MEGA CAPITAL FUNDING, INC.

SAPPHIRE JUMBO

JUMBO FIXED- PURCHASE / RATE & TERM REFINANCE					
Occupancy	**Units**	**Max Loan Amount[1]**	**Max LTV/CLTV[4]**	**Credit Score**	**Max DTI**
Primary Home	1 Unit	$1M	70%	680	45%
		$1.5M	89.99%[2]	740	38%
		$1.5M	85%[2]	720	
		$1.5M	80%	700	45%
		$2M	80%	720	
	2 Units	$1M	80%	740	
		$1M	70%	700	
		$1.5M	60%	720	
Second Home	1 unit	$1.5M	80%	720	40%
		$2M	70%	720	
Investment[3]	1-4 Units	$1.5M	70%	740	38%

1. **First-Time Homebuyers are subject to a maximum loan amount of $1,000,000, but loan amounts up to $1,500,000 are allowed in CA, NJ, WA, and CT with certain restrictions.** See Eligible Borrowers section.
2. **The following requirements apply for transactions with LTVs greater than 80%:**
   - MI not required
   - Secondary financing not allowed
   - Maximum DTI 38%
   - Self-employed minimum FICO 760
   - Non-permanent resident aliens not allowed
   - Gift funds not allowed
   - Escrow/impound accounts required unless prohibited by Applicable Law.
3. **The following requirements apply for Investment Property Transactions:**
   - Maximum DTI 38%
   - Florida attached condominiums limited to 50% LTV/CLTV/HCLTV and must be approved by FNMA within 18 months.
   - Gift funds not allowed
   - Transaction must be arm's length
   - Appraiser to provide rent comparable schedule
   - First-Time Homebuyers not allowed
   - Cash-Out not permitted
4. **Florida condo project MAX LTV/CLTV=80% & FNMA approved projects within the last 18 months only.**

*** When any self-employment income is required for qualifying purposes:**

- **Minimum FICO 760 for LTV/CLTV/HCLTV > 80%**
- **Maximum DTI of 38%, regardless of any circumstances.**
- **3 months additional reserves**
- **Cash-out transactions not allowed.**

JUMBO FIXED - CASH-OUT REFINANCE[1]						
Occupancy	**Units**	**Max Loan Amount**	**Max LTV/CLTV[2]**	**Credit Score**	**Max Cash-out**	**Max DTI**
Primary Home	1 Unit	$1M	75%	700	$500K	45%
		$1.5M	70%	720		
		$2M	60%	740		
	2 Units	$1M	60%	720	$500K	
Second Home	1 Unit	$1M	70%	720	$500K	40%
		$1.5M	60%	720		
		$2M	50%	740		

1. Texas 50(a)(6) is only allowed on 30-year fixed rate with additional restrictions per FNMA guideline.
2. The Florida condo project must be approved by FNMA within the last 18 months.

*** Self-employment income is not an eligible source of income on Cash-Out transactions.**

JUMBO ARM – PRIMARY HOME ONLY						
Transaction	**Unit**	**Max Loan Amount[1]**	**Max LTV/CLTV[4]**	**Credit Score[3]**	**Max Cash-out**	**Max DTI**
Purchase Rate & Term	1 Unit	$1M	70%	700	NA	40% (<720) 43% (>720)
		$2M	75%	720		43%
Cash-Out [2]	1 Unit	$1M	65%	720	$500K	43%
		$1.5M	65%	740		
		$2M	60%	740		

1. **First-Time Homebuyers are subject to a maximum loan amount of $1,000,000, but loan amounts up to $1,250,000 are allowed in CA, NJ, WA, and CT with certain restrictions.** See Eligible Borrowers section.
2. **Texas 50(a)(6) is not allowed on ARM loans.**
3. **First-Time Homebuyers are subject to a minimum FICO of 740.**
4. **If the qualifying appraisal indicates property values are declining, the maximum LTV/CLTV is reduced by 10%.**
   The Florida condo project must be approved by FNMA within the last 18 months.

*** Minimum loan amount is $600,000**
**** When any self-employment income is required for qualifying purposes:**
- **Maximum DTI of 38%, regardless of any circumstances.**
- **3 months additional reserves.**

***** Self-employment income is not an eligible source of income on Cash-Out transactions.**

<table>
<tr><th colspan="2">PROGRAM DETAILS</th></tr>
<tr><td>QM Status</td><td>• Standard QM requirements apply</td></tr>
<tr><td>Program Codes</td><td>• SPJ30, SPJ15, SPJ10/6, SPJ7/6, SPJ5/6</td></tr>
<tr><td>Eligible States</td><td>All MCFI approved States except Maryland.
Maryland loans are temporarily suspended.</td></tr>
<tr><td>Overview</td><td>• SFRs, Warrantable Condo and PUDs
• 15, 30 year fully amortizing Fixed Rate & Term
• ARMs
• No Recasting/Re-amortizing allowed
• No Balloon mortgages allowed
• Loans with Points and Fees exceeding 3% are not eligible.
• No Temporary Buy-down allowed
• No Higher Priced Covered Transaction & HPML allowed
• No Assignment of Sales Contracts
• No Graduated Payments.
• No Interest Only allowed
• No Convertible ARMs
• No loans with Prepayment Penalties
• No Assumable ARMs
• No loans with bridge financing by third party</td></tr>
<tr><td>Minimum Loan Amount</td><td>• Fixed - Minimum loan amount is $1 over the Agency national conforming loan limit applicable for the Subject Property’s number of units.
• ARMs - $600,000</td></tr>
<tr><td>Maximum Allowable DTI Ratio</td><td>• Primary Residence:
  ○ 45% for LTVs ≤80%
  ○ 38% for LTVs >80%
• Second Home:
• Investment Property: 38%
• ARM loans
  ○ FICO >= 720: 43%
  ○ FICO < 720: 40%
• First-Time Homebuyer: 38%
• Self-Employed Borrower: 38% if self-employed income is used to qualify</td></tr>
<tr><td>Qualifying Rate for ARM Loans</td><td>The fully indexed rate is the sum of the value of the applicable index and the mortgage margin, which is then rounded to the nearest one-eighth percent.
• If the index plus gross margin equals a number that is equidistant between the higher and lower one-eighth percent, round down to the nearest one-eighth percent.
• The applicable index value that determines the fully indexed rate is any index value in effect during the 90 days that precede the note date.
<table>
<tr><td>Product</td><td>Qualify with greater of</td></tr>
<tr><td>5/6 ARM</td><td>the fully indexed rate or the Note rate +2%</td></tr>
<tr><td>7/6 and 10/6 ARM</td><td>the fully indexed rate or the Note rate</td></tr>
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<tr><td>ARM Parameters</td><td>
<table>
<tr><td></td><td>5/6 ARM</td><td>7/6 ARM</td><td>10/6 ARM</td></tr>
<tr><td>Amortization</td><td colspan="3">Fully amortizing over a 30-year period</td></tr>
<tr><td>ARM Index</td><td colspan="3">30-day Average SOFR as published daily by the Federal Reserve Bank of New York. The interest rate adjustment period changes every 6 months after initial fixed period.</td></tr>
<tr><td>Interest Rate Cap at First Adjustment Date</td><td>2%</td><td>5%</td><td>5%</td></tr>
<tr><td>Periodic Adjustment Cap</td><td>1%</td><td>1%</td><td>1%</td></tr>
<tr><td>Lifetime Cap</td><td>5%</td><td>5%</td><td>5%</td></tr>
</table></td></tr>
</table>

	Margin	2.75%	2.75%	2.75%
	Interest Rate Floor	Equal to Margin	Equal to Margin	Equal to Margin
Debt-to-Income Ratio	Monthly debt-to-income ratio is the sum of the monthly housing-to-income ratio plus the following: • Payments on revolving debt. • Installment debt with ten (10) or more months remaining. • Lease payments, regardless of the number of payments remaining. • Monthly PITIA for any additional properties owned by the Borrower including second homes and investment properties with negative cash flow. • Current real estate taxes and insurance on properties owned free and clear. • Child support, alimony, and separate maintenance with ten (10) or more months remaining. • Alimony payments may be deducted from income rather than included as a liability in the debt-to-income ratio—please see liability section of program guidelines to determine if alimony may be deducted from income.			
Manual Underwriting	• All Mortgage Loans must be manually underwritten and fully documented. • Agency AUS findings are not considered. No documentation waivers based on Agency AUS recommendations are permitted. • Unless otherwise noted, the more restrictive of the Fannie Mae Selling Guide, this Program Guide should be followed.			
Underwriting Documentation	**General Requirements:** • The application package must contain acceptable documentation to support the underwriting decision. When standard documentation does not provide sufficient information to support the decision, additional explanatory statements or documentation must be provided. • Fraud Report (e.g., Fraudguard) required. Any potential findings must be satisfactorily cleared prior to close. • Full income and asset verification is required. See specific requirements in Income/Employment and Asset sections. • In an effort to fully document the Borrower's ability to meet their obligations, Borrowers should disclose and verify all liquid assets (in addition to minimums required as specified by the program). • Income calculation worksheet or 1008 with income calculation required. Current Fannie Mae Form 1084, Freddie Mac Form 91 or equivalent is required for self-employment income analysis. Instructions per Form 1084 or Form 91 must be followed. • All credit documents, including title commitment, must be no older than one-hundred and twenty (120) days from the Note date. • If subject transaction is paying off a HELOC that is not included in the CLTV/HCLTV calculation, the Mortgage Loan File must contain evidence the HELOC has been closed. • If the 1003, title commitment or credit documents indicate the Borrower is a party to a lawsuit, additional documentation must be obtained to determine no negative impact on the Borrower's ability to repay, assets or collateral. **Disaster Declarations Requiring Forbearance and/or Deferment - Borrower Affidavit** • Borrower affidavit specific to federal or state declared disaster requiring payment forbearance and/or deferment. (Example: former COVID 19 pandemic requirements) **Direct Written Verifications:** • Written verifications for employment, deposit accounts and/or mortgage/rental history (VOE/VOD/VOM) must pass directly between the Lender and employer, financial institution, mortgagor/landlord, as applicable, without being handled by any third party. • Documentation must not contain any alterations, erasures, and correction fluid or correction tape. • Paystubs, W-2s or tax returns required; standalone VOEs are not allowed but can be provided for additional information. • Bank/institution statements required; standalone VODs are not allowed but can be provided for additional information.			

