



## PLATINUM JUMBO (PJ SERIES)

### FIXED

PURCHASE / RATE & TERM REFINANCE			
Occupancy – Units	Max Loan Amount	Max LTV	Credit Score
Primary 1 Unit	\$1.5MM	80%	700
<b>PJ only</b> Primary – 1 unit	<b>\$2.0MM</b>	<b>80%</b>	<b>720</b>
Second Home 1 Unit	\$1.0MM \$1.5MM	75% 75%	720 740

PROGRAM DETAILS	
<b>QM Status</b>	<ul style="list-style-type: none"> <li>Standard QM requirements apply</li> </ul>
<b>Program Codes</b>	<ul style="list-style-type: none"> <li><b>PJ30</b>; PJE30</li> </ul>
<b>Eligible States</b>	All MCFI approved States
<b>Overview</b>	<ul style="list-style-type: none"> <li>1 Unit SFRs, Warrantable Condo and PUDs only.</li> <li>2-4 Units and N/O/O not allowed.</li> <li>30 year fully amortizing Fixed Rate &amp; Term.</li> <li>Minimum Loan Amount must be \$1 over the current one-unit conforming loan limit.</li> <li><b>Housing/Total DTI ratio Max 40 (PJ) 43% (PJE).</b></li> <li>No Recasting/Re-amortizing allowed</li> <li>No Balloon mortgages allowed</li> <li>No Prepayment Penalty allowed</li> <li>No Temporary Buydown allowed</li> <li>No Higher Priced Covered Transaction allowed</li> <li>No Mortgage Insurance (PMI) allowed</li> <li>Non traditional credit not acceptable.</li> <li>No Interest Only allowed</li> <li>No Property Inspection Waiver (PIW) allowed</li> </ul>
<b>Current Market Reforelock Policy</b>	<p><b>Previous loan must be cancelled &gt;60 days with the investor to allow for current market pricing.</b></p> <p><b>Broker must request previous loan cancellation with lock desk otherwise loan will remain active with an expired lock subject to worse-case pricing.</b></p> <p><b>+0.25 relock fee</b></p>



<b>Lock Extension Policy</b>	<ul style="list-style-type: none"><li>• Lock Extensions must be requested on or before the current lock expiration date at standard extension fees.<ul style="list-style-type: none"><li>◦ 0.125 for 5 business days. (30 days max extension)</li></ul></li><li>• Additional extensions beyond the thirty (30) days limit will apply worse-case pricing.</li></ul> <p><b><u>Worse-case pricing applies when:</u></b></p> <ul style="list-style-type: none"><li>a) The rate lock has expired or been canceled/denied for sixty (60) days or less.</li><li>b) The loan product has changed</li><li><b>c) The Note rate has changed by more than 25 basis points.</b></li><li>d) The loan amount variance from the locked loan amount is greater than 10%.</li></ul> <p><u>Note:</u> Worse-case pricing does not reset the rate lock period &amp; that standard extension fees will be assessed for the length of the extension needed to close.</p>
<b>AUS Options</b>	<p>On the pricing screen in the broker portal, the specific AUS Option must be chosen to generate the correct program.</p> <ul style="list-style-type: none"><li>• <b>PJ: Non/None Submitted</b></li><li>• <b>PJE: DU Approved/Ineligible</b></li><li>• <b>LP Approved/Ineligible</b></li></ul> <p>Ineligibility must be for loan amount only Approve or Accept/Eligible is not acceptable for this program</p>



