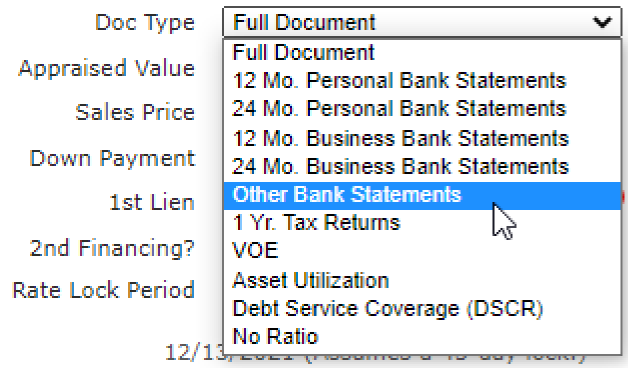
MEGA CAPITAL FUNDING, INC.

MVP2 (ARM Program)

WVOE and P&L (Borrower or CPA prepared)

ALT DOC					
Occupancy	**Purpose**	**Max Loan amount**	**Minimum FICO**	**Property Type**	**LTV/CLTV**
Primary and Second Home	**Purchase Rate/Term Refi**	$1,500,000	660	1-2 Unit	70%
		$2,000,000	660		65%
		$1,500,000	660	3-4 Unit/Condo	65%
		$2,000,000	660		60%
	Cash-Out Refi	$1,500,000	660	1-2 Unit	65%
		$2,000,000	660		60%
		$1,500,000	660	3-4 Unit/Condo	60%
		$2,000,000	660		55%
Investment	**Purchase Rate/Term Refi**	$1,500,000	660	1-2 Unit	65%
		$2,000,000	660		60%
		$1,500,000	660	3-4 Unit/Condo	60%
		$2,000,000	660		55%
	Cash-Out Refi	$1,500,000	660	1-2 Unit	60%
		$2,000,000	660		55%
		$1,500,000	660	3-4 Unit/Condo	55%
		$2,000,000	660		50%
FOREIGN NATIONAL					
Occupancy	**Purpose**	**Max Loan amount**	**Minimum FICO**	**Property Type**	**LTV/CLTV**
Second Home	**Purchase Rate/Term Refi**	$1,500,000	NA	1-4 Unit/Condo	60%
		$2,000,000	NA		55%
	Cash-Out Refi	$1,500,000	NA	1-2 Unit	50%
		$2,000,000	NA		45%
		$1,500,000	NA	3-4 Unit/Condo	45%
		$2,000,000	NA		40%

GENERAL REQUIREMENTS	
Underwriting Method	Manual Underwriting Only
Minimum FICO	660 with three (3) scores per borrower. • Mid fico of the three scores (per borrower) will be used to qualify • No minimum tradeline required

Loan amount	• Minimum - $250,000 • Maximum - $2,000,000
MEGA LOS **Doc Type Options**	• **Other Bank Statement** – YTD P&L (Borrower or CPA Prepared)  • **WVOE –** Written Verification of Employment (FNMA Form 1005 Only)

<table>
<tr><td>Credit Standards</td><td>

Mortgage/Rent
Max 0x30 in past 12 months, Max 2x30 in the last 24 months
No 60 days or 90 days lates allowed regardless of seasoning.
Tradelines
Not required
Bankruptcy / SS&DIL / Foreclosure
2yrs/4yrs/4yrs

</td></tr>
<tr><td>Asset / Reserves</td><td>
<table>
<tr><th>Property Type</th><th>Transaction Type</th><th>Required Reserves (Subject PITIA)</th></tr>
<tr><td>Primary Home</td><td>Purchase/Refinance</td><td>3 months in US Financial Institution</td></tr>
<tr><td>Second Home/Investment Property</td><td>Purchase/Refinance</td><td>4 months in US Financial Institution</td></tr>
<tr><td>Foreign National</td><td>Purchase/Refinance</td><td>12 Months in US Financial Institution</td></tr>
</table>

Most recent 1-month bank/asset statements.
Business Funds: may be used up to 100% of current balance if borrower can` demonstrate 100% ownership of the business. Not allowed for reserve. CPA letter must confirm that borrower has 100% ownership in the business and that the use of funds will have no negative impact on the business.
Stocks/mutual funds/retirements/life insurance cash value (Allowed up to 80% of the value)
Cash-out proceeds are not eligible for the reserves
One-month PITIA reserves for each additional financed property.

</td></tr>
<tr><td>Qualifying Rate</td><td>The Greater of the start rate or fully indexed rate</td></tr>
<tr><td>Qualification Ratios</td><td>
Measuring a borrower’s debt is a reliable guide to help determine whether the borrower can comfortably afford the pending mortgage. Qualification ratios, used to measure a borrower’s debt, are based on the total monthly income of the borrower, estimated housing expense, and estimated total debt. The max ratios given are intended as a guideline.
Maximum housing expense/total debt ratio:
<table>
<tr><th>Program</th><th>Total Expense Ratio</th></tr>
<tr><td>Alt Doc (Fico >= 660)</td><td>43%</td></tr>
<tr><td>First-time Homebuyer</td><td>47%</td></tr>
<tr><td>Foreign National Program</td><td>38%</td></tr>
</table>
</td></tr>
<tr><td>Index</td><td>SOFR 30 Day Avg index</td></tr>
<tr><td>ARM Term</td><td>
<table>
<tr><th>PROGRAM CODE</th><th>TERMS</th><th>CAPS</th><th>INDEX</th><th>MARGIN</th></tr>
<tr><td>MVP2-5/6
MVP2-5/6b*</td><td>5/6 ARM</td><td>2/1/6</td><td rowspan="2">SOFR</td><td rowspan="2">See Rate sheet</td></tr>
<tr><td>MVP2-7/6
MVP2-7/6b*</td><td>7/6 ARM</td><td>5/1/6</td></tr>
</table>
*Borrower-prepared P&L variant
</td></tr>
<tr><td>Approved States</td><td>California & Texas (No cash out allowed)</td></tr>
<tr><td>Condominium Requirement</td><td>Condo must be warrantable by Fannie Mae; non-warrantable condominiums NOT ALLOWED.</td></tr>
</table>