	Letters of Explanation: • Letters of explanation regarding financial circumstances must specifically address the financial or credit concern presented and must contain a complete explanation in the applicant's own words and be signed and dated by the applicant. **Fax Copies:** Fax copies in lieu of original documents or certified copies are acceptable subject to the following: • Verification transmitted directly from the Lender/Broker to an employer, depository institution, mortgagee, or landlord. The employer, depository institution, mortgagee or landlord must transmit the verification directly back to the Lender/Broker. **Internet Documentation:** Internet documents/downloads of credit reports as well as income, employment and asset verification are acceptable. This allowance for Internet documents does not change the required content or level of documentation needed. The information must be easy to read, understandable, and have no evidence of alterations, erasures, or white-outs, and must make sense based on the Borrower profile and transaction terms. The following source validation criteria apply to all documents obtained via the Internet: • Identify the Borrower as the employee or owner of the applicable account. • Identify the credit reporting agency, employer, or depository/investment firm's name and source of information. • Headers, footers, and the banner portion of the printout of the downloaded web page(s) must reflect the appropriate firm. • Display the Internet Uniform Resource Locator (URL) address and the date and time printed. • If faxing an internet download, make sure fax header does not cover URL information. **Re-verification Authorization:** A Borrower’s consent must be evidenced by their signature on the appropriate form in order to allow subsequent re-verification as may be required. In lieu of Borrower’s signature directly on the re-verification form, a general consent form with signatures by all Borrowers is acceptable.

TRANSACTION TYPES	
Occupancy	**Primary Residence** A primary residence is where the Borrower lives the majority of the year. It is in a location relatively convenient to the principal place of employment; and it is the address of record for items such as voter registration, federal income tax reporting, licensing, and similar functions. • 1-2 unit properties are allowed for 30 Year Fixed • Only 1 unit properties are allowed for ARM loans • Purchase - The Borrower must occupy the Subject Property within sixty (60) days of closing. If there are multiple Borrowers, at least one (1) must occupy and take title to the Subject Property within sixty (60) days of closing. • Refinance – The Borrower must occupy the Subject Property at the time of the transaction for existing properties. For construction-to-permanent transactions, Borrower must occupy within sixty (60) days of permanent loan closing. **Second Home** A second home is a 1-unit property, including condominiums, cooperatives, and PUDs, that the Borrower will occupy for a portion of the year. The property generally is in a vacation or resort area, but not always. • 1 unit properties only. 2-4 unit properties are not eligible. • Not allowed on ARM loans. • Must be a reasonable distance away from Borrower’s primary residence. ○ There are no specific mileage requirements regarding the distance

	between a second home and primary residence, but it should make sense that the Subject Property is a second home. ○ The Subject Property should not be in the same local market as the Borrower's primary residence. There can be exceptions such as properties that are in a metropolitan area that are used to minimize the commute to work. • Must be occupied by the Borrower for some portion of the year. • Must be suitable for year-round use. • Must not be subject to a rental agreement and Borrower must have exclusive control over the Subject Property. • Any rental income received on the Subject Property cannot be used as qualifying income. • The Borrower should retain exclusive control over the Subject Property and not give the management company control. **Investment Property** An investment property is an income-producing property that the Borrower does not occupy. The Subject Property can be a condominium or PUD. • 1-4 unit properties are allowed. • Not allowed on ARM loans.

Non-Arm's Length Transaction	• A non-arm's length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the Seller, builder, real estate agent, appraiser, Lender, title company or other interested party.
	• The following non-arm's length transactions are eligible on Primary Residence and Second Homes transactions:
	  ○ Family sales or transfers
	  ○ Seller's real estate agent is also the Property seller or a relative of the Property seller
	  ○ Borrower's real estate agent is also the Borrower or a relative of the Borrower
	  ○ Borrower is the employee of the originating Lender and the Lender has an established employee loan program. Evidence of employee program to be included in Mortgage Loan File.
	  ○ Originator is related to the Borrower
	  ○ Originator is a current subsidiary of the builder
	  ○ Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between Borrower and landlord).
	• Other non-arm's length transactions may be acceptable on an exception basis.
	• Restrictions
	  ○ Investment properties not allowed.
	  ○ The property must not have sold within the period 90-days prior to the date of the purchase contract for the subject transaction.
	  ○ The property must not have sold within the period between 90 and 180-days prior to the date of the purchase contract for the subject transaction unless there is no increase in value.
	  ○ Delayed Financing not allowed.
	  ○ Power of Attorney not allowed
	  ○ Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity.
	  ○ Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations.
	• Documentation Requirements
	  ○ Deposit of earnest money amount and source of funds must be verified and documented.

	○ Closing Disclosure for subject transaction must show no large, atypical disbursements for non-lien items. ○ Purchase contract must not have any irregular terms or concessions unless fully analyzed and explained. ○ Borrower must provide a written explanation of his/her relationship to the property seller and a rationale for the property purchase.
Multiple Financed Properties	• All loans: ○ All financed 1-4 unit residential properties require an additional six (6) months reserves for each property unless the exclusions below apply. ○ 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the Borrower is not personally obligated for the mortgage. ○ Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation. • Fixed: ○ The Borrower(s) may own a total of four (4) financed, 1-4 unit residential properties including the Subject Property and regardless of the occupancy type of the Subject Property. • ARMs: ○ The Borrower(s) may own a total of four (4), 1-4 unit residential properties including the Subject Property and regardless of the occupancy type of the Subject Property. The maximum property limit applies to financed and/or unencumbered properties.
Purchases	• Must adhere to Agency guidelines. • A purchase transaction allows the Borrower to use the proceeds of the loan to finance the purchase of a property. The Borrower should not be on title to the property prior to the loan closing. • The transaction must follow minimum down payment and interested party contribution requirements. • Properties that had a prior sale within 90 days prior to the purchase contract date of the subject transaction are not eligible.
Rate & Term Refinance	• The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items. ○ If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed $2000 in the most recent twelve (12) months. ○ A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months. ○ A seasoned equity line is defined as not having draws totaling over $2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history. ○ Max cash back at closing is limited to 1% of the new loan amount. • Properties inherited less than twelve (12) months prior to application date can be considered for a Rate and Term refinance transaction if the following requirements are met: ○ Must have clear title or copy of probate evidencing borrower was awarded the Subject Property. ○ A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries. The borrower retains sole ownership of the Subject Property after the pay out of the other beneficiaries. ○ Cash back to Borrower not to exceed 1% of loan amount.

Cash-out Refinance	• See matrix for maximum cash out limits.
	• Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens, and any cash in hand.
	• Self-employment income is not an eligible source of income on Cash-Out transactions.
	• The Borrower must have taken title to the Subject Property more than 180 days prior to the Note date. If the Subject Property is owned free and clear and 180 days seasoning is not met, refer to Delayed Purchase Refinancing section.
	• Inherited properties may not be refinanced as a cash-out refinance prior to twelve (12) months ownership. See Rate and Term Refinances for requirements.
	• Cash-out refinances where the Borrower is paying off a loan from a pledged asset/retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the Subject Property, the following guidelines apply:
	    o Cash-out limitation is waived if previous transaction was a purchase.
	    o Seasoning requirement for cash-out is waived (Borrower does not have to have owned for 180 days prior to subject transaction).
	    o Funds used to purchase the Subject Property must be documented and sourced.
	    o HUD-1/CD for subject transaction must reflect payoff or pay down of pledged asset/retirement account loan, secured loan, unsecured family loan or business asset account. If cash-out proceeds exceed payoff of loans, excess cash must meet cash-out limitations.
	    o The purchase must have been arm's length.
	    o Investment properties are ineligible.

Delayed Financing Refinance	• Transactions that meet the following criteria qualify for Delayed Purchase Refinancing guidelines:
	    o Property was purchased by the Borrower for cash within 180 days of the loan application.
	    o HUD-1/CD from purchase reflecting no financing obtained for the purchase of the Subject Property.
	    o Preliminary title reflects the Borrower as the owner and no liens.
	    o Funds used to purchase the Subject Property are fully documented and sourced and must be the Borrower’s own funds (no gift funds or business funds).
	    o Funds drawn from a HELOC on another property owned by the Borrower, funds borrowed against a margin account or funds from a 401(k) loan are acceptable if the following requirements are met:
	        ▪ The borrowed funds are fully documented.
	        ▪ The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction.
	    o Investment properties are allowed if Borrower is not a builder or in the construction industry and prior transaction was arm's length.
	• Delayed Purchase Refinancing guidelines:
	    o LTV/CLTV/HCLTV for Rate and Term refinances must be met.
	    o The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas.
	    o Texas primary residence must be treated as cash out and locked as cash out; however, cash out limits and 6 months seasoning will not be applicable.

