



**EZ ELITE – (EZE series)**

**FIXED & ARM P&L PROGRAM**

Primary Residence, Second Home & Investment Properties						
Purpose	Property Type	Max Loan Amount	Max LTV	Max CLTV	Min FICO	
Purchase & Rate/Term Refinance	1 Unit SFR, PUD and Condos	\$1,000,000	80%	80%	720	
			75%		700	
			70%		680	
			65%		660	
			55%		640	
		\$1,500,000	70%		700	
			65%		680	
		\$2,500,000	65%		700	
			2-4 Units		\$1,500,000	70%
		\$2,500,000			65%	720
Cash-Out Refinance	1 Unit SFR, PUD and Condos	\$1,000,000	70%	70%	700	
			65%	65%	680	
			60%	60%	660	
	2-4 Units	\$2,500,000	65%	65%	700	
			\$1,500,000	65%	65%	700
				\$2,500,000	65%	65%

FOREIGN NATIONAL Second Home & Investment Properties				
Purpose	Max Loan Amount	Max LTV	Max CLTV	Min FICO
Purchase & Rate/Term Refinance	\$1,000,000	65%	80%	N/A
	\$1,500,000	60%		
	\$2,500,000	55%		
Cash-Out Refinance	\$1,500,000	60%	60%	
	\$2,500,000	55%	55%	



PROGRAM DETAILS														
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>SFR, PUD (attached and detached)</li> <li>Condominium (low-high rise condos, attached, and detached)</li> <li>2 – 4 Unit properties.</li> </ul>													
<b>Ineligible Property Types</b>	Non-Warrantable and New Condo Projects, Co-ops, Hobby Farms, Log Homes, Mixed Use, Manufactured Homes, Condotel, Timeshare, Leasehold Estates, and Mobile Homes.													
<b>Condo Projects</b>	<p><b>HOA Cert</b> Limited Review or Full Review per Fannie Mae Standards on all Projects.</p> <p><b>Full Review:</b></p> <ul style="list-style-type: none"> <li>If the property will be used as an Investment Property, at least 50% of the total number of the project must have been conveyed to purchasers who occupy their unit as a primary residence or second home. Note: This requirement does not apply if the subject mortgage is for a primary residence or second home.</li> <li>Delinquencies for HOA dues may not exceed 20% (total unit dues cannot be more than 60 days delinquent).</li> <li>No single entity may own more than 10% of the total units (or 1 unit in a 2 to 4-unit project).</li> <li>No more than 35% commercial usage.</li> <li>At least 90% of the total units in the project have been conveyed to the unit purchasers.</li> <li>The project is 100% complete (including all units and common elements).</li> <li>The project is not subject to phasing or annexation.</li> <li>Control of the homeowners association has been turned over to the unit owners.</li> <li>Private transfer fees are not allowed unless established prior to 02/08/11 or provides direct benefit &amp; paid to HOA</li> <li>Project Litigation – Follow Fannie Mae guidelines.</li> </ul> <p><b>Insurance</b> Copy of the Master/Blanket Hazard Policy is required (To include fidelity coverage). If the blanket policy does not provide "walls in" coverage, the borrower will need to obtain a separate HO6 coverage.</p>													
<b>Program Codes</b>	<table border="1"> <thead> <tr> <th>Doc Type</th> <th>Fully Amortized</th> <th>Interest Only</th> </tr> </thead> <tbody> <tr> <td rowspan="2">CPA Prepared P&amp;L</td> <td>EZE7/1</td> <td>EZE7io</td> </tr> <tr> <td>EZE30</td> <td></td> </tr> <tr> <td rowspan="2">Borrower Prepared P&amp;L or VOE only</td> <td>EZE7/1b</td> <td>EZE7iob</td> </tr> <tr> <td>EZE30b</td> <td></td> </tr> </tbody> </table>	Doc Type	Fully Amortized	Interest Only	CPA Prepared P&L	EZE7/1	EZE7io	EZE30		Borrower Prepared P&L or VOE only	EZE7/1b	EZE7iob	EZE30b	
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<b>Overview</b>	<ul style="list-style-type: none"> <li>No 4506-T or tax returns required.</li> <li>Max DTI 49%.</li> <li>100% gift funds allowed on Primary and 2nd Home.</li> <li>Business funds allowed for borrower(s) ≤ 100% owner of business and account.</li> <li>Non-QM waiting periods on negative credit events.</li> <li>P &amp; I reserves on subject property only.</li> </ul>													



