

FHA PLUS

FHA Fixed Rate and ARM Program Summary (Part I)

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FHA High Balance Fixed Rate and ARM Program Summary (Part II) See

Part I - FHA Fixed Rate and ARM Program Matrix				
PURCHASE				
Doc Type	Occupancy	Units	FICO	LTV/CLTV
Full	Primary Residence	1-4	600	96.5/100
RATE TERM REFINANCE				
Doc Type	Occupancy	Units	FICO	LTV/CLTV/HCLTV
Full/Simple	Primary Residence	1-4	600	97.75/100
Streamline	Primary Residence	1-4	600	100/100
Streamline	Investment Property	1-4	600	97.75/97.75
CASH-OUT REFINANCE				
Doc Type	Occupancy	Units	FICO	LTV/CLTV/HCLTV
Full	Primary Residence	1-4	600	80/80
Program Matrix Notes				
<ul style="list-style-type: none"> • Condominiums located in state of Florida maximum LTV is 75% for all purchases and refinances • Each borrower must have a minimum credit score of 600 • Each borrower must have at least one credit score 				



Program Notes	
ARM Qualification	Qualify at initial Note rate
AUS	<ul style="list-style-type: none"> • DU or LP Approve/Accept recommendations are allowed. • Manual Downgrade may be required to a manual review if the loan does not meet FHA Approve/Eligible requirements. • Manual Underwriting is allowed with DU findings of (Refer/Eligible). • Manual Underwriting - Compensating factors required for ratios over 31/43 • Manual Underwriting – Max Housing ratios allowed 40% • Manual Underwriting - Max back end ratios allowed 50% • Note: Non-Traditional credit is not allowed
Age of Documents	<ul style="list-style-type: none"> • 120 days for new and existing construction from the date the note is signed.
Amortization Type	<ul style="list-style-type: none"> • Fixed and Adjustable
Appraisals	<ul style="list-style-type: none"> • FHA appraisal transfers are allowed when the case number is transferred from one lender to another per FHA guidelines. The appraisal must be transferred to the second mortgagee within five business days. • A full appraisal (e.g. form 1004 or equivalent, accompanied by form 1004MC) is required for all submissions (except streamlines). • The FHA appraiser, who performed the original appraisal, if currently in good standing on the FHA Appraiser Roster, may use Part A (Summary Appraisal Update Report) or Part B (Completion Report). Any other FHA appraiser, currently in good standing on the FHA Appraiser Roster, may only use Part B. • Streamlines are allowed without an appraisal • Must be completed by a FHA approved roster appraiser • Must include FHA Case# • All final inspections must be completed with a (1004D)



Borrower Eligibility

- U.S. citizens
- All borrowers must have a social security number
- Permanent resident aliens, with proof of lawful permanent residence
- Non-permanent resident alien

- FHA insures mortgages made to non-permanent resident aliens provided that **the FHA Case# is issued prior to 05/25/2025** and all the following is met:
 - The property will be the borrower's principal residence,
 - The borrower has a valid SSN,
 - The borrower is eligible to work in the U.S., as evidenced by a valid and active Employment Authorization Document Card (EAD).
 - If the Employment Authorization Document Card (EAD) will expire within one year after the closing of the loan, then copy of the previous expired (EAD) card will also need to be provided to show history of renewal.