Continuity of Obligation	• When at least one (1) Borrower on the existing mortgage is also a Borrower on the new refinance transaction, continuity of obligation requirements have been met. • If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible: o The Borrower has been on title for at least twelve (12) months but is

	not obligated on the existing mortgage that is being refinanced and the Borrower meets the following requirements: ▪ Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or ▪ Is related to the Borrower on the mortgage being refinanced. o The Borrower on the new refinance transaction was added to title twenty-four (24) months or more prior to the disbursement date of the new refinance transaction. o The Borrower on the refinance inherited or was legally awarded the Subject Property by a court in the case of divorce, separation, or dissolution of a domestic partnership. o The Borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC, or partnership. The following requirements apply: ▪ The borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer. ▪ The transferring entity and/or Borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan. • Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.
LTV/CLTV/HCLTV Calculation for Refinance	• If Subject Property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date. • If Subject Property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the Subject Property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date.
Construction-to-Permanent Loan Financing	The conversion of Construction-to-Permanent financing involves the granting of a long-term mortgage to a Borrower for the purpose of replacing interim construction financing that the Borrower has obtained to fund the construction of a new residence. Construction-to-Permanent financing transactions follow Rate and Term Refinance transaction guidelines with the following additional requirements: • The Borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction. • LTV/CLTV/HCLTV is determined based on the length of time the Borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction. o For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV. o For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the Subject Property or the total acquisition costs (documented construction costs plus documented purchase price of lot).
Subordinate Financing	• Institutional Financing only. Seller subordinate financing not allowed. • Subordinate liens must be recorded and clearly subordinate to the first mortgage lien. • Subordinate liens must be listed on the title insurance policy and must specifically state that the lien is subordinated to the lien of the first Mortgage. • A copy of the subordination agreement or equivalent is required if re-subordinating. • A copy of the note from the second lien is required. (For Home Equity Line of Credit re-subordinating seconds, the Note is typically the HELOC Agreement.)

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- If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the Borrower's debt-to-income ratio.
- Full disclosure must be made of the existence of subordinate financing and the subordinate financing repayment terms. The following are acceptable subordinate financing types:
  - Mortgage terms with interest at market rate.
  - Mortgage with regular payments that cover at least the interest due, resulting in no negative amortization.
- Employer subordinate financing is allowed with the following requirements:
  - Employer must have an Employee Financing Assistance Program in place.
  - Employer may require full repayment of the debt if the Borrower's employment ceases before the maturity date.
  - Financing may be structured in any of the following ways:
    - Fully amortizing level monthly payments. Fully amortized payment must be included in PITI for DTI calculation.
    - Deferred payments for some period before changing to fully amortizing payments. Fully amortized payment must be included in PITI for DTI calculation.
    - Forgiveness of debt over time
    - Balloon payment of no less than five (5) years, or the Borrower must have sufficient liquidity to pay off the subordinate lien.
- LTV/CLTV/HCLTV guidelines must be met for Mortgage Loans with subordinate financing.
- Secondary financing not allowed on LTVs >80%.

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<td>Property Flipping</td>
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Property flipping is the process of purchasing existing or new construction properties with the intention of quickly reselling the properties for a profit. In some cases, the resale (i.e., the subject transaction) will represent a legitimate transaction at fair market value, often after the property has been remodeled or rehabilitated.
However, in other situations the transaction may represent a sale to an uninformed, unsuspecting buyer or alternatively to a straw buyer acting in collusion with the property seller, in either case using an appraisal with an inflated value to justify a sale at an inflated price. The market value evaluation and the borrower's motivation to purchase the property must be reasonable. Transactions involving an assignment of sales contracts are ineligible.

1. Flip or Rapid Resale of Property Within 90 Days After Prior Sale Date
The property must not have sold within the 90-day period prior to the date of the purchase contract for the subject transaction unless Arm's Length and with one of the following exceptions:

- Property was acquired by a relocation agency in connection with the relocation of an employee, and then resold to someone who is not an employee or affiliate of the original employee's company, or
- Resale by a Lender when property is obtained through foreclosure or deed in lieu of foreclosure, or
- Resale of a property obtained through an inheritance or as part of the property settlement in a divorce agreement,

The 90-day period is measured by the closing date of the previous transaction to purchase contract date for the new transaction.

2. Underwriting Guidance for Flip or Rapid Resale Transactions
The underwriter must consider whether value increases are properly supported, taking into consideration both the general price trends in the local real estate market and the adequacy of the appraiser's assessment of the contribution to value of any improvements made. The Mortgage Loan File

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	must contain sufficient information to support the price increase and must meet all applicable Agency Guides. The underwriter must confirm and document in the Mortgage Loan File that the property seller in a purchase money transaction (or the borrower in a refinance transaction) is the owner of the subject property when the appraisal is performed.

BORROWER ELIGIBILITY	
Eligible Borrowers	• Natural persons that have reached the age at which the Note can be enforced in the jurisdiction where the Subject Property is located subject to the limitations in the Ineligible Borrowers section. o Borrowers and Co-Borrowers - take title to the Mortgaged Property premises and will sign the Note and Mortgage. o Non-Borrowing Spouse - When a married Borrower applies in their name alone, the spouse is referred to as the non-borrowing spouse. A non-borrowing spouse may have rights as a co-owner of the mortgage premises or due to state community Property or marital rights. Transactions with a Non-Borrowing Spouse are permissible subject to the following: ▪ Non-borrowing spouse must sign the Mortgage and, if applicable, sign the Right to Cancel. • Certain Trusts as follows: o Inter Vivos Revocable Trust • Certain Citizenship/Residency Statuses as follows: o US Citizens o Permanent Resident Aliens (Immigrant) – A non-US citizen who is legally eligible to maintain permanent residency in the US and holds a Permanent Resident Alien card. ▪ Document legal residency with one (1) of the following: ✓ A valid and current Permanent Resident Alien card (form I-551) also known as a green card. ✓ A passport stamped “processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until ________.” Employment authorized. This evidences the holder has been approved for, but not issued, a Permanent Resident Alien card. ▪ Must be employed in the US for the past twenty-four (24) months. o Non-Permanent Resident Aliens (Non-Immigrant) - A non-US citizen who lawfully enters the US for a specific time period under the terms of a Visa. A Non-Permanent Resident status may or may not permit employment. ▪ Unexpired Visas only. Document legal residency with the following: ✓ Verification of a valid, eligible, and unexpired visa that allows the Non-Permanent Resident Alien the right to work and live in the US issued by the USCIS is required. Eligible Visa types: H1B, H2B, E1, L1 and G Series Visas. G Series Visas must not allow for diplomatic immunity. ▪ Must be employed in the US for the past twenty-four (24) months. ▪ The following restrictions apply for Non-Permanent Resident Aliens: ✓ Primary residence only ✓ Maximum LTV/CLTV/HCLTV 80% ✓ No other financed properties in the US ✓ Credit tradeline requirements must be met, no exceptions. o All Borrowers must have a valid U.S. issued Social Security Number.

Eligible Borrowers *(continued)*	• **First Time Homebuyer Requirement** ○ Defined as a Borrower who has not owned a home in the last three (3) years. For Mortgage Loans with more than one Borrower, where at least one Borrower has owned a home in the last three (3) years, first-time homebuyer requirements do not apply. ○ Maximum loan amount is $1,000,000. ○ For transactions located in CA, NJ, WA, or CT, a maximum loan amount of $1,500,000 for 15 and 30 Year Fixed and $1,250,000 for ARM loans is allowed if the following requirements are met and only apply for loan amounts over $1,000,000 in the allowed states: ✓ 720 Minimum FICO score ✓ Maximum 80% LTV/CLTV/HCLTV ✓ No gift funds allowed ○ For ARM loans: minimum FICO of 740. ○ Maximum DTI is 38% ○ Additional 6 months reserves. ○ Second Home and Investment Properties not allowed. ○ VOR required for all FTHB to reflect 0x30 in the most recent twelve (12) months. • Ineligible Borrowers ○ Maximum of 4 Borrowers per loan ○ Individuals who do not have a valid U.S. issued Social Security Number ○ Foreign Nationals ○ DACA Borrowers ○ ITIN Borrowers ○ Borrowers with Diplomatic Immunity status or other exclusions from U.S. jurisdiction ○ Life Estates ○ Non-Revocable Trusts ○ Guardianships ○ LLCs, Corporations or Partnerships ○ Community Land Trusts, except for Illinois Land Trust ○ Non-Occupant Co-Borrower - a Co-Borrower who will take title to the mortgage premises but will not occupy the Subject Property. ○ Guarantors or Co-Signers – a Co-Borrower who will sign the Note but will not take title. ○ Borrowers with any ownership in a business that is federally illegal, regardless if the income is not being considered for qualifying.
Acceptable Forms of Ownership	• Fee Simple is the greatest possible interest a person can have in real estate. The Lender (MCFI) must be recorded as the principal on the mortgagor's estate subject only to liens for taxes and special assessments that are not currently due and payable. Fee Simple must have vesting as follows: ○ Individual ○ Joint Tenants ○ Tenants in Common • A leasehold arrangement is one in which there is a separate owner of the land and the improvements on the land. The landowner grants a lease to the owner of the improvement that gives the right to use the land in exchange for a rental payment. The ownership interest in the improvements with the rights granted in the lease to use the loan is called the leasehold interest. The rental payment is called the leasehold payment or ground rent. The lease is commonly for a term of ninety-nine (99) years or more and is usually renewable. ○ Leaseholds are not allowed on ARM loans. ○ For 15/30 Year Fixed, leaseholds must meet the following requirements:

	▪ The lease or sublease must be valid, in good standing, and in full force. ▪ The leasehold must be assignable and/or transferable. ▪ All rents must be current. ▪ The remaining term of the lease must extend a minimum of five (5) years beyond the maturity date of the mortgage. ▪ Leaseholds must meet Fannie Mae requirements including leasehold appraisal requirements.