TRANSACTION TYPES	
<b>Occupancy</b>	<p><b>Primary Residence</b> At least one of the borrowers must occupy, be on title to the property and execute the Note and the security instrument. A borrower may not maintain more than one primary residence at any given time.</p> <ul style="list-style-type: none"> <li>• 1 unit detached, attached, and PUD, warrantable condominium</li> </ul> <p><b>Second Home</b> The property must be occupied by the borrower from time-to-time and is suitable for year-round use. Typically, the property is located in either a resort or vacation area or for convenience in a city where the borrower works when the primary residence is in a distant suburb.</p> <ul style="list-style-type: none"> <li>• 1 unit detached, attached, and PUD.</li> <li>• Property may not be a time share, subject to a rental agreement or other shared ownership arrangements.</li> <li>• The property must be a reasonable distance from the borrower's primary residence.</li> <li>• Rental income and expenses on Schedule E of the borrower's personal tax return(s) must not exceed thirty (30) rental days.</li> <li>• Rental income from a second home cannot be used to qualify the borrower.</li> </ul>
<b>Non-Arm's Length Transaction</b>	<p>All of the parties to a transaction should be independent of one another. Except as indicated below if a direct relationship exists between or among the parties, the transaction is a non-arm's length transaction and the related loan is not eligible for purchase. The following non-arm's length transactions are eligible provided that such transactions and the related circumstances are properly documented:</p> <ul style="list-style-type: none"> <li>• Sales or transfers between members of the same family. Transaction may not be due to any adverse circumstances.</li> <li>• Property seller acting as his or her own real estate agent.</li> <li>• Borrower acting as his or her own real estate agent.</li> <li>• Borrower is the employee of the originating lender.</li> <li>• Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord).</li> </ul>
<b>Multiple Financed Properties</b>	<ul style="list-style-type: none"> <li>• <b>Borrowers may not own more than four (4) residential 1-4 unit</b> financed properties regardless of the occupancy of the subject property. Aggregate Lending Limit for borrowers with Multiple Financed Properties with investor is 4.</li> <li>• Borrowers must have six (6) months PITI reserves for each additional financed property owned.</li> <li>• Financed properties held in the name of an LLC or other corporation, commercial properties, and unimproved land can be excluded from the calculation of number of properties financed where the borrower is not personally obligated for repayment of the sums secured by the mortgage on the financed property.</li> </ul>
<b>Purchases</b>	<ul style="list-style-type: none"> <li>• Must adhere to Agency guidelines.</li> <li>• LTV is calculated using the lesser of the purchase price or the appraised value of the subject property.</li> <li>• <b>PJE – Seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of the sales contract</b></li> <li>• PJ - If Seller has taken title to the subject property within 90 days prior to the date of sales contract the following requirements apply: <ul style="list-style-type: none"> <li>○ Property seller on the purchase contract is the owner of record.</li> </ul> </li> </ul>



	<ul style="list-style-type: none"><li>○ Second full appraisal is required.</li><li>○ Increases in value should be documented with commentary from the appraiser.</li></ul> <p>Loans that are bank or relocation sales are exempt from the above requirements <b>for PJ product.</b></p> <ul style="list-style-type: none"><li>● Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property.</li></ul>
<p><b>Rate &amp; Term Refinance</b></p>	<ul style="list-style-type: none"><li>● A minimum of 6 months (per AUS) must have elapsed if the previous refinance transaction combined a first and a non-purchase money subordinate lien into a new first lien. Provide closing disclosure from any prior transaction.</li><li>● Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior <b>to the date of application (PJ)</b> or prior to the date of closing <b>(PJE)</b>.</li><li>● <b>PJ</b> – for properties purchased within six (6) months of application date, the LTV will be based upon the lesser of the original sales price or the current appraised value conclusion from the appraiser. Original sales price will be determined from the Closing Disclosure from the subject acquisition transaction.</li><li>● Inherited properties are exempt from this seasoning requirement. LTV will be calculated off current appraised value.</li><li>● For properties purchased more than six (6) months prior to the closing date, the current appraised value may be used to calculate the LTV.</li><li>● The mortgage amount may include the:<ul style="list-style-type: none"><li>▪ Principal balance of the existing first liens.</li><li>▪ <b>PJ only</b> – Pay off of a purchase money second lien with no draws exceeding \$2,000 within the past 12 months from application date. Withdrawal activity must be documented with a transaction history of the line of credit. 12 months seasoning is not required.</li><li>▪ <b>PJE only</b> – Pay off subordinate financing only to the extent that such financing was used to acquire the property. Borrower must document that all proceeds from the subordinate financing were used to acquire the subject property.</li><li>▪ Pay off of a co-owner pursuant to a written agreement.</li><li>▪ Financing of the payment of prepaid items and closing costs.</li><li>▪ <b>PJ only</b> - Pay off of a non-purchase second lien seasoned a minimum of 12 months from application date. The second lien must not evidence draws exceeding \$2,000 within the past 12 months from application date. Withdrawal activity must be documented with a transaction history of the line of credit to acquire the property.</li><li>▪ Cash back to the borrower is limited to the lesser of \$2,000 or 2% <b>(PJE)</b> or 1% <b>(PJ)</b> of the new mortgage loan.</li></ul></li></ul>



