																					
	5/6 ARM	2/1/5	SOFR	See Rate sheet																					
Derogatory Housing History	<ul style="list-style-type: none"> Derogatory Housing Events: <ul style="list-style-type: none"> Housing Events as Foreclosures, Short Sale, Deed in Lieu, Default Modification, Notice of Default, or 120+ Days Delinquent Bankruptcies are considered Housing Events, inclusive of Chapter 7, 11, and 13 Defaulted first and second mortgages on same property are considered one (1) event. Seasoning lookback is from the date of discharge/dismissal or property resolution (completion date), as of the note date. Modification look back commences at inception (when loan was permanently modified) 4 years seasoning is required. Housing History <ul style="list-style-type: none"> Twelve (12) month mortgage/housing history is required. 0 x 30 days x 12 																								
Max. Cash-Out Limits	<ul style="list-style-type: none"> LTV > 60% - \$500K LTV <= 60% - Unlimited Cash-out proceeds can be used for the reserves. 																								
Prepayment Penalty	<ul style="list-style-type: none"> Hard prepayment periods up to 5 years eligible- see rate sheet. 																								

	<ul style="list-style-type: none"> The prepayment charge will be 5% and applied to any curtailment or the entire outstanding principal balance during the prepay period. Permitted on investment property loans only. The loans with prepayment penalties in the following states are ineligible. All other loans with a prepayment penalty must be in compliance with applicable state law. <ul style="list-style-type: none"> Oregon-requires state specific disclosure besides the Note and SI Rider Illinois to individual borrowers. Permitted to legal entities when APR is =<8% Kansas Maryland Minnesota New Jersey to individual borrowers. Permitted to legal entities. New Mexico North Dakota Ohio loan amounts <\$107,633 (for 2023) Pennsylvania loan amounts =<\$301,022 (for 2023) Washington ARM loans. Permitted on Fixed rate loans
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BORROWER ELIGIBILITY