EMPLOYMENT AND INCOME	
Qualifying Income	• Stable monthly income must meet the following requirements to be considered for qualifying: o Stable - two (2) year history of receiving the income o Verifiable o High probability of continuing for at least three (3) years
Unacceptable Sources of Income	• Income derived from Bitcoin and other virtual currencies. • Any unverified source • Deferred compensation • Temporary or one-time occurrence income • Rental income from primary residence – One (1) unit property or one (1) unit property with accessory unit • Rental income from a second home • Rental income from departing residence (ARM). See "Rental Income – Departing Primary Residence". • Retained earnings • Education benefits • Trailing spouse income • Any income that is not legal in accordance with all applicable federal, state, and local laws, rules, and regulations. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying: o Foreign shell banks o Medical marijuana dispensaries o Any business/employee or activity related to recreational marijuana use, growing, selling, or supplying of marijuana, even if legally permitted under state or local law. o Businesses engaged in any type of internet gambling.
Declining Income	• When the Borrower has declining income, the most recent twelve (12) months should be used. In certain cases, an average of income for a longer period may be used when the decline is related to a one-time capital expenditure and proper documentation is provided. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the Borrower's ability to repay. • The employer or the Borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying.
Gaps in Employment	• A minimum of two (2) years employment and income history is required to be documented. • Gaps more than thirty (30) days during the past two (2) years require a satisfactory letter of explanation. o Extended gaps of employment (six (6) months or greater) require a documented two (2) year work history prior to the absence.
Tax Transcripts	**Tax Transcripts Requirements:** • Two (2) years tax transcripts for personal tax returns are required when tax returns are required, or otherwise used, to document Borrower's income or any loss. • Transcripts must match documentation in the file.

	• If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.
	
	Taxpayer Identification Theft:
	If the 4506-C transcripts do not match the Borrower's income and the Borrower is a victim of taxpayer identification theft, the following conditions must be met to validate the Borrower's income:
	• Proof of identification theft, as evidenced by (1) one of the following:
	  ○ Proof ID theft was reported to and received by the IRS (IRS form 14039).
	  ○ Copy of notification from the IRS alerting the taxpayer to possible identification theft.
	• In addition to (1) one of the documents above, all applicable documents below must be provided
	  ○ Tax Transcript showing fraudulent information.
	  ○ Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the Borrower's 1040s. Validation of prior tax year's income (income for current year must be in line with prior years).
	
	IRS Rejection of 4506-C:
	If the IRS rejects a 4506-C request, and the reason for the rejection is either "Unable to Process" or "Limitation," the following conditions must be met to validate the Borrower's income:
	• Copy of the IRS rejection with a code of "Unable to Process" or "Limitation."
	• Record of Account for two (2) years obtained by the Borrower from the IRS. Adjusted Gross Income and Taxable Income on the Record of Account should match the Borrower's 1040s.
	OR
	• Tax return transcripts for two (2) years obtained by the Borrower via mail from the IRS.

Signed 4506-C	• A completed, signed, and dated IRS form 4506-C must be completed for all Borrowers at closing whose income is used to qualify for the mortgage. IRS will require the latest form completed in full. • Taxpayer consent form signed by all Borrowers.
Tax Returns	• Personal Income Tax Returns (Form 1040): Must be complete with all schedules (W-2 forms, 1099 forms, K-1 schedules, etc.) • Business Income Tax Returns (Form 1065, 1120-S, 1120, etc.): Must be complete with all schedules (K-1 schedules, etc.)

Income Calculation Worksheet	• The Fannie Mae 1084, or Freddie Mac Form 91 or equivalent is required for self-employment analysis. The most recent Form 1084 or Form 91 should be used based on application date. Instructions per Form 1084 or Form 91 must be followed.
	  ○ Copy of liquidity analysis must be included in the Mortgage Loan File if the income analysis includes income from boxes 1, 2 or 3 on the K-1 that is greater than distributions indicated on the K-1.
	  ○ If a liquidity analysis is required and the Borrower is using business funds for down payment or closing costs, the liquidity analysis must consider the reduction of those assets.

Paystubs and W-2s	• Paystubs must meet the following requirements:
	  ○ Clearly identify the employee/Borrower and the employer.
	  ○ Reflect the current pay period and year-to-date earnings.
	  ○ Computer generated.
	  ○ Paystubs issued electronically via email or internet, must show the URL address, date and time printed and identifying information.
	  ○ Year-to-date pay with most recent pay period at the time of application and no earlier than ninety (90) days prior to the Note date.
	• W-2 forms must be complete and be a copy provided by the employer.

Verification of Employment Requirements	• Requirements below apply when income is positive and included in qualifying income:
	• Verbal Verification of Employment (VVOE) must be performed no more than ten (10) business days prior to the Note date. The Verbal VOE should include the following information for the Borrower:
	  o Date of contact
	  o Name and title of person contacting the employer
	  o Name of employer
	  o Start date of employment
	  o Employment status and job title
	  o Name, phone #, and title of contact person at employer
	  o Independent source used to obtain employer phone number
	• Verification of the existence of Borrower's self-employment must be verified through a third-party source and no more than thirty (30) calendar days prior to the Note date.
	  o Third party verification can be from a CPA, regulatory agency, or applicable licensing bureau. The Borrower's website is not acceptable third-party source.
	  o Listing and address of the Borrower's business
	  o Name and title of person completing the verification and date of verification.
	• Written Verification of Employment ("WVOE") may be required for a Borrower's income sourced from commissions, overtime and or other income when the income detail is not clearly documented on W-2 forms or paystubs.
	• Written VOEs cannot be used as a sole source for verification of employment; paystubs and W-2s are still required.

Tax Returns Requirements	• Personal income tax returns (Form 1040)
	  o Must be complete with all schedules (W-2 forms, 1099 forms, K-1 schedules, etc.) and must be signed. In lieu of a signature, personal tax transcripts for the corresponding year may be provided.
	• Business income tax returns (Form 1065, 1120-S, 1120, etc.)
	  o Must be complete with all schedules (K-1 schedules, etc.) and must be signed. In lieu of a signature, business transcripts for the corresponding year may be provided.
	• Unfiled tax returns
	  o For Mortgage Loans closed between Jan 1 and the tax filing date (typically April 15), Borrowers must provide:
	    ▪ IRS form 1099 and W-2 forms from the previous year.
	    ▪ Loan closing in January prior to receipt of W-2s may use the prior year year-end paystub. For Borrowers using 1099s, evidence of receipt of 1099 income must be provided.
	  o Personal 1040 tax returns - For Mortgage Loans closed between the tax filing due date (typically April 15), and the extension expiration date (typically October 15), Borrowers must provide (as applicable):
	    ▪ Copy of the filed extension.
	    ▪ W-2 forms.
	    ▪ Form 1099, when applicable.
	    ▪ Year-end profit and loss for prior year, if self-employed.
	    ▪ Balance sheet for prior calendar year, if self-employed.
	  o Partnership (1065) or S-Corporation (1120S) tax returns – For Mortgage Loans closed between the tax filing due date (typically March 15) and the extension expiration date (typically September 15), Borrowers must provide (as applicable):
	    ▪ Copy of the filed extension.
	    ▪ Year-end profit and loss for prior year.
	    ▪ Balance sheet for prior calendar year.
	  o Corporation (1120) tax returns (assuming calendar year) – For Mortgage Loans closed between the tax filing due date (typically April

	15) and the extension expiration date (typically October 15), Borrowers must provide (as applicable): ▪ Copy of the filed extension. ▪ Year-end profit and loss for prior year. ▪ Balance sheet for prior calendar year. ○ After the extension expiration date, Mortgage Loan is not eligible without prior year tax returns.
Specific Income Documentation requirements	**1. Salaried Income** • YTD paystub • W-2s or W-2 Transcripts – two (2) years • VVOE **2. Hourly and Part-Time Income** • YTD paystub • W-2s or W-2 Transcripts – two (2) years • VVOE • Stable to increasing income should be averaged over a two (2) year period. • WVOE may be required when the income detail is not clearly documented on W-2 forms or paystubs. **3. Commission Income** • YTD paystub • Two (2) years W-2s or W-2 Transcripts • VVOE • Stable to increasing income should be averaged for the two (2) years. • WVOE may be required when the income detail is not clearly documented on W-2 forms or paystubs. **4. Overtime and Bonus Income** • YTD paystub • W-2s or W-2 Transcripts –two (2) years • VVOE • Stable to increasing income should be averaged for the two (2) years. • WVOE may be required when the income detail is not clearly documented on W-2 forms or paystubs. **5. Alimony/Child Support/Separate Maintenance** • Considered with a divorce decree, court ordered separation agreement, or other legal agreement provided the income will continue for at least three (3) years. • If the income is the Borrower's primary income source and there is a defined expiration date (even if beyond three (3) years) the income may not be acceptable for qualifying purposes. • Evidence of receipt of full, regular, and timely payments for the most recent six (6) months. **6. Asset Depletion** • Not allowed. **7. Borrowers Employed by Family** • YTD paystub • Two (2) years W-2s • Two (2) years personal tax returns with two (2) years tax transcripts. • VVOE • Borrower's potential ownership in the business must be addressed. **8. Capital Gains**

- Must be gains from similar assets for two (2) continuous years to be considered qualifying income.
- If the trend results in a gain it may be added as income.
- Personal tax returns – two (2) years with a consistent history of gains from similar assets. Also, two (2) years tax transcripts to support tax returns.
- Documentation must be provided demonstrating the borrower owns assets similar to the assets reported as capital gains to support the continuation of the capital gain income.