# MEGA CAPITAL FUNDING, INC.

<b>Available Terms</b>	7/1 ARM – Fully Amortized & Interest Only 30yr Fixed – Fully Amortized Only												
<b>Interest Only</b>	<table border="1"> <thead> <tr> <th colspan="4">Interest Only Terms</th> </tr> <tr> <th>Product</th> <th>IO Period</th> <th>Amort Term</th> <th>Final Maturity</th> </tr> </thead> <tbody> <tr> <td>7/1 ARM IO</td> <td>7 Years</td> <td>23 Years</td> <td>30 Years</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• Minimum FICO – 720</li> <li>• Max LTV – 70%</li> </ul>	Interest Only Terms				Product	IO Period	Amort Term	Final Maturity	7/1 ARM IO	7 Years	23 Years	30 Years
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Product	IO Period	Amort Term	Final Maturity										
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<b>ARM details</b>	<ul style="list-style-type: none"> <li>• Margin: 3.750%</li> <li>• Index: 1 Year LIBOR</li> <li>• Floor: <b>Initial Note Rate</b></li> <li>• Caps: 2/2/6</li> </ul>												
<b>Max DTI</b>	<ul style="list-style-type: none"> <li>• 49%</li> </ul>												
<b>Adjustable Rate and Interest Only Qualifying</b>	<ul style="list-style-type: none"> <li>• Fully Amortizing ARM - Qualify at greater of start rate or fully indexed rate with fully amortized payment for 30 years.</li> <li>• Interest-Only ARM - Qualify with fully amortized payment for the remaining 23 years after the Interest Only period.</li> </ul>												
<b>Loan Amount limits</b>	<ul style="list-style-type: none"> <li>• Minimum - \$250,000</li> <li>• Maximum - \$2,500,000</li> <li>• Maximum cash-out amount - \$1,500,000</li> </ul>												
<b>Occupancy</b>	Primary, Second Home & Investment Properties												
<b>Eligible States</b>	CA, WA, OR, CO, TX, FL, NJ, DC, IL, GA, VA, MD												



## TRANSACTION TYPES

<p><b>Rate/Term Refinance</b></p>	<p>No title seasoning required.</p> <p>A Non-Purchase Second Lien seasoned more than 12 months may be paid off through a Rate/Term refinance. (No draw history required).</p> <p>If the first mortgage being paid off with this transaction was used to pay-off any subordinate financing that was not used to acquire the property and that mortgage has not been seasoned for at least 6 months prior to the date of the application, the loan is ineligible for Rate &amp; Term Refinance.</p> <p><b><u>The LTV calculation for a Rate and Term Refinance:</u></b> Current appraised value is used for calculating LTV for Rate/Term Refinance regardless of the subject acquisition date.</p> <p><b>Note:</b> Texas loans for refinance as a rate and term do not allow:</p> <ul style="list-style-type: none"> <li>• Any principal reductions/ curtailments.</li> <li>• Impounds may not be added to new loan calculation if they are not netted from the payoff.</li> <li>• POC fees may not be refunded when financed into the loan amount, and loan must be recalculated due to any payoff reductions, (Ex. - Borrower made a payment, now payoff reduced) and,</li> <li>• Loans that fall into Texas Cash out 50(a)(6) eligibility.</li> </ul>
<p><b>Cash-Out Refinance</b></p>	<p>6-month title seasoning is required.</p> <p><b>Note:</b> If the borrower inherits or is legally awarded (by divorce, dissolution of a domestic partnership etc.) a property- it is exempt from the 6-month waiting period.</p> <p><b>Note:</b> If the property was purchased by the borrower within the 6 months preceding the application for new financing, the borrower is ineligible for a cash-out refinance.</p> <ul style="list-style-type: none"> <li>• Delayed financing is allowed within the 6 months from the purchase date if the property was purchased and there is no financing evidenced by the settlement statement provided by the escrow company.</li> <li>• <b>LTV Calculation:</b> Use current appraised value.</li> <li>• Properties in an LLC or Partnership may count towards the 6 months title seasoning if the borrower is the majority (≥51%) owner. Ownership must be transferred out of the LLC/Partnership and into the name of the individual borrower(s) prior to or at closing.</li> </ul> <p>Maximum LTV/CLTV ratios for standard Cash Out transaction except for Investment &gt; 6 financed properties.</p> <p><b>Investment with more than 6 financed properties:</b> Max LTV is 50%</p>



