Mega Capital Funding, Inc.

Elite NQM DSCR

Parameters				
Loan Amount	**FICO**	**Purch& R/T LTV**	**Cash-out LTV**	**Min. DSCR**
$150,000 - $1,500,000	700	80%[1]	75%	1.00
	720	75%	70%	0.80[2]
$1,500,001 - $2,000,000	700	75%	65%	1.00
$2,000,001 - $3,000,000	700	70%	65%	1.00

1. Non-Warrantable Condo : Max. 75% LTV
   Mtg/Rent Delinquent 1x30x12 or Any credit event: Max. 75% LTV
2. DSCR<1.00: Max. Cash out amount on LTV>65%-$1M & LTV<=65%-Unlimited
   Condotel & I/O not permitted.
   Min. DSCR – 0.80
   Min. Score - 720

Program Codes	**Doc Type**	**Code**	**Term**	**Amort type**	**Prepay Term**
	DSCR	EZD5P30	30yr Fixed	Full	5yrs
		EZD5P5/6	5/6 30yr ARM		
		EZD4P30	30yr Fixed		4yrs
		EZD4P5/6	5/6 30yr ARM		
		EZD3P30	30yr Fixed		3yrs
		EZD3P5/6	5/6 30yr ARM		
		EZD2P30	30yr Fixed		2yrs
		EZD2P5/6	5/6 30yr ARM		
		EZD1P30	30yr Fixed		1yrs
		EZD1P5/6	5/6 30yr ARM		
		EZD30	30yr Fixed		-
		EZD5/6	5/6 30yr ARM		
		EZD5P40io	40yr Fixed	Interest Only	5yrs
		EZD5P5/6io	5/6 30yr ARM		

			EZD4P40io	40yr Fixed		4yrs	
			EZD4P5/6io	5/6 30yr ARM			
			EZD3P40io	40yr Fixed		3yrs	
			EZD3P5/6io	5/6 30yr ARM			
			EZD2P40io	40yr Fixed		2yrs	
			EZD2P5/6io	5/6 30yr ARM			
			EZD1P40io	40yr Fixed		1yrs	
	•		EZD1P5/6io	5/6 30yr ARM			

Capacity	
Capacity	Borrowers are not required to disclose employment information on the application (Form 1003). Income derived from regular employment, retirement or other investments should not be disclosed and tax returns are not required. The application should otherwise be fully completed including the Schedule of Real Estate Owned listing all properties owned with any associated mortgages (including private mortgages).
Debt Service Coverage Qualification	Borrowers financing non-owner-occupied investment properties can qualify based on their ability to service the debt over the life of the loan. For Debt Service Coverage, property income is used to qualify the transaction. Debt Service Coverage is available to experienced Investors and First Time Investors provided they have a mortgage history, either purchasing or refinancing investment properties for business purposes. Borrowers are qualified using the following Debt Service Coverage Ratio (DSCR) DSCR = *Gross Rental Income ÷ Qualifying Monthly Mortgage Payment (PITIA) or (ITIA for interest only loans). Qualifying on I/O's is based on the Interest only payment plus taxes, insurance, and HOA dues. Rounding DSCR: Rounding up of the DSCR value is permissible from the 3rd decimal. Interest Only loans require a minimum FICO score as per current Program Matrix. On Purchase transactions, the qualifying rent figure will be the higher of the 1007 or the current lease provided the difference is not greater than 20%. When the 1007 is greater than 20%, MCFI may use up to 120% of the Lease amount to qualify (i.e., lease is $1100 and 1007 is $1500 then $1320 may be used to qualify). When the Lease is greater than 20%, the higher Lease amount may be used with 3 months current proof of receipt of the higher rental income. • If subject property leased on a short-term basis utilizing an on-line service such as AirBNB or VRBO; gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. In addition, a screen shot of the online listing must show the property is activity marketed as a short-term rental. A 5% LTV reduction required when using short term rental income to qualify. On Refinance transactions, the qualifying rent figure will be the higher of the 1007 or the current lease provided the difference is not greater than 20%. When the

1007 is greater than 20%, Seller may use up to 120% of the Lease amount to qualify (i.e., lease is $1100 and 1007 is $1500 then $1320 may be used to qualify). When the Lease is greater than 20%, the higher Lease amount may be used with 3 months current proof of receipt of the higher rental income.

- For unleased property refinance transactions, there is no vacancy factor and the gross rents shown on the 1007 may be used.
- Leases are required to be no less than twelve (12) months but may convert to month-to-month upon expiration.
- If subject property leased on a short-term basis utilizing an on-line service such as AirBNB or VRBO; gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. In addition, a screen shot of the online listing must show the property is activity marketed as a short-term rental. A 5% LTV reduction required when using short term rental income to qualify. 1007 rents may be allowed when property is located in an established short-term/vacation market, on an exception basis.

For properties defined as a one-unit property with an accessory unit (ADU) may use rental income from the accessory unit subject to the following:

- Appraisal to reflect zoning compliance is legal.
- Permit is not required to establish zoning compliance.
- Appraisal to include at least one comparable with an accessory unit
- The appraisal report demonstrates that the improvements are typical for the market through analysis of at least one comparable property with the same use
- Multiple accessory units are not permitted.
- Refinance - Market rent for the necessary unit should be documented on FNMA 1007, and the file must include a copy of the current release with two months proof of current receipt.
- Purchase - Use the lesser of the market rent on FNMA Form 1007 or actual rent.
- Qualifying rental income will be gross rents x 75%. (25% of the gross rent is absorbed for vacancy losses and ongoing maintenance expenses.)

Debt Service Coverage Ratio (DSCR) must be greater than or equal to the published minimum as referenced on MCFI DSCR credit matrix. Additional requirements that must be met when utilizing DSCR Investment Programs are:

- DSCR calculation amount, i.e., the amount to be listed on the 1008, DSCR income calculation worksheet is required.
- Rent loss or loss of use coverage of six months PITIA is required.
- Experienced Investors – proof of management history for at least 1 year in the last 3 years is required. Borrower(s) working in the property management industry constitutes experience and is acceptable.
- First Time Investors– permitted with 12 months reserves, and minimum 1% DSCR. Max 75% LTV.
- No borrower(s) or borrower relatives (direct or by marriage) will occupy the subject property.

Note: Borrowers on Investor loan programs must sign The Business Purpose and Occupancy Affidavit attests to the following for a loan to be considered an Investor Loan.

- No borrowers or borrowers' relatives (direct or by marriage) will occupy the subject property.
- Ownership of the subject property is for business purposes only.

