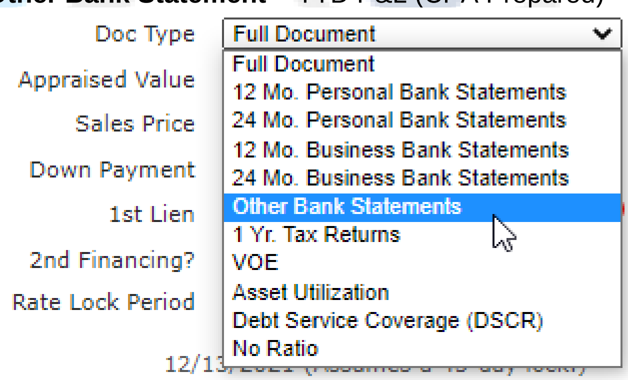
MEGA CAPITAL FUNDING, INC.

MVP1 (FIXED & ARM Program)

WVOE, P&L (CPA/EA/CTEC prepared) and Bank Statement

WVOE, P&L (CPA/EA/CTEC prepared) and Bank Statement							
Max Loan amount	Minimum FICO	Purchase/Rate & Term		Cash Out***		Reserves ****	Max DTI
		Primary*	Second Home** & NOO	Primary*	Second Home** NOO		
$1,000,000	680	75%	75%	70%	70%	6 Mos.	43%
$2,000,000	680	75%	75%	65%	65%	9 Mos.	43%

* Primary Home: 1-2 Units only
** Second Home: 1 Unit only
***Max. cash out: LTV > 60% ($750K)
LTV <=60% (Unlimited)
Cash out proceeds can be used for the reserves.
***The subject property reserves only. For additional financed property, 2 months PITIA reserves are required.

GENERAL REQUIREMENTS	
Underwriting Method	• Manual Underwriting Only • All compliance requirements must be met with Federal & State regulations. • Evidence of agency ineligibility is required.
Appraisal report	• Two appraisals are required for either of the following scenarios: loan amounts > $1,500,000 or HPML flip transactions as defined by the CFPB. • Transferred appraisal report is allowed. Follow MCFI policy.
Minimum FICO	680 with at least two (2) scores per borrower. • Mid fico or lower of the two scores (per borrower) will be used to qualify.
Loan amount	• Minimum - $150,000 • Maximum - $2,000,000
MEGA LOS Doc Type Options	• **Other Bank Statement** – YTD P&L (CPA Prepared)  • WVOE (FNMA Form 1005)

Program Codes	see table below

Doc Type	Code	Term	Amort type	Prepay Term
CPA P&L WVOE 12 Months Bank Statements	MVP1-30	30yr Fixed	Full	-
	MVP1-30-21BD	30yr Fixed	Full	-
	MVP1-3P30	30yr Fixed	Full	3yrs
	MVP1-2P30	30yr Fixed	Full	2yrs
	MVP1-1P30	30yr Fixed	Full	1yrs
	MVP1-5/6	5/6 30yr ARM	Full	-
	MVP1-5/6-21BD	5/6 30yr ARM	Full	-
	MVP1-3P5/6	5/6 30yr ARM	Full	3yrs
	MVP1-2P5/6	5/6 30yr ARM	Full	2yrs
	MVP1-1P5/6	5/6 30yr ARM	Full	1yrs
	MVP1-7/6	7/6 30yr ARM	Full	-
	MVP1-7/6-21BD	7/6 30yr ARM	Full	-
	MVP1-3P7/6	7/6 30yr ARM	Full	3yrs
	MVP1-2P7/6	7/6 30yr ARM	Full	2yrs
	MVP1-1P7/6	7/6 30yr ARM	Full	1yrs

Prepayment Penalty	▪ Hard Prepayment periods up to 3 years. See rate sheet. ▪ Six Months Interest: the prepayment charge will be equal to six months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The prepayment penalty is applicable regardless of the reason for the prepayment of principal including prepayments resulting from the sale or refinance of the subject property or curtailments that exceed 20% of the original balance in any 12-month period. ▪ District of Columbia: (Max 2 months interest) ▪ Georgia: limited to 2% of the loan amount, if prepaid in the first 12 months, and 1% of the loan amount, if prepaid in the second 12 months. ▪ Penalties not allowed on loans vested to individuals in IL & NJ ▪ Declining Prepay in Mississippi (3-2-1%) ▪ Massachusetts: Penalty capped at 3 months interest. ▪ Pennsylvania: Penalties not allowed on loan amounts less than $278,204

Qualifying Rate	Qualifying ratios are based on PITIA payment with the principal and interest payments amortized over the loan term.
	• 5/6 SOFR: (2/1/5 Cap Structure)
	  ○ Qualify borrower(s) at the greater of the Fully Indexed Rate or Note Rate
	  ○ Margin: refer to rate sheet
	  ○ Minimum Interest rate Floor is Margin
	• 7/6 SOFR: (5/1/5 Cap Structure)
	  ○ Qualify borrower(s) at the greater of the Fully Indexed Rate or Note Rate
	  ○ Margin: refer to rate sheet
	  ○ Minimum Interest rate Floor is Margin
	• 30 Year Fixed

Subject Property Reserves	Required subject property reserves are PITIA based on the qualifying rate.
DTI	**Maximum Total Debt-to-Income (DTI) ratio allowed: 43%**
Approved States	All MCFI approved states
Declining Market	5% LTV/CLTV reduction is required.
ARM Index	SOFR 30 Day Avg index