Contributions Limits	No minimum borrower contribution on all occupancies Interest Party Contributions (IPCs) IPCs may not exceed 6% of the sales price for primary and second home ownership, or 3% for non-owner-occupied properties. IPCs may be used towards closing costs only, not for repair or down payment or reserves. If the transaction is an acceptable at-interest transaction in which the realtor/broker is also the borrower or is an immediate family member of the borrower, the realtor/broker commission cannot be used towards down payment, closing costs, or reserves.
Appraisal Requirement	One Full Appraisal and one Automated Valuation Model (AVM) regardless of loan amount. If AVM results do not meet the minimum score below, Clear Capital CDA desk review will be required. AVM results must be -Confidence score>=80 -FSD score<=0.20-AVM vendors (CoreLogic/Black Knight/Clear Capita/Veros) <=0.18-Collateral Analytics <=0.17-Red Bell Real estate, LLC Two appraisal reports required if the loan amount is over $1.5M. Transferred appraisal report is allowed. Follow FNMA guideline. (CDA report is required) **Age of Appraisal** The effective date of the appraisal report must be dated within 120 days of the Note date. If the effective date of the appraisal report is more than 120 days but less than 180 days from the Note date, the appraiser must provide a recertification of value based on his or her knowledge of current market conditions. The appraiser must acknowledge that the value of the subject property has not declined. If it is a new construction, the appraisal should be no older than 180 days from the note date. **Marketability & Value** As the underwriter evaluates a file to determine its eligibility for a loan, he/she considers the collateral property's marketability and justification of its value. Factors that affect marketability and value include the comparability of the subject property with surrounding structures and land use, condition and appeal of the property, quality of construction and equipment, characteristics of design, and the local home market real estate trends. Information regarding these factors is documented on the appraisal, most inclusively on the Universal Residential Appraisal Report (URAR). There are three approaches generally used by the appraiser to establish value. These are the cost approach, the sales comparison analysis/market value analysis (market approach), and the income approach. For residential properties of 1-4 units, the market and cost approaches are the appraisal methods most widely used so therefore, the MCFI only accepts values based on these two approaches. All residential appraisals and Evaluation reports should be made on an "as is" basis unless: ○ The appraisal is made "subject to" repair alterations and/or conditions, which the appraiser lists in the comment section or by addendum. ○ The property and appraisal are "subject to completion per plans and specifications." In both cases above, the appraiser must make a subsequent inspection of the subject and verify that such repairs, alterations, or construction have been completed as represented in the appraisal, and the appraiser must complete an Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442) to verify compliance with his or her original appraisal conditions. A photograph attachment showing completion should be attached. When the appraiser makes the appraisal "subject to" any repairs, the repairs must be a requirement of loan approval. The repair work must be completed prior to funding unless part of the approval funds is to be withheld to cover the cost of

	the repairs. Proof of completion of such repairs must be in writing in the funding, signed and dated by the appraiser. If the appraiser makes reference to repairs or deferred maintenance in the comment section, they need not be a requirement of funding as long as they are cosmetic in nature, and the appraiser addresses the cost to cure and effect on value. If there are health and safety concerns known to the underwriter that the appraiser does not condition for, the underwriter is responsible for obtaining the Certification of Correction. On condominium or planned-unit-development projects, the appraiser should evaluate the homeowners' association management and the professional management firm to the best of his or her ability. The appraiser should review the following documents (if made available): ○ The articles of incorporation ○ The homeowners' association by-laws ○ Covenants, conditions, and restrictions (CC&R's) ○ Department of Real Estate public records ○ The operating budgets On 2-4 unit rental project appraisals, the appraiser should include an actual rent roll and operating expense history in the appraisal whenever this information can be furnished by the borrower or the appraisal requestor. 1) Property Rights If the land is subject to a leasehold interest, the terms must be typical and customary for the market. If it is not typical for the market, the effect on the marketability must be fully explained. 2) Property Location Rural properties may require additional analysis due to lack of available comparable and limited utilities and services. Any "fair" or "poor" ratings regarding the subject neighborhood should be explained. 3) Property Values Declining property values represent higher, possibly unacceptable risk because of the potential for a loss in borrower equity. The rate of decline is a key factor. 4) Demand/Supply (Marketability) An oversupply of housing units—within a neighborhood or citywide—may reflect problems with marketability. The reason for an oversupply and its effect on the property's value requires explanation from the appraiser. 5) Occupancy High-vacancy rates or an abundance of tenant occupants indicates that the neighborhood may be oriented to rental rather than owner-occupied housing. 6) Predominant Value A property whose value falls outside the neighborhood price range or is at the extreme high or low end of the range may be a higher-risk property. Compatibility should be supported by use of similar properties from the same neighborhood and explained by the appraiser. 7) Land Use and Land Use Change A strong residential base is important to overall neighborhood desirability. Non-compatible land use (for example, a high percentage of commercial or industrial land usage) could negatively affect marketability. Change in land usage can have a significant effect, positively or negatively, on the long-range value of the property and requires explanation from the appraiser. 8) Neighborhood Comments Factors that affect the marketability of the properties in the neighborhood, such as proximity to employment and amenities and employment stability and appeal

to the market, require an explanation from the appraiser. Analysis could include economic trends, location influences and neighborhood amenities.

9) Market Conditions

Market conditions and trends should be supported by statistical information.

10) Zoning Compliance

The property should be zoned as “residential.” Highest and best use as improved should be the “Present use.”

Nonresidential zoning may indicate adverse influences, requiring explanation from the appraiser.

11) Utilities

The source and type of all utilities should be identified. Utilities which are not typical for the area increase risk.

12) Off-Site Improvements

Private road maintenance should be identified. If the condition or adequacy of a private road is not typical, an explanation is required.

13) Drainage/Flood Hazard

Drainage problems or the existence of a flood hazard condition require explanation from the appraiser. Such conditions or major problems may require physical correction or flood hazard insurance.

14) Site Comments

Adverse site conditions, including adverse easements, encroachments, or special assessments may affect the value or marketability and require explanation by the appraiser.

15) Improvements

A property’s physical features should be most like other similarly sized dwellings in the market. If characteristics are not similar—for example, a room list that is not typical for the market, or heating that is unusual or not in good condition—they may affect market appeal. The effect the non-conformity has on value and marketability requires explanation from the appraiser.

Construction components and special features should be similar to other properties in the marketplace. Amenities that do not meet market expectations may negatively affect marketability.

16) Condition of Improvements

Property improvements should be at least in average condition and should not negatively affect the livability or marketability of the property. Minor cosmetic deficiencies are not a major concern. The condition of the major components including the roof, foundation, plumbing, electrical, and heating may be an issue. Incurable structural factors that are not typical for the market—for example, a room list that is unusual or location of rooms that is not typical—may decrease the value and market acceptance of the property. Curable structural factors may be acceptable under certain conditions when properly justified.

Homes with energy efficiency improvements are eligible when marketability can be justified through comparable sales, and any additional cost is supported by the market. MCFI underwrites these properties based on the evaluation of the individual loan and does not generally have special documentation requirements or ratio guidelines for energy efficient properties.

