



## 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  
HUD FHA Covid-19 published [Mortgagee Letter 2020-05](#)

| 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 <sup>1</sup>   |                     |       |      |                |
| Doc Type  | Occupancy           | Units | FICO | LTV/CLTV/HCLTV |
| Full  | Primary Residence   | 1-4   | 600  | 80/80          |
| Program Matrix Notes  |                     |       |      |                |
| *Condominiums located in state of Florida maximum LTV is 75% for all purchases and refinances |                     |       |      |                |



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| Program Notes            |   |
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| <b>ARM Qualification</b> | Qualify at initial Note rate  |
| <b>AUS</b>               | <ul style="list-style-type: none"><li>• DU or LP Approve/Accept recommendations are allowed.</li><li>• Manual Downgrade may be required to a manual review if the loan does not meet FHA Approve/Eligible requirements.</li><li>• Streamlines<ul style="list-style-type: none"><li>o Manual Underwrite only</li><li>o There must be a net tangible benefit to the borrower that meets the requirements per FHA.</li></ul></li><li>• Manual Underwriting is allowed with DU findings of (Refer/Eligible), top ratios cannot exceed 31%, and bottom ratios cannot exceed 43%.</li></ul>   |
| <b>Age of Documents</b>  | <ul style="list-style-type: none"><li>• 120 days for new and existing construction from the date the note is signed.</li></ul>  |
| <b>Amortization Type</b> | <ul style="list-style-type: none"><li>• Fixed and Adjustable</li></ul>  |
| <b>Appraisals</b>        | <ul style="list-style-type: none"><li>• 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.</li><li>• A full appraisal (e.g. form 1004 or equivalent, accompanied by form 1004MC) is required for all submissions (except streamlines).</li><li>• 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.</li><li>• Streamlines are allowed without an appraisal</li><li>• Must be completed by a FHA approved roster appraiser</li><li>• Must include FHA Case#</li><li>• All final inspections must be completed with a (1004D)</li></ul> |



## 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 of 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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| <b>Borrower Eligibility</b><br>(continued) | <p>Streamlines</p> <ul style="list-style-type: none"><li>• 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"><li>○ the divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining Borrower, if applicable; and</li><li>○ the remaining Borrower can demonstrate that they have made the Mortgage Payments for a minimum of six months prior to case number assignment.</li></ul></li></ul> <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>   |
| <b>Caps</b>                                | <ul style="list-style-type: none"><li>• 1/1/5</li></ul>  |
| <b>Condominiums</b>                        | <ul style="list-style-type: none"><li>• HUD form# 9991 required for all FHA approved condominiums</li><li>• Must be located in an FHA approved Condominium Project</li><li>• HUD REOs do not require FHA Condominium Project approval.</li><li>• Condominiums involved in minor litigation subject to DE approval and in accordance with FHA requirements.</li><li>• FHA Condominium Single Unit Approval process</li></ul> <p>- Prior to new loan submission broker contacts HOA to complete HUD form #9991</p> <p>- Broker submits new loan with fully executed copy of HUD form #9991</p> <p>- Mega Capital Compliance Submission team will request a new FHA case# and forward HUD form #9991 to FHA for review.</p> <p>- FHA will review HUD form# 9991 to determine if the specific property meets criteria eligibility for Condominium Single Unit Approval</p> <p>- 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.</p> <p>- If FHA does not approve the property, then the loan will need to be cancelled</p> <p>- 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> |
| <b>Ineligible Borrowers</b>                | <ul style="list-style-type: none"><li>• Foreign Nationals</li><li>• Irrevocable or Blind Trusts</li><li>• Limited partnership, general partnerships, corporations</li></ul>  |