<p><b>Delayed Financing Refinance</b></p>	<p>Delayed financing refinances in which the borrowers purchased the subject property for cash within the last 90 days from the date of the application are eligible. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed. Delayed financing refinances are underwritten as rate and term refinances and are not subject to cash-out refinancing program limitations. Property may not be located in Texas.</p> <p>The original purchase transaction must be documented by a Closing Disclosure confirming that no mortgage financing was used to obtain the subject property.</p>
<p><b>Continuity of Obligation</b></p>	<p>For a refinance transaction to be eligible for purchase there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction.</p> <p>Continuity of obligation is met when any one of the following exists:</p> <ul style="list-style-type: none"><li>• At least one (1) borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.</li><li>• The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor.</li><li>• The loan being refinanced and the title to the property are in the name of a natural person or a limited liability company (LLC) as long as the borrower owns at least 25% of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.</li><li>• The borrower has recently been legally awarded, the property (divorce, separation or dissolution of a domestic partnership).</li></ul> <p>Loans with an acceptable continuity of obligation may be underwritten, priced, and delivered as limited cash-out refinance transactions based on the requirements for each type of transaction.</p>
<p><b>Contract of Deed / Land Contract</b></p>	<p>The payoff of an installment loan land contract is not eligible.</p>
<p><b>Construction Loan Refinancing</b></p>	<p>Construction loan refinances are eligible as Rate &amp; Term refinances and must meet the following criteria:</p> <ul style="list-style-type: none"><li>• Borrower must have held title to the lot for a minimum of six (6) months prior to the closing of the permanent loan.</li><li>• The LTV will be based on the current appraised value of the lot if the borrower has held title to the lot for 12 or more months prior to the closing date of the permanent loan.</li><li>• If the lot was acquired less than 12 months before the closing date of the permanent loan the LTV will be based on the lesser of<ul style="list-style-type: none"><li>A. the original purchase price of the lot plus the total acquisition costs (sum of construction costs) <b>or</b></li><li>B. the current appraised value of the lot plus the total acquisition costs.</li></ul></li><li>• Appraiser's final inspection is required.</li><li>• A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy proof must be provided.</li><li>• Single closing construction permanent loan refinances are ineligible. Construction loan refinances in which the borrower has acted as builder are not eligible for purchase.</li></ul>



<b>Subordinate Financing</b>	<ul style="list-style-type: none"><li>• New or re-subordinated 2<sup>nd</sup> TD loans are NOT allowed</li></ul>
<b>Conversion of Departing Residence to Investment Property</b>	<p>If the current primary residence is being converted to an investment property the following applies:</p> <ul style="list-style-type: none"><li>• The rental income from the departing residence may be used if the borrower has a loan to value of 75% or less, as evidenced by either:<ul style="list-style-type: none"><li>○ A current residential appraisal (no more than six (6) months old from application date) and outstanding liens as evidence by a mortgage statement or credit report reference or;</li><li>○ An Exterior Only appraisal (2055) (no more than six (6) months old from application date) and outstanding liens as evidence by a mortgage statement or credit report reference or;</li><li>○ An automated valuation model (AVM) listing the prior sales price minus outstanding liens as evidenced by a mortgage statement or credit report reference. The AVM may not be used as a current valuation to determine the borrower's equity percentage.</li></ul></li><li>• A 25% expense/vacancy deduction must be applied to all rental income. Copies of the signed lease are required.</li><li>• Reserves of six (6) months of PITI must be documented in addition to the required reserves for the primary residence.</li></ul>



## BORROWER ELIGIBILITY

### Eligible Borrowers

A first time homebuyer is defined as a borrower who has not had ownership interest in a property within the last three (3) years from the application date.

Owner-occupied primary residence only

18 months PITI reserves, Max \$1.0 MM loan amount, MAX LTV 80%

- Maximum of 4 borrowers per loan.

Borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. All borrowers must have a valid social security number.

A third-party fraud report (Fraudguard or similar) to identify any borrower information discrepancies and indications of possible fraudulent activity is required.

