



# MEGA CAPITAL FUNDING, INC.

## MVP (FIXED & ARM Program)

Full Doc (1 Year), Bank Statements<sup>1</sup> & 1099 (Primary/Second Home/ NOO)

Max Loan amount	Minimum Credit Score	Purchase LTV/CLTV	Rate & Term LTV/CLTV	Cash Out <sup>2</sup> LTV/CLTV	Max DTI
\$1,000,000	700	90% <sup>3</sup>	80%	75%	50%
	660 <sup>4</sup>	80%	75%	70%	
\$1,000,001 - \$1,500,000	700	90% <sup>3</sup>	80%	75%	
	680	80%	75%	70%	
	660 <sup>4</sup>	75%	75%	70%	
\$1,500,001 - \$2,000,000	720	85% <sup>5</sup>	80%	75%	
	680	80%	75%	70%	
	660 <sup>4</sup>	70%	70%	60%	
\$2,000,001 - \$2,500,000	720	80%	75%	70%	
	680	75%	70%	65%	
	660 <sup>4</sup>	65%	65%	NA	
\$2,500,001 - \$3,000,000 <sup>6</sup>	720	75%	75%	60%	
	700	70%	70%	60%	

#1 - Max. LTV 85% Purchase for the business bank statements for Option #1 (Fixed Expense ratio) with 20% expense factor.

Max LTV 80% Purchase for the business bank statements for Option #2 (3rd party Expense ratio).

#2 - Cash Out requirement (Loan amount >\$2.5M or Credit score <680)

LTV>60% - \$750K (Max. Cash Out)

LTV<=60% - Unlimited Cash Out

#3 - Primary home only. (MAX. LTV/2<sup>nd</sup> Home/Investment property - 80%)

I/O Max. LTV/CLTV: 80%

See above the business bank statements LTV restrictions in #1.

#4 - Must have 0x30x12 housing history.

I/O - Minimum credit score 680

#5 - Primary home only. (MAX. LTV/2<sup>nd</sup> Home/Investment property - 80%)

I/O Max. LTV/CLTV: 80%

#6 - Must have 0x30x12 housing history.

**WVOE (Primary/Second Home/ NOO)**

Max Loan amount	Minimum Credit Score	Purchase LTV/CLTV	Rate & Term LTV/CLTV	Cash Out <sup>1</sup> LTV/CLTV	Max DTI
\$1,000,000	660 <sup>2</sup>	80%	75%	70%	50%
\$1,000,001 - \$1,500,000	680	80%	75%	70%	
	660 <sup>2</sup>	75%	75%	70%	
\$1,500,001 - \$2,000,000	680	80%	75%	70%	
	660 <sup>2</sup>	70%	70%	60%	
\$2,000,001 - \$2,500,000	720	80%	75%	70%	
	680	75%	70%	65%	
	660 <sup>2</sup>	65%	65%	NA	

- #1 – Cash Out requirement (Credit Score <680)  
 LTV>60% - \$750K (Max Cash Out)  
 LTV<=60% - Unlimited Cash Out  
 #2 – Must have 0x30x12 housing history.  
 I/O – Minimum credit score 680

**P&L-CPA/EA/CTEC prepared & Asset Utilization<sup>1</sup> (Primary/Second Home/ NOO)**

Max Loan amount	Minimum Credit Score	Purchase LTV/CLTV	Rate & Term LTV/CLTV	Cash Out <sup>2</sup> LTV/CLTV	Max DTI
\$1,000,000	660 <sup>3</sup>	80%	75%	70%	50%
\$1,000,001 - \$1,500,000	680	80%	75%	70%	
	660 <sup>3</sup>	75%	75%	70%	
\$1,500,001 - \$2,000,000	680	80%	75%	70%	
	660 <sup>3</sup>	70%	70%	60%	
\$2,000,001 - \$2,500,000	720	80%	75%	70%	
	680	75%	70%	65%	
	660 <sup>3</sup>	65%	65%	NA	
\$2,500,001 - \$3,000,000 <sup>4</sup>	720	75%	75%	60%	
	700	70%	70%	60%	

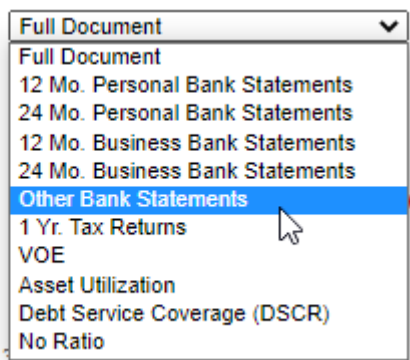
- #1 – Asset Utilization: Investment Property - Max. 65% LTV/CLTV Cash-Out (All occupancy) – Max. 60% LTV/CLTV  
 Gift funds can be used for the downpayment, closing costs only. Not eligible for DTI qualification.  
 #2 – Cash Out requirement (Loan amount >\$2.5M or Credit score <680)  
 LTV>60% - \$750K (Max. Cash Out)  
 LTV<=60% - Unlimited Cash Out  
 #3 – Must have 0x30x12 housing history.  
 I/O – Minimum credit score 680  
 #4 - Must have 0x30x12 housing history.

## MVP EXPRESS -FNMA OR FHLMC (“AUS”) DOCUMENTATION

Max Loan amount	Minimum Credit Score	Transaction Type	Occupancy	Maximum LTV/CLTV	Max DTI
\$2,500,000	660	Purchase/R&T	Primary	80%	Per AUS (Max 50%)
		Cash Out	1-3 Units	70%	
	680	Purchase/R&T	2 <sup>nd</sup> home 1 unit	75%	
	660	Purchase/R&T	Investment 1-4 units	70%	
<p>MCFI MVP Express program will utilize Fannie Mae Desktop Underwriter® (DU) or Freddie Mac Loan Product Advisor® (LPA) with the added guideline allowance MVP program benefits for ease of process. The loan will be underwritten to the MVP Express program matrix, the DU®/LPA® (“AUS”) Findings and the overlays noted below. Any items not addressed in this section will default to the FNMA or FHLMC Selling Guides &amp; MVP guideline.</p>					
Underwriting process	<ul style="list-style-type: none"> <li>FNMA DU®/DO® or FHLMC LPA® is required.</li> <li>References to “AUS” throughout this document collectively refer to FNMA DU®/DO® or FHLMC LPA® Findings.</li> </ul>				
DU®/DO®/ LPA® AUS Requirements	<ul style="list-style-type: none"> <li>Approve/Eligible, LPA® Accept</li> <li>Approve/Ineligible, LPA® Caution (due to loan amount, loan structure, Interest Only, property (non-warrantable condo) and credit event. Refer to Credit Event section for details.</li> <li>Note: Refer or Caution findings will not be eligible.</li> </ul>				
Minimum Credit Score	<ul style="list-style-type: none"> <li>660 (I/O - 680)</li> <li>Qualifying FICO – Primary wage earners FICO used for eligibility.</li> <li>Bank statements docs: Borrowers with 50/50 split ownership of the business – highest mid FICO score.</li> <li>For refinances, the use of highest score is only eligible if that borrower meets continuity.</li> </ul>				
Qualification	<ul style="list-style-type: none"> <li>5/6 ARM – qualify at the greater of the note rate + 2% or the fully indexed rate.</li> <li>7/6 ARM – qualify at the greater of the note rate or the fully indexed rate.</li> <li>Interest Only – qualify at the note rate based on fully amortizing Principal and Interest payment during the principal repayment period.                             <ul style="list-style-type: none"> <li>Interest Only payment cannot be used to qualify.</li> <li>Qualify based on a term that equals the amortization term (i.e. 360 months for 40 year I/O).</li> </ul> </li> </ul>				
Housing History	Per AUS. No VOM/VOR unless AUS requires.				
Credit Events	Short Sale, Foreclosure, Bankruptcy, DIL, Modification, 120+ – 4 years seasoning is required.				
Tradelines	Per AUS				
Max. Cash Out	Refer to max cash out limit for MVP standard program guideline.				
Assets	Follow standard program guideline, section “Assets”.				
Reserves	Per AUS. Cash out proceeds may be used for the reserves.				
Appraisal	Loan amount ≥ \$2,000,000 and >65% LTV/CLTV – 2 full appraisals. Refer MVP guideline for the 3 <sup>rd</sup> party desk review requirement.				
Property Eligibility	Single Family Residence (attached and detached) PUDs (attached and detached) 2-4 Units Fannie Mae warrantable condominiums Non-warrantable condo				