9. Disability Income – Long Term
- Private policy or employer-sponsored policy permissible.
- Copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, payment amount, frequency of payments, and if there is an established termination date.
- Termination date may not be within 3 years of Note date; please note reaching a specific age may trigger a termination date depending on the policy.

10. Dividends and Interest Income
- Personal tax returns – two (2) years with two (2) years tax transcripts.
- Documented assets to support the continuation of the interest and dividend income.

11. Foreign Income
- YTD paystub
- W-2 forms or the equivalent and personal tax returns reflecting the foreign earned income. Income must be reported on two (2) years US tax returns with two (2) years tax transcripts.
- VVOE
- All income must be converted to US Currency.

12. K-1 Income/Loss on Schedule E
- If the income is 0 or positive, stable, and not used for qualifying, the K-1 is not required.
- If less than 25% ownership with income used in qualifying:
    - Verification of Employment Requirements apply (see Income/Employment General Documentation Requirements).
    - Year-to-date income must be verified if the most recent K-1 is more than 90 days aged prior to Note date.
- If 25% or greater ownership with income used in qualifying:
    - Verification of Employment Requirements apply (see Income/Employment General Documentation Requirements).
    - Partnership/S-Corp and Self-Employment requirements apply.
- If the income is negative, the K-1s for the applicable years are required and loss from the most recent tax year should be applied. If ownership is 25% or greater, see self-employment requirements below.
- Two (2) years tax transcripts.

13. Non-Taxable Income
- Non-taxable income such as child support, military rations / quarters, disability, foster care, etc.
- Documentation must be provided to support continuation for three (3) years.
- Income may be grossed up by applicable tax amount. Tax returns must be provided to confirm income is non-taxable. Two (2) years tax transcripts to support tax returns.
- If the Borrower is not required to file a federal tax return, gross-up to 25%.

14. Note Income

	• Copy of the Note must document the amount, frequency, and duration of the payment.
	• Evidence of receipt for the past twelve (12) months and evidence of the Note income must be reflected on personal tax returns. Tax transcripts to support tax returns.
	• Note income must have a three (3) year continuance.
	
	15. Income Commencing After Note Date / Employment Offer
	• Allowed only for purchase transaction, primary residence, one-unit property.
	  o Borrower cannot be employed by family member or by an interested party to the transaction.
	  o Borrower must be qualified using only fixed base income.
	  o The borrower's start date must be no earlier than 30 days prior to the note date or no later than 90 days after the note date.
	• The employment offer or contract must:
	  o Identify the employer and borrower and be fully executed by employer and borrower.
	  o Identify the terms of employment, including position, type, and rate of pay, and start date.
	  o be non-contingent. If the offer or contract includes conditions of employment, MCFI must confirm prior to closing that all conditions of employment are satisfied with verbal verification or written documentation noted in the mortgage loan file.
	• If start date is on or before the note date, but no more than 30 days prior to the note date:
	  o Loan file must contain the employment offer or contract and a verbal verification that confirms active employment status.
	• If the start date is after the note date, but no more than 90 days after the note date:
	  o Loan file must include a contingent free employment offer or contract.
	  o Additional reserves are required for the number of months from the note date to the employment start date with any portion of a month considered a full month income.
	
	16. Rental Income – All properties except departing property
	• Follow Fannie Mae Rental Income guidelines with the following overlays.
	• Eligible properties
	  o Two-unit primary residence
	  o 1-4 Unit investment property
	• If the property is an investment property (subject or non-subject) and is a seasonal rental, vacation rental or short-term rental, the following requirements must be met:
	  o Must have a history of at least one filed (1) year tax return reflecting the property on Schedule E.
	• Personal tax returns – Two (2) years tax returns and tax transcripts are required.
	  o For properties listed on Schedule E, rental income should be calculated using net rental income + depreciation + interest + taxes + insurance + HOA divided by applicable months minus PITIA.
	  o If rental income is not available on the Borrower's tax returns due to recent property acquisition after the tax filing year, net rental income should be calculated using gross rents x75% minus PITIA.
	• Net rental income may be added to the Borrower's total monthly income. Net rental losses must be added to Borrower's total monthly obligations.
	• If the Subject Property is the Borrower's primary residence (one (1) unit property or one (1) unit property with an accessory unit) and generating rental income, the full PITIA should be included in the Borrower's total monthly obligations. No ADU rental income is allowed.

	• If the Subject Property is the Borrower's primary residence with two (2) units, rental income may be included for the unit not occupied by the Borrower if the requirements for a lease agreement and/or tax returns above are met.
	
	17. Rental Income – Departing Primary Residence
	• For Fixed Rate 15/30 Year loans, if the Borrower is converting their current primary residence to a rental property and using rental income to qualify or offset the payment the following requirements apply:
	  ○ Follow Fannie Mae requirements
	  ○ Any positive net rental income is disregarded for calculating Borrower income. Rental income can only be used to offset the departing residence PITIA.
	• For ARM loans: Rental income from a departing residence is not allowed.
	
	18. Restricted Stock and stock Options
	• RSU income is capped at 50% of qualifying income.
	• May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years.
	• A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.
	• Additional awards must be similar to the qualifying income and awarded on a consistent basis.
	• There must be no indication the Borrower will not continue to receive future awards consistent with historical awards received.
	• Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income.
	• Stock must be a publicly traded stock.
	• Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify.
	
	19. Retirement Income – Pension, Annuity, 401(k), IRA Distributions
	• Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years.
	  ○ Distribution must have been set up at least six (6) months prior to Note date if there is no prior history of receipt or two (2) year history of receipt evidenced.
	  ○ Distributions cannot be set up or changed solely for loan qualification purposes.
	• Document regular and continued receipt of income as verified by any one of the following:
	  ○ Letters from the organizations providing the income.
	  ○ Copies of retirement award letters.
	  ○ Copies of signed federal income tax returns. In lieu of a signature, personal tax transcripts for the corresponding year may be provided.
	  ○ Most recent IRS W-2 or 1099 forms.
	  ○ Proof of current receipt with two (2) months bank statements.
	• If any retirement income will cease within the first three (3) years of the loan, the income may not be used.
	
	20. Social Security income

- Social Security income must be verified by a Social Security Administration benefit verification letter. If benefits expire within the first three (3) years of the loan, the income may not be used.
- Benefits (children or surviving spouse) with a defined expiration date must have a remaining term of at least three (3) years.

21. Trust Income
- Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years.
- Regular receipt of trust income for the past twelve (12) or twenty-four (24) months must be documented as specified in the Fannie Mae Seller Guide. Follow Fannie Mae Seller Guide for history of receipt requirements on applicable fixed and/or variable Trust income payments.
- Copy of trust agreement or trustee statement showing:
    - Total amount of Borrower designated trust funds
    - Terms of payment
    - Duration of trust
    - Evidence the trust is irrevocable
- If trust fund assets are being used for down payment or closing costs, the Mortgage Loan File must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income.

22. Self-Employment
- Self-Employed Borrowers are defined as having 25% or greater ownership or receiving 1099 statement to document income.
- Two (2) years signed personal tax returns (may be signed or unsigned) and the corresponding two (2) years tax transcripts.
- Income calculations should be based on the Fannie Mae Form 1084 or Freddie Mac Form 91 or equivalent income calculation form.
- Year-to-date is defined as the period beginning as of the most recent tax return end date through the most recent quarter ending one (1) month prior to the Note date. For tax returns on extension the entire unfiled year is also required.
    - For example: 2023 returns in file and Note date is 7/24/2024 would require 2024 YTD documentation through Q1 or through March 31, 2024.
    - Note date of 8/23/2024 would require YTD documentation covering Q1 and Q2 or through June 30, 2024.
- Year-to-date financials (profit and loss statement
    - May be audited, unaudited, CPR-prepared, or borrower-prepared is acceptable.
    - Not required if the income reporting is positive and not declining.
    - Year-to-date is defined as the period ending as of the most recent tax return through the most recent quarter ending one (1) month prior to the Note date. For tax returns on extension the entire unfiled year is also required.

22-1 Sole Proprietorship (Include Sch C and Sch F)
- Two (2) years signed personal tax returns (may be signed or unsigned) and the corresponding two (2) years tax transcripts.
- YTD profit and loss statement.
- YTD profit and loss statement may be waived if the Borrower is a 1099 paid Borrower who does not actually own a business if all the following requirements are met:
    - Year-to-date income in the form of a written VOE or pay history is provided by the employer paying the 1099. YTD income must support prior year's income.
- Stable to increasing income should be averaged for two (2) years.

