



**MEGA CAPITAL FUNDING, INC.**

## EXPRESS HELOC (Standalone Close)<sup>1</sup>

Occupancy	Transaction Purpose	Property Type	Credit Score	CLTV/HCLTV	Loan Amount	DTI
Principal Residence	RT & Cash-Out	SFR, 2-4, PUD, Condo <sup>2</sup>	720	80%	\$250,000	50
			680	75%		
			660	70%		
			640	60%		
Second Home	RT & Cash-Out	SFR, PUD, Condo <sup>2</sup>	720	80%		
			680	75%		
			660	70%		
			640	60%		
Investment	RT & Cash-Out	SFR, 2-4, PUD, Condo <sup>2</sup>	720	70%		
			680	65%		
			660	60%		
			640	50%		

1. Loans must meet all FNMA or FHLMC definitions (Occupancy, Transaction Purpose, Property Type, Credit Score, LTV, CLTV, DTI)

2. Florida condo project MAX HCLTV=75% (Primary, 2<sup>nd</sup>), 70% (Investment) & FNMA approved projects within the last 18 months only.

Program Codes	Doc Type	Lien Type	Code	Term	Amortization	Draw Term
	Full Doc	Standalone	XHELOC3	30yr	Interest Only	3 yr
	Full Doc	Standalone	XHELOC10	30yr	Interest Only	10 yr