Eligible Borrowers	<ul style="list-style-type: none"> U.S. Citizens Permanent Resident Aliens Non-Permanent Resident Aliens 									
Permanent Resident Alien	<ul style="list-style-type: none"> A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis. Permanent resident aliens are eligible for financing. Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria: <ul style="list-style-type: none"> I-151 – Permanent Resident Card (Green Card) that does not have an expiration date. I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired. I-551 – Conditional Permanent Resident Card (Green Card) issued for two (2) years that has an expiration date, if it is accompanied by a copy of USCIS form I-751 requesting removal of the conditions. Un-expired Foreign Passport with an unexpired stamp reading as follows: “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized.” 									
Non-Permanent Resident Aliens	<ul style="list-style-type: none"> The following Visa classifications are allowed as Non-Permanent Resident Aliens: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">– E-1, E-2, E-3</td> <td style="text-align: center;">– H-1B</td> <td style="text-align: center;">– O-1</td> </tr> <tr> <td style="text-align: center;">– EB-5</td> <td style="text-align: center;">– L-1</td> <td style="text-align: center;">– R-1</td> </tr> <tr> <td style="text-align: center;">– G-1 to G-5</td> <td style="text-align: center;">– NATO</td> <td style="text-align: center;">– TN (NAFTA)R-1</td> </tr> </table> Copies of the Borrower’s passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing. A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the Borrower’s current employer. If the visa will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the Borrower’s continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa) 	– E-1, E-2, E-3	– H-1B	– O-1	– EB-5	– L-1	– R-1	– G-1 to G-5	– NATO	– TN (NAFTA)R-1
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	<ul style="list-style-type: none"> • If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-Borrowers only. A valid EAD must be provided to use income for qualification. • Borrowers who are residents of countries which participate in the Department of Homeland Security's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website: https://www.dhs.gov/visa-waiver-program-requirements • Purchase and Rate & Term Refinances only.
First Time Home Buyer	Not allowed.
Limited Liability Companies (LLC), Limited Partnership (LP), General Partnership (GP) and Corporations (Corp)	<ul style="list-style-type: none"> • Properties vested in any of these manners are limited to Investment and Business Purpose. The following requirements must be met: <ul style="list-style-type: none"> – For an entity vesting, the purpose is for the ownership and management of real estate. – All entity owners (max four (4)) meeting the Guarantor eligibility noted below must be disclosed and credit qualify. <ul style="list-style-type: none"> ○ All Borrower(s) must execute Occupancy Certification ○ For DSCR Borrower(s) obtaining a Rate/Term or Cash Out Refinance loan, the Borrower must execute MCFI Business Purpose & Occupancy Affidavit. ○ Guarantor(s) must be a managing member or majority owner as confirmed by the Operating Agreement (or equivalent) and have at least 25% ownership of the business entity and said guarantor is subject to the same underwriting requirements as an individual Borrower. ○ Personal Guarantor(s) required if note is not being signed individually (see below for signing example) and must sign all closing documents and disclosures. All Borrower(s) will be required to provide Personal Recourse – The following entity documents are required: <ul style="list-style-type: none"> ○ Articles of Incorporation ○ Operating Agreement ○ Tax Identification Number ○ Certificate of Good Standing – Layered entities are permitted up to two (2) layers when there is a single Guarantor of the top entity which is, 100% owner/guarantor of bottom entity (title holder/borrower). Entities layered with a trust are NOT eligible. <ul style="list-style-type: none"> ○ Guideline requirements above must be met for each entity. – Entity Signature Requirements <ul style="list-style-type: none"> ○ The note must be signed by both the applicant(s) in their individual capacity and as member(s) and/or manager(s) of the entity. In cases where there will not be any individual capacity signatures, each applicable guarantor/manager must sign a Personal Guaranty in their individual capacity. ○ The Mortgage/Deed of Trust/security instrument should be signed by the applicable guarantor of the entity in their capacity as member(s) and/or manager(s) of the entity. <p>Example: Note:</p> <p><i>John Smith (Individual signature if person is not signing a Personal Guaranty)</i></p> <p><i>John Smith, as member of ABC Properties, LLC</i></p>

	<p>Mortgage/Deed of Trust:</p> <p><i>John Smith, as member of ABC Properties, LLC</i></p>
Ineligible Borrowers	<ul style="list-style-type: none"> • Irrevocable or Blind Trusts • Layered Entity with a Trust • Land Trusts • Non-profit organizations • Borrowers with diplomatic immunity • DACA & asylum applicants • Non-occupant co-borrower • Borrowers(s) with residence of any country not permitted to conduct business with U.S. Companies as determined by U.S. government authority.

OCCUPANCY ELIGIBILITY	
Non-Owner Occupied	<ul style="list-style-type: none"> • Occupancy designation for an income producing property where the Borrower does not occupy the Subject property. • All borrower(s) must execute the Occupancy Certification. • For DSCR Borrower(s) obtaining a Rate/Term or Cash Out Refinance loan, the Borrower must execute the MCFI Business Purpose & Occupancy Affidavit. • For non-owner-occupied loans with a Guarantor, the Borrower(s) providing the guarantee must execute the Personal Guaranty Agreement. • Rural properties not permitted.