<table>
<tr><td>ARM term</td><td>
<table>
<tr><th>PROGRAM CODE</th><th>TERMS</th><th>CAPS</th><th>INDEX</th><th>MARGIN</th></tr>
<tr><td>MVP1 5/6</td><td>5/6 ARM</td><td>2/1/5</td><td rowspan="2">SOFR</td><td rowspan="2">See Rate sheet</td></tr>
<tr><td>MVP1 7/6</td><td>7/6 ARM</td><td>5/1/5</td></tr>
</table>
</td></tr>
<tr><td>Derogatory Housing History</td><td>

Derogatory Housing Events:

Housing Events as Foreclosures, Short Sale, Deed in Lieu, Default Modification, Notice of Default, or 120+ Days Delinquent
Bankruptcies are considered Housing Events, inclusive of Chapter 7, 11, and 13
Defaulted first and second mortgages on same property are considered one (1) event.
Events include all occupancy types (Primary, Second Home, and Investment Properties)
Seasoning lookback is from the date of discharge/dismissal or property resolution (completion date), as of the note date.
Modification look back commences at inception (when loan was permanently modified)
4 years seasoning is required.

Housing History

Twelve (12) month mortgage/housing history includes all occupancy types: Primary, Second Home and Investment Properties.
0 x 30 days x 12

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<tr><td>Max. Cash-Out Limits</td><td>

LTV > 65% - $750K
LTV <= 65% - Unlimited
Cash-out proceeds can be used for the reserves.

</td></tr>
<tr><th colspan="2">BORROWER ELIGIBILITY</th></tr>
<tr><td>Eligible Borrowers</td><td>

U.S. Citizens
Permanent Resident Aliens
Non-Permanent Resident Aliens

</td></tr>
<tr><td>Permanent Resident Alien</td><td>

A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis. Permanent resident aliens are eligible for financing.
Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria:

I-151 – Permanent Resident Card (Green Card) that does not have an expiration date.
I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired.
I-551 – Conditional Permanent Resident Card (Green Card) issued for two (2) years that has an expiration date, if it is accompanied by a copy of USCIS form I-751 requesting removal of the conditions.
Un-expired Foreign Passport with an un-expired stamp reading as follows: “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized.”

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<tr><td>Non-Permanent Resident Aliens</td><td>

The following Visa classifications are allowed as Non-Permanent Resident Aliens:

<table>
<tr><td>– E-1, E-2, E-3</td><td>– H-1B</td><td>– O-1</td></tr>
<tr><td>– EB-5</td><td>– L-1</td><td>– R-1</td></tr>
<tr><td>– G-1 to G-5</td><td>– NATO</td><td>– TN (NAFTA)R-1</td></tr>
</table>

Copies of the Borrower’s passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form

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</table>

	(Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing. • A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the Borrower's current employer. If the visa will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the Borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa) • If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-Borrowers only. A valid EAD must be provided to use income for qualification. • Borrowers who are residents of countries which participate in the Department of Homeland Security's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website: https://www.dhs.gov/visa-waiver-program-requirements • Purchase and Rate & Term Refinances only.
First Time Home Buyer	• First Time Home Buyers are individuals that have not owned a home or had a residential mortgage in the last 5 years. • The maximum payment shock is 250%.
Limited Partnership (LP), General Partnership (GP), Corporations (Corp) and Limited Liability Companies (LLC)	• Properties vested in any of these manners are limited to Investment property transaction. The following requirements must be met: – For an LLC, the purpose is for the ownership and management of real estate – All LLC owners (max four (4)) are Borrowers on the transaction o All Borrower(s) must execute Occupancy Certification o Guarantor(s) must be a manager or majority owner (25% or greater) of the business entity and is subject to the same underwriting requirements as an individual Borrower. o Personal Guarantor(s) required if note is not being signed individually (see below for signing example) and must sign all closing documents and disclosures. All Borrower(s) will be required to provide Personal Recourse – The following LLC documents are required: o Articles of Incorporation o Operating Agreement o Tax Identification Number o Certificate of Good Standing – Layered entities are permitted up to two (2) layers when there is a single Guarantor of the top entity which is, 100% owner/guarantor of bottom entity (title holder/borrower). o Guideline requirements above must be met for each entity. – LLC Signature Requirements o The note must be signed by both the applicant(s) in their individual capacity and as member(s) and/or manager(s) of the LLC. All members of the LLC must sign the note as member(s) of the LLC, in addition to any other signature requirements. In cases where there will not be any individual capacity signatures, each member/manager must sign a Personal Guaranty. o The Mortgage/Deed of Trust/security instrument should be signed by all member(s) of the LLC in their capacity as member(s) and/or manager(s) of the LLC. Any non-borrowing member will be required to sign the note and mortgage/deed of trust in their capacity as member(s).

	Example: **Note:** *John Smith (Individual signature if person is not signing a Personal Guaranty)* *John Smith, as member of ABC Properties, LLC* **Mortgage/Deed of Trust:** *John Smith, as member of ABC Properties, LLC*
Ineligible Borrowers	• Irrevocable or Blind Trusts • Land Trusts • Borrowers with diplomatic immunity • DACA & asylum applicants • Non-occupant co-borrower • Self-employed Borrower deriving their income from any Cannabis related business. • Borrowers(s) with residence of any country not permitted to conduct business with U.S. Companies as determined by U.S. government authority.
OCCUPANCY ELIGIBILITY	