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| <b>Verification of Self-Employment</b> | <p>When self-employment income is used to qualify the Borrower, verify and document that the income derived from self-employment is stable with a reasonable expectation that it will continue.</p> <p>Obtain one of the following to verify and confirm that the business is open and operating:</p> <ul style="list-style-type: none"><li>• Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment);</li><li>• Evidence of current business receipts (payment for services performed);</li><li>• Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).</li></ul> <p><u>Note:</u> Verification must be completed prior to docs and must also be completed and verified Prior to funding with documents dated within 10 days prior to note date</p> <p><u>Note:</u> Prior to funding certification that the business is open and operating (lender to confirmed through a phone call verification of the business)</p> |
| <b>Credit</b>                          | <ul style="list-style-type: none"><li>• Each borrower must have at least <u>two</u> credit scores to be eligible.</li><li>• 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.</li><li>• Non-traditional Credit not allowed</li></ul> <p>Credit report inquiries must be reviewed per FHA guidelines.</p>   |
| <b>Derogatory Credit</b>               | <ul style="list-style-type: none"><li>• 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"><li>- Count 5% of balance as payment, or</li><li>- Payoff Collections, or</li><li>- Provide copy of established payment plan with credit agency and verify minimum payment</li></ul></li></ul> <p><u>Note:</u> Medical Collections and Charge-Offs are excluded</p> <p><u>Note:</u> Collections from non-purchasing spouse credit report will also need to be counted in ratios</p> <ul style="list-style-type: none"><li>• Bankruptcy, Foreclosure, Deed in Lieu/Short Sale: Per AUS or the 4000.1 for manually downgraded and manually underwritten loans. □ All judgments must be paid.</li><li>• FHA non-credit qualifying streamline transactions: Bankruptcy and foreclosure waiting periods do not apply. FHA guidelines may be followed.</li></ul>  |
| <b>Documentation</b>                   | <ul style="list-style-type: none"><li>• Full</li><li>• Simple</li><li>• Streamline</li><li>• For credit documentation requirements, follow Total Scorecard for AUS approved loans or the 4000.1 for manually underwritten loans.</li></ul>   |
| <b>Down Payment Assistance</b>         | <ul style="list-style-type: none"><li>• Down Payment Assistance programs may be eligible depending on program.</li><li>• Mortgage Credit Certificates (MCCs) are not allowed.</li></ul>  |



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| <b>Employment Verification</b>                | <ul style="list-style-type: none"><li>Follow FHA.</li><li>Marijuana Related Business (MRB) employment and income is not permitted.</li></ul>   |
| <b>Escrow Accounts</b>                        | <ul style="list-style-type: none"><li>Escrow Impounds Accounts must be established for taxes and insurance premiums in accordance with FHA Guidelines.</li></ul>   |
| <b>Exclusionary Lists</b>                     | <p>Streamlines</p> <ul style="list-style-type: none"><li>HUD's CAIVRS does not need to be checked</li></ul> <p>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.</p>   |
| <b>FICO</b>                                   | Refer to LTV matrix.   |
| <b>Financing Concessions</b>                  | Financing concessions cannot exceed 6% of the adjusted value.  |
| <b>High Cost / High Priced Mortgage Loans</b> | 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.   |
| <b>Identity of Interest Transaction</b>       | <ul style="list-style-type: none"><li>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.</li><li>As stated in handbook HUD 4000.1, identity-of-interest transactions may result in a reduced maximum loan-to-value.</li><li>Employee loans are not considered identity of interest transactions.</li></ul> |
| <b>Index</b>                                  | <ul style="list-style-type: none"><li>1 Year Treasury</li></ul>  |
| <b>Lien Position</b>                          | <ul style="list-style-type: none"><li>First</li></ul>  |
| <b>Loan Limits</b>                            | FHA mortgage limits for all areas: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a><br>Streamlines: Lenders to follow guidance provided within ML 11-29 for FHA to FHA Refinance for existing loan balances exceeding Permanent FHA loan limits.  |
| <b>Margin</b>                                 | <ul style="list-style-type: none"><li>2.00</li></ul>   |
| <b>Maximum Loan Amount</b>                    | <ul style="list-style-type: none"><li>The base loan amount cannot exceed the lesser of the statutory loan limit for area or the conforming limit.</li></ul>  |

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| <b>Minimum Loan Amount</b>           | <ul style="list-style-type: none"><li>\$75,000</li></ul>   |
| <b>Mortgage Products, Ineligible</b> | Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the Eligible Mortgage Types above. |
| <b>Occupancy</b>                     | <ul style="list-style-type: none"><li>Primary Residence Only</li><li>Investment Properties (FHA streamline fixed only)</li></ul>       |