Qualifying Rate	30 years fixed – The fully amortized PITIA. 5/6 ARM – The greater of the note rate or the fully indexed rate plus TIA. I/O – Interest only payment plus TIA.
Qualifying Rent	Qualifying rent will be higher of: The market rent as per the 1007 up to a max 20% difference or the current lease income. The higher of the 1007 market rents may be used as long as it's not more than 20% of the current lease in place.
Housing History	• 1x30x12 (Max. 75% LTV) • Housing history for the DSCR Doc type is limited to verifying the borrower's primary residence and the subject property if a refinance transaction. VOMs are required on those properties for any mortgages including private mortgages with no additional documentation. If borrower is renting primary, a VOR from landlord is required with no additional documentation. ○ Any housing event reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility. ○ For any non-subject property, non-primary mortgages not reporting to the credit bureau, additional housing history is not required. • Borrowers who own their primary residence free and clear for a minimum of 12 months are acceptable. Properties owned free and clear are considered 0x30 for grading purposes. Experienced investors who provide verification of living rent free are acceptable provided they own other REOs with acceptable mortgage financing history. A "rent-free" letter of explanation from the homeowner is required. Borrowers who do not have a complete 12-month housing history are ineligible for the program.
Subordinate Financing	Not allowed.
Investor Experience	**Experienced Investor:** An experienced investor is an individual borrower having a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in the last 3 years. For files with more than one borrower, only one borrower must meet the definition. **First Time Investor**: A First-time Investor is a borrower who has not owned at least one investment property for at least 1 year at any time during the past 3 years. • Max. LTV is 75%. • 12-month housing payment history is required. • Min DSCR 1.00 • 12 months PITIA reserves are required.

General Requirements	
Product Type	30-Yr Fixed, 5/6 ARM, I/O
Interest Only	• Max LTV: 80% • Max Loan Amount: $3M • Minimum DSCR 1.00 • Minimum Score - 700
Loan Amounts	• Min: $150,000 • Max: $3,000,000
Loan Purpose	Purchase, Rate/Term, and Cash Out

<table>
<tr><td>Occupancy</td><td>Investment</td></tr>
<tr><td>Property Type</td><td>Single Family, PUD, 2-4 Units (Max LTV 80%), Warrantable Condo, Non-Warrantable Condo (Max LTV 75%)</td></tr>
<tr><td>Document Age</td><td>90-days Credit, 90- days Assets, 120-days Appraisal</td></tr>
<tr><td>Cash-Out</td><td>DSCR>=1
- Max cash-out:
LTV>65% - $1,000,0000
LTV<= 65% - Unlimited
- Min score – 700
- Max 65% LTV if loan amount >$1.5M.
DSCR<1
- Max cash-out
LTV>65% - $1,000.000
LTV<=65% - Unlimited
- Max Loan amount - $1.5M
- Minimum DSCR 0.8
- Minimum Score - 720
- Condotel & I/O not permitted.
- Max. LTV – 75%
- Max. Cash-out LTV – 70%</td></tr>
<tr><td>Appraisals</td><td>FNMA Form 1004, 1025, 1073 with interior/exterior inspection
Loan amount <= $2M-One full appraisal and CDA review
Loan amount > $2M-Two full appraisal reports.
Transferred appraisal is allowed.</td></tr>
<tr><td>Declining Markets</td><td>Properties with appraisals that show the “Neighborhood – Housing Trends” marked as Declining may be subject to a reduction in LTV/CLTV. The distinction of a Declining market is determined by the Appraiser. Appraisers are required to pull median house price data over the last 12 months and analyze it to determine the market trends for that area and property type. LTV reductions are outlined below:
Required to be applied for LTVs>65%
<table>
<tr><th>Property Value</th><th>Demand</th><th>Market Value</th><th>Reduce LTV</th></tr>
<tr><td>Declining</td><td>Shortage or In Balance</td><td>Under 3 months</td><td>5%</td></tr>
<tr><td>Declining</td><td>Shortage</td><td>3-6 months</td><td>5%</td></tr>
<tr><td>Declining</td><td>In Balance</td><td>3-6 mths or Over 6 mths</td><td>5%</td></tr>
<tr><td>Declining</td><td>Over Supply</td><td>Over 6 months</td><td>5%</td></tr>
</table></td></tr>
<tr><td>Prepayment Penalty</td><td>- Hard Prepayment periods up to 5 Years eligible, see rate sheet.
- The prepayment charge will be 5% and applied to any curtailment or the entire outstanding principal balance during the prepay period.

MCFI will not allow prepayment penalties in the following states:
- Alaska, Kansas, Minnesota, New Mexico, North Dakota, and
- Maryland when a Note is contracted under the Usury Laws (either explicitly or if Choice of Law is not stated)

All other loans with a prepayment penalty must be in compliance with applicable state law. The following states include specific limitations or requirements:
- Illinois permitted to legal entities when APR is =<8%. Prohibited to individual borrowers</td></tr>
</table>

<table>
<tr><td></td><td>• Maryland – Note must specifically include Choice of Law - Title 12, Subtitle 10 Credit Grantor provisions
• New Jersey permitted to legal entities. Prohibited to individual borrowers
• Ohio permitted on loan amounts >=$110,223 (for 2024). Prohibited on loan amounts <$110,223
• Oregon – requires state specific notice to borrower verbiage to be disclosed on the loan agreement (i.e. Note, Note Addendum or prepayment penalty rider)
• Pennsylvania permitted on loan amounts >$312,159 (for 2024).
o Loan amounts =<$312,159 permitted only on 3-4 residential units. Number of units will be validated prior to purchase.
• Washington permitted on fixed rate loans. Prohibited on ARM loans.</td></tr>
<tr><td>Eligible States</td><td>All MCFI approved states.</td></tr>
<tr><td>MLO State Licensing Exemption</td><td>The following states will allow for the origination of DSCR loans without a license:
<table>
<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>
*Title must be held by an LLC. Individuals are prohibited.</td></tr>
<tr><td>State & Federal High-cost Loans</td><td>Not allowed.</td></tr>
</table>

<table>
<tr><th colspan="2">Borrower Eligibility</th></tr>
<tr><td>Eligible borrowers</td><td>• U.S. Citizens:
o All U.S. Citizens, as defined by the U.S. Department of Immigration and Naturalization Service (INS), are eligible borrowers.
• Permanent Resident Aliens:
o All Permanent Resident Aliens, as defined by the INS, are eligible borrowers. A Permanent Resident Alien is an individual who is not a U.S. Citizen but maintains legal, permanent residency in the United States. A Permanent Resident Alien typically maintains an alien registration card (“green card”). Alien Registration Card I-151 with no expiration or accompanied by INS form I-757.
• Non-Permanent Resident Aliens:
o All Non-Permanent Resident Aliens, as defined by the INS, are eligible borrowers. A Non-Permanent Resident Alien is an individual who is not a U.S. Citizen but lives in the U.S. under the terms of an applicable Visa. Acceptable Visas for loan purchase are listed below. Due to the inability to compel payment or seek judgment, transactions with individuals with diplomatic immunity who are not subject to United States jurisdiction are not eligible. Non-Permanent Resident Aliens must be employed in the U.S. for the last 24 months and document lawful residency as follows:
o Borrowers who are residents of countries which participate in the State Department’s Visa Waiver Program (VWP) will not be required to provide a valid visa.