<p><b>Cash Out Refinance Delayed Financing Exception</b></p>	<p>Borrowers who purchased the subject property within the past six months are eligible for a cash-out refinance if all the following requirements are met:</p> <ul style="list-style-type: none"> <li>• The original purchase transaction was an arms-length transaction</li> <li>• For this refinance transaction, the borrower(s) must meet the borrower eligibility requirements (i.e., borrowers who are natural persons that have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located). The borrower(s) may have initially purchased the property as one of the following: <ul style="list-style-type: none"> <li>✓ A natural person</li> <li>✓ An eligible inter vivos revocable trust, where borrower is both the beneficiary &amp; individual establishing the trust or</li> <li>✓ An LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%</li> </ul> </li> <li>• The original purchase transaction is documented by Final CD, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed [or similar alternative] confirming the amount paid by the grantee to trustee may be substituted for a Final CD if a Final CD was not provided to the purchaser at time of sale.)</li> <li>• The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).</li> <li>• If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the Final CD for the refinance transaction must reflect that all cash out proceeds be used to pay down, if applicable, the loan (unsecured or secured by an asset other than the subject property) used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction (Gift funds used to purchase the property may not be reimbursed with proceeds of the new loan).</li> <li>• The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for the cash out transaction based on the current appraised value).</li> <li>• All other Cash Out refinance guidelines apply and must be met.</li> </ul> <p>Maximum LTV/CLTV ratios for standard Cash Out transaction except for Investment &gt; 6 financed properties.  <b>Investment with more than 6 financed properties: Max LTV is 50%</b></p>
<p><b>Texas Cash Out</b></p>	<p><b>Subject to compliance with all Texas Equity loan requirements, including but not limited to:</b></p> <ul style="list-style-type: none"> <li>✓ A Section 50(a)(6) loan may not be closed sooner than 12 months after the closing of a previous Section 50 (a)(6).</li> <li>✓ Only one outstanding 50(a)(6) loan on a property at one time.</li> <li>✓ Each owner of the home and spouse must acknowledge the loan.</li> <li>✓ 12 days waiting period for closing must be met.</li> <li>✓ Texas cash out loans are eligible for fixed rate mortgages only.</li> </ul>



<b>Properties Listed for Sale</b>	For both Rate/Term and Cash Out Refi transactions: Subject property that is listed for sale at the time of loan application is not permitted. Evidence of cancelled listing is required at least 1 day prior to loan application date.
<b>Non-Arm's Length Transactions</b>	<p>Non-Arm's Length Transaction occurs when there is a relationship or business affiliation between the borrower and an interested party to the transaction. The list includes and is not limited to: Builder, Developer, or the Property seller. (Examples: Family transactions, Landlord/Tenant-Buyer, Property in an estate, Employer/Employee Sales, etc.)</p> <p><b>Non-Arm's Length Transactions are not permitted.</b></p>
<b>At-Interest Transaction</b>	<p><b>At-Interest Transaction</b> 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. At-interest transactions carry increased risk due to the greater vested interest in the transaction by one of the parties, which could potentially influence the loan transaction lured by the possible dual compensation. Due to increased risk factors, the following restrictions apply:</p> <p><u>The following are examples of allowable at-interest transactions under this program guideline:</u></p> <ul style="list-style-type: none"> <li>• Builder acting as listing/selling agent,</li> <li>• Dual real estate agent (selling/listing agent),</li> <li>• Realtor/broker selling own property,</li> <li>• Selling agent acting as MLO (if allowed by State).</li> </ul> <p><u>The following are examples of at-interest transactions that are not permitted is as follows:</u></p> <ul style="list-style-type: none"> <li>- Broker acting as listing and/or selling agent as well as the MLO,</li> <li>- Seller acting as the MLO,</li> <li>- Borrower is employed by the company originating the loan,</li> <li>- Borrower's family member acting as the MLO and real estate broker at the same time</li> </ul>
<b>For Sale by Owner (FSBO) Transaction</b>	<p><b>For Sale by Owner</b> transactions are allowed with the following restrictions:</p> <ul style="list-style-type: none"> <li>• Must be an Arm's Length Transaction</li> <li>• Must document the transaction is not a foreclosure bailout</li> <li>• No flipping – seller must have owned the property for no less than 180 days after the recorded deed date.</li> </ul>
<b>Escrow Hold Backs</b>	Not allowed
<b>Power of Attorney</b>	Not allowed for cash-out transactions
<b>Subordinate Financing</b>	Allowed