	Max 10 acres
Listed for sale	Per AUS
Income Documentation	<ul style="list-style-type: none"> <li>Full income doc - Follow AUS findings with minimum 1-year verification of income.</li> <li>Alt Docs - Only Bank Statement, P&amp;L &amp; Asset Utilization, Rental income docs are eligible under MVP Express (Refer standard MVP guideline for the income guideline)</li> </ul>
Gift Funds	<ul style="list-style-type: none"> <li>Primary home or 2nd home - No minimum borrower contribution required. May be all gifts.</li> <li>Investment properties - No gifts allowed. Must be all borrower's own funds.</li> </ul>
Vesting in LLC/Corp/Partnership	Refer MVP guideline.
Max. Financed Properties	All occupancy types - Max 5 financed properties
FNMA/FHLMC Program Restrictions	Fannie Mae and Freddie Mac specific program and eligibility are not allowed, including but not limited to: Student Loan Refinance, HomeStyle, HARP, DU®/DO® Refi Plus, and Home Ready

### MVP GENERAL REQUIREMENTS

<b>Underwriting Method</b>	<ul style="list-style-type: none"> <li>Manual Underwriting Only</li> <li>All compliance requirements must be met with Federal &amp; State regulations.</li> <li>Any topics not addressed in this guideline, follow FNMA guideline.</li> </ul>
<b>Appraisal report/3<sup>rd</sup> Party Review</b>	<ul style="list-style-type: none"> <li>Two appraisals are required for either of the following scenarios: loan amounts &gt; \$2,000,000 or flip transactions. LTV is based on the lowest value of two reports and the purchase price (if applicable). See the section "Flip transaction". When two appraisal reports are required, an additional desk review is not required.</li> <li>Transferred appraisal report is allowed. Follow MCFI policy.</li> <li>Age of report: 120 days from closing. 1004D is required between 90-120 days of appraisal completion.</li> <li>A UCDP score of 2.5 or less is required. If the score is above 2.5, Desk review (CDA), Field review, or Second appraisal report is required. If a desk review is less than 90% of the appraised value, then the LTV will be calculated using the lower desk review value.</li> </ul>
<b>Minimum FICO</b>	<p>660 with at least two (2) scores per borrower.</p> <ul style="list-style-type: none"> <li>Mid fico or lower of the two scores (Primary wage earner) will be used to qualify.</li> <li>Borrowers with 50/50 split ownership of the business – highest mid FICO score.</li> </ul>
<b>Loan amount</b>	<ul style="list-style-type: none"> <li>Minimum - \$150,000</li> <li>Maximum - \$3,000,000</li> </ul>
<b>MEGA LOS Income Doc Type Options</b>	<ul style="list-style-type: none"> <li><b>Other Bank Statement – P&amp;L (CPA Prepared)</b></li> </ul>  <ul style="list-style-type: none"> <li>Full Document – 1 Year Full Doc (W-2) or 1099</li> </ul>

- 1 Year Tax Returns
- WVOE (FNMA Form 1005)
- 12-24 Mo. Personal Bank Statements
- 12-24 Mo. Business Bank Statements
- Asset Utilization

Program Codes	Doc Type	Code	Term	Amort type	Prepay Term	
	Full, Bank Statements, 1099, CPA P&L, WVOE & Asset Utilization		MVP30	30yr Fixed	Full	-
		MVP5P30	30yr Fixed	Full	5yrs	
		MVP4P30	30yr Fixed	Full	4yrs	
		MVP3P30	30yr Fixed	Full	3yrs	
		MVP2P30	30yr Fixed	Full	2yrs	
		MVP1P30	30yr Fixed	Full	1yr	
		MVP40	40yr Fixed	Full	-	
		MVP5P40	40yr Fixed	Full	5yrs	
		MVP4P40	40yr Fixed	Full	4yrs	
		MVP3P40	40yr Fixed	Full	3yrs	
		MVP2P40	40yr Fixed	Full	2yrs	
		MVP1P40	40yr Fixed	Full	1yr	
		MVP5/6	5/6 30yr ARM	Full	-	
		MVP5P5/6	5/6 30yr ARM	Full	5yrs	
		MVP4P5/6	5/6 30yr ARM	Full	4yrs	
		MVP3P5/6	5/6 30yr ARM	Full	3yrs	
		MVP2P5/6	5/6 30yr ARM	Full	2yrs	
		MVP1P5/6	5/6 30yr ARM	Full	1yr	
		MVP7/6	7/6 30yr ARM	Full	-	
		MVP5P7/6	7/6 30yr ARM	Full	5yrs	
		MVP4P7/6	7/6 30yr ARM	Full	4yrs	
		MVP3P7/6	7/6 30yr ARM	Full	3yrs	
		MVP2P7/6	7/6 30yr ARM	Full	2yrs	
		MVP1P7/6	7/6 30yr ARM	Full	1yr	
		MVP40io	40yr Fixed	Interest Only	-	
		MVP5P40io	40yr Fixed	Interest Only	5yrs	
		MVP4P40io	40yr Fixed	Interest Only	4yrs	
		MVP3P40io	40yr Fixed	Interest Only	3yrs	
		MVP2P40io	40yr Fixed	Interest Only	2yrs	
		MVP1P40io	40yr Fixed	Interest Only	1yr	
MVP Express			MVPX30	30yr Fixed	Full	-
			MVPX5P30	30yr Fixed	Full	5yrs
			MVPX4P30	30yr Fixed	Full	4yrs
		MVPX3P30	30yr Fixed	Full	3yrs	
		MVPX2P30	30yr Fixed	Full	2yrs	
		MVPX1P30	30yr Fixed	Full	1yr	
		MVPX40	40yr Fixed	Full	-	
		MVPX5P40	40yr Fixed	Full	5yrs	
		MVPX4P40	40yr Fixed	Full	4yrs	
		MVPX3P40	40yr Fixed	Full	3yrs	
		MVPX2P40	40yr Fixed	Full	2yrs	
		MVPX1P40	40yr Fixed	Full	1yr	
		MVPX5/6	5/6 30yr ARM	Full	-	
		MVPX5P5/6	5/6 30yr ARM	Full	5yrs	
		MVPX4P5/6	5/6 30yr ARM	Full	4yrs	
		MVPX3P5/6	5/6 30yr ARM	Full	3yrs	
		MVPX2P5/6	5/6 30yr ARM	Full	2yrs	
		MVPX1P5/6	5/6 30yr ARM	Full	1yr	
	MVPX7/6	7/6 30yr ARM	Full	-		