TRANSACTION ELIGIBILITY	
Purchase	<ul style="list-style-type: none"> • A purchase transaction is one which allows a buyer to acquire a property from a seller where the proceeds of the transaction are used to finance the acquisition of the Subject property. • The lesser of the purchase price or appraised value of the Subject property is used to calculate the LTV. • Sellers must have owned the property for more than 12 months, otherwise the transaction is subject to review as a Flip Transaction. Scenarios that meet the definition of a Flip Transaction must meet the requirements provided in that section. <ul style="list-style-type: none"> - Bank owned REO and Corporate Relocations are eligible and not considered a flip transaction. • Maximum Interested Party Contributions permitted up to 6%.
Rate & Term	<ul style="list-style-type: none"> • A Rate / Term Refinance transaction is when the new loan amount is limited to the payoff of a present mortgage for the purpose of changing the interest rate and/or term of mortgage only with no additional cash or advancing of new money on the loan unless it is below the limited cash out amount. • A seasoned non-first lien mortgage is (1) a purchase money mortgage or (2) a closed end or HELOC mortgage that has been in place for more than twelve (12) months and/or not having any draws greater than \$5,000 in the past twelve (12) months. <ul style="list-style-type: none"> ○ Withdrawal activity must be documented with a transaction history from the HELOC. • Limited cash to the Borrower must not exceed the greater of \$5,000 or 2% of the principal amount of the new mortgage to be considered a Rate & Term refinance. • The LTV/CLTV will be based off of the appraised value. Loan must be used to pay off existing lien on the Subject mortgage and cash to the

	<p>Borrower must not exceed the greater of \$5,000 or 2% of the principal amount of the new mortgage.</p> <ul style="list-style-type: none"> • Properties that have been listed for sale by the Borrower within the past six (6) months from the loan application date are subject to loan exception. • Incremental Early Payoff (EPO) protection will not be required if the subject is an investment property and the borrower can provide an executed twelve (12) month lease from the tenant and evidence of payment for some combination of monies received (1st, last and security) • The rate / term refinance of a construction loan is eligible with the following conditions: <ul style="list-style-type: none"> ○ If the lot was acquired twelve (12) or more months before applying for the subject loan, the LTV is based on the current appraised value of the property. ○ If the lot was acquired less than twelve (12) months before applying for the construction financing, the LTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs. • Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance. • Refinancing of a Land Contract is considered a purchase and LTV should be calculated using purchase price.
Cash-Out	<ul style="list-style-type: none"> • A Cash-Out Refinance transaction allows the Borrower to pay off the existing mortgage by obtaining new financing secured by the same property or allows the property owner to obtain a mortgage on a property that is currently owned free and clear. The Borrower can receive funds at closing if they do not exceed the program requirements. • To be eligible for a Cash-Out Refinance the Borrower must have owned the property for a minimum of twelve (12) months prior to the application date. Borrower must have owned the subject property 12+ months using data of original acquisition and subject loan note date for timing. • Properties listed for sale by the Borrower within the last six (6) months are not eligible. • Current appraised value can be used for the final value. • Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance. • Refinancing of a Land Contract is considered a purchase and LTV should be calculated using purchase price. • A Texas 50(a)(6) loan is ineligible. • Cash out is for business purposes only and the borrower must provide an LOE detailing the purpose and use of the proceeds. • Borrower must sign both the Business Purpose and Occupancy Affidavit and Occupancy Certification
Property Buyouts and Inherited Properties	<ul style="list-style-type: none"> • Refinances of inherited properties and properties legally awarded to the borrower, including DSCR loans, are allowed. This includes divorce, separation and dissolution of a domestic partnership. Seasoning requirements do not apply, and the following guides must be met: <ul style="list-style-type: none"> ○ Written agreement signed by all parties stating the terms of the buyout and property transfer must be obtained ○ Equity owners must be paid through subject loan's settlement ○ Subject property has cleared probate and property is vested in the borrower's name ○ Current appraised value is used to determine loan-to-value • All other continuity of obligation which is not addressed in this guideline will follow the FNMA guideline.
Subordinate Financing	Not allowed.