- **U.S. Citizens**
- **Permanent resident aliens**
  - Copy of valid resident alien card must be included in loan file.
- **Non-permanent resident aliens**
  - Must be legally present in the U.S with an acceptable visa type.  
Acceptable visa types are as follows:
    - E Series (E-1, E-2, E-3)
    - G Series (G-1, G-2, G-3, G-4, G-5)
    - H Series (H-1B, H-1C)
    - L Series (L-1, L-1A, L-1B, Spouse L-2 with EAD)
    - NATO Series (NATO 1 – 6)
    - O Series (O-1)
    - TN-1, Canadian NAFTA visa
    - TN-2, Mexican NAFTA visa

See USCIS.gov for more information.

- Must have a valid Social Security Number.
- Maximum LTV of 70%.
- Must have at least two (2) years employment history in the U.S. and qualifying income must be from the U.S.
- Must be able to verify that current employment has a probability of three (3) years continuance. VOE form may be used to document.
- Must have a two (2) year credit history in U.S. and must meet minimum credit requirements.
- Funds to close must be deposited in a U.S. financial institution. No funds to close from outside the U.S. are allowed.
- Owner-occupied, 1-unit primary residences only (SFR, PUD).
- **Inter-Vivos Revocable Trusts**
  - Trust must be established by one or more natural persons, individually or jointly.
  - The individual(s) establishing the trust must be the primary beneficiary/beneficiaries.
  - If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.
  - At least one of the trustees must be either the individual establishing the trust, or an institutional trustee that customarily performs the duties of a trustee and is duly authorized to act as a trustee under applicable state law.



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<b>Eligible Borrowers</b> <i>(continued)</i>	<ul style="list-style-type: none"><li>○ The mortgage and trust documents must meet Agency eligibility criteria including title and title insurance requirements, as well as applicable state laws that regulate the loan origination of inter-vivos revocable trusts.</li><li>○ The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or deed of trust note.</li></ul>
<b>Ownership</b>	Ownership must be fee simple or leasehold only and must be in the name of the individual Borrower(s) or Trust. Borrower(s) may hold title as follows: <ul style="list-style-type: none"><li>○ Individual</li><li>○ Joint Tenants</li><li>○ Tenants in Common</li></ul>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"><li>● Borrowers with only an ITIN (individual taxpayer identification number).</li><li>● Irrevocable trusts</li><li>● Corporations, limited partnerships, general partnerships, and limited liability companies</li><li>● <b>Non-occupant co-borrowers contributing income</b></li><li>● Foreign Nationals</li><li>● Borrowers with Diplomatic Immunity</li><li>● Borrowers who are party in a lawsuit</li><li>● Illinois Land Trusts</li><li>● Community Land Trusts</li></ul>





## INCOME

### Income Documentation Requirements

**Two (2) years complete and signed 1040 tax returns required for all borrowers. Electronic signature is not allowed.**

**All required documentation as described here and in the following sections must be obtained prior to doc.**

#### **Salaried Borrowers:**

- Completed, signed and dated final application. Most current URLA form must be used.
- W-2's from all employers for the past two (2) years. All W-2's must be computer generated.
- If the borrower does not have two (2) years of employment due to previously being in school a copy of the school transcript is required.
- Most recent paystubs, covering a thirty-day (30) day period with year-to-date (YTD) earnings immediately precedes the settlement date. All paystubs must be computer generated.
- Written VOE confirming the borrower's current employment status. An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used.
- Borrower must be self-employed in order to deduct business expenses. **Unreimbursed business expenses prior to 2018 must be deducted from income. This includes borrowers who earn commission income regardless of the percentage of commission income to total income.**
- Borrowers employed in a family business must provide evidence that they are not owners of the business with a CPA letter from the business and personal tax returns.
- Signed IRS Form 4506-T.
- Two (2) years tax transcripts are required to be obtained from the IRS within five (5) business days of the transcript service becoming available. The transcripts may be provided post-purchase, as applicable. Borrower pulled transcripts are not acceptable. The transcripts will be used to validate the income documentation used to underwrite the loan. Wage transcripts are acceptable for W-2 borrowers. The IRS transcripts and the supporting income documentation provided by the lender must be consistent.