Primary Residence	• A primary residence is a property that the Borrower(s) currently resides in (refinance) or intends to occupy as his or her principal residence.
	• 1-2 Units only.
	• Characteristics that may indicate that a property is used as a Borrower's primary residence include:
	  ○ Occupancy by the Borrower for the major portion of the year
	  ○ Location is relatively convenient to the Borrower's principal place of employment.
	  ○ Property is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and similar matters.
	  ○ Borrower may not own an additional single-family residence of equal or greater value than subject property.
	  ○ Property possesses physical characteristics that accommodate the borrower’s family

Second Home	• 1 unit only.
	• A property is considered a second home when it meets all the following requirements:
	  ○ Must be located a reasonable distance away from the Borrower(s) principal residence.
	  ○ Must be occupied by the Borrower(s) for some portion of the year.
	  ○ Is restricted to a one-unit dwelling.
	  ○ Must be suitable for year-round occupancy.
	  ○ The Borrower(s) must have exclusive control over the property.
	  ○ Must not be subject to any timeshare arrangements, rental pools or other agreements which require the Borrower to rent the subject property or otherwise give control of the subject property to a management firm

Non-Owner Occupied	• Occupancy designation for an income producing property where the Borrower does not occupy the Subject property. • All borrower(s) must execute the Business Purpose & Occupancy Affidavit and the Occupancy Certification • For non-owner-occupied loans with a Guarantor, the Borrower(s) providing the guarantee must execute the Personal Guaranty Agreement. • Rural properties not permitted. • Gift funds are permitted on Non-Owner-Occupied loans.
TRANSACTION ELIGIBILITY	
Purchase	• A purchase transaction is one which allows a buyer to acquire a property from a seller where the proceeds of the transaction are used to finance the acquisition of the Subject property. • The lesser of the purchase price or appraised value of the Subject property is used to calculate the LTV. • Sellers must have owned the property for more than 12 months, otherwise the transaction is subject to review as a Flip Transaction. Scenarios that meet the definition of a Flip Transaction must meet the requirements provided in that section. ○ Bank owned REO and Corporate Relocations are eligible and not considered a flip transaction. • Maximum Interested Party Contributions permitted up to 6%.

Rate & Term	• A Rate / Term Refinance transaction is when the new loan amount is limited to the payoff of a present mortgage for the purpose of changing the interest rate and/or term of mortgage only with no additional cash or advancing of new money on the loan unless it is below the limited cashout amount.
	• A seasoned non-first lien mortgage is (1) a purchase money mortgage or (2) a closed end or HELOC mortgage that has been in place for more than twelve (12) months and/or not having any draws greater than $2,000 in the past twelve (12) months.
	  ○ Withdrawal activity must be documented with a transaction history from the HELOC.
	• Limited cash to the Borrower must not exceed the greater of $2,000 or 1% of the principal amount of the new mortgage to be considered a Rate & Term refinance.
	• The LTV / CLTV will be based off of the appraised value. Loan must be used to pay off existing lien on the Subject mortgage and cash to the Borrower must not exceed the greater of $2,000 or 1% of the principal amount of the new mortgage.
	• Properties that have been listed for sale by the Borrower within the past six (6) months from the loan application date are subject to incremental Early payoff (“EPO”) protection. Please contact the MCFI lock desk.
	• Incremental Early Payoff (EPO) protection will not be required if the subject is an investment property and the borrower can provide an executed twelve (12) month lease from the tenant and evidence of payment for some combination of monies received (1st, last and security)
	• The rate / term refinance of a construction loan is eligible with the following conditions:
	  ○ If the lot was acquired twelve (12) or more months before applying for the subject loan, the LTV / CLTV is based on the current appraised value of the property.
	  ○ If the lot was acquired less than twelve (12) months before applying for the construction financing, the LTV / CLTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs.
	• Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance.

	• Refinancing of a Land Contract is considered a purchase and LTV / CLTV should be calculated using purchase price.
Cash-Out	• A Cash-Out Refinance transaction allows the Borrower to pay off the existing mortgage by obtaining new financing secured by the same property or allows the property owner to obtain a mortgage on a property that is currently owned free and clear. The Borrower can receive funds at closing if they do not exceed the program requirements. • To be eligible for a Cash-Out Refinance the Borrower must have owned the property for a minimum of six (6) months prior to the application date • Properties listed for sale by the Borrower within the last twelve (12) months are not eligible. • If the property is owned less than twelve (12) months but greater than six (6) months at the time of application, the LTV / CLTV will be based on the lesser of the original purchase price plus documented improvements, or current appraised value. The prior settlement statement will be required for proof of purchase price. • Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance. • Refinancing of a Land Contract is considered a purchase and LTV / CLTV should be calculated using purchase price. • A Texas 50(a)(6) loan is a non-purchase money mortgage (potentially including a refinance of a prior home equity loan) in which the borrower takes equity out of a homestead property in Texas. In order to be valid, these home equity loans must comply with all requirements listed in Section Article XVI, Section 50(a)(6) of the Texas Constitution. • Rural properties not permitted

Continuity of Obligation	• Continuity of obligation occurs on a refinance transaction when at least one of the Borrower(s) (or members of the LLC) on the existing mortgage is also a Borrower / LLC on the new refinance transaction secured by the subject property.
	• When an existing Mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met:
	  ○ At least one Borrower on the refinance mortgage held title to for the most recent six (6) month period and the mortgage file contains documentation evidencing that the Borrower has been making timely mortgage payments, including the payments for any secondary financing, for the most recent six (6) month period.
	  ○ At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation, or dissolution of a domestic partnership.
	  ○ Title resolution prior to closing of subject loan (preferable prior to application)

Subordinate Financing	• New subordinate financing (institutional) allowed for purchase transactions only. • Primary residences only • If a HELOC is present the LTV / CLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the line amount of the HELOC (whether or not there have been any draws), and the unpaid principal balance of all other subordinate financing by the lower of the property's sales price or appraised value. • All subordinate loan obligations must be considered, verified, and considered when calculating the Borrower's DTI. • If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the minimum payment required under the HELOC terms considering all draws made on or before closing of the subject transaction. • For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment.