17) Adverse Environmental Conditions

Environmental items that have a negative effect on value—such as proximity to a hazardous waste site—must be identified and fully explained. Comparables should have similar environmental conditions. Generally, properties with material environmental hazards are ineligible for a loan. The effects of such hazards on the safety, value, and marketability of the property make it unacceptable collateral for low down payment lending. MCFI may require removal of such hazards as a closing condition.

18) Cost Approach

The cost approach is one of the ways an appraiser comes up with the final value of a home. The following applies to the cost approach method:

	- Site value: The proportion of site value to the value of the residence must be in line with other values in the neighborhood. A property with a site value higher than the area norm may be considered a higher risk property. - Estimated reproduction cost: The estimated reproduction cost per square foot should not be higher than the area norm. - Depreciation: The appraiser must adjust for physical, functional, and external depreciation when appropriate. 19) Sales Comparison Analysis/Market Value Analysis Another method used by the appraiser to come to a final value of a home. The following applies to the sales comparison approach: - Comparable sales: A minimum of 3 comparable sales is required for the market value analysis. Comparables should be similar to the subject property in size, room count, location, condition, etc. Comparable sales generally should have closed within 6 months of the appraisal date. - Location of comparables: Except for rural locations, 2 of the 3 required comparables should be located within 1 mile of the subject property. Beyond that, an appraiser's explanation is required. Comparables for rural properties may fall outside the 1-mile range; therefore, it's important that the comparables be from locations that have the same influences, such as distance from schools, shopping centers, and employment departments. - Source of comparables: No more than 1 of the 3 comparables may be supplied by the lender or developer from its own files, unless justified by the appraiser. The 3 comparables must be closed sales, not listings. As alternatives, listings, offers and contracts can help support value; however, they may not accurately reflect market value since the details of the transaction could change prior to closing. - Adjustments: Adjustments must be logical. The size of the adjustments indicates the extent of differences between the comparables and the subject property. Large adjustments should be fully explained. Large adjustments for site/view, design and appeal, quality of construction, age, or condition may be an indication that the comparables are not really comparable. Adjustments must be consistent for all comparables. Total net adjustments for any comparables used should not exceed 15% of the sales price. Total gross adjustments should not exceed 25%. Individual line adjustments for comparables should not exceed 10% of the sales price. One-directional adjustments need further explanation. Property value may be inflated when all of the comparables are significantly superior or inferior to the subject property. When all of the adjustments are positive or all negative, the valuation may be questionable. - Sales and financing concessions: Funds toward the transaction that come from seller or builder contributions are limited to the figures given in section Contribution Limits. Sales concessions are considered part of the seller builder contribution. MCFI evaluates sales concessions for their effect on the marketability of the property. Funds toward the transaction that come from sales concessions and seller contributions in excess of the limits set forth in section Contribution Limits will be deducted from the purchase price and property value. The adjusted price and value will be used to recalculate LTV and down payment requirements. - Personal property/options: Furniture, fixtures, and other personal property cannot be included in the market value of the property. Additional builder options on newly constructed properties should be reviewed carefully. For example, if the subject has $5,000 in options, such as upgraded wall coverings, carpeting and built-ins, the appraiser must be careful that the costs of these items are truly reflected in the resale market. Often, the options do not recapture the cost dollar-for-

	dollar in market value. Therefore, at least 1 comparable sale should have options or extras similar to the subject's. o Prior sales activity: The appraiser must identify and describe prior sales activity for the most recent 12 months for the subject and the comparables. Adverse value trends need to be identified and explained. 20) Final Value Final value must reflect the most reliable sales data, not an average of comparables. **Zoning Compliance** The property should be zoned as "residential." Highest and best use as improved should be the "Present use." Properties with commercial zoning should exhibit no negative impact on marketability or habitability as residential properties and should not change the residential character or atmosphere of properties. The majority of the uses on the Subject Property's Street must also be 1-4 family and at least two of the comparable sales must be from the Subject Property's immediate neighborhood and have the same zoning. Residential properties with commercial zoning should reflect the current usage as the highest and best use and be eligible to be rebuilt in the case of partial or total destruction and 100% rebuild letter from the city/county required. **For Properties with Solar Panels** For properties with solar panels, copy of purchase contract or lease agreement for solar panel must be reviewed to determine if there is any recurring monthly payment. Any monthly payment must be included in debt-to-income calculation. If solar panel contract is recorded as a lien against subject property, it cannot be in a first lien position. For purchase transaction, if borrower assumes the existing solar panel contact from the current owner/seller, assignment of lease or similar documents must be reviewed to determine the term and validity of transfer. **Acceptable Property Condition and Quality Ratings**: • Condition Rating Range: C1 – C5 • Quality Rating Range: Q1 – Q5 **Changes to the Appraised Value** Particular attention and extra due diligence must be instituted for those loans in which the appraised value is believed to be excessive or when the value of the property has experienced significant appreciation in a short time period since the prior sale. Any appreciation within 12 months greater than 20% of the previous sale value, will require additional explanation from the original appraiser. If the appreciation occurred in under 6 months, one of the following conditions must be added to further address excessive value or undue appreciation: • Field Review **Additions without Permits** Any unpermitted addition is subject to investor's approval. Only SFR with one permitted ADU is allowed. 2-4 unit property with ADU not allowed.
Property Listed for Sale	Subject property cannot be listed for sale at the application date for R&T and C/O
Ineligible Properties	• Vacant land or land development properties • Properties that are not readily accessible by roads that meet local standards • Agricultural properties, such as farms or ranches • Boarding Houses • Bed and breakfast properties

	• Properties that are not suitable for year-round occupancy regardless of location • Manufacture homes • Mobile homes • Properties in non-residential zoning • Mixed use properties • Title to the property not held as fee simple • Co-Operatives (Co-Ops) • Non-warrantable Condos
Condominium/PUD Project Eligibility & Review	A **condominium** is a real estate project in which each unit owner has title to a unit in a building, an undivided interest in the common areas of the project, and sometimes the exclusive use of certain limited common areas. A **condominium conversion** occurs when there is a change of ownership of a building, usually a rental project, to a condominium form of ownership. A **high rise condominium** is one that is 5 or more stories high. High-rise condominiums are restricted to areas where they are common. A **planned unit development (PUD)** will have all of the following characteristics: ○ The individual unit owners own a parcel of land improved with a dwelling. ○ This ownership is not common with other unit owners. ○ The development is administered by a homeowner's association that owns and is obligated to maintain property and improvements within the development (for example, greenbelts, recreation facilities, and parking areas) for the common use and benefit of the unit owners. ○ The unit owners have an automatic, non-severable interest in the homeowner's association and pay mandatory assessments. Condominiums are restricted by the following: 1) Maximum Loan Concentration The maximum number of loans that MCFI may extend in a condominium project may not exceed 15% of the total units (more than 6 units) in the project. 2) Ineligible Condo Project The following types of condominium projects are ineligible for financing by the MCFI. ○ Projects that contain 2-4 units that represent the security for a single mortgage ○ Projects that contain commercial space exceeding 20% and with adverse conditions ○ Timeshare or segmented ownership projects ○ Manufactured homes ○ Houseboat projects ○ Projects that represent a legal, but non-conforming use of the land, if zoning regulations prohibit rebuilding the improvements to current density in the event of their partial or full destruction. ○ Projects involved in litigation ○ Cooperatives are ineligible for financing ○ Projects listed on the list of ineligible projects ○ Condo Hotel 3) Condo Project File Documentation requirements may include: ○ Budget ○ HOA Certification Form ○ CC&R's ○ Association By-Laws ○ Association Articles of Incorporation ○ Fidelity Insurance