Documentation and Expiration</td></tr>
</table>

	All nonpermanent resident alien borrower(s) must verify they are legally present in the United States with a copy of one of the following: • VISA o If expiration is within six months of the loan application and the borrower has not changed employers, a copy of the employer's letter of sponsorship for visa renewal must be provided. o If Visa has expired, a valid USCIS Form I-797 confirming submitted application to renew. • EAD Card o If expiration is within six months of the application the borrower must show evidence they have applied for an extension or provide letter from the employer indicating they will continue to sponsor their employment ○ For residents of Canada or Mexico, H1-B status stamped on an unexpired passport. ○ For borrowers with income being used for qualification, see below for eligible VISA classifications. Other than U.S. Citizens, all Eligible Borrowers must evidence their residency status by providing applicable USCIS documentation. NOTE: See Visa Eligibility Matrix and EAD Eligibility Matrix on the last page of the guideline. Acceptable evidence of permanent residency for borrowers who are not U.S. citizens must be provided. The borrower must provide the USCIS evidence as follows: • Permanent Resident Card (USCIS Form I-551), referred to as a green card, without conditions • Permanent Resident Card (USCIS Form I-551) with conditional right to reside, accompanied by a copy of the filed Petition to Remove Conditions on Residence (USCIS Form I-751) NOTE: Any Permanent Resident Card that is due to expire within six months must be accompanied by a copy of an Application to Replace Permanent Resident Card (USCIS Form I-90) filing receipt. The Visa or Employment Authorization Documents (EAD) must be current and may not expire prior to the closing date.
Eligible Vesting	Fee Simple with Title Vesting as: • Individual • Joint Tenants • Tenants in Common • Inter-Vivos Revocable Trust Vesting is allowed in an Entity with the following requirements: • Entity must be domiciled in a U.S. State. • Business structure is limited to a maximum of four (4) owners/ members. • Personal Guarantees must be provided by all owners/members of the Entity on the loan - If not signing not as member but as an individual, Guaranty is not needed. If signing only as member, personal guaranty needed. • Each Entity owner / member on the loan must sign the security instruments. • Each Entity owner / member providing a Personal Guaranty must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of the guarantor. The

	application of each member/owner providing a Personal Guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing. For business type, the following documentation must be provided: • Limited Liability Company (LLC) ○ Entity Articles of Organization, Partnership, and Operating Agreements if any ○ Tax Identification Number (Employer Identification Number – EIN). In any case where a sole proprietor is using SSN in lieu of EIN, provide UW cert or supporting documentation confirming that. ○ Certificate of Good Standing ○ Certificate of Authorization for the person executing all documents on behalf of the Entity ○ LLC Borrowing Certificate required when all owners/members are not on the loan. • Corporation ○ Filed Certificate/Articles of Incorporation (including all Amendments) ○ By-Laws (including all Amendments) ○ Certificate of Good Standing (issued by the Secretary of State (SOS) where the business is incorporated) ○ Tax Identification Number (EIN). In any case where a sole proprietor is using SSN in lieu of EIN, provide UW cert or supporting documentation confirming that. ○ Borrowing Resolution/Corporate Resolution granting authority of signor to enter loan obligation. ○ Receipt of current year franchise tax payment or clear search (only required where applicable per state.) • Partnership ○ Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required) ○ Partnership Agreement (and all Amendments) ○ Certificate of Good Standing (issued by the Secretary of State (SOS) where the Partnership is registered) ○ Tax Identification Number (EIN). In any case where a sole proprietor is using SSN in lieu of EIN, provide UW cert or supporting documentation confirming that. ○ Limited partner consents (where required by partnership agreement) **NOTE:** Official documentation issued by a CPA, a Third-Party Tax Preparer (excluding PTIN tax preparers), the state or IRS should be used to satisfy document requirements. Fillable PDF's (i.e W9's) or emails confirming in writing from borrowers are not sufficient.
Ineligible Borrowers	• All Persons with Diplomatic Immunity, as defined by the INS, are not eligible borrowers. • Seller Employee Loans. • Trusts of any kind cannot be the borrower but may hold title. • ITIN Borrowers residing in the U.S. • 501(c)(3) Organizations • Trusts or business entities whose members include other LLCs, Corporations, Partnerships, or Trusts • Trusts or business entities where a Power of Attorney is used. • Persons sanctioned by OFAC • Businesses or Persons whose income derives from cannabis industry.

DSCR Experienced Investors.	A DSCR Investment Property is defined as a 1 to 4-unit residential property where the borrower (nor any relative of the borrower) cannot occupy. Requirements: • First Time Investor(s) are permitted with minimum 1.00 DSCR, 12 months reserves, verified 12-month housing payment history and max 75% LTV. • All investment property programs require the signed Business Purpose and Occupancy affidavit". The borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the Borrower Certification of Business Purpose Affidavit. **Any loan where the proceeds are used primarily for personal, family, or household purposes are considered a consumer transaction and is not eligible for the DSCR program. This includes cash-out on an investment property when loan proceeds are used for any personal use.**

Transaction Eligibility	
Purchase Money	Purchase money mortgages are mortgage transactions in which the loan proceeds are used to purchase the subject property. This is evidenced by a sales or purchase agreement that has been executed by the applicant (buyer who is a party to the transaction) and the seller. Additional requirements: • Delayed 1031 Exchanges only are permitted for down payment and cash to close only. • HELOCS and second liens not permitted.
Rate/Term Refinance	A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays, or buying out a co-owner pursuant to an agreement. A seasoned non-first lien mortgage is a purchase money mortgage, a closed end or HELOC mortgage that has been in place for more than 12 months (and/or not having had any draws greater than $2,000 in the past 12 months for HELOC's. Withdrawal activity must be documented with a transaction history from the HELOC). • Cash-out Limit. Cash-out to the borrower limited to the lesser of 2% of the principal or $5,000. • Sale Restriction. Property must be removed from listing for at least one month prior to application and LTV will be based on the lesser of the list price or appraised value when listed within the last 3 months by the current owner.
Cash-out Refinance	A Cash-out Refinance Transaction occurs when an existing mortgage lien is paid-off with the proceeds of a new first mortgage and the excess proceeds are distributed to the borrower. A Cash-out Refinance Transaction also occurs when a borrower obtains a mortgage for a property that is currently owned free and clear and the proceeds from the new loan are distributed to the borrower. All excess proceeds eligible for distribution to the borrower are net of customary fees, prepayment fees and other related closing costs. Review the Matrix for max cash out allowed. Additional requirements for MCFI eligible Cash-out Refinance loan are: • Cash back as it relates to the maximum limits is defined as "cash in hand" to the borrower. • Borrower on Title. At least one of the borrowers must be on title. • A cash-out purpose letter is required. • Net proceeds from a cash-out transaction may be used to meet the reserve requirements.