	22-2 Partnership/S-Corporation • Two (2) years signed personal tax returns (may be signed or unsigned) and the corresponding two (2) years tax transcripts. • Two (2) years K-1s reflecting ownership percentage if counting any income from this source in qualifying (K-1 income, W-2 income, capital gains or interest/dividends) or if Schedule E reflects a loss. • Two (2) years business tax returns (1065s or 1120s) signed if 25% or greater ownership. In lieu of a signature, business tax transcripts for the corresponding year may be provided. • The due date for business returns for Partnerships and S-Corporations is typically March 15 with an extension for six (6) months or typically September 15. After the extension date, the loan is not eligible without the filed tax return. • Business returns and YTD financials are not required if the income reporting is 0 or positive, not declining and not counted as qualifying income. • YTD profit and loss statement if 25% or greater ownership. • Stable to increasing income should be averaged for two (2) years. 22-3 Corporation • Two (2) years signed personal tax returns (may be signed or unsigned) and the corresponding two (2) years tax transcripts.. • Two (2) years business returns (1120) signed if 25% or greater ownership. In lieu of a signature, business tax transcripts for the corresponding year may be provided. • Business returns must reflect % of ownership for Borrower. • YTD profit and loss statement if 25% or greater ownership. • Stable to increasing income should be averaged for two (2) years.

CREDIT	
Credit History	• An individual's credit history is one of the strongest indicators of future credit performance. A traditional tri-merge is required for all Borrowers with all bureaus reporting as unfrozen.
Credit Score Requirements	• The three (3) major Credit Repositories ("Agencies") offer a product that scores each consumer's credit history using the Fair Isaac model. Trademark names include the Experian "Fair Isaac Credit Score" (FICO), Trans Union "Empirica Score" and Equifax "Beacon Score". All are acceptable and are referred to as the "Credit Score". • Rapid rescore of credit permitted for confirmation of correction of reporting errors. Required documentation to be provided to support the change.
Credit Score Selection	The following criteria should be used to determine each individual Borrower's credit score: • If there are three (3) valid credit scores for a Borrower, the middle score of the three (3) scores is used. • If two (2) of three (3) scores are the same, choose the score that is the same. 　○ Examples: 720, 690, 690 = 690 • If there are two (2) valid scores for a Borrower, the lower of the two (2) scores is used. • A minimum of two (2) credit scores for each Borrower is required. • The representative score for the loan transaction will be based on the lowest representative score, per the above criteria, for any Borrower.
Tradeline Requirements	• Minimum of: 　○ three (3) tradelines are required with the following requirements: 　　▪ One (1) tradeline must be open for twenty-four (24) months and active within the most recent six (6) months.

	▪ Two (2) remaining tradelines must be rated for twelve (12) months and may be opened or closed. OR ○ two (2) tradelines if the Borrower has a satisfactory mortgage rating for at least twelve (12) months (opened or closed) within the last twenty-four (24) months and one (1) additional open tradeline. • Each Borrower contributing income for qualifying must meet the minimum tradeline requirements; however, Borrowers not contributing income for qualifying purposes are not subject to minimum tradeline requirements. • Authorized user accounts are not allowed as an acceptable tradeline. • Non-traditional credit is not allowed as an acceptable tradeline.
Disputed Tradelines	• All disputed tradelines must be included in the DTI if the account belongs to the Borrower unless documentation can be provided that authenticates the dispute. • Derogatory accounts must be considered in analyzing the Borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded.
Mortgage History Requirements	• If the Borrower(s) has a mortgage in the most recent twenty-four (24) months, a mortgage rating must be obtained reflecting 0X30 in the last twenty-four (24) months with a minimum of 12 months history. The mortgage rating may be on the credit report or a VOM. Applies to all Borrowers on the loan. • If the mortgage holder is a party to the transaction or relative of the Borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required.
Rental History Requirements	• If the Borrower(s) has a rental history in the most recent twelve (12) months, payment history documentation must be obtained reflecting 0X30 in the last twelve (12) months with a minimum of 12 months history. Applies to all Borrowers on the loan. • Documentation may be one of the following: ○ 12 months cancelled checks ○ 12 months bank statements which clearly indicate the rent payment amount, the payee as the landlord, and reflect that the payments were made within 30 days of their due date. ▪ If the landlord is a party to the transaction or relative of the Borrower, cancelled checks or bank statements to verify satisfactory rent history. • The borrower who is living rent free is ineligible.
Derogatory Credit	An amount of time must elapse (the "Waiting Period") after a significant derogatory credit event before the borrower is eligible for a new loan. The Waiting Period commences on the completion, discharge, or dismissal date (as applicable) of the derogatory credit event and ends on the Note Date of the new loan. The Waiting Periods and other requirements are as follows: • Bankruptcy, Chapter 7, 11, 13 - Seven (7) years since discharge / dismissal date • Foreclosure: Seven (7) years since completion date • Notice of Default: Seven (7) years • Short Sale/Deed-in-Lieu: Seven (7) years since completion / sale date • Mortgage accounts that were settled for less, negotiated, or short payoffs: Seven (7) years since settlement date • Loan Modification: If the modification was due to hardship or included debt forgiveness: Seven (7) years since modification • Loan Modification: Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. A forbearance that results in a loan modification of any kind, including moving payments to the end of mortgage as a non-interest-bearing account due at

	maturity, is a credit event and will be considered "due to hardship.": No seasoning requirement
	• Exceptions for credit events will be considered on a case-by-case basis between four (4) and seven (7) years with extenuating circumstances subject to the following:
	  ○ Extenuating circumstances are defined as non-recurring events that were beyond the Borrower's control resulting in a sudden, significant, and prolonged reduction in income or catastrophic increase in financial obligations.
	    ▪ Examples would include death or major illness of a spouse or child but would not include divorce or job loss.
	  ○ Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the Borrower had no reasonable option other than to default on their obligations.
	  ○ If the defaulted debt was assigned to an ex-spouse and the default occurred after the Borrower was relieved of the obligation, the event may be considered on an exception basis.
	• Multiple derogatory credit events not allowed; however, credit events seasoned more than ten (10) years do not need to be considered.
	  ○ A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event.
	  ○ A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event.
	• Medical collections - allowed to remain outstanding if the balance is less than $10,000 in aggregate.

Outstanding Judgments/Tax Liens/Charge-offs/Past-Due Accounts	• Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing. Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs, or past-due accounts. • Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full.
Credit Inquiries	• If the credit report indicates inquiries within the most recent 90-days of the credit report, the Seller must confirm the Borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances, the Borrower must explain the reason for the credit inquiry. • If additional credit was obtained, a verification of that debt must be provided, and the Borrower must be qualified with the monthly payment. • Confirmation of no new debt may be in the form of a new credit report, pre-close credit report, or gap credit report.
Credit Reports-Frozen Bureaus	Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.
Past Mortgage Forbearance	• Allowable six months after the end of the forbearance period, and only if the Borrower made all the monthly payments during forbearance and did not utilize the forbearance terms to skip any payments. Payoff statements and mortgage statements must not reflect any deferred principal balances or any indication of current forbearance.

LIABILITIES	

Liability Requirements	• The monthly payment on revolving accounts with a balance must be included in the Borrower's DTI, regardless of the number of months remaining. If the credit report does not reflect a payment and the actual payment cannot be determined, a minimum payment may be calculated using the greater of $10 or 5%.
	• Open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, may be excluded from DTI if the client has verified funds to cover the account balance and the balance owing must be subtracted from liquid assets.
	• Loans secured by financial assets (life insurance policies, 401(k), IRAs, CDs, etc.) do not require a payment to be included in the DTI if documentation is provided to show the Borrower's financial asset as collateral for the loan.
	• Debts Paid by Others:
	  o Non-Mortgage Debt:
	    ▪ Obtain the most recent 12 months' canceled checks or bank statements from the other party making the payments that document a 0x30 payment history in the most recent 12 months.
	  o Mortgage Debt: Obtain all of the following:
	    ▪ Proof the party making the payments is obligated on the mortgage debt.
	    ▪ Canceled checks or bank statements supporting 0x30 in the most recent 12 months.
	    ▪ Client is not using rental income from the applicable property to qualify.
	• Student loans
	  o If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used in qualifying.
	  o If the credit report does not provide a monthly payment or if it shows $0 as the monthly payment, the monthly payment may be one of the options below:
	    ▪ Loan payment indicated on student loan documentation verifying monthly payment is based on an income-driven plan.
	    ▪ For deferred loans or loans in forbearance:
	    - 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment) or
	    - A fully amortizing payment using the documented loan repayment terms.
	• HELOCs with a current outstanding balance with no payment reflected on the credit report may have the payment documented with a current billing statement. HELOCs with a current $0 balance do not need a payment included in the DTI unless using it for down payment or closing costs.
	• Lease payments, regardless of the number of payments remaining, must be included in the DTI.
	• Installment debts lasting ten (10) months or more must be included in the DTI.
	• Paying off debts (except lease payments) to qualify is acceptable. Must be paid by the borrower's own funds.
	• Alimony, Child Support, Separate Maintenance payments lasting longer than 10 months must be included as a monthly debt obligation. Alimony obligations may be deducted from qualifying income by the amount of the alimony obligation in lieu of including the payment as a monthly debt.
	• If the most recent tax return or tax extension indicate a Borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if tax transcripts show an outstanding balance due.
	  o A payment plan for the most recent tax year is allowed if the following requirements are met:

	▪ Payment plan was set up at the time the taxes were due. Copy of payment plan must be included in Mortgage Loan File. Payment is included in the DTI. ▪ A satisfactory pay history based on terms of payment plan is provided. ▪ Payment plan is only allowed for taxes due for most recent tax year, prior years not allowed. For example, Borrower files their 2019 return or extension in April 2020. A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed. ▪ Borrower does not have a prior history of tax liens.
Contingent Liabilities	• Co-Signed Loans: The monthly payment on a co-signed loan may be excluded from the borrower's recurring monthly obligations and the DTI ratio in certain circumstances. Follow Fannie Mae Selling Guide requirements on Debts Paid by Others in chapter B3-6-05. • Court Order: If the obligation to make payments on a debt has been assigned to another person by court order, the payment may be excluded from the DTI if the following documents are provided. o Copy of court order. o For mortgage debt, a copy of the document transferring ownership of property. o If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be considered when reviewing the Borrower's credit profile. • Business Paid Debts: Must be considered monthly debt for the borrower unless all of the following requirements are met: o Account does not have a history of delinquency o The business provides evidence the obligation was paid out of company funds for the last 12 months. o An expense for the debt appears on business tax returns. • Assumption with No Release of Liability: The debt on a previous mortgage may be excluded from the borrower's recurring monthly debt obligations and DTI with evidence the Borrower no longer owns the property. The following requirements apply: o Credit report payment history showing the mortgage on the assumed property has been current during the previous twelve (12) months or o The value on the property, as established by an appraisal or sales price on the HUD-1/CD results in an LTV of 75% or less.
Departure Residence Pending Sale	• To exclude the payment for a Borrower's primary residence that is pending sale but will close after the subject transaction, the following requirements must be met: o A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied. o The pending sale transaction must be at arm's length. o The closing date for the departure residence must be within thirty (30) days of the subject transaction Note date. o Six (6) months reserves must be verified for the PITIA of the departure residence.
Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation	• To exclude the payment for a Borrower's primary residence that is part of a Corporate Relocation the following requirements must be met: o Copy of the executed buy-out agreement verifying the Borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the third party. o Guaranteed buy-out by the third party must occur within four (4) months of the fully executed guaranteed buy-out agreement. Evidence of receipt of equity advance if funds will be used for down payment or closing costs. o Verification of an additional six (6) months PITIA of the departure

	residence.

ASSETS & RESERVES	

Asset Requirements	• Beyond the minimum reserve requirements and to fully document the Borrowers' ability to meet their obligations, Borrowers should disclose all liquid assets.
	• Eligible assets must be held in a US account.
	• Foreign assets are ineligible.
	• A Large Deposit is defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan.
	  ○ Large Deposits must be verified if using for down payment, reserves or closing costs. If not required to be verified, large deposits must be excluded from assets. Must verify that large deposits did not result in any new undisclosed debt.
	  ○ A large deposit may be from virtual currency that was exchanged into U.S. dollars. MCFI must obtain sufficient documentation to verify the funds originated from the borrower's virtual currency account.
	• Asset verification by a Fannie Mae approved asset validation provider is allowed in lieu of 2 months statements provided by the Borrower. The asset verification must provide 60 days of account activity and include all items normally indicated on bank statements.
	• Gift of equity is allowed – Follow FNMAguideline.

Asset Type	% Eligible for Calculation of Funds	Additional Requirements
Checking/Savings/Money Market/CDS	100%	Two (2) months most recent statements.
Publicly Traded Stocks/Bonds/Mutual Funds	100%	• Two (2) months most recent statements. • Non-vested stock is ineligible. • Margin account and/or pledged asset balances must be deducted.
Retirement Accounts (401k, IRAs, etc.)	100%	• Most recent statement(s) covering a two (2) month period. • Evidence of liquidation if using for down payment or closing costs. • Evidence of access to funds required for employer-sponsored retirement accounts regardless of employment status. • Retirement accounts that do not allow for any type of withdrawal is ineligible for reserves.
Cash Value of Life Insurance/Annuities	100% of cash value unless subject to penalties.	• Most recent statement(s) covering a two (2) month period. • If used for down payment or closing costs, MCFI must document the borrower's receipt of funds from the insurance company by obtaining either a copy of the check or a copy of the payout statement issued by the insurer. • If the cash-value is used for reserves, liquidation is not required. • Net proceeds from a loan against the cash value or from the surrender of a life insurance policy are an

			acceptable source of funds for the down payment, closing costs, and reserves. • The lender must assess repayment or additional obligation considerations to determine the impact on borrower qualification or reserves. • If penalties for failure to repay the loan are limited to the surrender of the policy, payments on a loan secured by the cash value of a borrower's life insurance policy do not have to be considered in the total debt-to-income ratio. • If additional obligations are indicated, the obligation amount must be factored into the total debt-to-income ratio or subtracted from the borrower's financial reserves.
	1031 Exchange	Allowed on second home and investment purchases only. Reverse 1031 exchanges not allowed.	• HUD-1/CD for both properties. • Exchange agreement. • Sales contract for exchange property. • Verification of funds from the Exchange Intermediary.
	Business Funds	Allowed for down payment/closing costs and reserves with additional requirements met.	• Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business. • Business bank statements must not reflect any NSFs (non-sufficient funds) or overdrafts. • If Borrower(s) ownership in the business is less than 100%, the following requirements must be met: ○ Borrower(s) must have majority ownership of 51% or greater. ○ The other owners of the business must provide an access letter to the business funds. ○ Borrower(s) % of ownership must be applied to the balance of business funds for use by Borrower(s). • Business funds for reserves will be counted at 50% of the verified Balance.
	Gift Funds	• Gift funds may be used once Borrower has contributed 5% of their own funds. • Gift funds not allowed for reserves. • Gift funds not allowed on LTVs >80%.	• Donor must be family member, future spouse, or domestic partner. • Executed gift letter with gift amount and source, donor's name, address, phone number and relationship. • Seller must verify sufficient

		• Gift funds not allowed on investment properties. • Gift funds not allowed to pay off debts to qualify	funds to cover the gift are either in the donor's account or have been transferred to the Borrower's account. • Acceptable documentation includes the following: ○ Copy of donor's check and Borrower's deposit slip. ○ Copy of donor's withdrawal slip and Borrower's deposit slip. ○ Copy of donor's check to the closing agent. ○ A settlement statement/CD showing receipt of the donor's gift check.
	Virtual Currency/Cryptocurrency	• Virtual currency that has been exchanged into U.S. dollars is acceptable for the down payment, closing costs, and financial reserves. • Virtual currency may not be used for the deposit on the sales contract (earnest money) for the purchase of the subject property.	Must provide documented evidence that • the virtual currency was held in the borrower's virtual currency account, • the virtual currency was exchanged into U.S. dollars and is held in a U.S. or state regulated financial institution, and • the funds are verified in U.S.dollars prior to the loan closing.

Reserve Requirements

Reserve Requirements (# of Months of PITIA)*		
Occupancy	Mortgage Loan Amount	# of Months
Primary residence	<= $1,000,000 with LTV <=80%	6
	<= $1,000,000 with LTV >80%	12
	$1,000,001-$2,000,000	12
Second Home	<= $1,000,000 with LTV <=80%	12
	$1,000,001-$1,500,000	18
	$1,500,001 - $2,000,000	24
Investment Property	<= $1,000,000	18
	$1,000,001-$1,500,000	24
First-Time Homebuyer	• Additional six (6) months reserves required.	
Self-Employed Borrower	• Additional three (3) months reserves required.	
Additional 1-4 Unit Financed REO	• Additional six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO. • If eligible to be excluded from the count of multiple financed properties, reserves are not required. • Max of four (4) financed properties may be owned.	
Required minimum asset types of reserves – At least Liquid Asset, Non-Retirement Reserves Required from the required reserves. For example, if the subject property is a primary home and the reserves required in this guideline states 12 months are required, of that 12 months reserves, at least 3 months reserves must be a liquid asset or a non-retirement asset.	• Primary Residence: 3 months • Second Home: 6 months • Investment Property: 6 months	
*Borrowed funds (secured or unsecured) are not allowed for reserves.		

<table>
<tr><th colspan="2">PROPERTY</th></tr>
<tr><td>Eligible Properties</td><td>

1-2 Unit Owner Occupied Properties
1 Unit Second Homes
1-4 Unit Investment Properties
Condominiums – Warrantable

Attached and Warrantable

Fannie Mae Full Reviews and Limited Reviews allowed subject to Fannie Mae guidelines and documentation.
Projects located in Florida are not eligible for limited review and must be approved by FNMA within 18 months.
Max. LTV/CLTV (Primary & Second home) – 80%
Max. LTV/CLTV (Investment) – 50%
Full Reviews and PERS approvals completed in CPM allowed. Must provide CPM printout of the lender-specific certification screen showing Approved status.
Condominium documents to support condominium eligibility review, including Fannie Mae Condominium Project Questionnaire Full Form (Fannie Mae Form 1076), must be no older than 120 days from Note date.
Projects with pending litigation, arbitration, or mediation (as defined above) are not eligible.
Condominium projects must be eligible at the time of Mortgage Loan file closing.
New construction and gut rehabilitation condos are not allowed.

Detached (including site condominiums)

No condominium review or condominium warranty is required. Fannie Mae basic requirements apply.

Modular homes
Planned Unit Developments (PUDs)
Properties with <=20 Acres

Properties >10 acres <=20 acres must meet the following:

No commercial use allowed.
No income producing attributes
30-year fixed rate only for transactions over ten (10) acres.
Texas properties must meet 50(a)(6) acreage requirements for urban and rural properties.

Properties Subject to Existing Oil/Gas Leases must meet the following:

Title endorsement providing coverage to the Lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease.
No active drilling. Appraiser to comment or current survey to show no active drilling.
No lease recorded after the home construction date. Re-recording of a lease after the home was constructed is permitted.
Must be connected to public water.

Properties with leased solar panels must meet Fannie Mae requirements.
Properties that fall outside these parameters can be considered on an exception basis.

