

# USDA

USDA Program Matrix				
PURCHASE				
Doc Type	Occupancy	Units	FICO	LTV/CLTV
Full	Primary Residence	1	640	100/100 <sup>1,2,3</sup>
RATE TERM REFINANCE				
Doc Type	Occupancy	Units	FICO	LTV/CLTV/HCLTV
Full	Primary Residence	1	640	100/100 <sup>2,3</sup>
Program Matrix Notes				
<ol style="list-style-type: none"> <li>1. Maximum 90% LTV/CLTV for identity of interest and non-arm's length transaction</li> <li>2. USDA Guarantee fee 1% and may be financed with the loan</li> <li>3. Annual Fee, (paid monthly) 0.35%</li> <li>4. Property eligibility, Income eligibility, and Income limits, can be verified at: <a href="http://eligibility.sc.egov.usda.gov">eligibility.sc.egov.usda.gov</a></li> </ol>				



# MEGA CAPITAL FUNDING, INC.

Program Notes	
<b>Loan Term/Amortization Type</b>	<ul style="list-style-type: none"><li>• 30 Year Fixed</li></ul>
<b>AUS</b>	<ul style="list-style-type: none"><li>• GUS approval required with (Accept/Eligible) findings</li><li>• Manual downgrades are not allowed</li><li>• Manual Underwriting is not allowed</li></ul>
<b>Age of Documents</b>	<ul style="list-style-type: none"><li>• 120 days for existing construction from the date the note is signed.</li><li>• Preliminary Title Policies must be no more than <u>90 days</u> old on the date the Note is signed.</li></ul>
<b>Ratios</b>	<ul style="list-style-type: none"><li>• Maximum ratios is determined by GUS findings and must reflect (Approve/Eligible)</li></ul>
<b>Appraisals</b>	<ul style="list-style-type: none"><li>• Full URAR appraisal</li><li>• Fannie Mae Form 1004/Freddie Mac Form 70, (for one-unit single-family dwellings).</li><li>• Fannie Mae Form 1073/Freddie Mac Form 465 (for condominium units).</li><li>• Photographs used in the appraisal report must be clear and descriptive to be able to identify the property's condition and quality. Photographs must clearly represent the improvements, and any physical deterioration of the property, amenities, conditions and external influences that may have a material effect on the market value or marketability of the subject property</li></ul>



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<p><b>Borrower Eligibility</b></p>	<ul style="list-style-type: none"> <li>• U.S. citizens</li> <li>• All borrowers must have a social security number</li> <li>• Permanent resident aliens, with proof of lawful permanent residence alien card</li> <li>• Non-permanent resident aliens allowed provided that:             <ul style="list-style-type: none"> <li>- The property will be the borrower's principal residence,</li> <li>- The borrower has a valid SSN,</li> <li>- The borrower is eligible to work in the U.S., as evidenced by an Employment Authorization Document (EAD) and acceptable visa issued by the (USCIS).</li> <li>- (EAD) card must be active and valid for a minimum of 12 months after the loan closes, if the (EAD) card will expire within 12 months after loan closing then borrower will need to provide copy of previously expired (EAD) card to show evidence of renewal history</li> <li>- The borrower has a 2 year work history</li> <li>- The borrower has a 2 year history of living in the U.S.</li> <li>- Acceptable Visa class: E-1, E-2, E-3, E-3D, G-1, G-2, G-3, G-4, G-5, H-1B, H-1B1, H-1B2, H-1B3, H-1C, H-4, L-1A, L-1B, L-2, O-1A, O-1B</li> </ul> </li> <li>• The Social Security card cannot be used as evidence of work status. Although Social Security cards may indicate work status, such as "not valid for work purposes," an individual's work status may change without the change being reflected on the actual Social Security card.             <ul style="list-style-type: none"> <li>○ When utilizing an acceptable visa, a copy of the unexpired must be included in the loan file.</li> </ul> </li> <li>• An individual classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure, or Humanitarian Parole is not eligible. Non-Lawful Residency - Non-U.S. citizens that do not have lawful residency in the U.S. are not eligible for USDA - insured mortgages.</li> </ul>
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<p><b>Property Requirements</b></p>	<ul style="list-style-type: none"> <li>• Property must be in area designated as rural by Rural Development, refer to the USDA Income and Property Eligibility site: <a href="http://eligibility.sc.egov.usda.gov">eligibility.sc.egov.usda.gov</a></li> </ul>
<p><b>Bankruptcy/Foreclosure</b></p>	<ul style="list-style-type: none"> <li>• Chapter-7 or Chapter-13 must be discharged for more than 3 years</li> <li>• Foreclosure - Final recorded foreclosure date must be more than 3 years old</li> </ul>



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<b>Condominiums</b>	<ul style="list-style-type: none"> <li>• Must be located in an FHA or VA approved Condominium Project</li> </ul>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Irrevocable or Blind Trusts</li> <li>• Non-Occupant Co-Borrower(s)</li> <li>• Limited partnership, general partnerships, corporations</li> </ul>