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<p>Borrower Eligibility (continued)</p>	<p>FHA Streamlines</p> <ul style="list-style-type: none"> • A Borrower on the Mortgage to be paid may be removed from title and new Mortgage in cases of divorce, legal separation or death when: <ul style="list-style-type: none"> ○ the divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining Borrower, if applicable; and ○ the remaining Borrower can demonstrate that they have made the Mortgage Payments for a minimum of six months prior to case number assignment. <p>Borrower(s) can be added as long as the existing borrowers remain on the note and deed. Credit qualifying is not required to add a borrower.</p>
<p>Caps</p>	<ul style="list-style-type: none"> • 1/1/5
<p>Condominiums</p>	<ul style="list-style-type: none"> • HUD form# 9991 required for all FHA approved condominiums. • Must be located in an FHA approved Condominium Project • HUD REOs do not require FHA Condominium Project approval. • Condominiums involved in minor litigation subject to DE approval and in accordance with FHA requirements. • FHA Condominium Single Unit Approval process <ul style="list-style-type: none"> - Prior to new loan submission broker contacts HOA to complete HUD form #9991 - Broker submits new loan with fully executed copy of HUD form #9991 - Mega Capital Compliance Submission team will request a new FHA case# and forward HUD form #9991 to FHA for review. - FHA will review HUD form# 9991 to determine if the specific property meets criteria eligibility for Condominium Single Unit Approval - If FHA approves the property, then FHA will release the new FHA case# and then the loan can be forwarded to underwriting department for initial loan review. - If FHA does not approve the property, then the loan will need to be cancelled - The estimated turn time for FHA to review a property for Single Unit Approval is 3 business days, however it may be subject to longer turn times depending on the amount of submissions FHA will receive in a day or if HUD form #9991 is missing information and then updated form has to be re-submitted.
<p>Ineligible Borrowers</p>	<ul style="list-style-type: none"> • Foreign Nationals • Irrevocable or Blind Trusts • Limited partnership, general partnerships, corporations



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Verification of Self-Employment	<ul style="list-style-type: none"> • Two year tax returns are required • Loan will need to be downgraded to (manual refer) if self-employment income is decreasing by 20% or more • IRS transcripts are required
Credit	<ul style="list-style-type: none"> • Each borrower must have at least one credit score • A full tri-merge credit report is required for all borrowers on all transactions. • For Non- Credit Qualifying Streamline Refinance transactions, a mortgage only tri-merge credit report is required to verify a 12-month mortgage history and a credit score for each borrower. • Non-traditional Credit not allowed • Credit report inquiries must be reviewed
Derogatory Credit	<ul style="list-style-type: none"> • Collection accounts, if the combined cumulative balance on all the collections accounts exceed \$2,000 or greater the following will apply: <ul style="list-style-type: none"> - Count 5% of balance as payment, or - Payoff Collections, or - Provide copy of established payment plan with credit agency and verify minimum payment <p>Note: Medical Collections and Charge-Offs are excluded Note: Collections from non-purchasing spouse credit report will also need to be counted in ratios</p> • Bankruptcy, Foreclosure, Deed in Lieu/Short Sale: Per FHA 4000.1
Documentation	<ul style="list-style-type: none"> • Full • Simple • Streamline
Down Payment Assistance	<ul style="list-style-type: none"> • Down Payment Assistance programs may be eligible depending on the program. • Mega will need to review the specific program to determine if the program will be eligible or not
Employment Verification	<ul style="list-style-type: none"> • Employment dates and job titles will need to be verified with VOE's • Marijuana Related Business (MRB) employment and income is not permitted. • Any gap of employment of six months or more requires the borrower to be employed with the current employer for a minimum of six months prior to the date of the new FHA case#, or borrower will not be eligible for FHA financing.
Escrow Accounts	<ul style="list-style-type: none"> • Escrow Impounds Accounts must be established for taxes and insurance premiums in accordance with FHA Guidelines.



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Exclusionary Lists	<ul style="list-style-type: none"> • HUD's CAIVRS needs to be checked The HUD Limited Denial of Partnership (LDP) list and the General Services Administration (GSA) lists must be reviewed for all loans, if any party to the transaction, including the borrower(s), is reflected on these lists, the loan is not eligible.
FICO	Refer to LTV matrix.
Financing Concessions	Financing concessions cannot exceed 6% of the adjusted value.
High Cost / High Priced Mortgage Loans	Mega will not purchase mortgage loans that fall within the rebuttable presumption standard or high cost loans. Mega will purchase FHA HPML loans that fall within the Safe Harbor Threshold.
Identity of Interest Transaction	<ul style="list-style-type: none"> • For the purpose of Identity of Interest transactions, the definition of family member includes: a child, parent, or grandparent; a child is defined as a son, stepson, daughter, or stepdaughter; a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent; spouse or domestic partner; legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption; foster child; brother, stepbrother; sister, stepsister; uncle; aunt; or son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower. • As stated in handbook HUD 4000.1, identity-of-interest transactions may result in a reduced maximum loan-to-value.
Index	<ul style="list-style-type: none"> • 1 Year Treasury
Lien Position	<ul style="list-style-type: none"> • First
Loan Limits	FHA mortgage limits for all areas: https://entp.hud.gov/idapp/html/hicostlook.cfm Streamlines: Lenders to follow guidance provided within ML 11-29 for FHA to FHA Refinance for existing loan balances exceeding Permanent FHA loan limits.
Margin	<ul style="list-style-type: none"> • 2.00
Maximum Loan Amount	<ul style="list-style-type: none"> • The base loan amount cannot exceed the lesser of the statutory loan limit for area or the conforming limit.
Minimum Loan Amount	<ul style="list-style-type: none"> • \$75,000
Mortgage Products, Ineligible	Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the Eligible Mortgage Types above.
Occupancy	<ul style="list-style-type: none"> • Primary Residence Only • Investment Properties (FHA streamline fixed only) • Non-Occupant Co-Borrower(s) allowed (Note: Must be borrower's family member) • Non-Occupant Co-borrower(s) Maximum LTV 75% for multi-unit properties Note: Primary borrower occupying the property must have a source of income.