	Maximum investor concentration: This is based on the percentage of units rented in the project, as reported on the homeowners' association project questionnaire or appraisal report. Generally, MCFI will consider loans from projects with an investor concentration of 10% or less. Additional factors: MCFI considers project-related factors that may affect marketability—and ultimately acceptability—including: ○ Market acceptance and proximity to desired amenities—schools, transportation, shopping, etc. ○ Whether the homeowners' association is controlled by the developer or unit owners and the percentage of units owned by a single investor ○ Marketing time ○ Outstanding legal issues ○ Mixed commercial and residential use ○ For new projects or phases, the percentage of units that is pre-sold **ALL OTHER CONDO/PUD PROJECT GUIDELINES WILL BE FOLLOWED BY FNMA CONDO/PUD GUIDELINE.**
Interest Only	Not available
Prepayment Penalty	Not available
Escrow Policy	Mandatory Impounds on all HPML and Higher-Priced QM loans Flood Insurance must be impounded on all Flood Zone Area properties (SFR, Multi-Units, Detached Condo/PUD)
Eligible Borrowers	• U.S. Citizen - U.S. citizen must provide a valid identification card (e.g. driver's license) to document the residency. In addition, if social security issued date disclosed on the credit report is less than 5 years old, copy of passport or proof of the citizenship will be required. • Permanent Resident - Alien Registration Receipt Card I-551 or Conditional Resident Alien Card with 2 years expiration and a filed INS I-751 or Permanent Resident Alien Card or unexpired foreign passport with a stamp that reads "processed of I-551 Temporary Evidence of Lawful Admission for permanent residence." • Non-permanent Resident - A non-permanent resident is a non-U.S. citizen who lawfully enters the United States for specific time-periods under the terms of a Visa. One of the following visas is required: H-1, H-2A, H-2B, H-3, L-1, E-1, or any in the "G" series. Valid visa & passport are required. • Foreign national: Visa B-1, B-2, E-1, E-2, G1 through G5, I, J-1, J-2, K-1 and copy of unexpired passport • Loans to Trusts - An inter-vivos revocable trust/living trust/revocable living trust are not allowed. • Power of Attorney ("POA") - A Power of Attorney is acceptable for the signing of loan documents, as long as the POA is executed prior to signing the loan documents and the signature is complete on each document. POA must be specific to the transaction and specifically identify the subject property address, be signed, and dated by the party granting the power of attorney and be notarized. POA cannot be an interested party in the transaction (i.e., real estate agent, seller, or closing agent). If using POA to sign the loan documents, a letter of explanation stating the relationship between the borrower and attorney-in-fact and the reason for using POA must be obtained from the borrower. Customer Identification Program

	Form for the borrower must be completed and acknowledged by notary public or escrow officer even if loan docs are signed using POA. • Non-occupant Co-Borrower - Non-occupant co-borrower is not allowed.

Multiple Financed Properties for the same Borrower	• Limits on the Number of Financed Properties
	  ○ If the subject property is a primary residence or second home, there is no limit to the number of financed properties. If the subject property is an investment property, the borrower may own or be obligated on up to 10 financed properties.
	  The financed property limit applies to the borrower's ownership of one-to four-unit financed properties or mortgage obligations on such properties and is cumulative for all borrowers. These limitations apply to the total number of properties financed, not to the number of mortgages on the property.
	• Aggregate Lending Limit for Borrowers with Multiple Financed Properties with MCFI
	  ○ Multiple financed properties with MCFI by the same borrower is restricted to eight (8) properties OR a $5,000,000 maximum aggregate loan amount, whichever is less. An aggregate loan amount > $5,000,000 and/or number of MCFI loans to one borrower greater than eight (8) requires prior approval by MCFI Management.

Qualifying Income	Income stability generally reflects a borrower's future ability to maintain mortgage payments as well as or better than employment stability does. For qualification purposes, income must be stable and likely to continue.
	When evaluating income stability, MCFI requires a two-year employment history. If the borrower has had more than one job during last 2 years, MCFI considers the reasons for job changes and length of time employed, as well as transferability of job skills. If a borrower has changed jobs in order to increase pay or benefits incrementally, or to gain greater job security, these circumstances are viewed as positive underwriting offsets. Extended periods of unemployment represent a major concern. All employment gaps should be explained in a letter from the borrower.
	NOTE: Any gaps in employment over 120 days should be explained in a letter. Generally, MCFI requires a work history of 1 year at the same place of employment or in a similar field to establish a borrower as having stable income.
	
	The following applies to all sources of income or employment:
	  ○ A Verification of Employment (VOE) may be used to verify any kind of employment except self-employment
	  ○ Verbal verifications (verbal VOE's) must be done if an employer's VOE is inconsistent or questionable. The date verified, company name, and name of contact must be noted in the file.
	
	NOTE: MCFI requires each borrower (regardless of income source) to complete and sign an IRS Form 4506-C at or before closing.
	
	1 Wages & Salary
	The borrower's current salary must be verified as a weekly, monthly, daily, or hourly amount. If hourly, the number of scheduled hours must be addressed. The income that is verified must be converted into a monthly dollar amount for use on the formal application (FNMA URLA). At the discretion of the underwriter, supplementary documentation of income may be requested.
	The probability of continued employment must be considered. Caution should be exercised in considering this item as negative comments from an employer could indicate a possible problem in the applicant's ability to repay the loan.