<p>Flip Transactions</p>	<ul style="list-style-type: none"> • When the subject property is being resold within three hundred sixty-five (365) days of its acquisition by the seller and the sales price has increased more than ten (10%), the transaction is considered a “flip”. To determine the three hundred sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used. • Flip transactions are subject to the following requirements: <ul style="list-style-type: none"> ○ All transactions must be at arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction. ○ No pattern of previous flipping activity may exist in the last twelve (12) months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan. ○ The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing. ○ No assignments of the contract to another buyer ○ If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained. ○ An additional appraisal product is required. See Appraisal Review Process. • 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/rules-policy/final-rules/appraisals-higher-priced-mortgage-loans/ • A second appraisal is required in the following circumstances: <ul style="list-style-type: none"> ○ Greater than ten (10%) increase in sales price if seller acquired the property in the past ninety (90) days. ○ Greater than twenty (20%) increase in sales price if seller acquired the property in the past one hundred eighty (180) days. ○ The Borrower may not pay for the 2nd appraisal
<p>Delayed Financing</p>	<ul style="list-style-type: none"> • THE EXCEPTION IS REQUIRED TO BE ELIGIBLE FOR A DELAYED FINANCING TRANSACTION. • Delayed purchase financing is available when a property was purchased by a Borrower using cash, within one hundred eight days (180) of the loan application. <ul style="list-style-type: none"> ○ The original purchase transaction must be an arm’s length transaction. ○ The source of funds for the original purchase transaction must be documented (bank statements, personal loan documents, HELOC from another property as example) ○ The maximum LTV for the transaction will be based on the lower of the current appraised value of the subject or the purchase price plus any of the fully documented improvements such as invoices and/or receipts for work performed and confirmed by the appraiser. ○ The preliminary title information must confirm that there are no existing liens on the property. ○ The loan is considered a Cash Out transaction. Cash Out loan, LTV and other limitations apply.
<p>Ineligible Transaction</p>	<ul style="list-style-type: none"> • Construction Loans • Builder Bailout & Model leasebacks • Conversion Loans • Rent Credits • Non-Arm’s Length • Lease Option

CREDIT ELIGIBILITY	
Credit Report Details	<ul style="list-style-type: none"> • A tri-merged in file credit report from all three repositories is required. • A written explanation for all inquiries within ninety (90) days of application is required disclosing no new debt. • Alternate confirmation that there is no new debt may include a new credit report, pre-close credit score soft-pull or gap report. <ul style="list-style-type: none"> ○ Any new credit scores must be reviewed for qualifications if reflects.
Credit documents seasoning	<p>Age of documents from Note Date</p> <ul style="list-style-type: none"> • Credit documents: 90 days • Income documents: 60 days • Asset documents: 90 days • Appraisal: 120 days (With re-certification of value: 180 days) • Title report: 90 days
Housing History	<ul style="list-style-type: none"> • 0 x 30days x 12 • Twelve (12) months housing history is required. A credit report or VOM/VOR is required on the subject property (if a refinance) and the borrower's primary residence only. • All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify the account is current. <ul style="list-style-type: none"> ○ This includes loans qualifying through Expanded DSCR even if the account showing delinquency is not the subject or primary residence. • Housing history evidenced by twelve (12) months proof of payment via cancelled checks, bank debits or institutional VOR. <ul style="list-style-type: none"> ○ Private party VOR/VOM requires an exception approval. Subject to an LLPA. • Past due balloon will be considered a delinquency (1x30) and not a housing event, but only within one hundred eighty (180) days of maturity. • LOE or rent-free letter is required when a twelve (12) month housing history is not applicable. • Borrowers who own their primary residence free and clear for a minimum of 12 months are acceptable.
Credit Scores	<ul style="list-style-type: none"> • To determine the Representative Credit Score, select the middle score when three (3) agency scores are provided and the lower score when only two (2) agency scores are provided. • Credit rescoring are not allowed except in the event of a disputed item or valid error. Documentation must be provided to support the reason that a credit rescore was performed.
Tradelines	<ul style="list-style-type: none"> • Each Borrower's credit profile must include a minimum of two (2) trade lines within the last twenty-four (24) months that show a twelve (12) month history, or a combined credit profile between Borrower and co-Borrower with a minimum of three (3) tradelines. • Tradeline activity is not required: can be opened or closed. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy and authorized user accounts. • Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks / debits)
Credit Events	<ul style="list-style-type: none"> • Prior Bankruptcies (Chapter 7, 11, 13) requires 4 years seasoning. Multiple bankruptcies are not permitted. • Prior Foreclosure, Short Sale, Deed-in-Lieu, and Modification (due to default), Notice of Default, Lis Pendens, and 120+ days delinquency is permitted if seasoned 4 years. • Borrowers currently enrolled in credit counseling or debt management plans are not permitted.