		MVPX5P7/6	7/6 30yr ARM	Full	5yrs
		MVPX4P7/6	7/6 30yr ARM	Full	4yrs
		MVPX3P7/6	7/6 30yr ARM	Full	3yrs
		MVPX2P7/6	7/6 30yr ARM	Full	2yrs
		MVPX1P7/6	7/6 30yr ARM	Full	1yr
		MVPX40io	40yr Fixed	Interest Only	-
		MVPX5P40io	40yr Fixed	Interest Only	5yrs
		MVPX4P40io	40yr Fixed	Interest Only	4yrs
		MVPX3P40io	40yr Fixed	Interest Only	3yrs
		MVPX2P40io	40yr Fixed	Interest Only	2yrs
		MVPX1P40io	40yr Fixed	Interest Only	1yr
<b>Prepayment Penalty – Investment Only</b>	<ul style="list-style-type: none"> <li>▪ Investment property only.</li> <li>▪ Hard Prepayment periods up to 3 years. See rate sheet.</li> <li>▪ 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.</li> <li>▪ District of Columbia: (Max 2 months interest)</li> <li>▪ 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.</li> <li>▪ Penalties not allowed on loans vested to individuals in IL &amp; NJ</li> <li>▪ Declining Prepay in Mississippi (3-2-1%)</li> <li>▪ Massachusetts: Penalty capped at 3 months interest.</li> <li>▪ Pennsylvania: Penalties not allowed on loan amounts less than \$278,204.</li> <li>▪ Prepay penalties not permitted in KS, NJ, or NM</li> <li>▪ Refer to Prepayment Penalty Guide for more details and state restrictions</li> </ul>				
<b>Qualification</b>	<p>Qualifying ratios are based on PITIA payment with the principal and interest payments amortized or interest only payment over the loan term.</p> <ul style="list-style-type: none"> <li>• 5/6 SOFR: (2/1/5 Cap Structure) &amp; 7/6 SOFR: (5/1/5 Cap Structure) <ul style="list-style-type: none"> <li>◦ Qualify borrower(s) at the greater of the Fully Indexed Rate or Note Rate</li> </ul> </li> <li>• 30 Year Fixed</li> <li>• I/O – Interest payment over the amortization term.</li> </ul>				
<b>Interest Only</b>	<p>Max. LTV: 80%  Minimum credit score: 680  FTHB not permitted</p>				
<b>Subject Property Reserves</b>	<ul style="list-style-type: none"> <li>• Primary/Second Home: 6 months reserves,</li> <li>• Investment: Loan amount up to \$1M – 6 months, Up to \$2M – 9 months, Over \$2M – 12 months</li> <li>• For Adjustable-Rate Mortgages (ARM), the reserves are based upon the initial PITIA, not the qualifying payment.</li> <li>• For Interest Only loan, the reserves are based upon the initial Interest Only payment (ITIA)</li> <li>• Reserves are required for subject property only (No additional reserved required for REO)</li> <li>• Cash-out net proceeds are eligible to satisfy reserve requirement.</li> <li>• Gift funds can be used for reserve requirement for all transaction</li> </ul>				
<b>DTI</b>	<b>Maximum Total Debt-to-Income (DTI) ratio allowed: 50%</b>				
<b>Verbal Verification of Employment</b>	<b>A VVOE is required for all borrowers and must be completed within 10 business days of the closing/note date.</b>				
<b>HPML</b>	<ul style="list-style-type: none"> <li>• Escrows for taxes and insurance will be required for 5 years.</li> <li>• Residual Income- Required per household size: = 1 person \$1550; 2 persons \$2500, Add \$150 per additional household member</li> <li>• Two appraisals are required to be delivered for flip transactions as defined by the CFPB.</li> </ul>				

<b>Escrows Required</b>	Property Tax escrows required if LTV >85%																																																																
<b>Approved States</b>	All MCFI approved states																																																																
<b>Declining Market</b>	A 5% LTV/CLTV reduction is required.																																																																
<b>Age of the documents</b>	<b>Age of documents from Note Date</b> <ul style="list-style-type: none"> <li>▪ Credit documents: 120 days</li> <li>▪ Income documents: 60 days</li> <li>▪ Asset documents: 90 days</li> <li>▪ Appraisal: 120 days (With re-certification of value: 180 days)</li> <li>• Title report: 90 days</li> </ul>																																																																
<b>ARM Index</b>	SOFR 30 Day Avg index																																																																
<b>ARM term</b>	<b>PROGRAM CODE</b>	<b>TERMS</b>	<b>CAPS</b>	<b>INDEX</b>	<b>MARGIN</b>																																																												
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<b>Derogatory Housing Events</b>	<ul style="list-style-type: none"> <li>• Housing Events as Bankruptcies, Foreclosures, Short Sale, Deed in Lieu, Modification, Notice of Default, or 120+ Days Delinquent</li> <li>• Defaulted first and second mortgages on same property are considered one (1) event.</li> <li>• Seasoning lookback is from the date of discharge/dismissal or property resolution (completion date), as of the note date.</li> <li>• Modification look back commences at inception (when loan was permanently modified)</li> </ul> <p style="text-align: center;"><b>Housing Event Seasoning Restrictions</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: center;">P&amp;L, Bank Statements, Asset Utilization</th> </tr> <tr> <th>BK/FC/SS/DIL/MOD</th> <th>&gt;=48 Mo</th> <th>&gt;=36 Mo</th> <th>&gt;=24 Mo</th> <th>&gt;=12 Mo</th> </tr> </thead> <tbody> <tr> <td>Max LTV/CLTV: Purchase</td> <td>Per Matrix</td> <td>80%</td> <td>NA</td> <td>NA</td> </tr> <tr> <td>Max LTV/CLTV: Refinance</td> <td>Per Matrix</td> <td>75%</td> <td>NA</td> <td>NA</td> </tr> <tr> <td>Max Loan Amount</td> <td>Per Matrix</td> <td>\$2,500,000</td> <td>NA</td> <td>NA</td> </tr> <tr> <td>Min FICO</td> <td>Per Matrix</td> <td>680</td> <td>NA</td> <td>NA</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: center;">Full, 1099, WVOE</th> </tr> <tr> <th>BK/FC/SS/DIL/MOD</th> <th>&gt;=48 Mo</th> <th>&gt;=36 Mo</th> <th>&gt;=24 Mo</th> <th>&gt;=12 Mo</th> </tr> </thead> <tbody> <tr> <td>Max LTV/CLTV: Purchase</td> <td>Per Matrix</td> <td>80%</td> <td>80%</td> <td>70%</td> </tr> <tr> <td>Max LTV/CLTV: Refinance</td> <td>Per Matrix</td> <td>75%</td> <td>75%</td> <td>NA</td> </tr> <tr> <td>Max Loan Amount</td> <td>Per Matrix</td> <td>\$2,500,000</td> <td>\$1,500,000</td> <td>\$1,000,000</td> </tr> <tr> <td>Min FICO</td> <td>Per Matrix</td> <td>680</td> <td>680</td> <td>680</td> </tr> </tbody> </table>					P&L, Bank Statements, Asset Utilization					BK/FC/SS/DIL/MOD	>=48 Mo	>=36 Mo	>=24 Mo	>=12 Mo	Max LTV/CLTV: Purchase	Per Matrix	80%	NA	NA	Max LTV/CLTV: Refinance	Per Matrix	75%	NA	NA	Max Loan Amount	Per Matrix	\$2,500,000	NA	NA	Min FICO	Per Matrix	680	NA	NA	Full, 1099, WVOE					BK/FC/SS/DIL/MOD	>=48 Mo	>=36 Mo	>=24 Mo	>=12 Mo	Max LTV/CLTV: Purchase	Per Matrix	80%	80%	70%	Max LTV/CLTV: Refinance	Per Matrix	75%	75%	NA	Max Loan Amount	Per Matrix	\$2,500,000	\$1,500,000	\$1,000,000	Min FICO	Per Matrix	680	680	680
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<b>Max. Cash-Out Limits</b>	Unlimited See the Matrix for other limit based on the credit score & the loan amount.																																																																

BORROWER ELIGIBILITY	
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• US Citizens and permanent resident alien.</li> <li>• Non-permanent residency borrowers* must be eligible to work in the US.               <ul style="list-style-type: none"> <li>o Borrower's most recent 1 year immigration status must be documented, including renewal.</li> <li>o Provided one of the following:                   <ul style="list-style-type: none"> <li>▪ Valid EAD with minimum 90 days remaining until expiration at the time of funding.</li> <li>▪ An acceptable visa type (E, G, H, L, NATO, O, TN-1, TN-2)</li> <li>▪ Evidence of being granted refugee or asylee status by the USCIS (EAD or I-94)</li> </ul> </li> </ul> </li> </ul> <p>*Non-Permanent Resident capped at 80% LTV. Cashout not permitted.</p>