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<p>Property, Eligible Types</p>	<ul style="list-style-type: none"> • Single Family (Detached, Attached) • PUD (Detached, Attached) • FHA-approved Condominium (Detached, Attached) • 2-4 Units <ul style="list-style-type: none"> • Manufactured homes allowed; all requirements reflected below: <ul style="list-style-type: none"> - Foundation certification report from a licensed engineer required certifying compliance that the property meets manufacture housing foundation requirements. - Manufacture Home HUD label serial numbers must be verified - Manufacture Home HUD label serial number verification website www.ibts.org - Double Wide manufacture home only - Built and remain on permanent chassis - Classified as real estate and must be taxed as real property - Designed to be used as a dwelling with permanent foundation built to FHA requirements - Must be existing property - New construction property not allowed - The home must not have been installed or previously occupied at any other site or location - Affidavit of affixture document required - Minimum 400 sq ft of living area - Manufactured home must have been constructed on or after June 15, 1976 - 2- 4 unit not allowed - Property classified as Condominium or PUD not allowed - Running gear tow hitch must be removed - FHA Case# and appraisal must reflect Manufactured Home - Appraiser must include the (HUD Data Plate) information which is affixed to the interior to the property and verify all of the following: <ul style="list-style-type: none"> (Manufacture Name) (Serial Number) (Model number) (Date of manufacture) (Wind, roof load, and thermal zone maps) • Rural Properties (in accordance with agency Guidelines, loans must be residential in nature)
<p>Property, Ineligible Types</p>	<ul style="list-style-type: none"> • Mobile Homes • Modular Homes • Cooperatives • Condotels • Hotel Condominiums • Timeshares • Geodesic Domes • Working Farms and Ranches • Unimproved Land and property currently in litigation



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<p>Property Flipping Policy</p>	<p>FHA has placed certain time restrictions and additional documentation requirements on purchase transactions involving the resale of an existing property. The resale period is assessed by from the seller's date of acquisition (settlement date) to the new purchase date (execution date on the contract). The flipping requirements do not apply to a builder selling a newly built home or building a home for a borrower.</p> <p>Resale Time Restriction – 90 days or less</p> <ul style="list-style-type: none"> • A Property that is being resold 90 Days or fewer following the seller's date of acquisition is not eligible for an FHA-insured Mortgage. <p>Resales Occurring Between 91 Days and 180 Days After Acquisition</p> <ul style="list-style-type: none"> • A Mortgagee must obtain a second appraisal by another Appraiser if: • the resale date of a Property is between 91 and 180 Days following the acquisition of the Property by the seller; and • the resale price is 100 percent or more over the price paid by the seller to acquire the Property. • If the second appraisal supports a value of the Property that is more than 5 percent lower than the value of the first appraisal, the lower value must be used as the Property Value in determining the Adjusted Value. <p>The cost of the second appraisal may not be charged to the Borrower.</p>
<p>Ratios</p>	<ul style="list-style-type: none"> • Ratios may go up to (46.99% Housing) & (56.99% Back End) only if DU provides results of (Approve/Eligible) and only if the loan is not a Manual Downgrade. • Ratios may go up to (40% Housing) & (50% Back End) with DU results of (Refer/Eligible) and with several verified compensating factors. • Compensating factors have to comply with FHA 4000.1 guidelines
<p>State Restrictions</p>	<ul style="list-style-type: none"> • Texas 50 (a)(6) loans are not allowed. • Texas Cash-out not allowed
<p>Escrow Holdbacks</p>	<ul style="list-style-type: none"> • Escrow holdbacks are not allowed
<p>Tax Transcripts</p>	<ul style="list-style-type: none"> • Most recent two year IRS transcripts required when using self-employment income or rental income to qualify • All income on borrowers tax returns must match all income figures on IRS transcripts • Signed 4506 form is required on all transactions • If the most recent tax year was recently filed and IRS tax transcripts reflects no record, then evidence of taxes filed and documentation verifying any debt owed to IRS will need to be verified. <p>Note: Most recent tax year will be (2022) tax returns only. (Example: If borrower recently filed 2022 tax returns and the IRS transcripts come back stating No Record, then documentation will need to be provided verifying 2022 taxes have been filed with the IRS and verification any debt owed to IRS has been paid in full, the 2021 IRS transcripts still needs to be fully processed by the IRS and the 2021 IRS transcripts needs match all income on the tax returns.</p>