	<ul style="list-style-type: none"> • All Judgments or liens affecting title must be paid. • Non-title charge-offs and collections within three (3) years and exceeding \$5000 (individually or aggregate) must be paid. • Medical collections less than \$15,000 are not required to be paid. • All past-due accounts must be brought current prior to closing. • Disputed accounts require a LOE. • IRS tax payment plans approved by the IRS are permitted if current and do not carry a lien on any property. • All Borrowers must be current on mortgage or rent at loan application. • All derogatory revolving and installment accounts > sixty (60) days within four (4) years of closing require a full explanation. • Delinquent credit belonging to ex-spouse can be excluded if late payments occurred after the divorce / separation, and divorce decree / separation agreement indicates derogatory accounts belong solely to the ex-spouse. • Security freeze – Credit reports may not contain a security freeze and should be resolved prior to an underwriting decision. Unfrozen reports after the date of the original credit report require a new tri-merged report. • Defaulted timeshares – Timeshares including delinquencies are treated as installment loans and not a housing event.
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DEBT SERVICE COVERAGE RATIO	
DSCR Calculation	<ul style="list-style-type: none"> • A Debt Service Coverage Ratio (DSCR) ratio is required. $DSCR = \text{Gross Rental Income} / \text{PITIA}$. • DSCR loans will be qualified at original Note Rate, regardless of ARM or Fixed • Gross Income will be calculated using the lower of the A) executed lease agreement or B) market rent from applicable appraisal. • If executed lease agreement reflects a higher monthly rent than appraisal, it may be used in the calculation with sufficient evidence of receipt. Three (3) most recent, consecutive months should be provided. • Short Term Rental Income is acceptable and must be verified from a third-party property management provider. Information must contain property address / ID specific to subject property. Vendors such as Airbnb – AirDNA - VRBO – HomeAway are acceptable subject to the following: <ul style="list-style-type: none"> ○ Max 70% LTV & Minimum 1.00x DSCR ○ Permitted for both purchase and refinance transactions. For New construction Short Term Rental income must be deemed common & typical for the area per the appraisal and/or property location. ○ Gross rent to be determined by the lower of the market rent disclosed on the appraisal or 12-month short term rental history. (12 months required for Refinance Only)- • Vacant properties restriction for refinance Vacant properties not eligible for Refinance with the exception of properties currently vacant due to the subject property having undergone recent renovation or rehab, with the intention of being rented out soon. Support of this must be provided via the appraiser confirming recent work completed and providing visual evidence. In scenarios like this, market rent from the 1007 schedule in the property appraisal may be used to qualify. • Any loan where Cash Out proceeds would be utilized for personal use will not be eligible for the Expanded DSCR program. • Form 1007 Schedule of Rents is required for all Non-Owner-Occupied loans on Single Family residences for all DSCR loans. • For 2–4 unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required for all DSCR loans. • No ADU rental income is allowed to use. • This program also allows No Ratio DSCR. The following restrictions apply.