EXPRESS HELOC PROGRAM AND REQUIREMENT	
<b>Product Eligibility</b>	<p>The program must meet the definition of an open-end credit plan per TILA / Regulation Z, 12 CFR § 1026.40.</p> <ul style="list-style-type: none"> <li>• Loan terms must be structured such that the creditor reasonably contemplates repeated transactions. This means that the credit plan must be usable from time to time, and the creditor must legitimately expect that there will be repeat business rather than a one-time credit extension.</li> <li>• Must be interest only (IO) <ul style="list-style-type: none"> <li>○ If interest-only, HELOC loan terms (including maximum draw term, maximum loan term (maturity), minimum utilization amount and minimum draw amount) must be structured to allow for repeated transactions without the borrower having to pay more than the minimum monthly loan payment</li> <li>○ IO may not exceed draw (revolving) period except on 3-year draw product</li> <li>○ IO may not exceed amortization period</li> <li>○ IO may not exceed 10 years</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>Interest must accrue daily on actual/actual method. <ul style="list-style-type: none"> <li>The actual number of days within each month and the actual number of days within the year are used to calculate accrued interest (366 for leap year).</li> </ul> </li> <li>Fully amortizing upon end of draw period <ul style="list-style-type: none"> <li>3-year draw products must fully amortize at the end of IO Period</li> </ul> </li> <li>Must be Adjustable rates (ARM) <ul style="list-style-type: none"> <li>See HELOC ARM Terms for detailed criteria.</li> </ul> </li> <li>Available draw terms are 3 years and 10 years.</li> <li>Loan term (maturity) 360 months</li> <li>Draw (revolving) period may not exceed amortization period</li> <li>A minimum 90-day lockout period applies from the date of initial funding. Additional draws are prohibited during the lockout period. The borrower may not fully repay, refinance, or otherwise close the HELOC within this period.</li> <li>Minimum Initial Utilization Amount - 75% of the total line amount (or \$100,000, whichever is higher)</li> <li>Minimum Draw amount \$1,000, or minimum amount required by state law.</li> <li>Transaction Purpose for all loans must meet FNMA definition. The full credit limit must be used to determine loan amount thresholds <ul style="list-style-type: none"> <li>For example, to be considered a Rate &amp; Term/Limited Cash-Out, the credit limit on the new HELOC must not exceed the total loan amount for the transaction, including the sum of existing lien payoff, financed closing costs, and cash back to borrower (lesser of 2% of the new refinanced loan amount or \$2,000).</li> </ul> </li> </ul>														
<b>Loan or Line Amounts</b>	<ul style="list-style-type: none"> <li>Minimum loan amount - \$100,000</li> <li>Initial Utilization Amount - 75% of the total line amount (or \$100,000, whichever is higher)</li> <li>Maximum - \$250,000</li> </ul>														
<b>Loan Criteria</b>	<ul style="list-style-type: none"> <li>All MCFI approved states except Connecticut, Massachusetts, Minnesota, Nevada, New Jersey, North Dakota, Rhode Island, South Dakota, Tennessee, Texas, Vermont. <ul style="list-style-type: none"> <li>CO ineligible when note rate 12%.</li> </ul> </li> <li>Loans must be secured by residential real estate in the USA. <ul style="list-style-type: none"> <li>Loans originated in US Territories are not eligible.</li> </ul> </li> </ul>														
<b>Loan Term</b>	<ul style="list-style-type: none"> <li>30-year loan maturity term</li> </ul>														
<b>HELOC ARM Terms</b>	<table border="1"> <thead> <tr> <th>Parameters</th><th>Values</th></tr> </thead> <tbody> <tr> <td>Adjustment</td><td>Monthly</td></tr> <tr> <td>Adjustment Defined</td><td>Adjustments begin following the 1st Billing Cycle ending date, and monthly thereafter</td></tr> <tr> <td>Lookback (choice of Calendar or Numeric method)</td><td> <p>Calendar Last Day: Index as of last day of calendar month prior to current Billing Cycle beginning date</p> <p>Calendar First Day: Index as of 1st day of calendar month for current Billing Cycle beginning date</p> <p>Numeric: available Index value identified 30 days prior to Adjustment</p> </td></tr> <tr> <td>Lookback defined</td><td>Identifies index value used for the post-origination rate adjustment</td></tr> <tr> <td>Cap (Initial): max upward adjustment 1<sup>st</sup> period</td><td>None</td></tr> <tr> <td>Cap (periodic): Max adjustment (+/-) over prior rate</td><td>None</td></tr> </tbody> </table>	Parameters	Values	Adjustment	Monthly	Adjustment Defined	Adjustments begin following the 1st Billing Cycle ending date, and monthly thereafter	Lookback (choice of Calendar or Numeric method)	<p>Calendar Last Day: Index as of last day of calendar month prior to current Billing Cycle beginning date</p> <p>Calendar First Day: Index as of 1st day of calendar month for current Billing Cycle beginning date</p> <p>Numeric: available Index value identified 30 days prior to Adjustment</p>	Lookback defined	Identifies index value used for the post-origination rate adjustment	Cap (Initial): max upward adjustment 1 <sup>st</sup> period	None	Cap (periodic): Max adjustment (+/-) over prior rate	None
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	<p>Cap (lifetime): Max rate</p> <p>18%, unless limited by state or regulatory requirements</p>
	<p>Floor (lifetime)</p> <p>No less than 4%</p>
	<p>Margin</p> <p>Per rate sheet</p>
	<p>Index</p> <p>Prime</p>
	<p>Loan Term (yrs)</p> <p>30</p>
	<p>Initial Note Rate/Adjusted Rate</p> <p>Index + Margin</p>
	<p>Initial Note Rate Defined</p> <p>Index value identified at date of effective Rate Lock, plus Margin set as of date of effective Rate Lock</p>
	<p>Adjusted Rate Defined</p> <p>Index value identified following origination and adjusted according to the lookback period, plus Margin set as of date of effective Rate Lock</p>
	<p>Qualifying Rate (subject)</p> <p>Index + Margin + 2% using credit limit amortized over the maturity term</p>
	<p>Qualifying Rate (senior liens)</p> <p>Fixed Rate Non-IO: qualify with note rate</p> <p>Fixed Rate IO: qualify at the expected fully amortized payment after recast</p> <p>Other ARM: qualify at greater of note rate or max applicable rate that can be applied during the first 5yrs from subject lien's closing.</p>
<b>Documentation Standards</b>	<ul style="list-style-type: none"> <li>Loans with an Automated Underwriting System (AUS) certificate: <ul style="list-style-type: none"> <li>Fannie Mae DU (Desktop Underwriter Score): <ul style="list-style-type: none"> <li>Approve/Eligible</li> <li>Approve/Ineligible (if ineligible due to loan size for non-conforming 1st)</li> </ul> </li> <li>Freddie Mac LP (Loan Product Advisor): <ul style="list-style-type: none"> <li>Accept</li> <li>Accept/Ineligible (if ineligible due to loan size for non-conforming 1st)</li> </ul> </li> <li>Verification of 1st lien terms are required to be documented and considered in the AUS</li> <li>Unless otherwise addressed, FNMA or FHLMC Underwriting Guidelines should be followed for the applicable AUS provided.</li> </ul> </li> <li>Age of credit report, employment, income, and asset documentation may not exceed 120 days from note date.</li> </ul>

CREDIT	
<b>Mortgage Payment History</b>	<ul style="list-style-type: none"> <li>(0x30x6) no late payments in the past 6 months</li> <li>(1x30x24) no more than one (1) times 30 days past due in the last 24 months</li> </ul>
<b>Credit Standards</b>	<ul style="list-style-type: none"> <li>Where an AUS is provided, loans must follow and meet all requirements of the DU or LP approval</li> <li>Follow Fannie Mae requirements for documenting and calculating liabilities</li> </ul>
<b>Credit Scores</b>	<ul style="list-style-type: none"> <li>A Tri-Bureau report must utilize the representative credit score in qualifying. The representative credit score is the middle of 3 FICO scores, or the lower of 2. When multiple borrowers exist, the lowest representative FICO is used. An "average" of credit scores may not be used</li> </ul>
<b>Derogatory Events</b>	<ul style="list-style-type: none"> <li>All judgements, non-medical collections, charge-offs, and tax liens must be paid at or prior to close. Non-medical collections and charge-offs less than \$250 per account or \$1000 in aggregate may be left unpaid.</li> <li>Seasoning of derogatory events must meet the below grid</li> </ul>