BORROWER ELIGIBILITY	
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• U.S Citizens, Permanent and Non-Permanent Resident Aliens with valid SSN, and Inter vivos revocable trusts meeting Fannie Mae guidelines are eligible. Non-Permanent Resident Aliens must have EAD card with minimum 180 days remaining at time of funding. EAD card with 30-179 days remaining requires evidence of application for extension. EAD card with less than 30 days remaining without renewed status is not eligible.</li> <li>• Non-Resident Aliens (Foreign Nationals) with valid VISA or through the VISA waiver program (VWP) are eligible. The eligible countries under VWP program are found under U.S. Department of State's website: <a href="https://travel.state.gov/content/visas/en/visit/visa-waiver-program.html">https://travel.state.gov/content/visas/en/visit/visa-waiver-program.html</a></li> <li>• Non-occupant co-borrower is not allowed.</li> </ul>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>• Non-Occupant Co-Borrowers.</li> <li>• Borrowers from countries on the sanctioned list of the OFAC are not eligible.</li> </ul>
<b>First-time Home buyer</b>	<ul style="list-style-type: none"> <li>• First time homebuyers are eligible.</li> <li>• First time homebuyers may not use rental income to qualify on investment property purchases.</li> </ul>
<b>Foreign Nationals</b>	<ul style="list-style-type: none"> <li>• Second Home or Investment transaction only.</li> <li>• Can be considered Second Home if borrower travels to U.S. once or more per year. UW discretion will be required.</li> <li>• Copy of passport, I-94, and Valid VISA (F1 and F2 types are not allowed).</li> <li>• Copy of passport and either I-94W or proof of ESTA Approval required for borrowers on VISA Waiver Program.</li> <li>• Borrower must have US address when applying for loan (must be entered as the mailing address on 1003).</li> <li>• Multiple financed properties with by the same borrower restricted to the lesser of 3 loans or \$2,500,000 financed amount with Investor (includes subject property).</li> <li>• Foreign Assets (down payment, closing costs, reserves, gift funds – 2<sup>nd</sup> Homes only) must be transferred to and accepted by US institutional account prior to ordering loan docs.</li> <li>• Borrowers Foreign Assets must have 60-day seasoning in US institutional account or foreign bank account translated in English, converted to U.S. currency and certified by translator.</li> <li>• Gift Funds (Second Homes only) can be wired directly to escrow along with donor gift letter. Cashier's check from U.S. based donor is acceptable.</li> <li>• Income: Refer to <b>Income</b> section of guidelines.</li> <li>• Foreign National loans must establish escrow account for all property taxes and insurances.</li> <li>• Foreign Nationals of the countries listed on the Sanctions Programs and Country Information by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) are not eligible.</li> <li>• Refer to <a href="https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx">https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx</a></li> <li>• No International or U.S. Credit Report, FICO required.</li> <li>• Borrowers must have three creditor reference letters from country of origin, must be translated to English and U.S. Currency if applicable for a 12-month period.</li> </ul> <p><b>To access borrower travel history, access the USCIS I-94 Website at: <a href="https://i94.cbp.dhs.gov/i94/#/home">https://i94.cbp.dhs.gov/i94/#/home</a> and select "View Travel History".</b></p>



**INCOME**

**Employment/Income  
Analysis**

**Salaried Borrowers:**

- Written Verification of Employment (FNMA Form 1005 or equivalent) completed by the employer.

**Self-employed Borrower-CPA/CTEC/EA Prepared Profit and Loss:**

All the 3 items listed below must be provided:

1. Business license for the past 2 years is required for all businesses that requires a license. Businesses that do not require a license must provide documentation to evidence such. (Refer to: Self-Employed Confirmation or Employment Requirements)
2. A Letter from the CPA, CTEC (California Tax Education Council) or EA (Enrolled Agent) on their business letterhead showing address, phone number & license number. The letter must also document the following information:
  - i. Document that the CPA, CTEC, or EA has either prepared or reviewed the most recent 2 years of business tax return filing.
  - ii. The name of the business, borrower's name, and percentage of business ownership by the borrower, and
3. CPA, CTEC, or EA signed/prepared Profit and Loss Statement(s): For applications dated on or before 6/30, one full year and YTD interim statements are required. For applications dated on or after 7/1, current YTD Profit & Loss statement is required for a minimum of 12 consecutive calendar months.