	• Existing subordination is permitted on refinances

Flip Transactions	• When the subject property is being resold within three hundred sixty-five (365) days of its acquisition by the seller and the sales price has increased more than ten (10%), the transaction is considered a “flip”. To determine the three hundred sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used.
	• Flip transactions are subject to the following requirements:
	  ○ 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 twelve (12) months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
	  ○ The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
	  ○ No assignments of the contract to another buyer
	  ○ If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained.
	  ○ An additional appraisal product is required. See Appraisal Review Process.
	• Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at: https://www.consumerfinance.gov/rules-policy/final-rules/appraisals-higher-priced-mortgage-loans/
	• A second appraisal is required in the following circumstances:
	  ○ Greater than ten (10%) increase in sales price if seller acquired the property in the past ninety (90) days.
	  ○ Greater than twenty (20%) increase in sales price if seller acquired the property in the past one hundred eighty (180) days.
	  ○ The Borrower may not pay for the 2nd appraisal

Delayed Financing	• Delayed purchase financing is available when a property was purchased by a Borrower using cash, within one hundred eight days (180) of the loan application.
	  ○ The original purchase transaction must be an arm’s length transaction.
	  ○ The source of funds for the original purchase transaction must be documented (bank statements, personal loan documents, HELOC from another property as example)
	  ○ The maximum LTV/CLTV for the transaction will be based on the lower of the current appraised value of the subject or the purchase price plus any of the documented improvements.
	  ○ The preliminary title information must confirm that there are no existing liens on the property.
	  ○ The loan is considered a Cash Out transaction. Cash Out loan, LTV and other limitations apply.

Temporary Interest Rate 2-1 Buydowns	MCFI permits Temporary Interest Rate 2-1 Buydowns in accordance with the Fannie Mae Seller Guides. Please default to the Fannie Mae Seller Guides unless specifically mentioned in the overlays below. **Eligibility** • Purchase transaction only. • When qualifying the borrower, loans that have a Temporary Interest Rate Buydown must be qualified at the initial note rate without consideration to the “bought down” rate.

<table>
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The total dollar amount of the Temporary Interest Rate Buydown must be consistent with the terms of the buydown period.
A buydown period may not be greater than 24 months.
A buydown period may not have increases of more than 1% in the portion of the interest rate paid by the borrower in each 12-month interval.
Eligible Transaction Types – The following table lists the transaction types that are eligible and ineligible for temporary buydowns:

<table>
<tr><th>Transaction type</th><th>Eligibility</th></tr>
<tr><td>Principal residence</td><td>Eligible</td></tr>
<tr><td>Second home</td><td>Eligible</td></tr>
<tr><td>Investment property</td><td>Ineligible</td></tr>
<tr><td>ARMs</td><td>Restricted</td></tr>
</table>

ARM’s and Temporary Interest Rate 2-1 Buydowns – The following provides parameters pertaining to ARMs subject to temporary interest rate buydowns.

Must be secured by a principal residence or second home.
Are only permitted with an ARM plan that has an initial interest rate period of three years or more.

</td></tr>
<tr><td>Ineligible Transaction</td><td>

Construction Loans
Builder Bailout & Model leasebacks
Conversion Loans
Rent Credits
Non-Arm’s Length
Lease Option

</td></tr>
<tr><th colspan="2">CREDIT ELIGIBILITY</th></tr>
<tr><td>Credit Report Details</td><td>

A tri-merged in file credit report from all three repositories is required.
A written explanation for all inquiries within ninety (90) days of application is required disclosing no new debt.
Alternate confirmation that there is no new debt may include a new credit report, pre-close credit score soft-pull or gap report.

DTI should be recalculated based on any new debt.
Any new credit scores must be reviewed for qualifications.

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<tr><td>Credit documents seasoning</td><td>
Age of documents from Note Date

Credit documents: 90 days
Income documents: 60 days
Asset documents: 90 days
Appraisal: 120 days (With re-certification of value: 180 days)
Title report: 90 days

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<tr><td>Housing History</td><td>

0 x 30days x 12
Twelve (12) months housing history is required. Twelve (12) month mortgage/housing history includes all occupancy types – Primary, Second Home and Investment Properties

All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify the account is current.

Housing history evidenced by twelve (12) months proof of payment via cancelled checks, bank debits or institutional VOR.

Private party VOR/VOM requires 12 months proof of payment.

LOE or rent-free letter is required when a twelve (12) month housing history is not applicable. If the borrower is a FTHB, rent-free is permitted with no credit exceptions.
Past due balloon will be considered a delinquency (1x30) and not a housing event, but only within one hundred eighty (180) days of maturity.