	<ul style="list-style-type: none"> ○ No DSCR is required. ○ No lease agreement or rental income is required. ○ 1007 or 1025 are required. ○ The property must be occupied by a tenant (Refinance only). If the property is vacant for a refinance, above 'vacant properties restriction for a refinance' in this section must be applied. ○ Short term rental income property is not allowed.
Reserve Requirements	<ul style="list-style-type: none"> • Reserves are calculated off actual P&I payment plus taxes, insurance and HOA fees (PITIA) • See 'Qualifying Rate' for the P&I. No requirement for additional reserves for other financed properties, Subject Property reserves only. • See Expanded DSCR Matrix for specific reserve requirements. • Cash-Out proceeds can be utilized for reserves on loans
Employment Verification	<ul style="list-style-type: none"> • Borrower/Guarantors do not have to provide adequate employment verification for the Expanded DSCR Program.
Professional Investors	<ul style="list-style-type: none"> • Expanded DSCR Program is only eligible for Professional Investors. • Professional Investors must have at least twelve (12) months of experience owning and/or managing income-producing real estate within the most recent thirty-six (36) months from the origination of the Note. <ul style="list-style-type: none"> ○ First Time Investors are allowed provided that the DSCR is >1.0, the Credit Score is >700 and there are no exceptions on the file. ○ First Time Investors MAY NOT be a First Time Homebuyer. • A Letter of Explanation (LOE) by the Borrower/Guarantor is required to detail relevant real estate experience. • MCFI reserves the right to request specific documentation to validate the LOE
Rent Loss Insurance	<ul style="list-style-type: none"> • Rent loss insurance for the subject property is required and must equal at least six (6) months of local average monthly rents. • Blanket policies covering the subject property are permitted.
Recourse/Guarantee	<p>For the entity vesting.</p> <ul style="list-style-type: none"> • Personal recourse required. • All Borrower(s) should execute the MCFI Personal Guaranty Agreement.
Assignment of Rent	<ul style="list-style-type: none"> • 1-4 Family Rider/Assignment of Rents must be in origination file (FNMA Form 3170)

ASSETS

Documentation	<ul style="list-style-type: none"> • Full Asset Documentation is required for both funds to close and reserves. For most asset types, this would include all pages of the most recent one-month (1) statement, the most recent quarterly statement. • Publicly traded Stocks / Bonds / Mutual Funds – 100% may be used for reserves. • Vested Retirement Accounts – 100% may be considered for reserves. • Bitcoin or other forms of cryptocurrency are permitted for both funds to close and reserves provided the cryptocurrency has been converted or liquidated to cash. Seasoning requirements not applicable given liquidation • If needed to close, verification that funds have been liquidated (if applicable) is required. Follow FNMA guides on liquidation when used for the down payment or closing costs and when they are used for reserves • Gift of Equity is not allowed. • Builder profits are not allowed. • Maximum Interested Party Contributions permitted up to 6%. • Rent credits not permitted. • LOE with the source of large deposit is required for any large deposit exceeds 50% of the total month deposits.
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Business Assets	<ul style="list-style-type: none"> • Business assets are an acceptable source of funds for down payment, closing costs, and reserves for self-employed borrowers; ALL the following must be met: <ul style="list-style-type: none"> ○ The borrowers on the loan must have a minimum of 50% ownership of the business and must be owners on the business account ○ Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent ○ All non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to funds in the account ○ The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of business assets allowed for the transaction
Gift Funds	<ul style="list-style-type: none"> • Gifts from family members, as defined by FNMA, are allowed. • Gift funds cannot be counted towards reserves. • General Requirements: <ul style="list-style-type: none"> ○ Purchase transactions Only • Down Payment Requirements: <ul style="list-style-type: none"> ○ Gift funds are acceptable as 100% down payment for loans <75% LTV ○ Gift funds are acceptable for loans >=75% LTV however the underlying Borrower(s) must contribute at least 5% of the transaction (lower of Purchase Price or appraised Value) from their own funds.
Other Asset Sources	<ul style="list-style-type: none"> • Life Insurance cash value Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs or reserves. • Foreign Assets Foreign assets are acceptable and must be sixty (60) days seasoned with two (2) most recent bank statements. A currency calculation must be provided. Assets from countries under OFAC sanctions are not permitted. • Restricted Stock Restricted stock is ineligible to be used for reserves. • Sale of Personal Assets Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction. Documentation required supporting Borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and Borrower's receipt of sale proceeds. • 1031 Assets Funds held by a 1031 administrator / agent or permitted for down payment and closing costs only.