	All applicants must have at least one year of verified employment. If the applicant has not been at their present job for one year, verification of previous employment must be obtained to cover the one-year period. Employed by the family member is not allowed. Employment at a residence property is not allowed. All monthly salary income must be supported by the averaged salary range posted on Salary.com. **Documentation requirements:** Full Written Verification of Employment by borrower's employment. **2. Self-Employed** If an applicant is self-employed, the stability of the applicant's income must be established. A self-employed applicant is an individual who has total or proportionate ownership of a business. That business may be a sole proprietorship, partnership or corporation. Normally, an individual who has 25% or more ownership in a business should be considered self-employed. At least Two-year history of self-employment is required to establish and document a stable income level. No gaps in verified income should exist. **Documentation requirements:** • **CPA letter** CPA or Accountant's letter to verify length, business ownership percentage of self-employment is required. • **P&L** Following documents are required for all types of self-employments including Sole Proprietorship, Partnership, Chapter "S" Corporation, "C" Corporation & Limited Liability Company. - If application date is before June 30, CPA/EA prepared P&L Statement or a borrower prepared P&L Statement for prior year end and YTD is required - If application date is after July 1, CPA/EA prepared P&L Statement or a borrower prepared P&L Statement for current year is required. • **Business license to verify 2-year history** **3. Commission income with a professional license (Real estate agent, Insurance agent)** Commissions may be used as stable monthly income as long as the applicant provides proper income documents required: The income will be averaged and should be level or show an increase from one year to the next. There are usually expenses written off by a commissioned person. To arrive at the allowable income, take expenses into consideration and deduct them from gross commissions to verify the true earnings. **Documentation requirements:** • **CPA letter** CPA or Accountant's letter to verify length of self-employment is required. • **P&L** - If application date is before June 30, CPA/EA prepared P&L Statement or a borrower prepared P&L Statement for prior year end and YTD is required - If application date is after July 1, CPA/EA prepared P&L Statement or a borrower prepared P&L Statement for current year is required. • **Professional license to verify 2-year history**

Rental Income	All properties that the applicant owns, and their statistics must be listed either in the Schedule of Real Estate Owned section of the loan application, or on an attached Schedule of Real Estate Owned signed by the applicant. Rental income received from other properties should be verified from copies of the applicant's Federal Tax Return with Schedule E attached as evidence of rental income. For residential rental properties of 4 or less living units, leases or rental agreements may be given for verification of rental income in lieu of Federal Tax Returns. In such cases, calculate the net income by subtracting the PITI (or HOA fee, when applicable) from 75% of the gross rental income figure. To calculate net rental income from Federal Tax Returns, use the gross rental income less expenses (not including depreciation) from the Schedule E to determine the effective income/loss. Divide this figure by 12 to get the monthly cash flow. If the result is a positive cash flow, it can be added to gross income. If the result is negative, it must be considered a liability.
Purchase	Purchase loans are those in which the proceeds are used solely to pay the property seller. To determine underwriting value on a purchase loan, use the lesser of the current property value or sales price. Purchase loans require copies of the sales contract and/or escrow instructions, verified by copies of all other agreements between the buyer and seller related to the property. All documents should be fully executed by all parties. Proof of earnest money payment is required. **Delayed Financing Exception** MCFI will apply a purchase transaction guideline for cash-out loans for borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan). Purchase transaction pricing is applied. For closing purpose, however, this will be considered a “cash-out” refinance and rescission period applies. In order to be eligible for a delayed financing exception, the following requirements must be met: ○ The original purchase transaction was an arms-length transaction. ○ The original purchase transaction is documented by a final settlement statement, which confirms that no mortgage financing was used to obtain the subject property. ○ The preliminary title search or report must confirm that there are no existing liens on the subject property (i.e., “free & clear” property)

Ineligible Purchase Transactions	• Non-arm's length transactions Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Non-arm's length transactions are not permitted. • For sale by owner transactions. • At-Interest Transactions An at-interest transaction involves persons who are not closely tied or related but may have a greater vested interest in the transaction, such as a party who plays more than one role in the same transaction. Acceptable examples of at-interest transactions (Primary home transaction only) include builder/seller also acting as realtor/broker, dual real estate agent (selling/listing agent), Borrower acting as his/her own real estate agent, realtor/broker selling own property, and borrower purchasing from his/her current landlord. Unacceptable examples of at-interest transactions include realtor/broker acting as listing/selling agent as well as the mortgage loan originator, seller acting as the mortgage loan originator, borrower's family member acting as the mortgage loan originator and real estate broker at the same time. Transaction includes unacceptable at-interest characteristics are not permitted.
Property Flips	A transaction in which a property is purchased and resold quickly for a significant profit is commonly referred to as a flip. MCFI has a title seasoning requirement for property flips. The seller must have the ownership of the subject property for a minimum of 90 days before a buyer can obtain a mortgage for the subject property being flipped. Additionally, if the sales price of the property is 20% more than the seller's acquisition costs, the increase in value must be justified with supporting documentation verifying the seller has completed sufficient renovation and repairs to justify the increase in value. If no significant renovations were completed, the appraiser must provide a detailed explanation of the increase in property value since the prior title change. Additionally, the transaction must be an arms-length transaction and there can be no identity of interest between the buyer and the seller or any other parties involved in the sales transaction. Property flips are not inherently illegal, and not all transactions involving a rapid purchase and resale are improper. Legitimate property flips are acceptable transactions. Some indications of property flips that may be legitimate include: ○ Sales of properties by a Government Sponsored Enterprise (GSE), state or federally chartered financial institution, mortgage insurer, or federal state or local government agency. ○ Property sales by employers or relocation agencies related to employee relocations. ○ Sales of properties that have been substantially improved by bona fide and verified renovations since seller's acquisition costs are representative of the market given the improvements to the house. Red flags common to property flipping are: ○ Ownership changes two or more times in a brief period. ○ Appreciation of the subject property exceeds that in the normal marketplace. ○ The property seller recently acquired the property for a significantly lower price or there have been several transfers of the property according to the real estate tax assessment record. ○ No real estate agent is employed (non-arm's length transaction).