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Temporary Buydown	<ul style="list-style-type: none"> • Not allowed
Terms	<ul style="list-style-type: none"> • FHA Fixed: 15, 25, 30 years • Streamlines: The maximum term is the lesser of ○ 30 years, or ○ 12 years beyond the remaining term of the existing loan. • FHA ARM: 30 years

Transaction Types	<ul style="list-style-type: none"> • Purchase <ul style="list-style-type: none"> ○ Mortgage history: Follow Total Scorecard. • Rate Term Refinance ○ Proceeds can be used to Pay off the FHA mortgage; any junior liens over 12 months; HELOCs for purposes of repairs and rehabilitation of the property; HELOCs with no draw > \$1,000 in the past 12 months; interest; late charges; escrow shortages; allowed costs include all Borrower paid costs associated with the new Mortgage; and Borrower-paid repairs required by the appraisal. <ul style="list-style-type: none"> ○ Disburse cash out to the Borrower in an amount not to exceed \$500 ○ Mortgage history: Follow Total Scorecard. • Simple Refinance ○ Proceeds can be used to Pay off the FHA mortgage; interest; late charges; escrow shortages; allowed costs include all Borrower paid costs associated with the new Mortgage; and Borrower-paid repairs required by the appraisal. <ul style="list-style-type: none"> ○ Disbursed cash out to the Borrower cannot exceed \$500. ○ Mortgage history: Follow Total Scorecard. • Cash Out Refinance ○ LTV is based on Appraised Value <ul style="list-style-type: none"> ○ Mortgage history: Borrower must be 0x30x12 on the subject mortgage history ○ Income from a non-occupant co-Borrower may not be used to qualifying • Streamline Refinance ○ Streamline Refinance without appraisal is allowed <ul style="list-style-type: none"> ○ Credit Qualifying is allowed at the discretion of the DE. All existing overlays are still in effect. ○ Disbursed cash out to the Borrower cannot exceed \$500. ○ Loans with less than a 6 month payment history on the date of the FHA case number assignment are not eligible. Refer to the 4000.1 for complete details. ○ Mortgage history: Borrower must be no more than 0x30x12 on the subject property. • No Energy Efficient Mortgage Loans • Restructured loans or short payoff refinances are not eligible.
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Seasoning	<ul style="list-style-type: none">• All FHA Transactions must be current with no late payments in most recent 12 months through close of escrow• All FHA Transactions require mortgage rating to be updated all the way through close of escrow.• FHA Cash-out<ul style="list-style-type: none">- No late Mortgage payments in last 12 months prior to FHA case# issue date.- Borrower must own, occupy, and be on title of property for minimum 12 months prior to FHA case# issue date.- If property has been owned by borrower for more than 12 months any new mortgage must have a minimum of 6 months mortgage payments made• FHA rate/term refinance<ul style="list-style-type: none">- Depending on the amount of mortgage lates and when they occurred, the loan may need to be downgraded to manual underwrite and there can be no late payments in the last 12 months or more than two 30 day late payments in the last 24 months..- Borrower must own, occupy, and be on title of property for minimum 12 months prior to FHA case# issue date.• FHA Streamline<ul style="list-style-type: none">- No late Mortgage payments in last 12 months prior to FHA case# issue date.- FHA case# cannot be issued until 210 days have elapsed from the first payment due date- LTV is calculated and based on previous appraised value reflected in FHA Refinance authorization form in FHA connection- New rate must be decreased by at least .50% compared to current rate.
Forbearance Seasoning	<ul style="list-style-type: none">• FHA Cash-out refinance borrower must have minimum 12 months consecutive payments made after forbearance ends and the consecutive payments must be completed prior to the date when the new FHA case# is issued.• FHA Rate/Term refinance borrower must have minimum 3 months consecutive payments made after forbearance ends and the consecutive payments must be completed prior to the date when the new FHA case# is issued.• FHA Streamline Refinance borrower must have minimum 6 months consecutive payments made after forbearance ends and the consecutive payments must be completed prior to the date of when new FHA case# is issued.• FHA Purchase where borrower has another mortgage on credit report with forbearance, borrower must have minimum 3 months consecutive payments made after forbearance ends and the consecutive payments must be completed prior to the date when the new FHA case# is issued.