	<ul style="list-style-type: none"> <li>• ITIN borrower is not eligible.</li> <li>• See MCFI Visa &amp; EAD Classification &amp; Eligibility for additional information for Non-Permanent borrower requirement.</li> </ul>
<b>First Time Home Buyer</b>	Allowed. No additional restriction
<b>Title Vesting</b>	Individual, Joint Tenants, Tenants in Common, Inter-vivos revocable trust, business entity (Investment only)
<b>Vesting in LLC, Corp &amp; Partnership</b>	<p>Investment property only.  No layering of entities (i.e. LLC whose member(s) are a trust)  Vesting is allowed in a business entity with the following requirements:</p> <ul style="list-style-type: none"> <li>• Entity must be domiciled in a U.S. State.</li> <li>• Eligible: LLC, Sole Proprietorship, LP, LLP, S and C Corp – must be U.S. based. <ul style="list-style-type: none"> <li>○ Personal guarantor required - Personal Guarantor must also sign closing documents and disclosures.</li> <li>○ Final loan docs may not be signed with a POA.</li> <li>○ Non-profit 501 c3 – ineligible</li> </ul> </li> </ul> <p>Documentation requirements:</p> <ul style="list-style-type: none"> <li>• Corporation or Limited Liability Company (LLC) <ul style="list-style-type: none"> <li>○ The borrower is at least 25% or majority shareholder.</li> <li>○ Business entity limited to 4 maximum of “owners” = members, partners, or shareholders of the entity Members</li> <li>○ Members of the business entity that are NOT borrowers on the transaction do not need to sign in the capacity of an individual borrower.</li> <li>○ A POA may not be used when closing in an LLC or Corporation. A notarized certificate of authorization may be used.</li> <li>○ Entity must be established and registered in United States.</li> </ul> </li> <li>• Partnership <ul style="list-style-type: none"> <li>○ Additional owners may also be required to acknowledge or execute loan documents depending on language within the Partnership Agreement</li> <li>○ Validation of the entity’s status through review of the following documentation: <ul style="list-style-type: none"> <li>▪ Annual Registration with the Secretary of State</li> <li>▪ Certificate of Good Standing from the Secretary of State within 90 days of closing that reflects no issues.</li> </ul> </li> <li>○ Verification of authorized agent</li> <li>○ Entity must be established and registered in United States</li> </ul> </li> </ul>

### OCCUPANCY ELIGIBILITY

<b>Primary Residence</b>	A primary residence is a property that the Borrower(s) currently resides in (refinance) or intends to occupy as his or her principal residence.
<b>Second Home</b>	<ul style="list-style-type: none"> <li>• Must be located a reasonable distance away from the Borrower’s principal residence.</li> <li>• Must be occupied by the Borrower(s) for some portion of the year.</li> <li>• Is restricted to a one-unit dwelling.</li> <li>• Must be suitable for year-round occupancy.</li> <li>• 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.</li> <li>• MAX. LTV 80%.</li> </ul>
<b>Non-Owner Occupied</b>	<ul style="list-style-type: none"> <li>▪ Occupancy designation for an income producing property where the Borrower does not occupy the Subject property.</li> <li>▪ Gift funds are permitted on Non-Owner-Occupied loans.</li> <li>▪ MAX. LTV is 80%.</li> </ul>



## TRANSACTION ELIGIBILITY

<b>Purchase</b>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Non-Arm's Length Transaction is allowed with following restriction:             <ul style="list-style-type: none"> <li>○ Primary Residences only</li> <li>○ Borrower to provide cancelled check verifying the earnest money deposit.</li> <li>○ Employer to employee sales or transfers not allowed.</li> <li>○ Appraisal must comment contract is 'non-arm's length'.</li> <li>○ Property trade between buyer and seller is not allowed.</li> <li>○ For-Sale-By-Owner (FSBO) transactions must be arms-length. No Flip (seller must have owned the property for no less than 180 days after the recording date).</li> </ul> </li> </ul>
<b>Rate &amp; Term</b>	<ul style="list-style-type: none"> <li>▪ Paying off the existing first lien or 2<sup>nd</sup> lien used entirely to purchase the property.</li> <li>▪ 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 \$3,000 in the past twelve (12) months.</li> <li>▪ Limited cash to the Borrower must not exceed the greater of \$2,000 or 1% of the principal amount of the new mortgage.</li> <li>▪ The LTV / CLTV will be based off the appraised value.</li> <li>▪ 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.</li> <li>▪ At least one Borrower on the refinance mortgage held title as owner.</li> <li>▪ 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.</li> <li>• Refinance of a previous Cash-Out seasoned &lt; 6 months will be considered Cash-Out refinance.</li> </ul>
<b>Cash-Out</b>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Properties listed for sale by the borrower within the last six (6) months are not eligible.</li> <li>▪ 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.</li> <li>▪ Refinance of a previous Cash-Out must be seasoned at least 6 months.</li> <li>▪ Refinancing of a Land Contract is considered a purchase and LTV / CLTV should be calculated using purchase price.</li> <li>▪ 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.</li> <li>▪ Payoff delinquent real estate taxes (60 days+) are considered cash-out.</li> <li>▪ Max cash in hand: Unlimited. See the Matrix for additional max. cash out limit per the credit score &amp; the loan amount.</li> </ul>
<b>Continuity of Obligation</b>	<p>An acceptable continuity of obligation exists when any of the following are present:</p> <ul style="list-style-type: none"> <li>• 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. Must have at least 25% ownership.</li> </ul>

	<ul style="list-style-type: none"> <li>• At least one Borrower who is obligated on the existing loan and held title as owner must be on the new refinance mortgage.</li> <li>• At least one borrower must have been on title for a minimum of six months and has made the most recent six months payments.</li> <li>• At least one borrower must be on title and has made the most recent 12 months documented payments.</li> <li>• 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.</li> </ul>
<b>Subordinate Financing</b>	Follow the FNMA guideline.
<b>Flip Transactions</b>	<ul style="list-style-type: none"> <li>▪ When the subject property is being resold within 180 days of its acquisition by the seller and the sales price has increased more than ten (10%), the transaction is considered a “flip”.</li> <li>• 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.</li> <li>• No pattern of previous flipping activity may exist in the last twelve (12) months.</li> <li>• No assignments of the contract to another buyer</li> <li>• 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.</li> <li>• CDA review is required.</li> <li>• A second appraisal is required.</li> </ul>
<b>Delayed Financing</b>	<ul style="list-style-type: none"> <li>▪ Delayed purchase financing is available when a property was purchased by a Borrower using cash, within one hundred eight days (180) of the loan application. <ul style="list-style-type: none"> <li>○ The original purchase transaction must be an arm’s length transaction.</li> <li>○ The source of funds for the original purchase transaction must be documented (bank statements, personal loan documents, HELOC from another property as example)</li> <li>○ 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.</li> <li>○ The loan is considered a Cash Out transaction. Cash Out loan, LTV and other limitations apply.</li> </ul> </li> </ul>
<b>Fraud Prevention</b>	<ul style="list-style-type: none"> <li>▪ Employment Fraud <ul style="list-style-type: none"> <li>○ State or other 3rd party Business search must not show borrower as CEO, president, or partner of his/her employment.</li> <li>○ Credit report must not show employer’s name other than current employment. If another name appears, LOE from the borrower with start/termination dates are required.</li> <li>○ Bank statement must not show employer’s name other than current employment with direct deposit. If another name appears, LOE from borrower with start/termination dates are required.</li> </ul> </li> <li>▪ Occupancy Fraud: Underwriter must carefully review for correct occupancy and obtain LOE when it is questionable. <ul style="list-style-type: none"> <li>○ For primary residence, commute to work is more than 60 miles or more than 2 hours.</li> <li>○ Purchasing primary residence that is smaller/older than current primary residence (owned) in the same neighborhood.</li> <li>○ Purchasing a second home in the same neighborhood where primary residence is located.</li> <li>○ Purchasing/refinancing investment property which is bigger or has higher value than primary residence in the same neighborhood to use rental income.</li> </ul> </li> </ul>