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<tr><td>Ineligible Property Types</td><td>

2-4 unit second home properties
3-4 unit owner occupied properties
Non-Warrantable Condominiums
Condominiums less than 500 square feet
Condotels / Condo Hotels
Cooperatives
Properties >20 acres
Vacant developed or undeveloped land

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</table>

Ineligible Construction Types	• Manufactured Homes - This includes on-frame modular homes built on a permanent chassis • Mobile Homes • Log cabins or log homes – frame is built in part or in whole with horizontal logs • Earth homes/berm homes • Floating homes or Houseboats • Barndominiums (barn conversions or barn-style buildings) • Shouses (living-space and work/storage combinations) • Geodesic dome dwellings • Container homes (constructed of shipping containers)
Ineligible Property Usage	• Mixed-Use Properties • Commercial Properties • Model Home Leasebacks • Timeshares • Bed and Breakfast Properties • Boarding Houses • Assisted Living facilities • Properties representing an illegal use under zoning regulations • Properties where it is noted by the appraiser that marijuana or hemp is grown or processed on the Subject Property • Working farms, ranches, or orchards
Ineligible Property Condition	• Properties with a condition rating of C5/C6 • Properties with construction rating of Q6 • Properties located in Hawaii in lava zones 1 & 2 • Homes built in the state of Connecticut from 1980-2017 that are negatively impacted by crumbling foundation issues • Properties that are subject to, or affected by, hazardous materials, noxious odors, or safety violations, both natural and man-made, in the Mortgaged Property, the neighborhood, or the vicinity, including but not limited to, hazardous wastes, toxic substances, radon gas, asbestos-containing materials, urea-formaldehyde insulation, and sulfur-containing drywall. • Properties located in areas where a valid security interest in the Subject Property cannot be obtained.
Other Ineligible Properties	• Indian (Native American) tribal or Trust Land, or “Indian Leased Land” • Solar panels with UCC filing associated with the property and/or will create an easement on title. • Turn-key Investment properties – see Conventional Program Guides Supplement for definition • Properties currently in litigation • Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant • Tenants-in-Common projects (TICs) • Structures or projects with non-conforming use of land where zoning prohibits rebuilding in the event of total or partial destruction • Properties subject to energy retrofit mortgages aka PACE (Property Assessed Clean Energy) obligations used to finance energy conservation improvements and repaid through a property tax assessment • Properties located in the state of New York, Guam, Puerto Rico, and the U.S. Virgin Islands
Property Restrictions	• Properties Listed for Sale o Properties listed for sale within six (6) months of the application date, or any time from application to closing, are not acceptable for refinance transactions. • Deed/Resale Restrictions Deed restricted properties are not eligible, unless the restriction is age-related, and otherwise meets Fannie Mae guidelines.

<table>
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Inclusionary Zoning
Inclusionary Zoning restrictions allow state/local governments the ability to require zoning restrictions that call for a specified percentage of new development in a selected area to be set aside to supply houses for low and moderate income persons.
A property subject to Inclusionary Zoning restrictions is acceptable if:

The property is owner-occupied,
The zoning restrictions are subordinate to the mortgage,
The right to remedy a default under the mortgage is not impaired, and
No restrictions are placed on the resale of the property if it is obtained through foreclosure or deed in lieu of foreclosure.

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<tr><td>Disaster Policy</td><td>

Properties in FEMA declared disaster areas that are eligible for Individual Assistance and/or announced by MCFI, are subject to MCFI re-inspection requirements to confirm the property is free of damage if the appraisal was completed on or before the incident period end date. If the appraisal was completed after the incident period end date, no stipulation is required.
All Mortgage Loan documents must meet standard document age requirements (generally no more than 120 days old at Note date) irrespective of whether a Subject Property is in an “eligible disaster area.”

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<table>
<tr><th colspan="2">APPRAISAL REQUIREMENTS</th></tr>
<tr><td>General Appraisal Requirements</td><td>

Transferred appraisals that were originally prepared for another party are not allowed, regardless of any written assurance or certification.
Appraisals must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed.
Appraisals must be dated no more than 120 days from Note date unless an acceptable Appraisal Update (Form 1004D) is provided.
Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days aged but less than 180 days aged from Note subject to the following.

The appraiser must inspect the exterior of the property and provide a photo.
The appraiser must review current market data to determine whether the property has declined in value since the date of original appraisal. If the value has declined since the original appraisal, a new full appraisal is required.
The appraisal Update (1004D) must be dated within 120 days of the Note date.

Investment properties must contain a rent comparable schedule.
See Disaster Policy section for disaster re-inspection and other requirements.

</td></tr>
<tr><td>Specific Appraisal Requirements</td><td>
Number of appraisals required based on product and loan amount:
<table>
<tr><th>First Lien Amount</th><th>Appraisal Requirements</th></tr>
<tr><td colspan="2">Purchase Transactions</td></tr>
<tr><td><=$2,000,000</td><td>1 Full Appraisal</td></tr>
<tr><td colspan="2">Refinance Transactions</td></tr>
<tr><td><=$1,500,000</td><td>1 Full Appraisal</td></tr>
<tr><td>>$1.500,000</td><td>2 Full Appraisals</td></tr>
</table>

When two (2) appraisals are required, the following applies:

Appraisals must be completed by two (2) independent companies.
The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion.
Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled.
If the two (2) appraisals are done “subject to” and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is

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</table>

	provided, it should be for the appraisal that the value of the transaction is being based upon.

Desk Review Requirements	**Desk Review Requirement – Fixed Rate Loans**
	• A desk review is required if there is only one appraisal provided and the CU score is > 2.5 (UCDP SSR must be included in the file).
	  ○ In other words, a desk review is not required if the CU score is <= 2.5 or two (2) full appraisals are provided as required by this Program Guide.
	  ○ CU score cannot be used if a desk review has been pulled and value is not supported within 10% tolerance. Further value support is required per the valuation waterfall requirements below.
	• Where a desk review is required per the above to support the value of the appraisal, the desk review from Clear Capital (Collateral Desktop Analysis/CDA) is required.
	• If the LTV is greater than 80% and the desk review indicates a value more than 5% below the appraised value, then a field review or 2nd full appraisal is required.
	• If the desk review returns a value that is "indeterminate" or if the desk review indicates a value more than 10% below the appraised value, then one (1) of the following requirements must be met:
	  ○ An external/drive-by BPO with a value reconciliation from Clear Capital (BPO plus Value Reconciliation Report) is required. The reconciled value will be used for the appraised value of the Subject Property. The MCFI will order the BPO with value reconciliation directly from Clear Capital.
	  ○ A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the Subject Property. The MCFI will order the field review or will condition for 2nd full appraisal.
	
	Desk Review Requirements – ARM Loans
	• A desk review is required on all loans.
	• Where a desk review is required per the above to support the value of the appraisal, MCFI will order it from Clear Capital (Collateral Desktop Analysis/CDA).
	• Where two appraisals are required or otherwise provided and a desk review is required, the desk review must be of the appraisal with the lower value.
	• If the desk review returns a value that is "indeterminate" or if the desk review indicates a lower value than the appraised value that exceeds 1) a 5% tolerance for LTVs > 75%, 2) a 10% tolerance for LTVs >65% and <= 75%, or 3) a 15% tolerance for LTVs <= 65%, otherwise the loan is not eligible.

Declining Markets	• For ARM loans: If the qualifying appraisal indicates property values are declining, the maximum LTV/CLTV is reduced by 10%.

COMPLIANCE	

Power of Attorney	• A general POA is not allowed; it must be specific to the transaction and meet all State, Federal, Agency requirements.
	• Must identify the Subject Property.
	• An individual employed by or affiliated with any party to the loan transaction e.g., title insurer, settlement agent etc. is not eligible as a POA.
	• Not permitted for:
	  ○ Inter-Vivos Revocable trusts,
	  ○ Texas 50(a)(6),
	  ○ Cash out refinance,
	  ○ Non-owner occupied,
	  ○ Non-occupant co-borrowers and
	  ○ Non-arm's length transactions.

Escrows / Impounds	• Escrow/impound accounts required for transactions with LTVs greater than 80% unless prohibited by Applicable Law. • It is recommended that escrow account be created for funds collected by the originator to pay taxes, hazard insurance, flood insurance, special assessments, water, sewer, and other items as applicable. • All applicable loans must adhere to HFIAA regarding mandatory flood insurance escrow requirements for properties located in a Special Flood Hazard Area. • Escrow holdbacks are not allowed.
Interested Party Contribution Limits	Interested party contributions include funds contributed by the Subject Property seller, builder, real estate agent/broker, mortgage Lender or their affiliates and/or any other party with an interest in the real estate transaction. The following restrictions for interested party contributions apply: • May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves. • Maximum interested party contribution must meet Fannie Mae requirements.
Seller Concessions	• All seller concessions must be addressed in the sales contract, appraisal, and HUD-1/CD. A seller concession is defined as any interested party contribution beyond the stated limits, or any amounts not being used for closing costs or prepaid expenses. • If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for the purposes of calculating the LTV/CLTV/HCLTV.
Personal Property Transfers	• Any personal property transferred by a property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal. • If any value is associated with the personal property, the sales price and the appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.
Electronic Signatures	The following Mortgage Loan documents may not contain eSignatures: • Note • Note Riders • Security Instrument • Security Instrument Riders • Notice of Right to Cancel • Power of Attorney • Any other transaction related documents that require a Notary acknowledgement or will be recorded e.g., Patriot Act, state specific documents such as Texas 50(a)(6) loans, etc.
Remote Notarization	• Transactions utilizing remote ("webcam") notarization are not eligible for purchase.
Mortgage Insurance	• Mortgage Insurance not required > 80% LTV.