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Credit Scores	• To determine the Representative Credit Score, select the middle score when three (3) agency scores are provided and the lower score when only two (2) agency scores are provided. • Representative Credit Score of the Primary Wage Earner is used to qualify. ○ In the event there are multiple Borrowers that earn identical income, the Representative Credit Score will be the lower score of the applicants. • Primary Wage Earner must have a valid score from at least two (2) of the following three (3) agencies: Experian, Trans Union and Equifax. • Credit rescores are not allowed except in the event of a disputed item or valid error. Documentation must be provided to support the reason that a credit rescore was performed.
Tradelines	• Each Borrower's credit profile must include a minimum of two (2) trade lines within the last twenty-four (24) months that show a twelve (12) month history, or a combined credit profile between Borrower and co-Borrower with a minimum of three (3) tradelines. • Tradeline activity is not required. Eligible tradelines cannot have any derogatory history in previous twenty-four (24) months. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy and authorized user accounts. • Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks / debits) • Borrower(s) not using income to qualify are not required to meet the minimum tradeline requirements listed above. • Authorized user accounts must be used to calculate DTI ratio.
Credit Events	• Prior Bankruptcies (Chapter 7, 11, 13) requires 4 years seasoning. Multiple bankruptcies are not permitted. • Prior Foreclosure, Short Sale, Deed-in-Lieu, and Modification (due to default), Notice of Default, Lis Pendens, and 120+ days delinquency is permitted if seasoned 4 years. • Borrowers currently enrolled in credit counseling or debt management plans are not permitted. • All Judgments or liens affecting title must be paid. • Non-title charge-offs and collections within three (3) years and exceeding $5000 (individually or aggregate) must be paid. • Medical collections less than $15,000 are not required to be paid. • All past due accounts must be brought current prior to closing. • Disputed accounts require a LOE. • IRS tax payment plans approved by the IRS are permitted if current and do not carry a lien on any property. • All Borrowers must be current on mortgage or rent at loan application. • All derogatory revolving and installment accounts > sixty (60) days within four (4) years of closing require a full explanation. • Delinquent credit belonging to ex-spouse can be excluded if late payments occurred after the divorce / separation, and divorce decree / separation agreement indicates derogatory accounts belong solely to the ex-spouse. • Security freeze – Credit reports may not contain a security freeze and should be resolved prior to an underwriting decision. Unfrozen reports after the date of the original credit report require a new tri-merged report. • Defaulted timeshares – Timeshares including delinquencies are treated as installment loans and not a housing event.
INCOME DOCUMENTATION	
12 Month Profit & Loss (P&L)	**Eligibility** • Self-employed Borrower(s) only. Self-employed Borrower(s) who file their own tax returns are not eligible.

	• Minimum of two (2) years self-employment in the current profession
	    ○ Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent.
	• Self-Employed defined as Borrower owning >=50% ownership of respective business
	• Ownership percentage must be documented via Certified Public Account ("CPA")/IRS Enrolled Agent ("EA")/California Tax Education Council ("CTEC") letter, Operating Agreement or equivalent.
	• The CPA/EA/CTEC preparing the P&L must have filed the Borrower's most recent business tax returns.
	
	Documentation Requirements
	• Most recent 12-month Profit & Loss statement (P&L). P&L end date must be less than sixty (60) days old at closing.
	• All Profit & Loss statements must be completed by an independent CPA/EA/CTEC.
	• The CPA/EA/CTEC prepared P&L must be signed by both the Borrower and CPA/EA/CTEC
	• CPA/EA/CTEC must provide attestation that they prepared Borrower's tax returns and that are not related to the Borrower or associated with Borrower or Borrower's business.
	• The CPA/EA/CTEC must attest that they have performed either the following functions:
	    ○ Audited the business financial statements.
	    ○ Reviewed working papers provided by the borrower.
	• Credit file must contain documentation that the CPA/ CTEC license is verified and active. A screen shot of the IRS web site for an IRS Enrolled Agent (EA) is acceptable.
	• Borrower narrative on nature of business required.
	• An internet search of the business is required with documentation to be included in the credit file to support existence of the business.
	• Employment verification documentation must be consistent with information on the loan application and Borrower's credit report.
	• Verification of business existence and that the business is fully operational/active required within ten (10) calendar days of closing.
	Qualifying Income
	Qualifying income is the lower of the 12 Month Profit & Loss statement (P&L) or monthly income disclosed on the initial signed 1003.

WVOE	**Eligibility** • Wage earners only • Two (2) years history of employment in same industry and 1-year continuous employment at current job **Documentation Requirements** • A Written Verification of Employment (FNMA Form 1005) can be utilized when the only source of earnings is wages/salary. • FNMA Form 1005 must be fully completed by Human Resources, Payroll Department, or an Officer of the Company. The form must be sent and received directly from the employer. • Verification of delivery and receipt of the FNMA Form 1005 must be in the file. • Verification of delivery and receipt of the FNMA Form 1005 must comprise the following form of documentation: Physical mail, Fed-Ex, facsimile, or email communication. Physical mail, Fed-Ex, and facsimile must come directly from the employer's address. An email communication must properly identify the Company representative.

	• Borrower(s) employed by a family member or related individuals or home based employment are not eligible for qualification under the WVOE program.
	• FNMA Form 1005 must have a twenty-four (24) month history of wage earnings/salary.
	• FNMA Form 1005 must contain the following:
	  ○ Dates of employment
	  ○ Position
	  ○ Prospect of continued employment
	  ○ Base pay amount and frequency
	  ○ Gross Earnings: year to date plus last two (2) year's earnings, or at least one (1) year earnings if current job is less than two (2) years. (Previous WVOE is required.)
	  ○ Additional salary information
	  ○ Bonus
	  ○ Overtime
	  ○ Tips
	  ○ Commission Income
	  ○ Paystubs, Tax Returns, 4506-T, or W-2's not required.
	• A Verbal Verification of Employment (VVOE) must be performed within ten (10) calendar days prior to the funding date.
	  ○ A Borrower who is no longer employed at the same employer listed on the initial 1003 will not be eligible.
	• VVOE should include name of contact at place of employment, phone number and title along with company name, address and Borrower's job description and title. Verbal verification of employment for previous jobs within last two (2) years.
	• Employment verification documentation must be consistent with information on Borrower's credit report.