#### **Employment & Income Stability**

- Borrower(s) must have a minimum of two (2) years employment and income history. Gaps in employment over thirty (30) days during the most recent two (2) year period require a satisfactory letter of explanation from the borrower. All borrowers contributing income for qualification must be employed at present employment for a minimum of six (6) months to qualify if there is a gap in employment greater than six (6) months during the previous two (2) years.



**Income Documentation Requirements**  
(continued)

**Salaried Borrowers who also file Self-Employed and/or Supplemental Income/Loss Tax Return Schedules:**

- Salaried borrowers who also own 25% or more of a business or other entity are required to provide a YTD P&L and Balance Sheet for that business or entity even if the income from that business or entity is not being used to qualify. This requirement includes all businesses and entities including those organized as pass through entities.
- Salaried borrowers who file a schedule C (sole proprietorship) will be considered as self-employed and required to provide a YTD P&L and Balance Sheet. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes.
- Most recent signed two (2) years business tax returns are required for businesses where the borrower owns 25% or more and the business reports an income loss on the schedule K-1. Loss must be deducted from income.

**Salaried Borrowers with Commission/Bonus:**

- For borrowers receiving bonus, commission, or any other non-base salary compensation in addition to base salary, a two (2) year history of the receipt of the income is required.
- This must be addressed with a written VOE breaking down the bonus or commission income for the past two (2) years, further supported by a YTD paystub.
- A YTD paystub, W-2's and tax returns alone will not satisfy the documentation requirements for bonus, commission or any other non-base salary compensation.

Note: Need 2 years bonus income history from same company.

**Verbal VOE:**

- VVOE dated within five (5) business days of closing documented in writing. The VVOE must cover twenty-four (24) months of employment. Any employment gaps exceeding thirty-day (30) days must be addressed with a satisfactory letter of explanation from the borrower. Any employment gap over thirty (30) days must be addressed.

**Self-Employed Borrowers:**

Confirm the borrower's business is currently operating by one of the following methods:

- Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the Mega verifies self-employment);or
- Evidence of current business receipts within 10 days of the settlement date; or
- Verification of business is open and operating via phone call or other means; or
- Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).
- Borrowers with a 25% or greater ownership interest in a business are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes.
- For business income being used for qualifying the most recent signed two (2) years tax returns, including all schedules, both individual and business returns are required. All personal and business tax returns must be signed and dated prior to closing.



- Self-employed borrowers using wage income to qualify paid by their business need to fully document the income with W-2's for the past two (2) years and most recent paystubs, covering a thirty (30) day period with YTD earnings. W-2 and paystubs must be computer generated.
- If tax return schedules show a loss in the prior year for any business where the borrower owns 25% or more, business tax returns including all schedules are required for this business in order to calculate the average loss. This is required regardless if this business income is being used to qualify. Tax returns must be signed and dated prior to closing.
- Signed IRS Form 4506-T.
- Two (2) years 1040 tax transcripts are required to be obtained from the IRS within five (5) business days of the transcript service becoming available. The transcripts may be provided post-purchase, as applicable. Borrower pulled transcripts are not acceptable. The transcripts will be used to validate the income documentation used to underwrite the loan. Wage transcripts are acceptable for W-2 borrowers. The IRS transcripts and the supporting income documentation provided by the lender must be consistent.

### **Additional Requirements for P&L, Balance Sheet, and Business Bank Statements:**

Lenders should apply due diligence and review the actions of the business and any impact the current economic environment has taken on the flow of income in order to determine if the borrower's income is stable and there is a reasonable expectation of continuance.

The underwriter must include comments/justification of their analysis to clearly explain their conclusion of the effect to the business. Due to the pandemic's continuing impact on businesses, lenders are now required to obtain the following documentation to support the decision that the self-employment income meets requirements:

- (1) An audited year-to-date P&L, no older than 60 days from the Note date, reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and (2) a Balance Sheet; **or**
- (1) An unaudited year-to-date P&L, no older than 60 days from the Note date, signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and (2) business bank statements from the most recent two months represented on the year-to-date P&L and (3) a Balance Sheet.
  - For example, the business bank statements should be from April and May 2020 for a year-to-date profit and loss statement dated through May 31, 2020.
  - The two most recent bank statements must support and/or not conflict with the information presented in the current year-to-date P&L statement. Otherwise, the lender must obtain additional statements or other documentation to support the information from the current year-to-date P&L statement.