	• Sale Restriction – property must be removed from listing for at least 3 months prior to application date. • Properties listed for sale or purchased within the last 6 months (Note to Note) prior to application date require a 5% reduction in LTV. • For properties that have been listed by the current owner within the last six months, the LTV will be based on the lesser of the list price or appraised value. • LTV/CLTV Limit. If the subject property is owned for less than 6 months (Note to Note) at the time of application, then the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. o Proof of Improvements -Required. o Proof of Purchase Price is required as evidenced by the prior Closing Disclosure (CD) from the property purchase. • No waiting period if the borrower acquired the property through an inheritance or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership. • Delayed Financing. Borrowers who have purchased a subject property within the last 6 months preceding the disbursement date of the new mortgage are eligible to receive cash back with the loan being priced and treated as a Cash Out Refinance if the following requirements are met (also see FNMA Guides for additional information): o Arm's Length Transaction. The original purchase was an Arm's Length Transaction. o No Existing Mortgage Financing. The original purchase transaction is documented by the settlement statement which confirms that no mortgage financing was used to obtain the subject property. o No Existing Liens. The preliminary title report must confirm that there are no existing liens on the subject property. o Loan Amount Limit. The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing costs, prepaid fees, and points on the new mortgage loan (subject to maximum LTV and CLTV ratios for Cash-out Transactions based on the lesser of the current appraised value or the purchase price). o Source of Funds Paydown. If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), then all cash-out proceeds are to be used to pay- off or pay-down the loan used to purchase the property. • settlement statement for the refinance transaction must reflect the above. • any payments on the balance remaining from the original loan must be included in the DSCR ratio calculation for the refinance transaction. • funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan. • Source of Funds Documentation. Source of funds must be documented. Examples of proper documentation include bank statements, personal loan documents, 401(k) withdrawal statements, or evidence of a HELOC on another property.
Property Owned by LLC, Corp, Partnership	If the borrowers own a company (individually or jointly) and the company owns the property, the borrower is eligible for a cash-out refinance of the property. The ownership of the company must be documented by organizational documentation or a CPA Letter.

Ineligible Transactions	• Assumable • Construction to perm • Temporary Buydowns • Builder Bailout • Conversion Loans/Land Contracts • Lease Options/Rent-to-Own • Non-Arm's Length/At-interest Transactions • Assignments of the contract to another buyer • No Graduated Payment Mortgage Loan • No Ground leases, No Buydown Mortgage Loan, No Pledged Asset Loan • No Convertible Mortgage Loan - allows an ARM to convert to a Fixed Rate Mortgage • Periodic Payment - Loans must have periodic payments due and loans can't have more than 3 monthly payments paid in advance from the proceeds of the mortgage loan.

<table>
<tr><th colspan="2">Credit</th></tr>
<tr><td>Frozen credit</td><td>If the borrower's credit information is frozen at one of the credit repositories for borrowers who have traditional credit, the credit report is still acceptable as long as:
• Credit data is available from two repositories,
• A credit score is obtained from two repositories, and
• The lender requested a three in-file merged report.</td></tr>
<tr><td>Credit Score</td><td>A minimum of 2 credit scores are required to be provided and used to determine the qualifying credit score for loan approval. Methodology of which FICO score to use is as follows:
<table>
<tr><th># of Borrowers</th><th># of Scores per Borrower</th><th>Methodology</th></tr>
<tr><td>1</td><td>2 or 3</td><td>Lower of 2 or the Middle of 3 FICO Scores</td></tr>
<tr><td>2 or more</td><td>2 or 3</td><td>• Determine the lowest score of each borrower, lowest score of that result is representative score.
• If 2 of the 3 credit scores are identical, the identical score is the borrower's mid score.
~~• If borrowers are 50/50 owners and income is equal, the higher middle score is used.~~</td></tr>
</table>
A written explanation for credit inquiries is not required.</td></tr>
<tr><td>Tradelines</td><td>All borrowers must have an established credit history that is partially based on tradeline history. If a Borrower has three credit scores reporting on credit, then the minimum credit tradeline requirement has been met.
<table>
<tr><th>Required Tradelines</th><th>Active Reporting Period</th><th>Min FICO Required</th></tr>
<tr><td>3 Tradelines</td><td>≥ 12 months</td><td>Per matrix</td></tr>
<tr><td>Or</td><td></td><td></td></tr>
<tr><td>2 Tradelines</td><td>≥ 24 months</td><td>Per matrix</td></tr>
</table></td></tr>
</table>

	Borrowers without the above minimum trade lines may qualify if there is a minimum of: • At least four years of established credit history as follows: • Eight or more tradelines reported. • At least one active in the last 12 months, defined as the last activity within 12 months of the credit report date. At least one of these tradelines must be a mortgage tradeline and may be counted as the active tradeline.
Approved Credit Vendor	• MCFI will pull Credco credit report if a broker's credit report submitted is not on approved credit vendors list. • Broker credit report is allowed if within 60 days from submission date. • Credit Reports are good up to 90 days at time of CTC
Housing Event Seasoning	**Bankruptcy, Short Sale, Deed-in-Lieu, Charge-off Mortgage, NOD and/or Foreclosure must be seasoned at least 36 months from time of application** **Forbearance, deferred payments, modifications**. • COVID Forbearance must be released and fully current. • Non-COVID - deferred payments are unacceptable credit events and disqualifies borrower(s) from financing. • Mortgage Loan Modifications are acceptable with 60 months seasoning, min 720 FICO and no additional credit events after modification. Examples of mortgage loan modifications are: ○ Forgiveness of a part of principal and/or interest on either the first or second mortgage ○ Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness. ○ Conversion of any part of the original mortgage debt to a “soft” subordinate mortgage ○ Conversion of any part of the original mortgage debt from secured to an unsecured debt.
Collections, judgments, Liens	• Judgements, Garnishments and Liens: The borrower must pay-off all open judgements, garnishments, and liens (including mechanics liens or material men’s liens) prior to the loan closing. • Collection Accounts and Charge-offs do not have to be paid in full if the following applies: ○ Collections and charge-offs < 24 months old with a maximum cumulative balance of $2,000 ○ Collections and charge-offs ≥ 24 months old with a maximum of $2,500 per occurrence ○ Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required) ○ All medical collections ○ Exception: IRS repayment plans with 3 months history of payments may remain unpaid. • Past Due Accounts must be brought current

Assets	
Eligible Assets	• Checking and Savings (100%) • Certificates of Deposit (100%) • U.S. Savings Bonds (100% if fully matured, otherwise 80%)