**Note: If paystubs, W-2s, or Tax Returns are provided then the loan is not eligible.**





Employment/Income Analysis (continued)

**For Borrower prepared P&L statement with 2 months Bank Statements Option:**

- Borrower prepared/signed P&L must support or exceed income calculation based on bank statements. If income on P&L is lower than the income on bank statements, the P&L income (lower income) will be used to qualify the borrower.
- MCFI will accept Personal and/or Business Bank Statements. Please refer to below examples:

**If Personal and Business Bank Statements are used:**

- 100% of Personal Bank Statement and 50% of Business Bank Statement will be used.

**Example:**

Personal Bank Statement:

- 100% of account is used.
- 2 months deposits total = \$9,000/2 months = \$4,500/mo.
- If the account is a joint account and only one account holder is on the loan, the income is divided by 1/2. (\$4,500/2 = \$2,250/month)

Business Bank Statement:

- 50% of account is used (the 50% deducted is accounted for the business expenses/overhead).
- 2 months deposit total = \$9,000/2 months X 50% = \$2,250/mo.
- The percentage of the income used must coincide with the percentage of the business ownership.

**If Personal Bank Statement is the only account used:**

- 50% of account is used (the 50% deducted is accounted for the business expenses/overhead).
- Will be considered as business account and the business account income calculation will apply.

**If Business Bank Statement is the only account used:**

- 50% of account is used (the 50% deducted is accounted for the business expenses/overhead).
- The percentage of the income used must coincide with the percentage of the business ownership.

**Foreign Nationals:**

- Salaried borrowers and self-employed borrowers may follow above guidelines or provide equivalent documentation.
- Document to be translated by certified translator and notarized, if necessary.

Self-Employed Confirmation or Employment Requirements:

- Verification of the existence of the borrower's business from a third party, such as a CPA, CTEC, EA, regulatory agency or the application licensing bureau (CPA, CTEC or EA must be the individual who files the business taxes).
- Verify the listing and address for the borrower's business using telephone book, the internet or directory assistance, online presence, company website. Business Reference letters may be used in lieu of the above.
- Professional License if required by law, i.e. Doctor, Attorney, Contractor.
- Business License, Corporation, LLC documentation.
- If Business License, Professional License, or filed entity documentation **does not** exist, three reference letters from clients of borrower's business, along with other supporting documentation such as On-line Presence (411, Website, Yellow Pages) may be acceptable - Underwriter Discretion required.



<b>Verbal Verification of Employment</b>	<p>Verbal Verification of Employment is required for all borrowers:</p> <ul style="list-style-type: none"> <li>• Salaried and commission income - Verbal VOE within 10 days prior to note date.</li> <li>• Self-employed income - Verbal VOE within 90 days prior to note date.</li> </ul>
<b>Rental Income</b>	<p>Rental Income used to offset PITIA must be documented with current lease agreements. <b>(Applies to Non-Subject rental properties and subject rental properties when a lease agreement exists)</b></p> <p><b>Tax Returns not permitted to determine Rental Income as the presence of Tax Returns will render the loan ineligible for the program.</b></p>
<b>CREDIT</b>	
<b>Authorized User Account</b>	Credit report trade line that list a borrower as an authorized user cannot be considered in the minimum trade lines requirement.
<b>Inquiries</b>	Report must list all credit inquiries made in previous <b>90</b> days. LOE required to address all credit inquiries.
<b>Credit Score Requirements</b>	All borrowers must have minimum of (2) FICO scores on a tri-merged credit report and sufficient credit experience.
<b>Minimum Trade line Requirements</b>	3 Trade lines with 12 months rating (may be open or closed).
<b>Derogatory Credit</b>	<p>If credit report indicates "dispute" trade line and the dispute <b>does</b> belong to the borrower with a derogatory reported within the last two years, a new credit report must be provided evidencing the dispute has been removed from all repositories.</p> <p>If the dispute is <b>not</b> the borrower's, documentation to support must be provided.</p>
<b>Collections and Charge-Offs</b>	Accounts do not have to be paid off at or prior to closing if the balance of an individual account is less than \$250 or the total balance of all accounts is \$1000 or less (medical collections do not have to be paid off).
<b>Judgments and Tax Liens</b>	Delinquent credit (including taxes, judgments, tax liens, mechanics' or materialmen's liens) that have an affect on MCFI's 1st lien position must be paid at or before closing.
<b>Mortgage and Rental Payment Verification</b>	<p>Mortgages and rental payments combined may not exceed 1x30 in the past 12 months.</p> <p>Mortgage and rental payments not reflected on the original credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history.</p> <p>If the borrower is making payments to an individual or interested party, 12 months of cancelled checks or bank statements must be obtained. A VOR/VOM is not required but may be requested for clarification.</p> <ul style="list-style-type: none"> <li>• All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify account is current.</li> </ul>