**All borrowers owning 25% or more of a business or entity must provide a year-to-date P&L statement and balance sheet for that entity regardless of whether or not the business income is being used to qualify. This requirement includes all business entities including those organized as pass through entities.**



	<p>If the tax return for the previous tax year is not filed, a 12 month P&amp;L and balance sheet for this period is required.</p> <p>If the most recent year's tax return have not been filed by the IRS deadline, an executed copy of the borrower's extension request for both personal and business tax returns must be provided.</p> <p>The P&amp;L and balance sheet is required even if the borrower does not have a business checking account.</p> <p>P&amp;L and tax returns must show stable or increasing income from all business entities and income sources for the period relative to previous periods. Income cannot decline by 20% or more from the prior tax period.</p> <p><b>Small Business Administration (SBA) Loans and Grants Requirements:</b> The existence of a Paycheck Protection Program (PPP) loan or any other similar COVID related loan or grant could be helpful information in analyzing the borrower's business.</p> <p>PPP loan term allow deferred payments for a specific period, no personal loan guarantee, and the potential for all or some portion of the loan to be forgiven. Therefore, a payment for the PPP loan does not need to be included in the borrower's liabilities at this time. PPP or SBA loans should be shown on the liabilities section and payment should be marked as not included in liabilities. SBA inquiries and PPP inquiries shown on credit report, should be addressed with LOE re: circumstances of loan request and UW to verify reasonableness of continuity of business. Once it has been determined that any portion of the PPP loan must be repaid, follow the requirements of the "Employment and Income" and "Debts and Liabilities" sections of the guidelines.</p> <p>Proceeds from the PPP loan must not be included as business income or assets.</p> <p>PPP loan proceeds cannot be used for the subject transaction down payment, closing cost, prepaids or reserves.</p> <p>Follow all requirements in this section for underwriting self-employed borrowers.</p> <p><b>Verification of Active Business:</b></p> <ul style="list-style-type: none"> <li>• Must verify the existence of the borrower's business within five (5) calendar days prior to the Note. Methods of verifying business include: <ul style="list-style-type: none"> <li>○ Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. If CPA letter is used it must indicate the borrower has been self-employed for a minimum of two (2) years.</li> </ul> </li> </ul>
<b>Rental Income</b>	<ul style="list-style-type: none"> <li>• Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for all properties where rental income is being used to qualify. Rental income for properties with leases from management companies or other rental companies (i.e., Airbnb and VRBO) is not allowed.</li> <li>• Proposed rental income from the comparable rent schedule may be used for the terms of the lease with require bank statements for the lesser of 12 months or the time period after the lease expired.</li> </ul>



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	<ul style="list-style-type: none"> <li>• Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of twelve (12) months or the time period after the lease expired.</li> <li>• A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITI to arrive at the rental income/loss used for qualifying.</li> <li>• Commercial properties owned on Schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial.</li> </ul>
<b>Unacceptable Income</b>	<p>Unacceptable income sources include the following:</p> <ul style="list-style-type: none"> <li>• Any source that cannot be verified.</li> <li>• Automobile allowances</li> <li>• Asset depletion of non-employment related assets.</li> <li>• Expense account payments.</li> <li>• Income that is temporary.</li> <li>• Non-occupant income.</li> <li>• Rental Income (Boarder Income) received from the borrower's primary residence.</li> <li>• Restricted stock income (RSU)</li> <li>• Retained earnings.</li> </ul>
<b>Retirement &amp; Pension Income</b>	<p>Retirement or Pension Income may be verified by the following:</p> <ul style="list-style-type: none"> <li>• Copies of retirement award letters.</li> <li>• Copies of last two (2) months bank statements to document the regular deposit of payments.</li> <li>• Distributions from a retirement account (401K, IRA, Keogh, SEP) must be documented with a distribution letter and copies of last two (2) months bank statements to document the regular deposit of payments.</li> </ul> <p>Annuity retirement benefits must have a minimum continuance of three (3) years from the date of the application to be considered as qualifying income.</p>
<b>Social Security Income</b>	<p>Social Security Income may be verified by the following:</p> <ul style="list-style-type: none"> <li>• Copy of the most recent Social Security Administrations award letter.</li> <li>• Copies of last two (2) months bank statements to document the regular deposit of payments.</li> </ul> <p>Benefits must have a minimum continuance of three (3) years from the date of the application to be considered as qualifying income.</p>
<b>Alimony &amp; Child Support Income</b>	<p>Alimony and Child Support are allowable sources of income with proof of a minimum of three (3) years continuance.</p>
<b>Income Sources &amp; Calculation of Income</b>	<p>All income sources and method of income calculation must meet most recent Fannie Mae/Appendix Q Standards for Determining Monthly Debt and Income. The loan file should include an Income Analysis form detailing income calculations.</p> <ul style="list-style-type: none"> <li>• The non-taxable portion of fixed income such as Social Security income, VA benefits, Pensions and Annuity income may be grossed-up 25%.</li> <li>• Foreign income used for qualifying must be supported by the most recent two (2) years U.S. tax returns.</li> <li>• Unreimbursed business expenses must be deducted from income. This includes borrowers who earn commission income regardless of the percentage of commission income to total income.</li> <li>• <b>Any Net Operating Loss Carryover will be deducted from cash flow.</b></li> </ul>