Bank Statements	**Documentation Requirements**
	• Twelve months consecutive bank statements required.
	• Any loan submitted with less than twelve (12) months of consecutive bank statements will not be eligible.
	• Business Narrative
	  ○ Borrower must provide a business narrative which includes details relating to the size / score and operating profile of the business, including the following:
	  ○ Description of Business / Business Profile
	  ○ Location and Associated Rent
	  ○ Number of Employees / Contractors
	  ○ Estimated Cost of Goods Sold if any.
	  ○ Materials / Trucks / Equipment
	  ○ Commercial or Retail Client Base
	• An internet search of the business is required with documentation to be included in the credit file to support the Business Narrative.
	• Verification of business existence and that the business is fully operational/active required within ten (10) calendar days of closing.
	• Multiple bank accounts may be used.
	• Co-mingling of personal and business accounts is not permitted.
	• Bank statements must be most recent available at time of application and must be consecutive.
	• Non-borrowing joint account holder affidavit is required to ensure no deposits by that non-Borrower is included as income.

12-Month Personal Bank Statements	**Documentation Analysis** • Any deposits into a personal account deemed to derive from a source other than the business (rents, SSI, joint account holder wage income, IRS refunds) must be excluded from the analysis.

	• Unusually large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required.
	• Two (2) months of business bank statements are required. These statements should evidence activity to support business operations and reflect transfers to the personal account.
	  ○ A borrower who only utilizes a personal account for business activity and does not have an associated business account is eligible to qualify through Business Bank Statements.
	  ○ Co-mingling of personal and business receipts is not permitted.
	• If bank statements provided reflect payments being made on obligations not listed on the credit report, a thorough analysis must be performed and LOE provided from the Borrower.
	• Declining Income may require an LOE.
	
	Business Requirements
	• Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent.
	• Ownership percentage must not be less 25% and documented via CPA letter, Operating Agreement, or equivalent.
	• Borrowers who own more than three (3) businesses must use personal bank statements option.
	
	Qualifying Income
	• For personal bank statement documentation, it is the lower of the following:
	  ○ Personal bank statement average (total eligible deposits / 12 months)
	  ○ Monthly income disclosed on the initial signed 1003

12-Month Business Bank Statements	**Documentation Analysis** • Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business related income. • Large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required. • Declining Income may require an LOE. • NSFs may require a Borrower LOE documenting they are not due to financial mishandling or insufficient income. A maximum of 3 NSF occurrences within a twelve-month period are allowed. If there are zero occurrences in the most recent three-month period, up to 6 occurrences in the most recent twelve-month period are acceptable. NSFs should be covered with deposits shortly after they are incurred.. • Expense line items that can be added back to the business net income include depreciation, depletion, amortization, casualty losses, and other losses or expenses that are not consistent and recurring. **Business Requirements** • Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer verifying 2-year business license history, Secretary of State Filing or equivalent. • Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent. • Minimum 50% business ownership required.

- Borrowers utilizing business bank statements that own > 50% but < 100% of a business will be qualified at the net income multiplied by their ownership percentage.

Qualifying Income

- Percentage of gross deposits using expense ratio factor based on business type and number of employees.
- Qualifying income will be the lower of the Expense Ratio formula or monthly income disclosed on the initial signed 1003.
- Expense ratio should be reasonable for the profession.
- Qualifying income should be multiplied by the Borrowers documented business ownership.
- Example: Borrower with $25,000 monthly average deposits multiplied by a 50% expense factor = $12.5k in qualifying income

		Employees	
Service Business (Offers Services)	**0**	**1-5**	**>5**
Examples of Service Business: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, Information Technology	15% Expense Factor	30% Expense Factor	50% Expense Factor
Product Business (Sells Goods)	**0**	**1-5**	**>5**
Examples of Product Business: Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction	25% Expense Factor	50% Expense Factor	85% Expense Factor

Rental Income

- Must document proof of 100% ownership.
- Lease agreement if Refinance transaction
  - Two (2) months cancelled checks to show proof of rental payments.
  - Evidence that rent is market rate (free online source is permitted)
  - 75% utilized for qualifying income. (Lower of 1007 or actual rent)
- Rental income identified on the 1007 rental schedule for Purchase transactions.
  - 75% utilized for qualifying income. (Lower of 1007 or actual rent if rented)
- Short Term / Variable Rental Income
  - Airbnb – VRBO – HomeAway – Acceptable with twelve (12) months evidence of receipt via Service Provider payment receipt history or bank statement deposits
  - 75% of market rent will be used as income if it is supported by the twelve (12) month average.
  - Requires property ownership report and proof of property listing on Website.
  - Income limited to 125% of market rents schedule for long term tenancy.
  - Not permitted on primary residence SFRs.
  - Must be permitted in accordance with local ordinances.

<table>
<tr><th colspan="2">ASSETS</th></tr>
<tr><td>Documentation</td><td>

Full Asset Documentation is required for both funds to close and reserves. For most asset types, this would include all pages of the most recent one-month (1) statement, the most recent quarterly statement.
Business accounts may only be used to meet down payment and/or reserve requirements if the Borrower(s) are 100% owners of the business and requires:

A letter from the accountant for business OR
An underwriter cash flow analysis of the business balance sheet to confirm that the withdrawal will not negatively impact the business.