	• Marketable Securities (75% net of margin debt). Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded. • Restricted Stock Units (RSU). Refer to FNMA Guides. • IRA, Keogh, and 401(K) Retirement Accounts (60 % of vested balance after deducting outstanding loans secured against it) including ROTH. Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility. • Pension Plans (60%). Only amounts accessible within a 30-day window are allowed. Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility. • Annuities (60%). Only amounts accessible within a 30-day window are allowed. • Trust Accounts (100%). Must review a copy of the full Trust. • The use of business assets for self-employed borrowers for down payment, reserves and closing costs are allowed. The borrowers on the loan must have 50% ownership of the business and must be the owners of the account. Access letters from the remaining owners of the business must be obtained as well. A letter from a CPA or borrower must be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business. If a CPA letter is not provided, a Cash Flow Analysis of the business assets and liabilities (Balance Sheet) must be completed by the client to determine if the withdrawal of funds from the business is acceptable. • Crypto Currencies, such as Bitcoin and Ethereum, are an eligible source of funds for down payment and closing costs and reserves. For down payment and closing cost, the assets must be liquidated and deposited into an established US bank account. For reserves, documentation to prove ownership of the crypto holdings must be provided together with verification of current valuation from the Coinbase Exchange within 30 days of Note date at 60% of the current valuation. • Delayed 1031 Exchange funds for "like—kind exchange" are eligible for EMD, down payment and closing costs. 1031 Exchange funds are not eligible for reserves.
Verification of Assets	• Verification of Deposit (VOD) Form. The information must be requested directly from the depository institution. The completed, signed, and dated document must be sent directly from the depository institution. • Assets must be seasoned for 30 days. All unusual large deposits must be explained, and the source must be documented. • Bank statements and investment portfolio statements. • Large cash deposits are not an acceptable asset source. • Complete copies of bank statements or investment portfolio statements from the most recent 30 days prior to the application date. A summary statement will not be accepted. • The statements may be computer generated forms, but must include or state the following: o Clearly show the borrower as the account holder, the account numbers, the time the statements cover. Include all deposits and withdrawal transactions. The report must include the previous close balance, the current balance, and the ending account balance. o Retirement account statements must be from the most recent period and show the borrower's vested amount and terms.

	• Assets must be seasoned 30 days and any large deposits as determined by the underwriter will need to be sourced. • The borrower must demonstrate they have 10% of their own funds for the down payment. • Unsecured loans, sweat equity, and gifts that require repayment are ineligible for sources of down payment.
Gift Funds	• Purchase transaction only • The borrower must demonstrate they have 10% of their own funds available for the down payment. (The borrower is not required to use 10% of his own funds for the down payment.) • Gift funds are not permitted for reserves. • Only gifts from family members are allowed. • Gifts can be used to pay off debt. • Gift of equity, unsecured loans, sweat equity and gift that require repayment are ineligible for sources of down payment.
Reserves	• Loan Amount < $1M: 3-months of the subject PITIA • Loan Amount $1M-$1.5M: 6-months of the subject PITIA • Loan amount >$1.5M: 9-months of the subject PITIA • First time investor – 12-months of the subject PITIA • Cash out may be used to satisfy requirement. • Proceeds from a 1031 Exchange cannot be used to meet reserve requirement. • Rate & term LTV <=65%, no reserves required.
Interested Party Contributions / Seller Concessions	Maximum Interested Party Contributions / Seller Concessions are 6% of purchase price. Seller concessions include: • Financing concessions in excess of the max financing concession limitations; or • Contributions such as cash, furniture, automobiles, decorator allowances, moving costs, and other giveaways granted by any interested party to the transaction (contributions with a combined value under $1,000 should be excluded) • The value of sales concessions must be deducted from the sales price when calculating LTV for underwriting and eligibility purposes. The LTV is then calculated using the lower of the reduced purchase price or the appraised value.

Collateral	
Property Type	Single Family, PUD, 2-4 Units (Max LTV 80%), Warrantable Condo, Non-Warrantable Condo (Max LTV 75%)
Unpermitted structures	Unpermitted Additions including ADU (SFR w/ADU or 2-4 unit w/ADU) When reviewing a property with an un-permitted addition or ADU, the appraiser should address and comment on the following items: • Conforms to the subject neighborhood. • Any health or safety issues. • No value will be given to the un-permitted addition. • If the addition was completed in a workman like a manner. ***No multiple ADUs are allowed.
Ineligible Property Types	• Manufactured housing or Manufactured Homes • Working Farms • Time-shares • Boarding houses

	• Barndominiums • Rural properties greater than 20 acres • Commercial properties • Co-Ops • Modular Homes • Vacant lots • Leaseholds • Log Homes • Mixed Use • Assisted Living • Properties Under Construction • C5 or C6 property condition grades • Unique Properties • Work escrows are not allowed. • Agricultural properties • Geodesic domes • Tenancy in Common properties • Properties with less than 500 square feet living space • No Mortgage Loans financing builder inventory is allowed.
Flips	When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a "flip". To determine the 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: ○ All transactions must be 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 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. ○ Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/higher-priced-mortgage-loans-appraisal-rule/. A second appraisal is required in the following circumstances: • Greater than 10% increase in sales price if seller acquired the property in the past 90 days. • Greater than 20% increase in sales price if seller acquired the property in the past 91- 180 days.
Transferred Appraisals	• Appraisal must have been completed by an approved AMC. • The appraisal must be less than 60-days old (less than 120-days at closing) and ordered through an Appraisal Management Company.

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A letter must be obtained from the original lender on their letterhead stating they are transferring the appraisal to MCFI. The letter must transfer the ownership and rights for the specific transaction.
The Lender must certify they have complied with Federal, State and FNMA Appraisal Independence requirements.
An appraisal delivery form must be provided to the borrower to confirm the borrower's receipt of the appraisal within three (3) business days of the report's completion.

If the original Lender will not transfer the appraisal or provide the transfer letter, then a new appraisal is required.
NOTE: Subject to FIRREA Requirements; if corrections are required, the previous lender to obtain them.
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<tr>
<td>Project Review Warrantable</td>
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FNMA eligible Warrantable projects are allowed.
Site Condos meeting the FNMA definition are eligible for single-family dwelling LTV/CLTV. MCFI maximum project exposure shall be $2,000,000 or 15% of project whichever is lower.