<b>Gift of Equity</b>	<ul style="list-style-type: none"> <li>▪ Primary home transaction only.</li> <li>▪ Max. LTV is 75%</li> <li>▪ For other restrictions, follow the FNMA guideline.</li> </ul>
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<b>CREDIT ELIGIBILITY</b>	
<b>Credit Report Details</b>	<ul style="list-style-type: none"> <li>▪ A tri-merged in file credit report from all three repositories is required.</li> <li>▪ A written explanation for all inquiries within ninety (90) days of application is required disclosing no new debt.</li> <li>▪ Alternate confirmation that there is no new debt may include a new credit report, pre-close credit score soft-pull or gap report.</li> </ul>
<b>Housing History</b>	<ul style="list-style-type: none"> <li>• 1 x 30days x 12 (Max. loan amount-\$2,5M &amp; Minimum credit score 680) 0 x 30days x 12 per all Matrix.</li> <li>• Twelve (12) months housing history is required. Twelve (12) month mortgage/housing history includes all occupancy types – Primary, Second Home and Investment Properties <ul style="list-style-type: none"> <li>○ 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.</li> </ul> </li> <li>• Housing history evidenced by twelve (12) months proof of payment via institutional VOR/VOM. <ul style="list-style-type: none"> <li>○ Private party VOR/VOM must be provided with 6 months proof of payment.</li> </ul> </li> <li>• LOE or rent-free letter is required when a twelve (12) month housing history is not applicable. Primary home purchase transaction only.</li> <li>• Any properties owned free and clear by the borrower(s) are considered as a 0x30 housing history for grading purposes for each month the property has been owned free and clear (e.g. a property owned free and clear for the last 12 months satisfies the housing history requirement).</li> <li>• Past due balloon will be considered a delinquency (1x30) and not a housing event, but only within one hundred eighty (180) days of maturity.</li> </ul>
<b>Credit Scores</b>	<ul style="list-style-type: none"> <li>• To determine the Representative Credit Score, select the primary wage earner's middle score when three (3) agency scores are provided and the lower score when only two (2) agency scores are provided.</li> <li>• Borrowers with 50/50 split ownership of the business – highest mid FICO score</li> <li>• All three credit bureaus must be unfrozen.</li> <li>• Credit rescoring is allowed.</li> </ul>
<b>Tradelines</b>	<ul style="list-style-type: none"> <li>• If the primary borrower (primary wage earner) has 3 credit scores, the minimum tradeline requirement is waived.</li> <li>• If the primary borrower (primary wage earner) has 2 credit scores, each borrower must meet the minimum requirements as below. <ul style="list-style-type: none"> <li>○ At least three (3) tradelines reporting for a minimum of 12 months, at least one (1) must have activity in the last 12 months; or</li> <li>○ At least two (2) tradelines reporting for a minimum 24-months, at least one (1) must have activity in the last 12 months.</li> <li>○ Authorized user accounts or non-traditional tradelines do not count. No exceptions for minimum tradeline requirements</li> </ul> </li> <li>• Eligible tradelines cannot have any derogatory history in previous twenty-four (24) months.</li> </ul>
<b>Credit Events</b>	<ul style="list-style-type: none"> <li>• Borrowers currently enrolled in credit counseling or debt management plans are not permitted.</li> <li>• All Judgments or liens affecting title must be paid.</li> <li>• Non-title charge-offs and collections within three (3) years and exceeding \$5000 (individually or aggregate) must be paid.</li> <li>• Collection and charge-off may stay open if payments for open charge-offs or collections are included in the DTI. If a specific payment amount is not</li> </ul>

	<p>determined, 5% of the balance may be utilized as the payment and reserves covering the balance.</p> <ul style="list-style-type: none"> <li>• Medical collections can remain open.</li> <li>• All past-due accounts must be brought current prior to closing.</li> <li>• Disputed accounts require a LOE.</li> <li>• IRS tax payment plans approved by the IRS are permitted if current and do not carry a lien on any property.</li> <li>• All Borrowers must be current on mortgage or rent at loan application.</li> <li>• 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.</li> <li>• COVID Forbearance – Follow FNMA guidelines.</li> <li>• Defaulted timeshares – Timeshares including delinquencies are treated as installment loans and not a housing event.</li> </ul>
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**INCOME DOCUMENTATION**

<b>Income</b>	<ul style="list-style-type: none"> <li>• All borrowers should have a two-(2) year income history from employment or other allowable sources. The expectation is that income year over year is stable or shows a trend with a gradual increase. A reasonable expectation should be present that the borrower(s) source(s) of income will continue for the foreseeable future.</li> <li>• In cases where a borrower(s) income is declining or shows unusual or unexpected fluctuation, careful consideration must be given to the income being reviewed and the reason for the decline or fluctuation. Proper discretion must be exercised to determine the extent or probability of impairment of the borrower’s income and earning ability moving forward. Conservatively, the lesser income should be used when a declining situation is present. A letter of explanation is required from the borrower(s) to support the circumstances. Borrowers that show continued declining income without a reasonable explanation or proof that the trend will not continue are not eligible to use that income for qualification.</li> <li>• Income documented through Alternative Documentation programs may be combined with other income sources that are documented as Full Documentation but not associated with self-employment, such as a spouse/co-borrower employed as a wage earner or the same borrower with additional wage income. See the supplement income listed in this guideline for additional combined income types. When wage income is combined with Alternative Documentation, a tax return is not required as this would invalidate the bank statements income docs/Alt Docs. Form 4506-C is still required; however, Box 8 should be checked to obtain a transcript of the W-2 earnings only.</li> </ul>
<b>1 Year Full Income Verification</b>	<ul style="list-style-type: none"> <li>• <b>Wage Earner, 1 Year W2 or tax return, plus 30 day pay stubs.</b> <ul style="list-style-type: none"> <li>○ Employment is considered stable if the borrower has a 2-year work history in the same job or field.</li> <li>○ Borrower must explain any employment gaps exceeding 30 days in the last 12 months.</li> <li>○ Extended Absence – Must be employed for at least 6 months when returning from an extended absence (defined as 6 months) and must document (VOEs or W2s) a 2-year work history prior to an absence.</li> <li>○ Employee business expenses reported on tax returns are actual cash expenses and must be deducted from income.</li> <li>○ Provide copies of the borrower’s signed 2-year federal income tax returns filed with the IRS if the borrower is employed by family members. <b>Or provide</b> evidence borrower has no ownership interest (e.g., corporate returns with ownership percentages.)</li> <li>○ Commissions, overtime, bonus income required a 2-year history.</li> <li>○ W-2 transcripts are required.</li> </ul> </li> </ul>

- **Self Employed Borrower**

- A borrower is considered self-employed if their ownership percentage is  $\geq$  25%.
- Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years. Less than 2 years of self-employment history can be considered with documentation of a minimum of two years employment history in the same line of work or a related profession. Less than one year may not be considered as an effective income.
- 1099's must be issued to the individual borrower (If the borrower is an entity, the 1099 must reflect the entity as the payer and the borrower as the recipient). The borrower must have 100% ownership of the entity for the period of the 1099 being reviewed.

**Document Requirements:**

- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent.
- One year's personal & business tax returns (along with all schedules and K-1's)
- A year-to-date P&L is required if the application is dated more than 120 days after the end of the business's tax year.
- If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns, the P&L is used to determine the stability of that income. The bank statements for the two most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the priors' years tax returns.
- All borrowers must also provide evidence that business has been in existence for at 2 least years via CPA/Tax Professional letter, confirmation from regulatory or state agency.
- Borrowers recently transitioned from W2 to 1099 and contracted by the same employer in the same position do not require 2 years 1099s if the employer provides documentation the borrower will not be responsible for additional expenses, i.e. contract.
- Borrowers who remained in the same industry but transitioned from W2 to 1099 with a different company must be in current position for at least 1 year.
- Not permitted as qualifying income- interest, dividends, capital gains, etc.
- Net operating losses may be excluded when evidence on business returns.
- A company name change, or re-organization is considered continuous if within last 2 years or restructured (i.e., from sole proprietor to LLC, S-Corp, etc.)
- Tax returns transcripts are required.

- **1099 Borrower**

Borrower(s) earning 100% commission or for independent contractors from one or several companies.

Minimum history of Self-Employment: Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years. Less than 2 years of self-employment history can be considered with documentation of a minimum of two years employment history in the same line of work or a related profession. Less than one year may not be considered as an effective income. 1099's must be issued to the individual borrower (If the borrower is an entity, the 1099 must reflect the entity as the payer and the borrower as the recipient). The borrower must have 100% ownership of the entity for the period of the 1099 being reviewed.