Publicly traded Stocks / Bonds / Mutual Funds – 100% may be used for reserves.
Vested Retirement Accounts – 100% may be considered for reserves.
Bitcoin or other forms of cryptocurrency are permitted for both funds to close and reserves provided the cryptocurrency has been converted or liquidated to cash. Seasoning requirements not applicable given liquidation
Assets being used for dividend and interest income may not be used to meet reserve requirements.
If needed to close, verification that funds have been liquidated (if applicable) is required.
Gift of Equity is not allowed.
Builder profits are not allowed.
Maximum Interested Party Contributions permitted up to 6%.
Rent credits not permitted.
LOE required for large deposits, as defined by Fannie Mae
</td></tr>
<tr><td>Gift Funds</td><td>

Gifts from family members, as defined by FNMA, are allowed.
Gift funds cannot be counted towards reserves.
General Requirements:

Purchase transactions Only
Primary Homes, Second Homes, and Investor properties

Down Payment Requirements:

Gift funds are acceptable as 100% down payment for loan <75% LTV/CLTV
Gift funds are acceptable for loans =75% LTV/CLTV however the underlying Borrower(s) must contribute at least 5% of the transaction (lower of Purchase Price or appraised Value) from their own funds.

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<tr><td>Other Asset Sources</td><td>
Life Insurance cash value
Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs or reserves.
Foreign Assets
Foreign assets are acceptable and must be sixty (60) days seasoned with two (2) most recent bank statements. A currency calculation must be provided. Assets from countries under OFAC sanctions are not permitted.
Restricted Stock
Restricted stock is ineligible for to be used for reserves.
Sale of Personal Assets
Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction. Documentation required supporting Borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and Borrower’s receipt of sale proceeds.
1031 Assets
Funds held by a 1031 administrator / agent or permitted for down payment and closing costs only.
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LIABILITIES	
Departing Residence	• Departing residence positive rental income cannot be used to qualify. Departing residence PITIA/ITIA can be offset by 75% of projected net rental income. Departing residence rental that produces a loss must be included in DTI. • Borrower qualifying with a departing residence may be subject to additional Early Payoff ("EPO") protection. Please contact the MCFI lock desk. Additional Early Payoff (EPO) protection will not be required in the following cases: – Departing residence is being converted to an investment property and the borrower can provide a signed 12-month lease from the new tenant and evidence of payment for some combination of monies received (1st, last and security) – Departing residence is under contact for sale with evidence of earnest money deposit and that sale will occur prior to or within 30 days of subject loan funding. • Departing residence obligation can be excluded if: **No contract on place:** ○ Currently listed or signed letter of intent from Borrower indicating they intend to list the departure residence for sale within ninety (90) days of closing on subject transaction. ○ Equity in the departure residence must be documented with a 2055 exterior appraisal or full appraisal. Departure residence must have a minimum of twenty (20%) equity after deduction of outstanding liens to exclude the payment from the DTI. If less than twenty (20%) equity, the full payment must be included in the DTI. ○ Required reserves for the departure residence are based on the marketing time indicated by the departure residence appraisal: – If appraisal indicates marketing time of six (6) months or less = twelve (12) months PITIA/ITIA – If appraisal indicates marketing time over six (6) months = twenty-four (24) months PITIA/ITIA **Under contract:** ○ A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared / satisfied. The departure transaction must be closing within thirty (30) days of the subject transaction. The pending sale transaction must be arm's length. ○ No appraisal required for departure residence. The Borrower must be netting a positive number from the sale of the property or assets must be accounted for to cover any funds the Borrower may have to bring to closing on the sale of the departure residence
Property tax estimates for new construction	• Property taxes should be calculated using 1.5% of sales price for qualification (1.25% in California)
Student Loan	• Student loan payments must be included regardless of deferment or repayment in the DTI ratio. If a payment amount is not identified, 1% of the current loan balance may be utilized. • Affordability based payments may be used
Solar Leases	• Must conform to FNMA guidelines. • PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible
Payoff of debt to qualify	• Installment and revolving debt paid at closing may be excluded from the debt-to-income ratio with i, a credit supplement, ii. Verification from the creditor liability as paid in full or iii. Evidence of payoff on Closing Disclosure.

Debts paid by others / contingent liabilities	• Contingent liabilities can be excluded from DTI if the Borrower provides evidence that their business or another individual / entity has made payments for twelve (12) months (0x30). Any liability related to a separation or divorce can be omitted if ordered by family court. Documentation from the court is required.
Obligations paid by business	• Excludable if can be tied to business related activities (i.e., – vehicle) and twelve (12) months (0x30) proof that business pays. Expense must be evident on business financials. Cannot exclude mortgage debt.
PROPERTY	
Appraisal	• All appraisals must comply with and conform to USPAP and the Appraisal Independence Requirements, and any requirement for HPMLs, if applicable. • The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction. • An appraisal prepared by an individual who was selected or engaged by a Borrower, property seller, real estate agent or other interested party is not acceptable. • Assigned appraisals are acceptable, unless ordered by Borrower. • Two appraisals are required to be delivered for either of the following scenarios: loan amounts > $1,500,000 or HPML flip transactions as defined by the CFPB. Interior photos are required. • Appraisals are good for one hundred twenty (120) days. Any appraisal seasoned greater than one hundred twenty (120) days will require a recertification of value completed by the original licensed appraiser. A recertification of value will be permitted up to one hundred eight (180) days. • Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed. • Appraisals with condition or quality ratings of C5 or C6 will not be eligible. • Form 1007 Schedule of Rents is required for all Non-Owner-Occupied loans on Single Family residences. • For 2–4 unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required.
Third Party Appraisal Review	• A completed third-party review that validates the origination appraisal is required. Clear Capital - Collateral Desktop Analysis “CDA” or a Stewart Valuation (Protek Valuation) - Appraisal Risk Review “ARR” are acceptable. • The Vendor Appraisal Review final opinion of value must be within -10% of the origination appraisal(s) or sales price. • MCFI may utilize Collateral Underwriter (CU) as a secondary valuation if the score is <=2.5. File must include a copy of the Submission Summary Report. • Desk review is not required for loans with two (2) appraisals.
Eligible Property Types	• One Unit Single Family Residences (Attached, Detached) • Single Family properties with ADU (Accessory Unit Dwelling) follow FNMA requirements and restrictions. • 2-4 Unit Properties • PUDs – Attached and Detached • Townhouses • Warrantable Condo ○ Must be FNMA warrantable projects. A certification must be provided as well as any other documents used to determine eligibility. • Maximum of 20 acres
Ineligible Properties	• Manufactured Homes • Residential units with >= 5 units • Log Homes