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|                                 | <ul style="list-style-type: none"><li>• Non-Occupant Co-Borrower(s) allowed (Note: Must be borrower's family member)</li><li>• Non-Occupant Co-borrower(s) Maximum LTV 75% for multi-unit properties<br/>Note: Primary borrower occupying the property must have a source of income.</li></ul>  |
| <b>Property, Eligible Types</b> | <ul style="list-style-type: none"><li>• Single Family (Detached, Attached)</li><li>• PUD (Detached, Attached)</li><li>• FHA-approved Condominium (Detached, Attached)</li><li>• 2-4 Units</li><li>• Manufactured homes allowed; all requirements reflected below:<ul style="list-style-type: none"><li>- DU must reflect (Approve/Eligible) findings</li><li>- DU results of (Refer) and manual review are not allowed</li><li>- Foundation certification report from a licensed engineer required certifying compliance that the property meets manufacture housing foundation requirements.</li><li>- Manufacture Home HUD label serial numbers must be verified</li><li>- Manufacture Home HUD label serial number verification website <a href="http://www.ibts.org">www.ibts.org</a></li><li>- Double Wide manufacture home only</li><li>- Built and remain on permanent chassis</li><li>- Classified as real estate and must be taxed as real property</li><li>- Designed to be used as a dwelling with permanent foundation built to FHA requirements</li><li>- Must be existing property</li><li>- New construction property not allowed</li><li>- The home must not have been installed or previously occupied at any other site or location</li><li>- Affidavit of affixture document required</li><li>- Minimum 400 sq ft of living area</li><li>- Leasehold property not allowed</li><li>- Manufactured home must have been constructed on or after June 15, 1976</li><li>- 2- 4 unit not allowed</li><li>- Property classified as Condominium or PUD not allowed</li><li>- Running gear tow hitch must be removed</li><li>- FHA Case# and appraisal must reflect Manufactured Home</li><li>- Appraiser must include the (HUD Data Plate) information which is affixed to the interior to the property and verify all of the following:<br/><br/>(Manufacture Name)<br/>(Serial Number)<br/>(Model number)<br/>(Date of manufacture)<br/>(Wind, roof load, and thermal zone maps)</li></ul></li></ul> <p>Rural Properties (in accordance with agency Guidelines, loans must be residential in nature)</p> |



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| Property, Ineligible Types | <ul style="list-style-type: none"><li>• Mobile Homes</li><li>• Modular Homes</li><li>• Cooperatives</li><li>• Condotels</li><li>• Hotel Condominiums</li><li>• Timeshares</li><li>• Geodesic Domes</li><li>• Working Farms and Ranches</li><li>• Unimproved Land and property currently in litigation</li></ul>   |
| Property Flipping Policy   | <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><b>Resale Time Restriction – 90 days or less</b></p> <ul style="list-style-type: none"><li>• 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.</li></ul> <p><b>Resales Occurring Between 91 Days and 180 Days After Acquisition</b></p> <ul style="list-style-type: none"><li>• A Mortgagee must obtain a second appraisal by another Appraiser if:</li><li>• the resale date of a Property is between 91 and 180 Days following the acquisition of the Property by the seller; and</li><li>• the resale price is 100 percent or more over the price paid by the seller to acquire the Property.</li><li>• 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.</li></ul> <p>The cost of the second appraisal may not be charged to the Borrower.</p> |
| Ratios                     | <ul style="list-style-type: none"><li>• Ratios may go up to (46% Housing) &amp; (56% Back End) <b><u>only if</u></b> DU provides results of (<b>Approve/Eligible</b>) <b><u>and only if</u></b> the loan is not a Manual Downgrade.</li><li>• Manual Underwriting is allowed with DU findings of (Refer/Eligible), top ratios cannot exceed 31%, and bottom ratios cannot exceed 43%.</li></ul>   |
| State Restrictions         | <ul style="list-style-type: none"><li>• Texas 50 (a)(6) loans are not allowed.</li></ul>  |
| Secondary Financing        | <ul style="list-style-type: none"><li>• Subordinate financing and Down Payment Assistance programs are permitted only if program is eligible by Mega</li><li>• Mortgage Credit Certificates (MCCs) are not allowed.</li></ul>   |
| Tax Transcripts            | <ul style="list-style-type: none"><li>• Most recent two year IRS transcripts required when using self-employment income or rental income to qualify</li><li>• All income on borrowers tax returns must match all income figures on IRS transcripts</li><li>• Signed 4506 form is required on all transactions</li></ul>   |