	<p><b>Documents Requirements:</b></p> <ul style="list-style-type: none"> <li>○ 1 or 2 years of 1099s permitted. <ul style="list-style-type: none"> <li>▪ Qualifying income based on a 12 or 24 monthly average.</li> </ul> </li> <li>○ Business Expense calculation method <ul style="list-style-type: none"> <li>▪ 10% Expense Factor – 90% of gross 1099 earnings</li> </ul> </li> <li>○ YTD earnings must be documented to support ongoing receipt of income reflected on 1099s. <ul style="list-style-type: none"> <li>▪ Checks or a single check stub(s) with YTD totals or;</li> <li>▪ 3 months Bank statements or;</li> <li>▪ YTD earnings statements from the 1099 Business</li> </ul> </li> <li>○ YTD earnings from deposits must be at least 80% of qualifying income.</li> <li>● Earning impacted by seasonality may be considered with documented compensating factors. <ul style="list-style-type: none"> <li>○ YTD earnings may be averaged with validated 1099(s) with a 25% maximum increase.</li> <li>○ 1099 Transcripts are required. If the most recent 1099 transcript can't be obtained, the end of previous year earning paystub with a full YTD earnings required.</li> </ul> </li> </ul>
<p><b>12 Month Profit &amp; Loss (P&amp;L)</b></p>	<p><b>Eligibility</b></p> <ul style="list-style-type: none"> <li>● Self-employed Borrower(s) only. Self-employed Borrower(s) who file their own tax returns are not eligible.</li> <li>● Minimum of two (2) years self-employment in the current profession.</li> <li>● Self-Employed defined as Borrower owning &gt;=25% ownership of respective business.</li> <li>● Ownership percentage must be documented via Certified Public Account (“CPA”)/IRS Enrolled Agent (“EA”)/California Tax Education Council (“CTEC”) letter.</li> <li>● The CPA/EA/CTEC preparing the P&amp;L must have filed the Borrower’s most recent business tax returns.</li> <li>● Multiple borrowers on the loan: Each borrower can qualify with different income doc type. Program must be P&amp;L if any of borrower is qualified using P&amp;L as income.</li> </ul> <p><b>Documentation Requirements</b></p> <ul style="list-style-type: none"> <li>● Most recent calendar year end Profit &amp; Loss statement plus YTD P&amp;L. The end date must be less than ninety (90) days old at closing.</li> <li>● Business license for the past 2 years.</li> <li>● All Profit &amp; Loss statements must be completed &amp; signed by an independent CPA/EA/CTEC.</li> <li>● CPA/EA/CTEC must provide attestation that they prepared Borrower’s tax returns and the business name, borrower’s name, and percentage of business ownership by the borrower.</li> <li>● Credit file must contain documentation that the CPA/EA/CTEC license is verified and active. A screen shot of the IRS web site for an IRS Enrolled Agent (EA) is acceptable.</li> <li>● An internet search of the business is required with documentation to be included in the credit file to support the existence of the business.</li> <li>● Employment verification documentation must be consistent with information on the loan application and Borrower’s credit report.</li> <li>● Verification of business existence and that the business is fully operational/active required within ten (10) calendar days of closing.</li> </ul> <p><b>Qualifying Income</b></p> <p>Borrower will be qualified based on the net income shown on the P&amp;L. In case two year’s P&amp;L are required (current and last calendar year), the lower of 1) Average prior year plus YTD, or 2) the YTD income.</p>
<p><b>WVOE</b></p>	<p><b>Eligibility</b></p> <ul style="list-style-type: none"> <li>● Wage earners only</li> <li>● Two (2) years history of employment in the same employment.</li> </ul>

	<ul style="list-style-type: none"> <li>Multiple borrowers on the loan: Each borrower can qualify with different income doc type. Program must be P&amp;L if any of borrower is qualified using P&amp;L as income.</li> <li>Borrower(s) employed by a family member or related individuals, or home-based employment are not eligible for qualification under the WVOE program.</li> </ul> <p><b>Documentation Requirements</b></p> <ul style="list-style-type: none"> <li>A Written Verification of Employment (FNMA Form 1005) or similar form can be utilized when the only source of earnings is wages/salary, overtime, bonus, and commission.</li> <li>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.</li> <li>WVOE FNMA Form 1005 cannot be pre-filled nor electronically filled and signed.</li> <li>A Verbal Verification of Employment (VVOE) must be performed within ten (10) calendar days prior to the note date. <ul style="list-style-type: none"> <li>A borrower who is no longer employed at the same employer listed on the initial 1003 will not be eligible.</li> <li>Independent third-party verification is required to support the existence of business (e.g. internet/online verification, Secretary of State business search, local licensing records, etc.)</li> </ul> </li> </ul>
<p><b>Bank Statements (Personal &amp; Business)</b></p>	<ul style="list-style-type: none"> <li>The bank statement program is designed for active, U.S. based operating businesses. Passive income from crowdfunding, real estate investors (with fewer than 10 residential units), venture capitalists, asset speculation, day trading and the like are considered ineligible from business bank statement income.</li> <li>Real Estate Investors with fewer than 10 residential units are eligible under Full Doc using lease agreements and proof of rent received.</li> </ul> <p><b>Document Requirements:</b></p> <ul style="list-style-type: none"> <li>12-or 24- months personal or business bank statements from a regulated U.S. financial institution <ul style="list-style-type: none"> <li>Bank statements should be the most recent available at the time of application but never more than 45 days prior to application.</li> <li>Transaction history printouts are generally not acceptable.</li> <li>Multiple bank accounts may be used. More than 3 separate business accounts must use personal bank statements.</li> <li>Most recent 3 months deposits should generally not represent most of the annual income.</li> </ul> </li> <li>Business Narrative <ul style="list-style-type: none"> <li>Borrower must provide a business narrative which includes detail related to the size/scope and operating profile of the business.</li> </ul> </li> <li>An internet search of the business is required to support the business narrative.</li> </ul> <p><b>Documentation Analysis:</b></p> <ul style="list-style-type: none"> <li>Unusually large deposits in bank accounts being used to qualify may require a letter of explanation or evidence they are business related.</li> <li>Declining Income may require an LOE.</li> <li>NSFs should be covered with deposits shortly after they are incurred.</li> </ul> <p><b>Business requirements:</b></p> <ul style="list-style-type: none"> <li>Validation of a minimum of 2 years existence of the business from one of the following: Business License, Letter from Tax Professional, Secretary of State Filing or equivalent. <ul style="list-style-type: none"> <li>Less than 2 years of self-employment history can be considered with documentation of a minimum of two years employment history in the</li> </ul> </li> </ul>

same line of work or a related profession. Less than one year may not be considered as an effective income.

- Ownership percentage must not be less than 25% and be documented via CPA letter, Operating Agreement, or equivalent.
- A company name change or re-organization is considered continuous if within the last 2 years or restructure (i.e. from sole proprietor to LLC, S-Corp, etc.)
- Any change of ownership percentage must be seasoned for at least 12 months.
- Borrower paid by multiple 1099s are considered Self Employed and are qualified using 12 months bank statements.

## **1. PERSONAL BANK STATEMENTS**

### **Option 1: Personal bank statements with evidence of business bank account.**

- 100% of business deposits in a personal bank account can be used.
- Provide the most recent 2 months business statements to validate deposits are from the borrower owned business bank account. (Only giving credit for transfers from the business; or receipt of payroll from business and distribution only)

### **Option 2: Personal bank statements with no business bank account.**

Comingled business and personal with no business account for non-service businesses are considered as business bank statements with the appropriate expense factor (20% Service Business, 50% non-service business) applied. The following fixed expense ratio is to be applied.

#### **The business can qualify using a 50% expense ratio.**

- The 50% Expense Factor will be utilized to calculate income.
- Any loan with LTV >85.01 will be required to use 50% expense factor.
- Verify borrower is minimum 25% owner of business.
- Decreasing or negative ending balances must be addressed.
- 20% Expense Factor eligible only if all of the following applies to the business.
  - Max LTV 85%
  - Borrower is sole owner and operator of the business (no partners, employees, etc.)
  - Service business (no costs of goods, no heavy equipment, machinery, etc.)
  - Does not require office space that would incur rent.
- Deposits from self-employment business only, will be included into bank statement calculation.
- A trend of repeated expense not reported on the credit report may need additional explanation and may be considered a liability.

#### **Qualifying Income:**

- Qualifying is total eligible deposits divided by 12 or 24 months.