	○ Property was recently in foreclosure or acquired at REO sale at a much lower sales price. ○ Parties to the transaction are affiliated or related by birth or marriage. ○ Owner listed on appraisal and/or title may not match the property seller on the sales contract. ○ A quitclaim deed is used right before or right after closing. ○ Sales contract has an unusually large earnest money deposit held by property seller. ○ Unusual fees or credits are found on the Settlement Statement. ○ Title commitment references other deeds to be recorded simultaneously.
Rate-and-Term Refinance	Rate-and-term refinances are loans in which all the proceeds are used to pay off the existing first mortgage on the subject property. This type of refinance is allowed under the following conditions: ○ Closing costs, including prepaid items, may be included in the new loan amount provided that they are reasonable and customary for the market ○ Cash back to the borrower(s) or any other payee cannot exceed 2% of the new loan amount or $2,500, whichever is less **Rate-and-term refinances with 2nd mortgage pay off** Rate-and-term refinances whose proceeds are being used to pay off a junior lien are allowed with the following conditions: ○ Underwriting value is based on current property value ○ The junior lien must be originated as a purchase-money second mortgage (seller or institutional financing) with the first and second liens recorded simultaneously.
Cash Out Refinance	A cash-out refinance is a loan whose proceeds exceed the outstanding principal balance of the existing liens plus reasonable and customary closing costs. MCFI requires 6 months title seasoning on cash out loans, and continuity of obligation must exist. This is measured from the date on which the property was purchased to the loan application date. Subject property cannot be listed for sale and listing must be withdrawn prior to the application date. Any refinance done as a cash-out transaction within six months prior to new loan application date is also considered as a cash-out.
Second Home	MCFI considers 1 unit property second home provided that the property is not the borrower's primary residence, and that the property is available for the borrower's exclusive use and enjoyment. The property cannot be a time-share and must be suitable for year-round rental or occupancy. The second/vacation home must also be located at a minimum of 100 miles from the borrower's primary residence. Loans for second home is allowed if the borrower: ○ Owns only one unit in a project ○ Owns no other properties in that housing market ○ Has at least 5% from personal funds invested in the transaction ○ Is a U.S. citizen, permanent resident alien, nonpermanent resident alien or foreign national

Continuity of Obligation	Continuity of obligation occurs on a refinance transaction when at least one of the borrower(s) on the existing mortgage is also a borrower on the new refinance transaction secured by the subject property. Continuity of obligation requirements do not apply when there is no existing mortgage on the subject property as a result of the borrower either having purchased the subject property with cash or when any prior mortgage for which the borrower was an obligor was paid in full. If any of the following parameters can be met, loan may be eligible for refinance transaction even if the continuity of obligation does not exist: • The borrower on the new refinance transaction was added to title prior to loan application date. (6-month title seasoning for cash out transaction still required.) • The borrower acquired the property through an inheritance or was legally awarded the property (e.g., divorce, separation, or dissolution of a domestic partnership). • The borrower on the new refinance transaction has been added to title through a transfer from any legal entity (LLC, Corporation, Limited Partnership & Etc.) and the borrower is 100% owner prior to the transfer. The transferring entity and/or the borrower has had a consecutive ownership (on title) for at least the most recent 6 months prior to disbursement of the new loan. • The borrower on the new refinance transaction has been added to title through a transfer from a trust and the borrower is a beneficiary/creator of the trust.
Conversion of Primary Residence	When a borrower is applying a loan for a new primary residence and the borrower will be selling or converting the current primary residence, the following conditions must be met. **Pending sale of current primary residence** If the current primary residence is pending sale, and the sale is not completed at the time the subject loan closed, the following requirements apply: ○ Both the existing and proposed PITI must be used to qualify the borrower, unless an executed sale contract for the current residence without financing contingencies is documented ○ If the borrower has less than 20% equity in the current primary residence – reserves of 6 months' PITI for both properties are required ○ If the borrower has 20% or greater equity in the current primary residence documented by a current property valuation – reserve of 2 months' PITI for both properties are required ○ If the borrower's property has not sold, a listing agreement should be obtained. If the owner is selling the home, a statement signed by the owner attesting to the sales price being acceptable should be obtained. To determine the amount of equity in an unsold property, deduct the amount of all liens and 10% of the listing price for closing costs, sales commission and/or other charges. **Conversion of a primary residence to a second home** If the current primary residence is going to be retained for use as a second home, the following requirements apply: ○ Both the existing and the proposed PITI must be used to qualify the borrower ○ If the borrower has less than 20% equity in the current primary residence – reserve of 6 months' PITI for both properties are required ○ If the borrower has 20% or greater equity in the current primary residence documented by a current property valuation – reserve of 2 months' PITI for both properties are required **Conversion of a primary residence to an investment property**

<table>
<tr>
<td></td>
<td>If the current primary residence is going to be retained for use as an investment property home, the following requirements apply:

75% of rental income on the lease agreement can be used to qualify the borrower.
If the borrower has less than 20% equity in the current primary residence – reserve of 6 months’ PITI for both properties are required
If the borrower has 20% or greater equity in the current primary residence documented by a current property valuation – reserve of 2 months’ PITI for both properties are required

The value for the converted primary home will be based on the value indicated on the loan application, REO section. All values must be supported by the value posted on Zillow.com or Redfin.com.</td>
</tr>
<tr>
<td>Property Assessed Clean Energy Loans</td>
<td>Certain energy retrofit lending programs, often referred to as Property Assessed Clean Energy (PACE) programs, are made by localities to finance residential energy improvements and are generally rapid through the homeowner’s real estate tax bill. These loans typically have automatic first lien priority over previously recorded mortgages. MCFI does not allow mortgage loans secured by properties with an outstanding PACE loan.
• Paying off the Pace Loan: For purchase transaction, existing PACE loan must be paid off at closing. For refinance transaction, if outstanding PACE loan balance is less than 15% of current appraised value of the property, the payoff amount will be included in the limited cash-out transaction. If outstanding PACE loan balance exceeds 15% of current appraised value of the property, transaction will be considered as cash-out.</td>
</tr>
<tr>
<td>Credit History</td>
<td>1. Payment History
MCFI reviews the number and severity of late payments (derogatory/delinquencies) to determine whether a borrower’s credit history presents an acceptable risk. The table below outlines the acceptable number of late payments, but in general, isolated instances of a late payment will not adversely affect the underwriting decision:
<table>
<tr><th rowspan="2">Payment Obligation</th><th colspan="2">Acceptable number of lates</th></tr>
<tr><th>< 12 Mo.</th><th>>12 Mo. & <24 Mo.</th></tr>
<tr><td>Housing</td><td>0x30</td><td>2x30</td></tr>
<tr><td>Installment</td><td>3x30</td><td>4x30 or 3x60</td></tr>
<tr><td>Revolving</td><td>4x30</td><td>5x30 or 4x60</td></tr>
</table>
- Above tolerable number of late payments for Installment and Revolving account will be applied to currently Opened account only and will not be applied toward any closed account.
When a borrower has late payments, underwriting judgment is required to determine the intent of the borrower.
The determination must be made whether the borrower’s late payments were due to a disregard of financial obligations or whether outside factors beyond the borrower’s control contributed to the late payment. Indicators of borrower’s intent include:

Frequency and timing of late payments
Reason of occurrence
Severity
Size of the account balance

Although a borrower’s history may include an acceptable level of late payments, the reasons for failure to pay as agreed must be reasonable, corrected, and not likely to reoccur. These reasons should be stated in a letter explaining the time frame around the late payment. Additionally, any collections there may be on the borrower are counted as 30-day late payments. All obligations of the borrower must be current at the time of closing.</td>
</tr>
</table>