<b>Additional Properties</b>	<ul style="list-style-type: none"> <li>• Borrower may not own more than one additional property</li> <li>• Additional property with mortgage cannot be USDA</li> <li>• If other property has a FHA or VA mortgage, an exception is required</li> </ul>
<b>Verification of Self-Employment</b>	<p>Self-Employment requirements:</p> <ul style="list-style-type: none"> <li>• Two Year 1040 IRS transcripts need to be verified and all income reflected on borrower's 1040 tax returns needs to match 1040 IRS transcripts.</li> <li>• Two Year 1040's from borrower is required</li> <li>• Two Year self-employment history must be verified</li> <li>• Year to Date P&amp;L required</li> <li>• Balance sheet required, unless borrower files Schedule-C</li> </ul> <p>When self-employment income is used to qualify the Borrower, verify and document that the income derived from self-employment is stable with a reasonable expectation that it will continue.</p> <p>Obtain one of the following to verify and confirm that the business is open and operating:</p> <ul style="list-style-type: none"> <li>• Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment); (or)</li> <li>• Evidence of current business receipts (payment for services performed); (or)</li> <li>• Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>• Each borrower must have at least one valid credit scores to be eligible.</li> <li>• A full tri-merge credit report is required for all borrowers on all transactions.</li> <li>• Credit report inquiries must be explained for last 120 days</li> <li>• Copy of non-purchasing spouse credit report required and all debt will need to be included in ratios for properties in Community Property state</li> <li>• Non-traditional Credit not allowed</li> </ul>



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<b>Derogatory Credit</b>	<ul style="list-style-type: none"> <li>• Collection accounts, if the combined cumulative balance on all the collections accounts exceed \$2,000 or greater the following will apply:             <ul style="list-style-type: none"> <li>- Count 5% of balance as payment, or</li> <li>- Payoff Collections, or</li> <li>- Provide copy of established payment plan with collection agency and verify minimum payment</li> </ul> </li> </ul> <p><b>Note:</b> Medical Collections are excluded  <b>Note:</b> Collections from non-purchasing spouse credit report will also need to be counted in ratios if property is located in a community property state</p> <ul style="list-style-type: none"> <li>• Bankruptcy – Must be more than 3 years old prior to application date</li> <li>• Foreclosure – Must be more than 3 years old prior to application date</li> </ul>
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<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Full</li> </ul>
<b>Down Payment Assistance</b>	<ul style="list-style-type: none"> <li>• Down Payment Assistance programs not allowed</li> <li>• Mortgage Credit Certificates (MCCs) are not allowed.</li> </ul>
<b>Employment Verification</b>	<ul style="list-style-type: none"> <li>• 2 Year employment history verification is required</li> <li>• Final verbal verification of employment required within 10 days of final note date.</li> <li>• Marijuana Related Business (MRB) employment and income is not permitted.</li> </ul>
<b>Escrow Accounts</b>	<ul style="list-style-type: none"> <li>• Escrow Impounds Accounts must be established for taxes and insurance premiums in accordance with USDA Guidelines and must be included with loan.</li> </ul>
<b>Exclusionary Lists</b>	<ul style="list-style-type: none"> <li>• The HUD Limited Denial of Partnership (LDP) list and the General Services Administration (GSA) lists must be reviewed for all loans, if any party to the transaction, including the borrower(s), is reflected on these lists, the loan is not eligible.</li> </ul>
<b>FICO</b>	<ul style="list-style-type: none"> <li>• Refer to LTV matrix.</li> </ul>
<b>Financing Concessions</b>	<ul style="list-style-type: none"> <li>• Limited to 6% of the sales price</li> </ul>
<b>High Cost / High Priced Mortgage Loans</b>	<ul style="list-style-type: none"> <li>• High costs loans and High priced mortgage loans are not allowed</li> </ul>