Derogatory Event	Waiting Period requirements	Waiting Period with Extenuating Circumstances <sup>1</sup>
Bankruptcy: Chapter 7 or 11	4 years	2 years from discharge or dismissal date
Bankruptcy: Chapter 13	• 2 years from discharge date • 4 years from dismissal date	• 2 years from discharge date • 2 years from dismissal date
Multiple Bankruptcy Filings	5 years if more than one filing within the past 7 years	3 years from the most recent discharge or dismissal date
Foreclosure	7 years	3 years Additional requirements after 3 years up to 7 years: • Limited cash-out refinance, all occupancy types
Deed-in-Lieu of Foreclosure, Preforeclosure Sale, or Charge-Off of Mortgage	4 years	2 years
Modification, Forbearance <sup>2</sup> with missed payments	4 years	2 years

1. 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 obligations. MCFI is required to substantiate the borrower's claim of extenuating circumstance through:

- Documentation appropriately supporting the borrower's claim of extenuating circumstance that led to derogatory event.
- Borrower's written explanation of events that:
  - Explains the relevance of documentation,
  - Supports the claim of extenuating circumstances,
  - Confirms the nature of event that led to derogatory event,
  - Illustrates the borrower had no reasonable options other than to default on his/her financial obligation

2. CARES Act Forbearance  
A borrower who has entered a CARES Act Forbearance may be excluded from the Forbearance derogatory seasoning requirement if the borrower can document the following:

- The Forbearance was directly related to the CARES Act
- Any delinquency prior to the Forbearance was resolved once the Forbearance was completed.
- All outstanding deferred payment balance must have been paid or may be paid through the new HELOC line.
- The borrower has concluded the Forbearance and otherwise meets guideline requirements, including Mortgage Payment History requirements.

## BORROWERS

<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• U.S. Citizens <ul style="list-style-type: none"> <li>○ U.S. citizens are eligible for financing.</li> </ul> </li> <li>• Permanent Resident Aliens</li> </ul>
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	<p>Permanent Resident Aliens with an Alien Registration Card (Green Card) are eligible for financing with the same terms as U.S. Citizens. A Permanent Resident Alien is someone who is:</p> <ul style="list-style-type: none"> <li>○ Not a United States (U.S.) citizen;</li> <li>○ Employed in the U.S.; and</li> <li>○ A lawful permanent resident of the U.S. (Green Card Holder).</li> </ul> <p>If the Borrower is a Permanent Resident Alien, the file must contain evidence of lawful permanent residency.</p> <ul style="list-style-type: none"> <li>● Non-Permanent Resident Aliens</li> </ul> <p>Non-Permanent Resident Aliens are eligible. A Non-Permanent Resident Alien is someone who is:</p> <ul style="list-style-type: none"> <li>○ Not a United States (U.S.) citizen;</li> <li>○ Granted the right to live and work in the U.S. on a temporary basis; and</li> <li>○ A lawful non-permanent resident of the U.S. (Visa Holder).</li> </ul> <p>If the Borrower is a Non-Permanent Resident Alien, the file must contain evidence of lawful residency. Borrowers who are Non-Permanent Resident Aliens and provide evidence of lawful residency are eligible for financing with the same terms as U.S. Citizens.</p> <p>A borrower with an expired, but otherwise acceptable Visa type, is permitted with supporting documentation. For example, supporting documentation includes, but is not limited to, any of the following:</p> <ul style="list-style-type: none"> <li>○ Form I-797 which is issued when an application or petition is approved;</li> <li>○ Form I-797C or I-797E which must not state that the application has been declined;</li> <li>○ Application for extension of current visa I-539 (or equivalent) or copy of application for green card I-485 (or equivalent) and electronic verification of receipt from the USCIS website;</li> <li>○ If the borrower is sponsored by the employer, the employer may verify that they are sponsoring the Visa renewal.</li> </ul> <p>In lieu of a Visa, an Unexpired Employment Authorization Document (EAD), or I-94 or I-797; and a letter from the employer or a verification of employment reflecting continuance is likely are required.</p> <p>Grant of Asylum (Asylee) is permitted with letter from U.S. Citizenship and Immigration Services indicating eligibility and completed form I-94, Arrival and Departure Record, indicating borrower has been granted asylum in the U.S.</p> <p>Borrowers with Deferred Action for Childhood Arrivals (DACA) approval are eligible.</p> <ul style="list-style-type: none"> <li>● Living Trust (Inter Vivos Revocable Trust)</li> </ul>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>● LLC, Corporation, or Partnership</li> <li>● Foreign Nationals (individuals who primarily live and work outside of the US; does not include Non- Permanent Resident Aliens)</li> <li>● Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction</li> <li>● Borrowers whose income is not likely to continue for at least 3 years</li> </ul>