## **2. BUSINESS BANK STATEMENTS**

- Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business-related income.
- Borrowers who are using more than 3 separate bank accounts must qualify using personal bank statements.
- Customary business debt such as auto or a business credit card may be excluded from the DTI when evidenced of 6 months payments made from the business statements. Does not apply to 20% Expense Ratio method. Mortgage debt may not be excluded from DTI when paid by the business.
- Qualification (must use one of the following two options):



	<ul style="list-style-type: none"> <li>○ The expense ratio should be reasonable for the profession - for all qualifying methods.</li> <li>● Businesses that have significant pass-through revenues, such as retail businesses that perform check cashing services or sell lottery tickets, or investment firms that receive outside investment capital, may be ineligible.</li> </ul> <p><b>OPTION 1 – Fixed Expense Ratio</b>  <b>The business can qualify using a 50% expense ratio.</b></p> <ul style="list-style-type: none"> <li>● The 50% Expense Factor will be utilized to calculate income.</li> <li>● Any loan with LTV &gt;85.01 will be required to use 50% expense factor.</li> <li>● Verify borrower is minimum 25% owner of business.</li> <li>● Decreasing or negative ending balances must be addressed.</li> <li>● 20% Expense Factor eligible only if all of the following applies to the business. <ul style="list-style-type: none"> <li>○ Max LTV 85%</li> <li>○ Borrower is sole owner and operator of the business (no partners, employees, etc.)</li> <li>○ Service business (no costs of goods, no heavy equipment, machinery, etc.)</li> <li>○ Does not require office space that would incur rent.</li> </ul> </li> </ul> <p><b>OPTION 2 – Third Party Expense Ratio   10% floor</b></p> <ul style="list-style-type: none"> <li>● Max LTV 80% Purchase/Rate &amp; Term; 75% Cash-out</li> <li>● 3rd party must have filed most recent business tax returns.</li> <li>● The Tax Professional will provide an expense statement specifying business expenses as a percentage of the gross revenue –10% floor.</li> <li>● The Tax Professional attesting to the Expense Ratio must also attest that they have filed the borrower’s most recent years business tax returns.</li> <li>● The Tax Professional must certify that the Expense Ratio represents an accurate summary of the applicable cash expenses of the business.</li> <li>● Tax Professional must verify the borrower’s ownership percentage.</li> <li>● Tax Professional license must be verified.</li> <li>● To determine net income, multiply eligible business deposits by the following: 100% minus the Expense Ratio as described above.</li> <li>● CPA letter must be on letterhead and originate from CPA office, DocuSign not allowed.</li> </ul> <p><b>**Note: Self-employed borrowers who file their own tax returns are not Eligible. **</b></p>
<p style="text-align: center;"><b>Asset Utilization</b></p>	<p>The utilization of financial assets will be considered as borrower income to qualify for their monthly payments. The unrestricted liquid assets can be comprised of stocks/bonds/mutual funds, vested amount of retirement accounts and bank accounts.</p> <p>This can be combined with other sources of income (i.e., rent, pension, social security etc.) self-employment and W2 income.  All accountholders must be borrowers on the loan.</p> <p><b>Program Requirements:</b></p> <ul style="list-style-type: none"> <li>● Primary and 2nd home - Maximum LTV/CLTV of 80%</li> <li>● Investment Property – Max LTV/CLTV of 65%</li> <li>● Cash Out – Max 60% LTV/CLTV</li> <li>● Cash out proceeds may not be used as qualified assets.</li> <li>● Reserves not required.</li> <li>● Requirement: <ul style="list-style-type: none"> <li>○ Borrowers must have a minimum of the lesser of</li> <li>○ \$1mm in Qualified Assets OR</li> <li>○ 1.25 times the loan balance Qualified Assets, but never less than \$250K liquid assets.</li> </ul> </li> <li>● Not permitted:</li> </ul>

- Gift funds (can only be used for the down payment, closing costs.)
- Foreign Assets
- Business Funds
- SBA loans or PPP loans
- Assets:
  - Borrowers must have a minimum of \$250K in post-close liquid net assets.
  - Assets used for qualifying must be seasoned 120 days.
    - Seasoning is not required if assets are from the sale of business, inheritance, or legal settlement etc. Documentation verifying ownership of assets is required. Cash out from delayed financing is eligible with proper documentation.
  - Net Assets:
    - If the assets or a portion of the assets are being used for down payment or costs to close, those assets should be excluded from the balance before analyzing a portfolio for income qualification.
  - Qualifying Assets:
    - Net assets multiplied by the following percentages:
    - 100% Checking/savings/money accounts, cash value/surrender value of Life Insurance
    - 80% of the remaining value of exchange traded stocks/bonds/Mutual Funds/Annuities
    - 70% for all vested retirement assets
- Qualifying Income:  
 Qualified assets with utilization draw schedule of 5 years (Qualified Assets divided by 60).

**ELIGIBLE ASSETS**

<b>Asset Type</b>	<b>Qualifying Amount</b>
Checking, Savings, Money Market Accounts, Cash value/surrender value of Life Insurance, Equity Proceeds from concurrent sale	100%
Annuities*, Mutual Funds, Publicly Traded Stocks and Bonds	80%
Retirement Accounts (401(k) IRA, SEP, KEOGH)	70%

**Note: Sale of business, inheritance or legal settlement, delayed financing cash out with proper documentation, and other asset types may be used on a case-by-case basis**

**INELIGIBLE ASSETS**

- 529 accounts
- Accounts pledged as collateral on another loan
- Assets titled in an irrevocable trust
- Below investment grade corporate and municipal bonds
- Business Funds
- Cash out refinance proceeds
- Custodial accounts
- Deferred compensation
- Crypto currency unless seasoned and liquidated to US dollars
- Escrow accounts
- Foreign funds
- Gift Funds for the asset utilization income qualification. Gift funds can only be used for the down payment and the closing cost.
- Health Savings Accounts

	<ul style="list-style-type: none"> <li>○ Non-Financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated.</li> <li>○ Non-liquid assets (automobiles, artwork, business net worth, etc.)</li> <li>○ Non-regulated financial companies</li> <li>○ Non-vested restricted stock units</li> <li>○ Privately held stock</li> <li>○ Stock options</li> <li>○ SBA loans and paycheck protection funds</li> </ul>
<p><b>Rental Income</b></p>	<ul style="list-style-type: none"> <li>● Full Doc/Tax returns programs: Rental income is calculated from Sch E.</li> <li>● Must document proof of ownership and prorate the income by the ownership percentage.</li> <li>● Purchase transaction - Rental income identified on the 1007/1025 rental schedule. For OREOs rental income, follow Refinance section below. <ul style="list-style-type: none"> <li>⊖ 85% utilized for market rental income (1007/1025).</li> </ul> </li> <li>● Refinance <ul style="list-style-type: none"> <li><b>Tax returns program</b> – Rental is calculated from Sch E. When two years returns are provided, the most recent year's rental income is used.</li> <li><b>No tax returns program</b> <ul style="list-style-type: none"> <li>○ Lease agreement w/one-month rental income receipt proof or</li> <li>○ Appraisal 1007/1025 (If the subject property is an investment property, 1007/1025 must be provided)</li> <li>○ 85% utilized for qualifying income. (Lower of 1007/1025 or actual rent if 1007/1025 provided)</li> </ul> </li> </ul> </li> <li>● Short-Term / Variable Rental Income <ul style="list-style-type: none"> <li>○ Airbnb – VRBO – HomeAway – Acceptable with twelve (12) months evidence of receipt via Service Provider payment receipt history or bank statement deposits</li> <li>○ Purchase only - 80% of short-term market rent can be used if there are no 12 months supporting documents.</li> <li>○ Refinance only - 80% of short-term market rent will be used as income if it is supported by the twelve (12) month average.</li> <li>○ Requires property ownership report and proof of property listing on Website.</li> <li>○ Income limited to 125% of market rents schedule for long-term tenancy if a long-term rent is utilized.</li> <li>○ Not permitted on primary/2<sup>nd</sup> home residence SFR/PUD/Condo.</li> <li>○ Must be permitted in accordance with local ordinances.</li> </ul> </li> <li>● AIRDNA (<a href="http://www.Airdna.co">www.Airdna.co</a>) Rentalizer and Overview reports, accessed using the Explore Short-Term Rental Data, must meet the following requirements: <ul style="list-style-type: none"> <li>○ Rentalizer (Property Earning Potential) <ul style="list-style-type: none"> <li>▪ Only allowed for purchase transaction.</li> <li>▪ Gross Rents equal the revenue projection from the Rentalizer Report. <ol style="list-style-type: none"> <li>a. The gross rents are subject to the application of the 20% extraordinary expense factor.</li> <li>b. Revenue projection equals the average daily rental rate times the occupancy rate.</li> </ol> </li> <li>▪ Forecast Period must cover 12-months from the Note date.</li> <li>▪ The occupancy rate must be &gt; 60%.</li> <li>▪ Must have five (5) comparable properties, all within the same ZIP code.</li> <li>▪ Must be similar in size, room count, amenities, availability, and occupancy.</li> <li>▪ Maximum occupancy limited to 2 individuals per bedroom.</li> </ul> </li> <li>○ Overview report (Evaluate a Market): <ul style="list-style-type: none"> <li>▪ Market score or Sub-Market score by zip code.</li> <li>▪ Market score or Sub-Market score must be 60 or greater.</li> </ul> </li> </ul> </li> </ul>