	2. Credit Scores MCFI requires a minimum credit score of 660 and will make price adjustments according to credit scores. Credit scores, often called the FICO score, are documented on traditional credit reports. Three credit scores are required to obtain a loan from MCFI. If there are three, the Bank uses the middle score of the three. The score the Bank uses to qualify the borrower is called the indicator score. If there is more than one applicant, the indicator score of the primary borrower is used. The primary borrower is defined as the borrower with at least 50% of his/her income used as qualifying income. **1) Credit Documentation** A traditional credit report must be included for each borrower whose income is being relied upon for qualification. If required information is not included in the traditional report, alternative credit references should be submitted along with the report. Direct verification is required for any accounts not on the credit report being used as a reference. If significant adverse items exist on the report, a letter of explanation is required. **2) No minimum credit tradeline is required.** **3. Established Credit** A borrower with established credit has a history that can be verified through traditional credit reports. The report used by MCFI is a tri-merge credit report from the three major credit bureaus: Experian, Equifax, and TransUnion. Maximum age of the credit documents is 90 days. **4. Adverse Credit History** MCFI considers the frequency and severity of the adverse credit events and whether they were cured in an appropriate time frame. The events should not reflect disregard for, or mismanagement of, financial obligations. Major adverse credit issues are discussed below. No multiple events will be allowed. **1) Bankruptcy** A bankruptcy in itself is not necessarily a reason for denial of any application for a home loan. However, a very thorough analysis must be exercised with a borrower who has filed bankruptcy. Before considering a loan application from someone who has filed bankruptcy during the last 2 years, consideration must be given to the following: o Discharge of Bankruptcy o Schedule of Creditors o Letter of explanation (prepared, signed and dated by the borrower) o Residential mortgage credit report verifying that satisfactory credit has been reestablished The bankruptcy must be discharged for at least 2 years prior to application. A bankruptcy discharge of less than 2 years may be acceptable with extenuating circumstances. Extenuating circumstances are nonrecurring events that are beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligation, such as a divorce, medical issue, or job layoff. **2) Judgments** A borrower who has had past temporary financial difficulty that may have resulted in liens, garnishments, or judgments should not be penalized if there has been a sufficient period of recovery and good financial standing. All judgments, liens, garnishments, etc. which have a balance greater than $500.00 must be paid in full prior to closing the loan. **3) Foreclosure** A loan to a borrower who has had an ordinary foreclosure commenced within the last 4 years may not be considered. A loan to a borrower who has had a foreclosure commenced within the last 3 years will only be considered if the

	foreclosure was the result of extenuating circumstances beyond the control of the borrower such as serious long-term illness, and the borrower has re-established good credit, and demonstrated the ability to manage their financial affairs. **4) Collections** Medical collections do not require a letter of explanation. For a collection account with a balance less than $250 or a total collection balance less than $1,000, the collection need not be paid prior to closing. All other collections must be paid at or prior to closing. **5) Consumer Credit Counseling** The counseling program must be completed 2 years prior to applying for a loan. During these 2 years, the borrower must have re-established satisfactory credit. **6) Credit Inquiries** Excessive inquiries by credit bureaus in the past 30 days before the date of application must be explained and investigated when there was no account opened as a result of the inquiry. A letter of explanation from the borrower will suffice. **7) Short Sale** Short sale occurred when borrower dissolved the mortgage account less than outstanding balance. Short sale is not necessarily a reason for denial of loan application. However, application date must be after 4-year anniversary from short sale closed date to be considered. **5. Re-Established Credit** Re-established credit by a borrower is defined as a minimum of 2 accounts that have been open and active for the past 1 year. These accounts must be in good standing (no late payments) and documented by a traditional credit report.
Monthly Total Debt Ratio	This ratio compares not only the housing payments to income, but all other debts as well. The following is a list of items that may be considered debt. ○ Projected monthly total housing expense ○ Installment debts with more than 10 months' balance including student loans in repayment status, auto loans, and home equity loans ○ Lines of credit/ revolving credit (use 5% of the outstanding balance or a verified minimum monthly payment) ○ Child support or alimony if more than 10 months remain ○ Ongoing contributions by the borrower to a pooled savings arrangement ○ Any contingent liabilities (e.g., co-signed auto loan) the borrower is obligated to pay unless the borrower shows 6 months of cancelled checks showing that another party has been making timely payments or the debt has been assigned to another through a court order, and if applicable, title has been transferred. ○ Payments on installment debts secured by a financial asset including 401(K)s, certificates of deposit, and margins do not have to be included in the total debt ratio
Liabilities	The long-term liabilities of the applicant must be examined to determine whether, when coupled with the applicant's income and proposed housing expenses, the applicant meets the debt-to-income criteria required to qualify for the loan. The requirements for evaluating the applicant's long-term liabilities are outlined below. Liabilities of the borrower may be counted as follows: **1. Alimony** Deduct from income if more than 10 months remain. Copy of Divorce decree required. **2. Business loans**

	Must be included in total debt unless evidence is provided showing payment by company. **3. Child support** Deduct from income if more than 10 months remain. Copy of Divorce decree required. **4. Co-signer obligations** Not counted if verified that 6 months was paid by other party. 6 months' cancelled checks required. For a brand-new account with less than 6 months history, payment proof from the opening date is required. If the mortgage account was co-signed by the borrower, payment obligated person must be on the note with the borrower to exclude the mortgage payment. **5. Installment loan** Less than 10 months balance not counted. **6. Monthly housing expense** Count PITI, MI premium, flood insurance premium if applicable, leasehold payment, HOA dues, and subordinate financing payments. **7. Previous/ proposed housing expense** Used to calculate the impact on the borrower's monthly housing payment. Significant increases must be offset by savings or increase in income along with good credit history. **8. Revolving accounts** Payment shown on credit report or statement. If none, use the higher of $10 or 5% of balance for bank cards or retail stores, or 2% for personal credit lines. **9. Student loans** Always counted even if deferred. If monthly payment after the deferred period cannot be verified, use 1% of the outstanding balance. **10. Subordinate financing** For HELOCs, count monthly payment amount or if there is none, use current balance with current rate amortizing over 5 years. **11. Open 30-day charge accounts** For 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, borrower must demonstrate funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves. If the borrower paid off the account balance prior to closing, borrower may provide proof of payoff in lieu of verifying funds to cover the account balance.
Assets	**1. Minimum Borrower Contribution** These funds are to be accumulated by the borrower through normal savings patterns or from the sale of an asset if the transaction is fully documented. They are not to come from gifts, grants or loans secured by the property, except where it is allowed in section Gifts. Loans against assets may be acceptable.