LIABILITIES	
Property tax estimates for new construction	<ul style="list-style-type: none"> • Property taxes should be calculated using 1.5% of sales price for reserve qualification (1.25% in California)
Solar Leases	<ul style="list-style-type: none"> • Must conform to FNMA guidelines. • PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible

PROPERTY	
Appraisal	<ul style="list-style-type: none"> • All appraisals must comply with and conform to USPAP and the Appraisal Independence Requirements, and any requirement for HPMLs, if applicable. • The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction.

	<ul style="list-style-type: none"> • An appraisal prepared by an individual who was selected or engaged by a Borrower, property seller, real estate agent or other interested party is not acceptable. • Assigned appraisals are acceptable, unless ordered by the borrower. • Two appraisals are required to be delivered for the following scenarios: HPML flip transactions as defined by the CFPB. Interior photos are required. • Appraisals are good for one hundred twenty (120) days. Any appraisal seasoned greater than one hundred twenty (120) days will require a recertification of value completed by the original licensed appraiser. A recertification of value will be permitted up to one hundred eight (180) days. • Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed. • Appraisals with condition or quality ratings of C5 or C6 will not be eligible. • Form 1007 Schedule of Rents is required for all Non-Owner-Occupied loans on Single Family residences. • For 2–4 unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required.
<p style="text-align: center;">Third Party Appraisal Review</p>	<ul style="list-style-type: none"> • The Appraised Value (or lowest if two are required) is the only value used to determine the property value for the subject loan. Any secondary valuation products are provided only to support the value of the origination appraisal and are not meant to be used as a substitute value for the property. • Clear Capital - Collateral Desktop Analysis “CDA” or a Stewart Valuation (Protek Valuation) - Appraisal Risk Review “ARR” are acceptable. • The Vendor Appraisal Review final opinion of value must be within -10% of the origination appraisal(s) or sales price. • MCFI may utilize Collateral Underwriter (CU) as a secondary valuation if the score is ≤ 2.5. File must include a copy of the Submission Summary Report. • Desk review is not required for loans with two (2) appraisals.
<p style="text-align: center;">Eligible Property Types</p>	<ul style="list-style-type: none"> • One Unit Single Family Residences (Attached, Detached) • 2-4 Unit Properties – Max. LTV is 75%. • PUDs – Attached and Detached • Townhouses • Warrantable Condo – Max. LTV is 75%. <ul style="list-style-type: none"> ○ Must be FNMA warrantable projects. A certification must be provided as well as any other documents used to determine eligibility. • Maximum of 20 acres
<p style="text-align: center;">Ineligible Properties</p>	<ul style="list-style-type: none"> • Manufactured Homes • Residential units with ≥ 5 units • Log Homes • Condotels • Condominium projects with registration services or restrictions on owner's ability to occupy. • Cooperatives • Unique Properties • Mixed Use Properties • Builder Model Leaseback • Boarding Houses • Fractional Ownership/Timeshares • Assisted Living/Continuing Care Facilities • Mandatory Country Club Memberships • Agricultural zoned properties (may be considered on a case-by-case basis) • Hawaii properties located in lava zones 1 and/or 2.

	<ul style="list-style-type: none"> • Multiple dwellings on same lot (legal ADU acceptable, limited to one) • 2-4 Unit w/ADU • Property with multiple ADUs • Zoning Violations • Properties under Construction • Working Farms • C5 or C6 Property Condition Grades • Live/Work Condos • Leasehold properties • Geodesic Domes • Houseboats • Earth Berm Homes • Homes on Native American Land (Reservations) • Non-warrantable condo • Properties used for the cultivation, distribution, manufacture, or sale of Marijuana. • Rural properties • Theme Park Resort Properties
Unpermitted Structures	<ul style="list-style-type: none"> • MCFI does not allow any unpermitted additions including ADU. • Only SFR w/ADU is allowed if ADU is permitted. Follow FNMA requirements and restrictions.