<p><b>Departing Residence</b></p>	<ul style="list-style-type: none"> <li>• Departing residence positive rental income cannot be used as qualifying income. Departing residence PITIA can be offset by 75% of projected net rental income.</li> <li>• Departing residence rental that produces a loss must be included in DTI.</li> <li>• Document rents received via current lease and initial deposit, or if not available, market rent survey may be used (free online source permitted- Zillow.com, Rentometer.com)</li> </ul>
<p><b>Supplemental Income Sources (For Alt Doc income using the combined income)</b></p>	<ul style="list-style-type: none"> <li>• Trust Income <ul style="list-style-type: none"> <li>○ Income from trusts may be used if constant payments will continue for at least the first three (3) years of the mortgage term as evidenced by trust income documentation.</li> <li>○ Trust Agreement required confirming amount, distribution frequency, and duration of payments.</li> <li>○ Most recent two (2) months bank statements showing deposit of funds.</li> </ul> </li> <li>• Alimony Income / Child Support <ul style="list-style-type: none"> <li>○ Final Divorce decree or legal separation agreement required.</li> <li>○ Must provide payment evidence of six (6) months via cancelled checks, deposit slips, or bank records.</li> </ul> </li> <li>• Royalty income <ul style="list-style-type: none"> <li>○ Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income –must document a three (3) year continuance.</li> <li>○ Must provide payment evidence of twelve (12) months via cancelled checks or bank records / deposits.</li> </ul> </li> <li>• Note Receivable Income <ul style="list-style-type: none"> <li>○ Copy of the note confirming amount and length of payment to confirm three (3) year continuance.</li> <li>○ Must provide payment evidence of twelve (12) months via cancelled checks, deposit slips, or bank records.</li> </ul> </li> <li>• Retirement Income (Pension, Social Security) <ul style="list-style-type: none"> <li>○ Copy of award letter or letters from the organizations providing the income and</li> <li>○ Most recent two (2) months bank statements showing deposit of funds.</li> </ul> </li> <li>• Retirement income (401K/Keogh/IRA) <p>The income is expected to continue for at least three (3) years after the date of the mortgage Note. In addition, the borrower must have unrestricted access to the accounts without penalty.</p> <p>Provide all of the following:</p> <ul style="list-style-type: none"> <li>○ Account Statement(s) reflecting available balance for withdrawals.</li> <li>○ One-year 1099-R forms</li> <li>○ One month's proof of current receipt</li> <li>○ Minimum history of withdrawals for 12-months required.</li> </ul> </li> </ul>
<p><b>4506-C</b></p>	<p>Not required except full income/W-2/1099 doc program.</p>

<p style="text-align: center;"><b>ASSETS</b></p>	
<p><b>Documentation</b></p>	<ul style="list-style-type: none"> <li>• Most recent one-month (1) statement or VOD required.</li> <li>• Stock/Bonds/Mutual funds/Vested Retirement Accounts – 100% may be considered for down payment, closing cost, and reserves. If needed to close, verification that funds have been liquidated (if applicable) is required.</li> <li>• 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.</li> <li>• Gifts are allowed for down payment, closing cost, and reserves.</li> <li>• Life insurance: Proof of liquidation is required if used for closing. Net cash/surrender value must be used for reserves.</li> </ul>

	<ul style="list-style-type: none"> <li>No minimum borrower contribution for down payment and closing cost required for all occupancy types, 100% gift is permitted on all occupancy types.</li> <li>Source of large deposit is not required.</li> </ul>
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LIABILITIES	
<b>Liabilities</b>	Follow FNMA guideline.
<b>Property tax estimates for new construction</b>	Property taxes should be calculated using 1.5% of sales price for qualification (1.25% in California)
<b>Debts paid by others / contingent liabilities</b>	Contingent liabilities can be excluded from DTI if the Borrower provides evidence that their business or another individual / entity has made payments for six (6) months (0x30). Payor cannot be an interested party to the subject transaction.

PROPERTY																													
<b>Warrantable condo</b>	<ul style="list-style-type: none"> <li>Condo project review must be in accordance with the FNMA Seller Guide.</li> <li>Condo projects must be 100% complete and HOA in control.</li> </ul>																												
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<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>One Unit Single Family Residences (Attached, Detached)</li> <li>Single Family properties with ADU (Accessory Unit Dwelling) follow FNMA requirements and restrictions.</li> <li>2-4 Unit Properties</li> <li>PUD</li> <li>Warrantable condo</li> <li>Non-warrantable condo. (Max. LTV/CLTV 80%)</li> </ul>																												

	<ul style="list-style-type: none"> <li>• Townhouses</li> <li>• Maximum of 20 acres not meeting the rural definition below.</li> </ul>
<b>Ineligible Properties</b>	<ul style="list-style-type: none"> <li>• Manufactured Homes</li> <li>• Residential units with <math>\geq 5</math> units</li> <li>• Log Homes</li> <li>• Condotels</li> <li>• Rural Properties (Where appraiser indicates rural neighborhood, located on a gravel road, or 2 of 3 comps are more than 5 miles from the subject)</li> <li>• Condominium projects with registration services or restrictions on owner's ability to occupy.</li> <li>• Cooperatives</li> <li>• Unique Properties</li> <li>• Mixed Use Properties</li> <li>• Builder Model Leaseback</li> <li>• Boarding Houses</li> <li>• Fractional Ownership/Timeshares</li> <li>• Assisted Living/Continuing Care Facilities</li> <li>• Mandatory Country Club Memberships</li> <li>• Zoning Violations</li> <li>• Properties under Construction</li> <li>• Agricultural zoned properties (may be considered on a case-by-case basis)</li> <li>• Hawaii properties located in lava zones 1 and/or 2.</li> <li>• Multiple dwellings on same lot (legal ADU acceptable, limited to one)</li> <li>• Working Farms</li> <li>• C5 or C6 Property Condition Grades</li> <li>• Live/Work Condos</li> <li>• Earth Berm Homes</li> <li>• Geodesic Domes</li> <li>• Houseboats</li> <li>• Homes on Native American Land (Reservations)</li> <li>• Properties used for the cultivation, distribution, manufacture, or sale of Marijuana.</li> <li>• Theme Park Resort Properties</li> </ul>

<b>ADDITIONAL GUIDELINE REQUIREMENTS</b>	
<b>Ability to Repay</b>	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)
<b>High Cost</b>	<ul style="list-style-type: none"> <li>• Federal, State, and Local High-Cost Loans are not permitted. Cured High-Cost loans are also not eligible.</li> </ul>
<b>Escrow Holdbacks</b>	<ul style="list-style-type: none"> <li>• Escrow holdbacks are not allowed.</li> </ul>
<b>Maximum Financed Properties</b>	<ul style="list-style-type: none"> <li>• The maximum number of financed properties to any one Borrower is limited to twenty (20) residential properties.</li> <li>• Maximum MCFI exposure to single Borrower: \$7.5mm in unpaid principal balance or ten (10) properties.</li> </ul>
<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Not permitted on Cash-Out transactions</li> </ul>
<b>E-Signatures</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Interested Party Contribution (IPC)</b>	<ul style="list-style-type: none"> <li>• Can only be used for closing costs and prepaid expenses, not down payment or reserves.</li> <li>• Maximum 6% for primary residence and second home</li> </ul>

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|  | <ul style="list-style-type: none"><li>• Maximum 3% for investment property</li><li>• Exceeding IPC after above use is considered as sales concessions, will be deducted from sale price to determine LTV.</li></ul> |
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