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|                   | <ul style="list-style-type: none"><li>• 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.<ul style="list-style-type: none"><li>○ 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.</li></ul></li></ul>   |
| Temporary Buydown | <p>This is an exclusive 2-1 buydown option only. 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.</p> <ul style="list-style-type: none"><li>• FHA and VA only</li><li>• Occupancy: Primary residence</li><li>• Eligible Transactions: Purchase transactions only</li><li>• Ineligible Property Type: Manufactured Home</li><li>• Offered only for buydown funds provided by interested third parties. Interested-party contribution limits will apply.</li><li>• The buydown plan must be a written agreement between the party providing the buydown funds and the borrower.</li><li>• Qualify the borrower based on the note rate without consideration of the bought-down rate.</li><li>• If reserves are required, the reserves must be calculated using the Note Rate.</li></ul> <p><b>Buydown Agreement:</b></p> <ul style="list-style-type: none"><li>○ 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</li></ul> <p><b>Buydown Funds</b></p> <ul style="list-style-type: none"><li>○ Buydown accounts must be established and fully funded by the time the lender submits the mortgage to the investor for purchase</li><li>○ Funds for buydown accounts must be deposited into custodial bank accounts.</li><li>○ The borrower's only interest in buydown funds is to have them applied toward payments as they come due under the note.</li><li>○ Buydown funds are not refundable unless the mortgage is paid off before all the funds have been applied.</li><li>○ Buydown funds cannot be used to pay past-due payments.</li><li>○ Buydown funds cannot be used to reduce the mortgage amount for purposes of determining the LTV ratio.</li></ul> |



## Terms

- 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

- Purchase
  - 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.
  - 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.
  - Disbursed cash out to the Borrower cannot exceed \$500.
  - Mortgage history: Follow Total Scorecard.
- Cash Out Refinance
  - LTV is based on Appraised Value
  - 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
  - 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 Construction to Perm Loans
- No Energy Efficient Mortgage Loans
- Restructured loans or short payoff refinances are not eligible.
- NY CEMA refinance transactions are allowed.



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| <b>Seasoning</b>             | <ul style="list-style-type: none"><li>• All FHA Transactions must be current with no late payments in most recent 12 months through close of escrow</li><li>• AL FHA Transactions require mortgage rating to be updated all the way through close of escrow.</li><li>• FHA Cash-out<ul style="list-style-type: none"><li>- No late Mortgage payments in last 12 months prior to FHA case# issue date.</li><li>- Borrower must own, occupy, and be on title of property for minimum 12 months prior to FHA case# issue date.</li><li>- 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</li></ul></li><li>• FHA rate/term refinance<ul style="list-style-type: none"><li>- No late Mortgage payments in last 12 months prior to FHA case# issue date.</li><li>- Borrower must own, occupy, and be on title of property for minimum 12 months prior to FHA case# issue date.</li></ul></li><li>• FHA Streamline<ul style="list-style-type: none"><li>- No late Mortgage payments in last 12 months prior to FHA case# issue date.</li><li>- FHA case# cannot be issued until 210 days have elapsed from the first payment due date</li><li>- LTV is calculated and based on previous appraised value reflected in FHA Refinance authorization form in FHA connection</li><li>- New rate must be decreased by at least .50% compared to current rate.</li></ul></li></ul> |
| <b>Forbearance Seasoning</b> | <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li><li>• 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.</li><li>• 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.</li></ul>  |

| 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 <sup>2</sup> | 1-4   | 600  | 97.75/97.75    |
| CASH-OUT REFINANCE <sup>1</sup>   |                                  |       |      |                |
| Doc Type  | Occupancy                        | Units | FICO | LTV/CLTV/HCLTV |
| Full  | Primary Residence                | 1-4   | 600  | 80/80          |
| Program Matrix Notes  |                                  |       |      |                |
| 1. Cash-out Refinance is limited to 55% Maximum DTI<br>2. Fixed Rate only |                                  |       |      |                |