NOTE: UW Attestation and/or documentation clearly stating whether the property is a warrantable or non-warrantable condo must be delivered with the file.
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<tr>
<td>Project Review Non-Warrantable</td>
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<tr>
<td colspan="2">Non-warrantable condominiums are eligible based on the following characteristics.
Non-Warrantable Condos – Borrower's condo exposure is limited to two (2)</td>
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<tr>
<td>Max LTV</td>
<td>75% LTV/CLTV</td>
</tr>
<tr>
<td>Presale/New project</td>
<td>The project or the subject's legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.</td>
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<tr>
<td>Commercial Space</td>
<td>Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be "typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA.</td>
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<td>Completion Status</td>
<td>The project, or the subject's legal phase along with other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract.</td>
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<tr>
<td>Condotel</td>
<td>• 50% of the total units in the project or subject's phase must be sold or under contract.
• Project or subject's legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete.
• Project may be subject to additional phasing.</td>
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		• HOA should be in control – project under Developer or Builder control will be considered on a case-by-case basis only. • Maximum LTV/CLTV Purchase: 75% • Maximum LTV/CLTV R/T and Cash-Out: 65% • Minimum Loan Balance: $150,000 • Maximum Loan Amount: $1.0 million • Min DSCR of 1 • Investor concentration, within the subject project, may exceed established project criteria, up to 100% • Minimum square footage of 500 and at least 1 Bedroom required. • Fully functioning kitchen – define as a full-size appliance including a refrigerator and stove/oven. • Projects with names that include the words “hotel,” “motel,” “resort,” or “lodge” are acceptable. • Project must have obtained a hotel or resort rating for its hotel, motel, or resort operations through hotel ratings providers including, but not limited to, travel agencies, hotel booking websites, and internet search engines
	Investor Concentration	Investor concentration in project up to 60%.
	Single Entity Ownership	A single entity can own up to 25% of units.
	Insurance Coverage	Exceptions to Fannie Mae minimum coverage requirements
	HOA Control	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
	Reserves	HOA Budget must include a dedicated line-item allocation to replacement reserves of at least 8% of the budget.
	Material Litigation - Structural/Functional litigation against developer	Pending litigation may be accepted on a case-by-case basis. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted.
	New Projects	The project or the subject’s legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.
	Delinquent HOA	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.

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<tr><td>Newly Converted - Non-full gut rehabs</td><td>Ineligible</td></tr>
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<tr>
<td>Appraisal</td>
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<table>
<tr><th>LOAN AMOUNT</th><th>APPRAISAL REQUIREMENT</th></tr>
<tr><td><= $2,000,000</td><td>One (1) Full Appraisal and CDA*</td></tr>
<tr><td>> $2,000,000</td><td>Two (2) Full Appraisals**</td></tr>
</table>
<i>* For loan amounts <= $2,000,000 Clear Capital Collateral Desktop Analysis (CDA) or Appraisal Risk Review (ARR) is required.</i>
<i>**When two (2) appraisals are provided, a CDA or ARR is not required. The lower value of the two appraisals will be utilized.</i>

A full appraisal involves a complete inspection of the home, including the interior and exterior of the subject property. Acceptable appraisal report forms must follow FNMA and FHLMC standards which include Uniform Appraisal Data Set (UAD) Specifications and the Field Specific Standardization Requirements.
Additional requirements:

Properties must be appraised within the 12 months that precede the date of the mortgage. When the appraisal report is more than 120 days old, the appraiser must perform a recertification of value per FNMA 1004D or FHLMC Form 442 which includes inspection of the exterior of the property and review of current market data to determine whether the property has declined in values since the date of the original appraisal. Additionally, MCFI reserves the right to require additional appraiser re-valuation reports depending on age of documentation.
Uniform Residential Appraisal Report (URAR) with color photos.
FNMA form 1004 / FHLMC Form 70 for use on one-unit properties including individual units in Planned Unit Development (PUD) projects.

Obtain Appraisal Form 1007 and use 100% of the gross market rent in DSCR calculation. (Subject to the limitation on vacant unit in the refinance transaction.)
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<td>Valuation Overview</td>
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MCFI uses FNMA Guidelines as our minimum appraisal standards for all written appraisal reports. Reports must include/have, at a minimum, the following:
● Uniform Appraisal Standards
● Appraiser Independence
● Appraiser Competency
● Fair Lending Requirements
● Vendor Selection Process
● Acceptable Appraiser Practice Standards
● Compliance with the Uniform Standards Professional Appraisal Practice (USPAP), as established by the Appraisal Standards Board of the Appraisal Foundation.
● Properties in excess of the predominant value of the subject market area are acceptable provided they are supported by similar comparables and also represent the highest and best use of the land as improved.

Appraisal Independence
● Appraisers must have no direct or indirect interest, financial or otherwise in the subject property or with the involved parties.
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	• All appraisals must be ordered through an Appraisal Management Company (AMC) Appraisal Review Requirements Appraisal reviews are required for all loan amounts. Any loan amount over $2,000,000.00 will require 2 full appraisals. The lesser of the two is to be used for valuation for the loan file. However, when only one appraisal is provided follow the below to determine if a secondary report is required: Collateral Desktop Analysis (CDA) from Clear Capital Appraisal Management or an independent vendor required; or Appraisal Risk Review (ARR) from Pro Teck is required when the CU score is greater than 2.5. If you have either one or both CU score at 2.5 or less this is acceptable if the reports were both pulled around the same date. • If a valuation from either of these companies is less than 90% of the appraised value, then the LTV will be calculated using the lower of the CDA or the ARR value. • If CDA or ARR are not available, then another appraisal is required. • All mortgage transactions located in a federally declared disaster zone, whether it is a purchase or a refinance, will require a Disaster Inspection Report. The practice of obtaining a Disaster Inspection Report should continue for a minimum of 90 days from the date of the disaster and display a completion date that doesn’t exceed 15 days prior to the loan closing. • On all Purchase Money Transactions, closing instructions should indicate that no credits for property conditions are allowed and there should be no seller concessions due to damage to the property that was caused by the declared federal disaster.
Property Taxes	For new construction or full renovation property we need one of the following to document the proposed property taxes based on improvements: • Documentation from title/settlement attorney detailing tax amount being used is based on current tax mileage and new build/improvements. • Printout of county tax estimator using purchase price OR appraisal cost new estimate (if shown on appraisal) • Calculation worksheet using mileage rate+purchase price OR appraisal cost new estimate (if shown on appraisal) needs to be provided. We cannot accept previous year’s tax bill that does not show improvements i.e. land only assessed.
Title Insurance Requirements	Eligible title insurance must reflect the following: • The effective date of the commitment should be dated within 120 days of the signing of the note and the mortgage. If the date exceeds 120 days, the title company must update the commitment with either gap coverage or an updated commitment. Please note that Texas loans must be within 90 days. • Title insurance is required, the amount of the policy must be the same as the amount of the loan. • All title vesting must be reviewed to insure it is as it appears on the application. All title holders are required to authorize the mortgage transaction which is accomplished by requiring all nonapplicant title holders to sign certain closing documents. • When title insurance is required on a property that is held in trust, the trust agreement must be reviewed and approved by the title company and MCFI. MCFI will not allow loans that are held in an irrevocable trust.