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Part II - FHA High Balance Fixed Rate and ARM Program Matrix				
PURCHASE				
Doc Type	Occupancy	Units	FICO	LTV/CLTV
Full	Primary Residence	1-4	600	96.5/100
RATE TERM REFINANCE				
Doc Type	Occupancy	Units	FICO	LTV/CLTV/HCLTV
Full/Simple	Primary Residence	1-4	600	100/100
Streamline	Primary Residence	1-4	600	100/100
Streamline	Investment Property	1-4	600	97.75/97.75
CASH-OUT REFINANCE				
Doc Type	Occupancy	Units	FICO	LTV/CLTV/HCLTV
Full	Primary Residence	1-4	600	80/80
Program Matrix Notes				
<ul style="list-style-type: none"> • Each borrower must have a minimum credit score of 600 • Each borrower must have at least one credit score 				

Product Details	
ARM Qualification	Qualify at initial Note rate
Amortization Type	Fixed and Adjustable
Caps	1/1/5

Documentation	<ul style="list-style-type: none"> • Full • Simple • Streamline
FICO	Refer to the LTV Matrix .
High Cost / High Priced Mortgage Loans	Mega will not purchase mortgage loans that fall within the rebuttable presumption standard or high cost loans. Mega will purchase FHA HPML loans that fall within the Safe Harbor Threshold.
Index	<ul style="list-style-type: none"> • 1 Year Treasury
Loan Limits	FHA mortgage limits for all areas: https://entp.hud.gov/idapp/html/hicostlook.cfm Streamlines: Lenders to follow guidance provided within ML 11-29 for FHA to FHA Refinance for existing loan balances exceeding Permanent FHA loan limits.



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Margin	<ul style="list-style-type: none">• 2.00
Maximum Loan Amount	<ul style="list-style-type: none">• As allowed by current FHFA loan limits.
Minimum Loan Amount	<ul style="list-style-type: none">• \$1 above (regular) conforming loan limits.
Mortgage Products, Eligible	<ul style="list-style-type: none">• Section 203 (b) Basic with ADP code of 703• Section 203 (b) Basic with ADP code of 729• Section 234 (c) Condominiums with ADP codes of 734
Mortgage Products, Ineligible	Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the Eligible Mortgage Types above.
Occupancy	<ul style="list-style-type: none">• Primary Residence• Investment Property (FHA streamline fixed only)• Non-Occupant Co-Borrower(s) allowed (Note: Must be borrower's family member)• Non-Occupant Co-borrower(s) Maximum LTV 75% for multi-unit properties Note: Primary borrower occupying the property must have a source of income.
Ratio	<ul style="list-style-type: none">• Ratios may go up to (46.99% Housing) & (56.99% Back End) only if DU provides results of (Approve/Eligible).• Ratios may go up to (40% Housing) & (50% Back End) with DU results of (Refer/Eligible) and with verified compensating factors.<ul style="list-style-type: none">• Compensating factors have to comply with FHA 4000.1 guidelines
Secondary Financing	<ul style="list-style-type: none">• Down Payment Assistance programs may be eligible depending on the program.•