Income Documentation	
<b>Income</b>	<ul style="list-style-type: none"> <li>● Where an AUS is provided, loans must follow and meet all requirements of the DU or LP approval unless otherwise stated in the guidelines.</li> <li>● In all cases of employment, a 2yr history should be verified.</li> </ul>

	<ul style="list-style-type: none"> <li>Where silent, FNMA guidelines apply</li> </ul>
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ASSET DOCUMENTATION	
Assets	<ul style="list-style-type: none"> <li>Loans must follow and meet all requirements of the DU or LP approval</li> <li>Reserves must meet all requirements of the DU or LP approval</li> </ul>

PROPERTY VALUATION	
Automated Valuation Model (AVM) Requirements	<ul style="list-style-type: none"> <li>Where provided, AVM (Clear Capital) must meet the following criteria:           <ul style="list-style-type: none"> <li>Must have a forecasted standard deviation (FSD) of <math>\leq 0.20</math></li> <li>AVM must be completed by a rating agency (RA) approved provider for Residential Mortgage-Backed Securities (RMBS)</li> <li>AVM must be rating agency (RA) compliant</li> </ul> </li> </ul>
FEMA Disaster Area	<ul style="list-style-type: none"> <li>Post Disaster Inspection (PDI) report that sufficiently identifies subject property unaffected by most recently declared disaster activity.</li> <li>Valuation products that otherwise identify the above may be substituted in lieu.</li> </ul>
Secondary Valuation	<ul style="list-style-type: none"> <li>MCFI will order a secondary valuation (AVM - Veros)</li> <li>Loans with a secondary value variance of (-10%) may not be eligible</li> <li>Secondary AVM must be within value tolerance of (-10%) unless:           <ul style="list-style-type: none"> <li>The lower value product is utilized as a primary value for origination</li> </ul> </li> <li>All AVMs must meet the Automated Valuation Model (AVM) criteria references within Valuation Requirements section</li> </ul>

PROPERTY TYPES AND OTHER REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> <li>1 unit attached or detached single family dwelling (SFD)</li> <li>2-4 unit attached or detached (principal residence and investment occupancy only)</li> <li>1 unit attached or detached planned unit development (PUD)</li> <li>1 unit attached or detached condominium – Fannie Warrantable</li> </ul>
Ineligible Property Types	<ul style="list-style-type: none"> <li>Properties listed for sale within the last 6 months (refinance transactions)</li> <li>Condo Hotels and Condotels</li> <li>Unique properties, (such as log homes)</li> <li>Properties with more than 10 acres</li> <li>Manufactured Homes</li> <li>Mobile Homes</li> <li>Leaseholds</li> <li>Unimproved Land</li> <li>Cooperatives</li> <li>Non-Warrantable Condominiums</li> <li>Commercial, farms/working farms, churches and mixed-use commercial</li> </ul>
Ineligible Transactions	<ul style="list-style-type: none"> <li>Loans with Escrow Holdbacks</li> <li>Temporary Buydown</li> <li>Income produced, or in relation to, cannabis or hemp</li> <li>Income produced, or in relation to, the adult entertainment industry</li> <li>Community Second</li> <li>Negative Amortizations</li> <li>Assumable loans</li> <li>Reverse 1st lien mortgage</li> <li>High-Cost Mortgage Loans</li> <li>HPML Transaction</li> </ul>

	<ul style="list-style-type: none"> <li>• Balloon notes or features</li> </ul>
<b>Title Requirements</b>	<p>One of the following must be provided:</p> <ul style="list-style-type: none"> <li>• Full title report</li> <li>• Owner &amp; Encumbrance Report</li> <li>• Instant Title</li> </ul>
<b>Other Restrictions</b>	<ul style="list-style-type: none"> <li>• A property owned free and clear by the borrower is not eligible for rate/term refinance</li> <li>• A senior lien can't be a reverse mortgage.</li> <li>• Property insurance requirements follow agency criteria per applicable AUS <ul style="list-style-type: none"> <li>○ In absence of replacement cost included on the valuation product, the valuation product will be used as replacement cost (ie, AVM, BPO, etc..)</li> <li>○ The following items may be provided in lieu of replacement cost included on the valuation product: <ul style="list-style-type: none"> <li>■ Replacement Cost Estimator (RCE) from insurance</li> <li>■ Insurers coverage checklist (state of FL only)</li> </ul> </li> </ul> </li> <li>• Flood Insurance Requirements- Must comply with the Flood Disaster Protection Act.</li> </ul>