ADDITIONAL GUIDELINE REQUIREMENTS

Agency Ineligibility	<ul style="list-style-type: none"> • All applicable loans are required to have evidence of agency ineligibility. • Underwriter to comment on 1008 to describe the ineligibility reason. • Evidence of agency acceptability is sufficient if evidence MCFI pricing is more beneficial to the Borrower than the comparable agency product.
High Cost	<ul style="list-style-type: none"> • Federal, State, and Local High-Cost Loans are not permitted. Cured High-Cost loans are also not eligible.
Escrows	<ul style="list-style-type: none"> • Mandatory escrows for taxes and insurance will be required for all HPMLs (5 years)
Escrow Holdbacks	<ul style="list-style-type: none"> • Escrow holdbacks are not allowed.
Maximum Financed Properties	<ul style="list-style-type: none"> • The maximum number of financed properties to any one Borrower is limited to twenty (20) residential properties. • Maximum MCFI exposure to single Borrower: \$7.5M in unpaid principal balance or ten (10) properties whichever is less.
Power of Attorney	<ul style="list-style-type: none"> • Specific Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial 1003 is signed by the Borrower executing the POA. • Not permitted on Cash-Out transactions
E-Signatures	<ul style="list-style-type: none"> • E-signatures are permitted with the exception of the following documents: Note, Mortgage, Deed of Trust, Closing Disclosure, Power of Attorney, Riders / Addendums, and any state regulated disclosures. These documents require a wet signature.

COVID-19 ADDENDUM

Borrowers who obtained mortgage forbearance after March 1st, 2020 may be eligible depending on payment history after the expiration of the forbearance plan	
Requirements/Eligibility	<ul style="list-style-type: none"> • Borrower who has requested forbearance across either mortgage or consumer debt since March 1st, 2020 must provide a LOE explaining the reason for forbearance and payment history. • Borrower must not be in an active forbearance plan (must have “opted out” or the plan must have “expired”) across either mortgage or consumer debt.

	<ul style="list-style-type: none"> • Borrower may have missed at most six payments (D180). Borrowers who rolled >D180 during an initial forbearance plan or subsequent period will not be eligible unless they meet the respective program's Derogatory Housing Event seasoning. • Borrower who received a Rate Modification, Principal Forgiveness Modification, or any modification besides the extension of Term to match the missed forbearance payments will be considered a Derogatory Housing Event and must be seasoned accordingly. • Under the CARES Act, PPP loan terms allow deferred payments for a specified period. No payments would be expected to be included in the Borrower's liabilities at this time. Once and if it has been determined that any portion of the PPP loan must be repaid, follow requirements for loans paid by a business
Never Delinquent	<ul style="list-style-type: none"> • Borrower who obtained mortgage forbearance after March 1st, 2020 but nonetheless made all their payments and stayed current throughout the forbearance plan will not have any restrictions regarding qualifying. • Borrower who "opted out" of their mortgage forbearance plan without missing any payments will not have any restrictions.
Reinstatement	<ul style="list-style-type: none"> • Borrower who fully reinstated (made all previous past due payments) upon expiration of forbearance plan will be eligible without restrictions.
Repayment Plan	<ul style="list-style-type: none"> • Borrower in a Repayment Plan must be performing under the agreement or have completed the agreement and have made at least four consecutive payments.
Payment Deferred	<ul style="list-style-type: none"> • Borrower who received a payment deferral must be performing under the agreement and made at least four consecutive payments.
Term Modification	<ul style="list-style-type: none"> • Borrower who received a Term Modification for the length of the forbearance period will be eligible after they have made four consecutive payments. Term modifications in excess of the initial forbearance period will be considered a Derogatory Housing Event and subject to the respective MCFI Program Matrix.