<p><b>Housing Events</b></p>	<ul style="list-style-type: none"> <li>• <b>Foreclosure:</b> 5 years from completion date from the application date.</li> <li>• <b>Deed in Lieu, Pre-Foreclosure, Short Sale:</b> 2 years from completion date or settlement from the application date.</li> <li>• <b>***No multiple events allowed for the past 7 years (84 months) from the initial application date. Any credit events that occurred greater than 7 years will not be included in the multiple events.</b></li> </ul>
<p><b>Bankruptcy</b></p>	<p>3 years from discharged / dismissed date from the application date.</p>
<p><b>Restructured or Modified Loans</b></p>	<p>Only eligible when the borrower(s) have made a minimum of 24 consecutive months of timely mortgage payments on the restructured loan before closing on the subject property loan.</p>
<p><b>Maximum Financed Properties</b></p>	<p>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 the number of mortgages on the property.</p> <ul style="list-style-type: none"> <li>• <b>Max number of financed properties:</b> 10</li> <li>• <b>Investment Cash Out:</b> Max LTV is 50% if subject property is an investment and borrower has &gt; 6 financed properties.</li> <li>• <b>Max Loans to One Borrower:</b> Lesser of (4) four loans or \$2.5M (includes subject property).</li> </ul>
<p><b>Monthly Debt Obligations</b></p>	<p><b><u>Mortgage History</u></b> 1x30 within 12 months</p> <ul style="list-style-type: none"> <li>• VOM required for borrower(s) that are homeowners and mortgage payment history is not reflected on credit report. VOR required when borrower(s) renting and are purchasing an investment property to verify housing payment and history. If borrower(s) is living rent free and purchasing an investment property, Mega requires rental agreement and proof someone else making payments.</li> </ul> <p>If <b>Private Lender or Private Landlord</b>, 12 months cancelled checks or 12 months bank statements must be provided to document mortgage or rents. If mortgage or rental rating is reported on Credit Supplement, then 12 months cancelled checks or 12 months bank statements are not required.</p> <p><b><u>HELOC Payment</u></b></p> <ul style="list-style-type: none"> <li>• Current monthly payment reflected on the credit report may be used for qualifying ratios.</li> <li>• If the amount is not shown on the credit report, use the payment reflected on the billing statement.</li> </ul> <p><b><u>Installment Debts</u></b></p> <ul style="list-style-type: none"> <li>• Payments on installment debts with more than 10 months of remaining payment must be included in the DTI.</li> <li>• Installment debts may be <b>paid off</b> or <b>paid down</b> to 10 or fewer monthly payments for qualifying. (<u>Unless the monthly debt obligation significantly affects the borrower's ability to meet their credit obligations</u>). *Note: Pay downs may be limited to one installment debt per borrower/loan application if the borrower does not have sufficient liquid funds in the bank to cover the remaining balance. *All pay downs require liquid funds to support the remaining balances of each debt being paid down to qualify the loan.</li> </ul>



**Monthly Debt Obligations**  
(continued)

**30 Day Accounts**

Open 30-day charge accounts require the balance to be paid in full every month. Borrower must demonstrate funds to cover the account balance. The verified funds must be in addition to any funds required for down payment, closing costs and financial reserves.

If the borrower paid off the account balance prior to closing, evidence of payoff may be provided in lieu of verifying funds to cover the account balance.

**Deferred Installment Debts**

Deferred Installment debts must be included in Debt Ratios as follows:

- Installment debts, other than Student loans, when minimum payment is not shown on credit report, then use:
  - ✓ a copy of the payment letter, or
  - ✓ forbearance agreement that reflects a future monthly payment

**Student Loans**

For all student loans, whether deferred, in forbearance, or in repayment, monthly payment must be included in the borrower's DTI.