Minimum Borrower Contribution

<table>
<tr><th colspan="2">Primary Residence</th><th>Second Home</th><th>Investment</th></tr>
<tr><td>LTV less than 50%</td><td>0%</td><td rowspan="2">30%</td><td rowspan="2">100%</td></tr>
<tr><td>LTV over 50%</td><td>10%</td></tr>
</table>

2. Cash Reserves Requirement

Cash reserves are a strong indicator of a borrower's ability to manage financial resources and build a financial cushion. MCFI's cash reserves requirements are as follows:

- Primary Residence House: 3 months' PITIA

	- Second Home/Investment Property: 4 months' PITIA - Foreign National Borrower: 12 months' PITIA One-month PITIA reserves for each additional financed property. **3. Gifts** Gifts to the borrower to be used for the purchase of a primary residence & second home – for example, to add to the down payment or help pay for closing costs—are acceptable within the following parameters: - A gift letter is provided from the donor stating that no repayment is required. - The gift donor is not a party to the transaction, i.e., a builder or real estate agent. - Gifts from a family member who has resided with the borrower for the most recent 12 months and who intends to continue to live with the borrower may be considered as part of the borrower's own funds. - No gift of equity is allowed. - Not allowed for Foreign National loan program **4. Secondary Financing** Funds toward the transaction that come from secondary financing against the subject property are allowed if: - The borrower has met the minimum borrower contribution requirements stated in section Minimum Borrower Contribution - CLTV for the first mortgage and all junior liens does not exceed max. CLTV. - The monthly payments on all junior liens are included in calculating the borrower's monthly housing expense ratio **5. Borrowed Funds** Funds invested in the transaction that come from a loan secured by a verified borrower asset, other than a loan secured by the subject property, are allowed. The value of the asset must be commensurate with the borrower's equity in the asset. The monthly payments must be included when calculating the borrower's total monthly debt ratio. Unsecured loans are not acceptable. **6. Checking and Saving Account** Copies of bank statements or investment portfolio statements must cover account activity for the most recent one-month period (or, if account information is reported on a quarterly basis, for the most recent quarter). The statements must: - Clearly identify the borrower as the account holder - Include the account number - Include the time period covered by the statement - Include all deposits and withdrawal transactions (for depository accounts) - Include the ending account balance Request for Verification of Deposit may be used in lieu of the copies of bank statement. The information must be requested directly from MCFI and the depository institution must complete, sign, and date the document. Any of the following can be an indication of borrowed money: - A recently opened account: Less than two months - A recent large deposit: Over 25% of borrower's monthly gross income If the bank statement or the VOD indicates any of the above, the applicant must provide a written explanation and the source of the funds must be verified. **7. Sale Proceeds** Proceeds from the sale of assets owned by the borrower are acceptable for the down payment. Prior to closing, the borrower must provide proof that sufficient proceeds for the down payment have been received. If the

	borrower has sold a property, the net proceeds from the sale may be considered an asset to apply to the cash down payment and other costs. The underwriter must obtain a copy of the final settlement statement (or copy of estimated settlement statement if escrow has not yet closed) to verify the amount of net proceeds. If the borrower's property has not sold, a listing agreement should be obtained. If the owner is selling the home, a statement signed by the owner attesting to the sales price being acceptable should be obtained. To determine the amount of equity in an unsold property, deduct the amount of all liens and 10% of the listing price for closing costs, sales commission and/or other charges. **8. Deposit on Sales Contract** Must be verified by a certified copy of the deposit from the escrow company. This is also known as the Earnest Money. **9. IRA/401K** 20% deduction for penalties and tax must be calculated and verified through the most recent month's statement. **10. Stocks** 20% deduction for penalties and tax must be calculated and verified through the most recent month's statement. **11. Business Funds** If business funds are used for down payment, and closing costs, the borrower must be the sole proprietor or 100% owner of the business. If borrower is not 100% owner of the business, business funds may not be used for down payment or closing costs. Funds in the business account may be used up to 100% of current balance. The impact of the withdrawal must be considered in the analysis and the analysis must indicate that withdrawal of funds will not have a detrimental effect on the borrower's business. Large deposits that are uncommon compared to normal business transaction trends as evidenced through income documentation and business fund statements must be addressed and verified. Business funds may not be used for reserves unless it has already been deposited into borrower's personal account. If business funds are related to a business that the borrower did not disclose on the loan application, CPA letter must confirm that borrower has 100% ownership in the business and that the use of funds will have no negative impact on the business. **12. Foreign Assets** Foreign assets being used for down payment and closing costs must be held in a U.S. account prior to closing. If the assets are derived from a sale of a foreign asset or from assets held in a foreign institution, the assets must be converted into United States currency by an independent third-party and placed in a United States financial institution. The sale of the foreign asset and conversion of foreign currency must be fully documented and verified. Funds that a non-U.S. citizen borrower recently deposited in a U.S. depository institution are an acceptable source of funds provided all the following requirements are met: • There is one month bank statements documented evidence of funds transfer from the country where the borrower is residing. One-month average balance must support the balance prior to transfer to U.S. depository institution. • It can be established that the funds belonged to the borrower before the date of the transfer; and • The sources of all funds used for closing can be verified just as they would for a borrower who is a U.S. citizen. The borrower's source of funds for the down payment and/or closing costs must comply with the Office of Foreign Assets Control (OFAC).

Unacceptable Sources of Assets	Sources of funds considered ineligible include, but is not limited to the following: • Cash advance on a revolving charge account. • Bridge Loan. • Cash for which the source cannot be verified. • Funds in a custodial or "in trust for" account. • Gift that must be repaid in full or in part. • Sweat Equity. • Personal unsecured line of credit or loan. • Salary advance.
Foreign National Loan Program	**1. Asset and Reserve Requirements** • Asset verification (must be in U.S. Banking Institution) • 12 months reserve required • Automatic debit required from U.S. Banking Institution • No gift is allowed. **2. Income Documentation Requirements** • Refer to Qualifying Income section for more details • All the income documentation must be translated in English **3. Credit report requirement** • Credit report is required. Must be run by SSN as 999-99-9999 or actual SSN if applicable. **4. Other Underwriting Requirements** • Borrower must have U.S. address when applying for loan. Copy of passport, valid VISA, and proof of ESTA Approval (for borrowers on VISA Waiver Program) are required. • Max DTI ratio is 38%. • Second home transaction only. • The borrower can't own any property in US other than the subject property. • The borrower must clarify on LOE to verify no housing payment or no property ownership in the foreign country. Otherwise, additional conditions & documents will be required to verify. • All non-permanent resident borrower will be considered as a foreign national borrower and must apply all foreign national loan program guidelines.