	• The definition of the estate should be Fee Simple. • For a purchase loan, the vesting will state the seller's name(s) and should match the purchase contract. A deed transferring title will be required at closing. • The legal description for the property should appear as it does on the appraisal and the application. • The tile report must contain the entire legal description and may be identified by lot and block or metes and bounds description. • The original title commitment should be countersigned by an authorized person from the title company. • Title report should show the appropriate lien position. It will also show if there are any exceptions listed on the commitment. • Outstanding mortgages on the subject property are also listed on the preliminary title report. Any additional mortgages must be addressed, paid-off and released at or prior to closing the loan. • Liens and Judgments. Any liens (i.e., federal tax liens, mechanic's liens) or judgements must be paid off at or prior to closing. Judgments that belong to another person or of a similar name may appear on the preliminary title report. In these instances, the applicant must sign an affidavit at closing, to satisfy the title company, which states they are not the person(s) named in the judgement(s). These judgments should not be on the final title policy. Solar liens are to be subordinated or paid off. HERO liens must be paid. • Real estate taxes and assessments are liens against the property that take precedence over all other liens. If the property owner fails to pay their taxes or assessments, then the county or city can sell the taxes to obtain the monies owed to them. Even if a lender has interest in the property the taxes can be sold. • If taxes on the subject property are due and payable within 30 days but the county or city will not accept payment yet, then an escrow account is required to be set up by the title company to avoid any exceptions on the final title policy. • If a title company requires an escrow account when the due date is beyond 30 days (i.e., 45 days), then all parties must adhere to the title company's requirements. All borrowers must sign the title company's prepared escrow agreements at closing. • Easements are rights that a person has on the property/land of another person. Examples of easements are public utility easements, mineral rights, beach rights and riparian rights. These will not affect our lien position and can remain as exceptions on the title policy. • Encroachment is construction on the property of another, i.e., wall, fence, or a driveway. Encroachments listed on the preliminary title report can remain as an exception on the final title policy if the title company will insure against loss or damage caused by the enforced removal of the real property that is encroaching onto the easement. However, if the title company will not provide insurance, then the encroachment must be reviewed by MCFI underwriter to determine if this will materially affect the value of the property/improvements or our security interest. • Surveys. All survey exceptions must be cleared on all loan products. MCFI will defer to the title company to advise on what is necessary to remove the survey exception. • Homeowners Association Dues. HOA dues must be current or paid current at time of closing. A letter from the association is required stating that the applicant's dues are up to date, that there are no liens currently and that

	no liens have been placed on the subject property due to non- payment of dues.
	• Lis Pendens. A legal notice that is recorded to show any pending litigation relating to the property. Anyone that is acquiring an interest in the property subsequent to the date of the notice may be bound by the outcome. All Lis Pendens are to be removed or the application will be denied.
	• Rebuild in Coastal Areas. The application will be denied if the subject property is in a coastal area and cannot be rebuilt.
	• Oil and Gas Leases and Mineral Rights. MCFI will require affirmative language if they remain as exceptions on the final title policy. We must confirm that these leases do not provide for any surface rights. If lease does provide for surface rights this property will be ineligible.
	• Agreements such as private well and septic, private roads and shared driveways also require affirmative language and can remain as an exception on the title unless they relate to a public utility. Private well agreements need to be reviewed to determine whether the well is on the subject property or the rights to the well will be transferred with the title to the property. If this is not the case, the subject property may be considered ineligible.
	
	Unacceptable Title Defects can be, but are not limited to, the following:
	  • Open liens, judgements, taxes, or tax liens
	  • Non-clearance of a probated property
	  • Foreclosure
	• Properties with unexpired redemption periods.

Power of Attorney	• Specific Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial application is signed by the borrower executing the POA. • No POA may be used for cash out transactions. • No POA may be used if closing in a trust or a business entity. • LOE regarding why a POA is needed must be provided.

Title Policy Requirements	**Endorsements**
	The following is a list of required endorsements:
	● Comprehensive Endorsement Survey (ALTA Form 100 or ALTA 9)
	● EPA Endorsement (ALTA 8.1)
	● Condominium Endorsement (ALTA 4)
	● PUD Endorsement (ALTA 5)
	● Adjustable/Variable Rate Endorsement (ALTA 6)
	
	Survey requirements – each loan will have
	● A survey of the property securing the loan; or
	● A survey affidavit, acceptable in all respects to the title insurance company insuring the loan, such that the title insurance policy insuring the first mortgage encumbering the loan is without exception regarding any matter related to a survey including:
	  ○ the location of improvements on the subject property
	  ○ the location of easements on the subject property
	  ○ the location of encroachments affecting the subject property, or the subject property's metes and bounds
	● If a survey is included, the survey must have been certified, dated, and signed by a licensed civil engineer or registered surveyor performing the survey. Unimproved land surveys are not acceptable.
	● Surveys must be reviewed for easements, encroachments, flood zone impacts and possible boundary violations.

Hazard Insurance Requirements/Condo (HO6)	Hazard insurance must protect against the loss or damage of the property from fire and other hazards covered by the standard extended coverage endorsement. A declaration page is required prior to closing for all loans as proof of insurance. On all refinance transactions, if the coverage termination date is within 30 days of the closing, MCFI will require evidence of continuing coverage. A loss payable endorsement is required for all loan transactions. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum: ● Wind ● Civil commotion (including riots) ● Smoke ● Hail ● Damages caused by aircraft vehicle or explosions Hazard insurance policies that limit or exclude from coverage, in whole or in part, windstorm, hurricane, hail damages, or any other perils that would normally be included under an extended coverage endorsement are not acceptable. Borrowers may not obtain hazard insurance policies that include such exclusions or limitations unless that have obtained a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril. The HOI Policy must be effective for at least 60 days after the date of funding. Evidence of Insurance can be provided in one of the following forms: ● Policy ● Certificate of Insurance **Other Requirements** ● MCFI requires Hazard Insurance protection on all loans. A Declaration Page is required prior to closing for all loans as proof of insurance. ● MCFI will require evidence of continuing coverage on all refinance transactions where the coverage termination date is within 30 days of the closing, ● A Loss Payable Endorsement is required on all loan transactions. ● Property Insurance Minimum Rating requirements must be met. **Disaster Policies** MCFI will allow loans that are secured by properties that are located within a declared disaster area or in an undeclared disaster area, either man-made or natural, subject to the following conditions: ● MCFI reserves the right to require a written certification from the appraiser, a Disaster Inspection Report, which indicated that the value of the property has not been affected by any damage arising out of the disaster and that the subject property is in marketable condition and that there are no major repairs needed or detrimental conditions to the subject property. ● Borrowers are required to complete a Borrower Certification at time of closing on the physical condition of the property. **Deductibles** ● Family Residences. The maximum allowable deductible, to include any separate wind-loss or other separate deductibles that apply to a specific property element, is 5% of the face amount of the policy.