- In order to calculate the repayment amount, one of the following must be used:
  - ✓ If a payment amount is provided on the credit report, that amount can be used for qualifying purpose.
  - ✓ 1% of the outstanding balance; OR
  - ✓ a calculated payment that will fully amortize the loan(s) based on the documented loan repayment terms.

**Lease Payments**

The lease payment must be included in the DTI regardless of the remaining number of payments.

**Co-signed Debts (Contingent Liability)**

Evidence that the borrower is not making the payments for the last 12 months documented by copies of 12 months canceled checks to show timely payments by the primary obligor required to remove liability from borrower.

**Debts Paid by Business for Self-employed Borrowers**

May be excluded from the monthly obligation when all of the following requirements are met:

- No late payments in the last 12 months and no more than 1x30 in the last 24-month period.
- Evidence, such as 12 months canceled checks, that the debt has been paid from the company funds

**Revolving Accounts**

Use the monthly payment shown on the credit report. If not available, use 5% of the outstanding balance.

**Payoff of Revolving Accounts**

In order to qualify without the monthly payment on the current balance, evidence of payoff is required.



ASSETS							
<b>Assets &amp; Reserves</b>	<p>Most recent 2 months Bank Statements or VOD required. Reserves required as follows:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="background-color: #e0e0e0;">Loan Amount</th> <th style="background-color: #e0e0e0;">Required Reserves</th> </tr> </thead> <tbody> <tr> <td>LTV ≤ 70% and Loan Amount ≤ \$1,000,000</td> <td>6 Months Principal &amp; Interest payment</td> </tr> <tr> <td>LTV &gt; 70% or Loan Amount &gt; \$1,000,000</td> <td>12 Months Principal &amp; Interest payment</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Stock/Bonds/Mutual Funds: 100% may be considered - funds used for closing must be documented as being liquidated.</li> <li>Net Cash Value for Life Insurance: 100% of the vested amount may be considered for reserves.</li> <li>Vested Retirement Account Funds: 100% may be considered for reserves.</li> <li>Reserves are required for subject property only.</li> <li>Cash Out Net Proceed can be used for reserve requirement.</li> <li>Large deposits &gt; 50% of monthly income will need source documentation for Purchase Transactions per FNMA policy.</li> </ul>	Loan Amount	Required Reserves	LTV ≤ 70% and Loan Amount ≤ \$1,000,000	6 Months Principal & Interest payment	LTV > 70% or Loan Amount > \$1,000,000	12 Months Principal & Interest payment
Loan Amount	Required Reserves						
LTV ≤ 70% and Loan Amount ≤ \$1,000,000	6 Months Principal & Interest payment						
LTV > 70% or Loan Amount > \$1,000,000	12 Months Principal & Interest payment						
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>Allowed on Primary Residence and Second Home transactions.</li> <li>Minimum borrower contribution from the borrower's own funds is not required.</li> <li>Gift funds may fund all or part of the down payment, closing costs, or financial reserves.</li> <li>Gift donor must be blood or legal relative, a fiancé, fiancée, or domestic partner.</li> <li>Gift letter must contain the amount of the gift, donor's name, address, phone number and relationship.</li> <li>The donor should state that repayment is not expected.</li> <li>Reserves coming from gift funds must be deposited into borrower's account prior to closing.</li> <li>Not allowed on NOO Transactions.</li> </ul>						
<b>Business Assets</b>	<ul style="list-style-type: none"> <li>Business funds: Funds in the borrower's business account(s) ≤ 100% of account balance may be counted toward down payment, closing costs, and reserves. The percentage of the account balance used towards the down payment, closing costs, and the reserves must be no more than the percentage of the borrower's ownership of the business.</li> <li>Business funds that are in a personal account prior to application may be used for down payment, closing costs, and reserves without restriction. Large deposits must be sourced to determine there is not an undisclosed loan.</li> <li>A CPA/CTEC/EA must provide a letter explaining that the withdrawal of the funds will not negatively affect the business operations.</li> </ul>						
<b>Interested Party Contribution (IPC)</b>	<p>Maximum allowable contribution from seller, builder, realtor, broker, or an affiliate who may benefit from the transaction:</p> <ul style="list-style-type: none"> <li>6% for Primary Residence or Second Home</li> <li>2% for Investment Property</li> </ul>						