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



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| <b>Derogatory Credit</b>                      | <ul style="list-style-type: none"> <li>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"> <li>Count 5% of balance as payment, or</li> <li>Payoff Collections, or</li> <li>Provide copy of established payment plan with credit agency and verify minimum payment</li> </ul> </li> </ul> <p><b>Note:</b> Medical Collections and Charge-Offs are excluded</p> <p><b>Note:</b> Collections from non-purchasing spouse credit report will also need to be counted in ratios</p> <ul style="list-style-type: none"> <li>Bankruptcy <ul style="list-style-type: none"> <li>AUS approved loans: As determined by AUS.</li> <li>Manually underwritten loans: 2 years since the date of the discharge of the bankruptcy.</li> <li>Extenuating circumstances are not allowed.</li> </ul> </li> <li>Foreclosure <ul style="list-style-type: none"> <li>AUS approved loans: As determined by AUS.</li> <li>Manually underwritten loans: 3 years since the completion date of the foreclosure.</li> <li>Extenuating circumstances are not allowed.</li> </ul> </li> <li>All judgments must be paid in full or subject to a repayment plan with a history of timely payments.</li> </ul> |
| <b>Documentation</b>                          | <ul style="list-style-type: none"> <li>Full</li> <li>Simple</li> <li>Streamline</li> <li>For credit documentation requirements, follow Total Scorecard for AUS approved loans or the 4000.1 for manually underwritten loans.</li> </ul>   |
| <b>FICO</b>                                   | Refer to the <a href="#">LTV Matrix</a> .   |
| <b>High Cost / High Priced Mortgage Loans</b> | 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.  |
| <b>Index</b>                                  | <ul style="list-style-type: none"> <li>1 Year Treasury</li> </ul>   |
| <b>Loan Limits</b>                            | FHA mortgage limits for all areas: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a><br>Streamlines: Lenders to follow guidance provided within ML 11-29 for FHA to FHA Refinance for existing loan balances exceeding Permanent FHA loan limits.   |
| <b>Margin</b>                                 | <ul style="list-style-type: none"> <li>2.00</li> </ul>  |
| <b>Maximum Loan Amount</b>                    | <ul style="list-style-type: none"> <li>As allowed by current FHFA loan limits.</li> </ul>   |
| <b>Minimum Loan Amount</b>                    | <ul style="list-style-type: none"> <li>\$1 above (regular) conforming loan limits.</li> </ul>   |
| <b>Mortgage Products, Eligible</b>            | <ul style="list-style-type: none"> <li>Section 203 (b) Basic with ADP code of 703</li> <li>Section 203 (b) Basic with ADP code of 729</li> <li>Section 234 (c) Condominiums with ADP codes of 734</li> </ul>  |



## MEGA CAPITAL FUNDING, INC.

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|--------------------------------------|---|
| <b>Mortgage Products, Ineligible</b> | Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the Eligible Mortgage Types above.  |
| <b>Occupancy</b>                     | <ul style="list-style-type: none"><li>• Primary Residence</li><li>• Investment Property (FHA streamline fixed only)</li><li>• Non-Occupant Co-Borrower(s) allowed (Note: Must be borrower's family member)</li><li>• Non-Occupant Co-borrower(s) Maximum LTV 75% for multi-unit properties</li></ul> Note: Primary borrower occupying the property must have a source of income.  |
| <b>Program Codes and Terms</b>       | High Balance Fixed <ul style="list-style-type: none"><li>• FHBF15: 11 – 15 year terms</li><li>• FHBF30: 16 – 30 year terms</li></ul> High Balance ARM <ul style="list-style-type: none"><li>• FHBT5: 30 year term Only whole year terms allowed.</li></ul> Streamlines: The maximum term is the lesser of <ul style="list-style-type: none"><li>• 30 years, or</li><li>• 12 years beyond the remaining term of the existing loan.</li></ul> |
| <b>Ratio</b>                         | <ul style="list-style-type: none"><li>• Ratios may go up to (46% Housing) &amp; (56% Back End) <b><u>only if</u></b> DU provides results of (<b>Approve/Eligible</b>) <b><u>and only if</u></b> the loan is not a Manual Downgrade.</li><li>• Manual Underwriting is allowed with DU findings of (Refer/Eligible), top ratios cannot exceed 31%, and bottom ratios cannot exceed 43%.</li><li>•</li></ul>                                   |
| <b>Secondary Financing</b>           | <ul style="list-style-type: none"><li>• Subordinate financing and Down Payment Assistance programs are permitted only if program is eligible by Mega</li><li>• Mortgage Credit Certificates (MCCs) are not allowed.</li></ul>   |