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<p><b>Identity of Interest Transaction</b></p>	<ul style="list-style-type: none"> <li>For the purpose of Identity of Interest transactions, the definition of family member includes: a child, parent, or grandparent; a child is defined as a son, stepson, daughter, or stepdaughter; a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent; spouse or domestic partner; legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption; foster child; brother, stepbrother; sister, stepsister; uncle; aunt; or son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower.</li> <li>Maximum LTV is 90%</li> </ul>
<p><b>CAIVRS</b></p>	<ul style="list-style-type: none"> <li>CAIVRS verification required for all borrowers on the loan</li> </ul>
<p><b>Lien Position</b></p>	<ul style="list-style-type: none"> <li>First</li> </ul>
<p><b>Assets</b></p>	<ul style="list-style-type: none"> <li>Two month bank statements required</li> </ul>
<p><b>Debt not included in ratios</b></p>	<ul style="list-style-type: none"> <li>Medical Collections</li> <li>401k Re-payment</li> <li>Utilities</li> <li>Union Dues</li> <li>Child Care expenses</li> </ul>
<p><b>Maximum Loan Amount</b></p>	<ul style="list-style-type: none"> <li>Maximum loan amount is determined by LTV, maximum DTI, and GUS findings</li> </ul>
<p><b>Minimum Loan Amount</b></p>	<ul style="list-style-type: none"> <li>Determined and evaluated by GUS</li> </ul>
<p><b>Forbearance</b></p>	<p>A borrower who has deferred mortgage payments as result of recent forbearance plan:</p> <ul style="list-style-type: none"> <li>must have resumed making payments for a period of at least six (6) months and not have any defaults in the previous 12-month period, excluding the time the loan was in forbearance</li> </ul>
<p><b>Occupancy</b></p>	<ul style="list-style-type: none"> <li>Primary Owner Occupied only</li> </ul>
<p><b>Property, Eligible Types</b></p>	<ul style="list-style-type: none"> <li>Single Family</li> <li>PUD</li> <li>Condominium – (Must be FHA or VA condo approved project)</li> </ul>



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<b>Property, Ineligible Types</b>	<ul style="list-style-type: none"><li>• Manufactured homes</li><li>• 2-4 Unit Properties</li><li>• Mobile Homes</li><li>• Modular Homes</li><li>• Cooperatives</li><li>• Condotels</li><li>• Hotel Condominiums</li><li>• Timeshares</li><li>• Geodesic Domes</li><li>• Working Farms and Ranches</li><li>• Unimproved Land and property currently in litigation</li><li>• Leasehold Properties</li></ul>
<b>Property Flipping Policy</b>	<ul style="list-style-type: none"><li>• A Property that is being resold 30 days or fewer following the seller's date of acquisition is not allowed</li><li>• A Property that is being resold between 31 – 91 days or fewer following the seller's date of acquisition requires the appraisal to reflect additional recent comps that strongly support the appraised value</li></ul>
<b>Escrow Holdback</b>	<ul style="list-style-type: none"><li>• Escrow Holdback is not allowed</li></ul>
<b>State Restrictions</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Loans for properties in Hawaii are not eligible.</li><li><input type="checkbox"/> Texas 50 (a)(6) loans are not allowed.</li></ul>
<b>Secondary Financing</b>	<ul style="list-style-type: none"><li>• Subordinate financing and Down Payment Assistance programs are not allowed</li><li>• Mortgage Credit Certificates (MCCs) are not allowed.</li></ul>



<p><b>Tax Transcripts</b></p>	<ul style="list-style-type: none"><li>• IRS Tax Return (1040) Transcripts are required for all borrowers and household members</li><li>• Wet signed 4506-C is required for all borrowers and household members</li></ul>
<p><b>Properties Located in FEMA declared disaster area</b></p>	<ul style="list-style-type: none"><li>• If a property is located in a FEMA declared disaster county area and the FEMA declaration start date is dated after the date of the appraisal, a final inspection with photos will be required to verify the property was not affected by natural disaster.</li></ul>





**Ineligible Transaction  
Types**

The following is not allowed:

- Construction to Perm Loans
- Energy Efficient Mortgage Loans
- New Construction Loans
- Leasehold properties
- Mortgage Credit Certificates (MCC)
- Construction modification loans
- Assumption loans
- Streamline Refinance
- Lending on Native American Tribal Lands
- Properties subject to Property Assessed Clean Energy (PACE) obligations
- Temporary buydown
- mixed-use properties
- Investment
- Second home



<b>Seasoning Refinance</b>	<ul style="list-style-type: none"><li>• All USDA Transactions must be current with no late payments in most recent 12 months through close of escrow</li><li>• All USDA Transactions require mortgage rating to be updated all the way through close of escrow.</li><li>• USDA rate/term refinance<ul style="list-style-type: none"><li>- No late Mortgage payments in last 12 months</li><li>- Minimum 6 month mortgage payments required</li><li>- 210 day seasoning applies to all rate/term refinance</li></ul></li><li>• Note: On refinance transactions, when paying off a loan, the borrower must have made 6 consecutive payments on the loan being paid off and the first payment due date of the new loan must be at least 210 days after the first payment due date of the refinanced loan (Note: for modified loans the date is counted from the first payment date of the loan after modification).</li></ul>
<b>Income</b>	<ul style="list-style-type: none"><li>• Annual Income- The income of all adult household members</li><li>• Adjusted Annual Income- The household's annual income minus certain qualified household deductions</li><li>• Qualifying Income- Adjusted annual income compared to established income limits to determine eligibility of the household for the SFHGLP</li><li>• Repayment Income- The stable and dependable income used to calculate debt ratios and determine whether the applicant(s) can afford the home</li><li>• Income eligibility and Income limits can be verified at <a href="http://eligibility.sc.egov.usda.gov">eligibility.sc.egov.usda.gov</a></li></ul>