- Condos, Co-ops, and PUDs. The maximum deductible amount for policies covering the common elements must be no greater the 5% of the face amount of the policy.
- For losses related to an individual unit in a co-op or PUD that is covered by a blanket policy; the maximum deductible is no greater than 5% of the replacement cost.
    - If there is a wind-loss deductible, then the deductible must be no greater than 5% of the face amount of the policy.
- For Condos with blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

Evidence of Insurance Requirements

- Names of the borrowers to reflect same name as on the Note/Security Instrument
- Property address matches the Note/Security Instrument
- Mailing address is the same as property address
- Policy Number
- Loan Number
- Name of insurance company
- Insurance agent information
- Effective and expiration dates of coverage. For purchase loans, effective date must be on or before closing date.
- Premium amount
- Coverage amounts and deductible
- Loss payee clause as applicable
- Signed and dated by the agent

Amount of Coverage Required

Hazard Insurance coverage must comply with state, federal laws and should be for the lesser of:

- 100% of the insurable value of improvements, as established by the property insurer; or
- The unpaid principal balance of the mortgage if it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage of loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained. If the dwelling coverage amount covers the principal balance of the mortgage a replacement cost estimator is not required.

Determining the amount of required Hazard Coverage

The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft vehicles or explosions.

Hazard insurance policies that limit or exclude from coverage, in whole or in part, windstorm, hurricane, hail damages, or any other perils that would normally be included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such exclusions or limitations unless they have obtained a separate policy or

	endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril. Hazard Insurance coverage must comply with state and federal laws. It should be equal to the lesser of: • 100% of the insurable value of improvements, as established by the property insurer or reputable 3rd party source (i.e., CoreLogic); • Estimated cost to replace as notated on appraisal delivered with loan file (Total Estimate of Cost-New) OR RCE from insurance provider/agent; • The unpaid principal balance of the mortgage If none of the above are met, then coverage that does provide the minimum required amount must be obtained.
Maximum Number of Financed Properties	• There is no limitation to the total number of financed properties a borrower may own when the subject property is an investment property. • MCFI exposure may not exceed 10 loans or $5M aggregate whichever is less for each borrower. • DSCR<1 is limited to a maximum $2MM to any one borrower.
Miscellaneous	Fraud Reviews • Data integrity is crucial to having a quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e. Fraud Guard, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted. OFAC and Watchlist • Provide documentation to confirm borrowers, entities as borrower, sellers, realtors need to be ran against these lists. For refinances, the borrowers, entities as borrower, appraiser and appraisal company should also be included in the search.

VISA ELIGIBILITY MATRIX

Visa Category	Visa Type	Brief Description	Documentation Required	EAD Code
Trade Treaty Work Visa	E-1	Treaty trader - employee, spouse, and/or child	Visa and EAD	C02
	E-2	Treaty investor - employee, spouse, and/or child	Visa	
	E-3	Specialty occupation		
	E-1, E-2, or E-3D	Spouse of E-1, E-2 or E-3	Visa and EAD	A17/C12
Temporary Employment Visa	H-1B	Specialty Occupation	Visa	
	H-1B1	Specialty Occupation		
	H-1B2	Specialty Occupation - U.S. Department of Defense		
	H-1B3	Fashion model of distinguished merit and ability		
	H-1C	Registered nurse - U.S. Department of Labor		
	H-4	Spouse or child of H-1B	Visa and EAD	C26
Media Work Visa	I	Foreign media outlet (press, radio, film, or other)	Visa	
Nonimmigrant Visa for Fiancé(e)	K-1	Fiancé(e) - purpose of marriage	Visa and EAD	A06
Nonimmigrant Visa for Spouse	K-3	Spouse of a U.S. citizen	Visa and EAD	A09
Temporary Employment Visa	L-1A	Intracompany transfer - managerial or executive	Visa	
	L-1B	Intracompany transfer - specialized knowledge		
	L-2	Spouse or child of L-1A or L-1B	Visa and EAD	A18
Temporary Employment Visa	O-1A/B	Extraordinary ability in analysis, business, education, entertainment	Visa	
	O-2	Assistant to O-1		
	P-1A	Internationally recognized athlete		
NAFTA Professional Workers Visa	TN	Professional under NAFTA	Visa	
Spouse / Child of Permanent Resident Alien	V-1	Spouse of a Legal Permanent Resident (LPR) who is the principal beneficiary of a family-based petition (Form I-130) which was filed prior to December 21, 2000, and has been pending for at least three years.	Visa and EAD	A15
	V-2	Child of a Lawful Permanent Resident (LPR) who is the principal beneficiary of a family-based visa petition (Form I-130) that was filed prior to December 21, 2000, and has been pending for at least three years.		
	V-3	The derivative child of a V-1 or V-2.		

TEMPORARY EMPLOYMENT VISAS – ADDITIONAL INFORMATION

Visa Category	Visa Type	Brief Classification Description	USCIS Period of Stay/Extension Requirements – Income Continuity, Stability, and Dependability Considerations
Temporary Employment Visa	H1-B	Specialty Occupations, DOD Cooperative Research and Development Project Workers, and Fashion Models	• An H-1B specialty occupation worker or fashion model, • May be admitted for a period of up to three years. • The time period may be extended, but generally cannot go beyond a total of six years, though some exceptions do apply.
	L-1A	Intracompany Transferee Executive or Manager	• Qualified employees entering the U.S. to establish a new office will be allowed a maximum initial stay of one year. • All other qualified employees will be allowed a maximum initial stay of three years. • All L-1A employees, requests for extension of stay may be granted in increments of up to an additional two years, until the employee has reached the maximum limit of seven years.
	L-1B	Intracompany Transferee Specialized Knowledge	• Qualified employees entering the U.S. to establish a new office will be allowed a maximum initial stay of one year. • All other qualified employees will be allowed a maximum initial stay of three years. • All L-1B employees, requests for extension of stay may be granted in increments of up to an additional two years, until the employee has reached the maximum limit of five years.
	O-1A/ O-1B/ O-2	Individuals with Extraordinary Ability or Achievement	• An initial period of stay for up to 3 years. • USCIS will determine time necessary to accomplish the initial event or activity in increments of up to 1 year. • New petitions involving new events or an event that, on case-by-case basis is determined to be materially different from the event in the initial petition may be approved for up to 3 years.
	P-1A	Athlete	• Individual athlete - The time needed to complete the event, competition, or performance. • This period of time cannot exceed five years. • Extensions of Stay in increments of up to five years in order to continue or complete the event, competition, or performance. • Total stay is limited to 10 years.

EAD ELIGIBILITY MATRIX

Certain borrowers may hold an EAD which does not require a corresponding Visa type. Borrower's holding the **EADs noted below are eligible without a Visa.**

EAD Code	EAD Code Definition
C09	Adjustment of status applicant
C10	• Nicaraguan Adjustment and Central American Relief Act (NACARA) section 203 applicants Applicant for suspension of deportation • Applicant for cancellation of removal
C24	LIFE legalization applicant
C31	• Principal beneficiary of an approved VAWA self-petition • Qualified child of a beneficiary of an approved VAWA self-petition
C33	Deferred Action for Childhood Arrivals