	• Condotels • Condominium projects with registration services or restrictions on owner's ability to occupy. • Cooperatives • Unique Properties • Mixed Use Properties • Builder Model Leaseback • Boarding Houses • Fractional Ownership/Timeshares • Assisted Living/Continuing Care Facilities • Mandatory Country Club Memberships • Zoning Violations • Properties under Construction • Agricultural zoned properties (may be considered on a case-by-case basis) • Hawaii properties located in lava zones 1 and/or 2. • Multiple dwellings on same lot (legal ADU acceptable, limited to one) • Working Farms • C5 or C6 Property Condition Grades • Live/Work Condos • Earth Berm Homes • Leasehold properties • Geodesic Domes • Houseboats • Homes on Native American Land (Reservations) • Non-warrantable condo • Properties used for the cultivation, distribution, manufacture, or sale of Marijuana. • Theme Park Resort Properties
ADDITIONAL GUIDELINE REQUIREMENTS	
Ability to Repay	All Loans must be designated as ATR compliant and must adhere to the standards set forth in the CFPB's Reg Z, Section 1026.43(c)
Agency Ineligibility	• All applicable loans are required to have evidence of agency ineligibility. • Underwriter to comment on 1008 to describe the ineligibility reason. • Evidence of agency acceptability is sufficient if evidence MCFI pricing is more beneficial to the Borrower than the comparable agency product.
High Cost	• Federal, State, and Local High-Cost Loans are not permitted. Cured High-Cost loans are also not eligible.
Escrows	• Mandatory escrows for taxes and insurance will be required for all HPMLs (5 years)
Escrow Holdbacks	• Escrow holdbacks are not allowed.
Maximum Financed Properties	• The maximum number of financed properties to any one Borrower is limited to twenty (20) residential properties. • Maximum MCFI exposure to single Borrower: $7.5mm in unpaid principal balance or ten (10) properties. • Borrower(s) will be required to document an additional two (2) months of reserves for each additional financed property. The two (2) months additional reserves are based on the PITIA/ITIA of the respective financed properties. • Borrower(s) will be subject to the Subject Property reserve requirements in addition to financed property reserve requirements.
Power of Attorney	• Specific Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial 1003 is signed by the Borrower executing the POA. • Not permitted on Cash-Out transactions

E-Signatures	• E-signatures are permitted with the exception of the following documents: Note, Mortgage, Deed of Trust, Closing Disclosure, Power of Attorney, Riders / Addendums, and any state regulated disclosures. These documents require a wet signature.
COVID-19 ADDENDUM	
Borrowers who obtained mortgage forbearance after March 1st, 2020 may be eligible depending on payment history after the expiration of the forbearance plan	
Requirements/Eligibility	• Borrower who has requested forbearance across either mortgage or consumer debt since March 1st, 2020 must provide a LOE explaining the reason for forbearance and payment history. • Borrower must not be in an active forbearance plan (must have “opted out” or the plan must have “expired”) across either mortgage or consumer debt. • Borrower may have missed at most six payments (D180). Borrowers who rolled >D180 during an initial forbearance plan or subsequent period will not be eligible unless they meet the respective program’s Derogatory Housing Event seasoning. • Borrower who received a Rate Modification, Principal Forgiveness Modification, or any modification besides the extension of Term to match the missed forbearance payments will be considered a Derogatory Housing Event and must be seasoned accordingly. • Under the CARES Act, PPP loan terms allow deferred payments for a specified period. No payments would be expected to be included in the Borrower’s liabilities at this time. Once and if it has been determined that any portion of the PPP loan must be repaid, follow requirements for loans paid by a business
Never Delinquent	• Borrower who obtained mortgage forbearance after March 1st, 2020 but nonetheless made all their payments and stayed current throughout the forbearance plan will not have any restrictions regarding qualifying. • Borrower who “opted out” of their mortgage forbearance plan without missing any payments will not have any restrictions.
Reinstatement	• Borrower who fully reinstated (made all previous past due payments) upon expiration of forbearance plan will be eligible without restrictions.
Repayment Plan	• Borrower in a Repayment Plan must be performing under the agreement or have completed the agreement and have made at least four consecutive payments.
Payment Deferred	• Borrower who received a payment deferral must be performing under the agreement and made at least four consecutive payments.
Term Modification	• Borrower who received a Term Modification for the length of the forbearance period will be eligible after they have made four consecutive payments. Term modifications in excess of the initial forbearance period will be considered a Derogatory Housing Event and subject to the respective MCFI Program Matrix.