PROPERTY	
<b>Appraisal Requirements</b>	<p>A full appraisal must be ordered through one of Mega Capital Funding's approved Appraisal Management Companies. (MCFI Mercury Network)</p> <ul style="list-style-type: none"> <li>• Loan Amount up to \$1MM: One (1) Full Appraisal</li> <li>• Loan Amounts &gt; \$1MM or LTV &gt; 75%: One (1) Full Appraisal and one (1) Field Review. Broker to order through MCFI Mercury Network</li> <li>• Same AMC for both orders is acceptable.</li> <li>• Properties with a condition rating of C5 or C6 are not acceptable.</li> </ul>
<b>Transfer Appraisal</b>	<p>Transfer Appraisals are allowed with Field Review supporting the value.</p> <ul style="list-style-type: none"> <li>• Transferred Appraisal must be completed "AS IS".</li> <li>• "Subject To" Appraisals are not eligible for transfer.</li> <li>• Field Review must be ordered through the MCFI Mercury Network with an MCFI approved AMC.</li> </ul>
<b>Non-Permitted Additions and Garage Conversions</b>	<ul style="list-style-type: none"> <li>• Appraiser to comment that the addition or conversion was completed in a workmanlike manner.</li> <li>• Appraiser to comment if there are any health and safety issues.</li> <li>• Appraiser to comment that the addition conforms to the homes structure.</li> <li>• Appraiser to comment if there is a second kitchen (If there is an illegal 2nd kitchen, loan must meet all the accessory unit guidelines below).</li> </ul>
<b>Accessory Unit Unpermitted Illegal Units)</b>	<ul style="list-style-type: none"> <li>• The illegal unit (addition) conforms to the subject neighborhood and to the market.</li> <li>• Property must be appraised based on its current use and must report that the improvements represent illegal use.</li> <li>• Borrower cannot use rental income to qualify from the illegal 2nd unit.</li> <li>• Appraiser to comment that the improvements are typical for the market area by supporting this with "3"comparable properties that have the same illegal use.</li> <li>• Hazard insurance policy must include the total square footage of the property (including the illegal unit) &amp; note that any future claims will not jeopardize the property</li> </ul>
<b>Properties with Solar Panels</b>	<p>If the property owner is the owner of the solar panels, standard eligibility requirements apply (for example, appraisal, insurance, and title).</p> <p>If the property owner leases the solar panels from a third party, the following requirements apply:</p> <ul style="list-style-type: none"> <li>• The solar panels may not be included in the appraised value of the property.</li> <li>• The property must maintain access to an alternate source of electric power that meets community standards.</li> <li>• The monthly lease payment must be included in the DTI ratio unless the payment goes entirely to pay for the energy. Any portion of the payment that is not used to purchase energy must be included in the DTI ratio.</li> </ul>



<p><b>Properties with Solar Panels</b> (continued)</p>	<ul style="list-style-type: none"> <li>• The lease or power purchase agreement must indicate that:               <ul style="list-style-type: none"> <li>✓ Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels</li> <li>✓ Is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition.</li> <li>✓ The owner of the solar panels agrees not to be named loss payee on the property owner's property insurance policy covering the residential structure on which the panels are attached.</li> <li>✓ In the event of foreclosure, the lender or assignee has the discretion to:                   <ul style="list-style-type: none"> <li>▪ Terminate the lease/agreement and require the third-party owner to remove the equipment;</li> <li>▪ Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; OR</li> <li>▪ enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner</li> </ul> </li> </ul> </li> <li>• The title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to Mega Capital Funding's first lien position.</li> </ul>
<p><b>Property Resale less than 90 Days</b></p>	<p>A second appraisal is required when:</p> <ul style="list-style-type: none"> <li>• Any increase over 50% regardless of documented upgrades.</li> <li>• The increase is 25% or more unless the appraiser comments and documents the upgrades.</li> </ul>
<p><b>Acreage</b></p>	<p>10 Acres maximum.</p>
<p><b>COMPLIANCE</b></p>	
<p><b>Age of Documentation</b></p>	<ul style="list-style-type: none"> <li>• Credit documents cannot be older than 90 days from the Note date. These documents include credit report, employment, income, and asset.</li> <li>• Prelim is good for 90 days. Appraisals are good for 120 days (Note: Recertification of value will be required between 90-120 days when appraiser states that the property area is either declining or not stable)</li> </ul>
<p><b>Impounds</b></p>	<p>Allowed</p>