CREDIT	
<b>CREDCO Credit Report</b>	<p>MCFI will run a NEW CREDCO Credit Report if:</p> <ul style="list-style-type: none"> <li>Client CREDCO report is dated over 30 days from time of application or</li> <li>Submission does not have a CREDCO Credit Report at all.</li> <li>Rapid rescoring are not allowed.</li> </ul>
<b>Minimum Credit Requirements</b>	<ul style="list-style-type: none"> <li>Each borrower contributing income must have three (3) open and active trade lines for twenty-four (24) months with a twenty-four (24) month history. Two (2) of the three (3) trade lines must show activity within the last 12 months from date of application.</li> <li>One (1) trade line must be an installment, rental or mortgage account.</li> <li>Mega will consider a borrower not meeting the above trade line requirement if the credit history meets the following:               <ul style="list-style-type: none"> <li>No fewer than eight (8) trade lines are reporting, one (1) of which must be a mortgage or rental history.</li> <li>At least one (1) trade line has been open and reporting for a minimum of twelve (12) months.</li> <li>The borrower has an established credit history for at least ten (10) years.</li> </ul> </li> <li>Non-traditional/alternative credit accounts are not considered acceptable trade lines.</li> <li>Authorized user accounts are not considered acceptable trade lines.</li> <li>Trade lines may not show significant adverse history.</li> </ul> <p><b>PJE: Minimum credit requirements as determined by AUS</b></p>
<b>Credit Documentation</b>	<p>For all transaction types credit documents may not be older than 90 days from the Note date.</p>
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>The representative credit score for qualification purposes for an individual borrower is the middle score of the three (3) scores reported. If two (2) scores are reported the representative credit score is the lower of the two (2) scores. Credit scores from all three (3) repositories must be requested.</li> <li>For multiple borrowers the credit score is the lowest of all representative credit scores.</li> <li>If only one credit score or no credit score is reported borrower is not eligible.</li> </ul>
<b>Mortgage / Rental History</b>	<ul style="list-style-type: none"> <li>At least twenty-four (24) months mortgage payment history from an institutional lender is required and must have 0x30 late, as verified through:               <ol style="list-style-type: none"> <li>Credit bureau report reference for 24 months,</li> <li>24 months canceled checks, or</li> <li>Most recent 12 months canceled checks with a VOM for the prior 12 months.</li> </ol> </li> <li>For rental verification a standard VOR completed by a professional management company or twenty-four (24) months bank statements or canceled checks are required.</li> <li>If a borrower is refinancing a privately held mortgage the following payment verification requirements apply:               <ul style="list-style-type: none"> <li>The privately held mortgage payments must be verified with either cancelled checks or bank statements (if the payment is automatically withdrawn from the borrower's account).</li> <li>Evidence must be included in the loan file that the lien being paid off is a current recorded lien against the subject property.</li> </ul> </li> <li>Borrowers with no mortgage / rental history due to residence scenario requiring no mortgage or rental payments are eligible with a satisfactory letter of explanation.</li> </ul>



	<b>PJE: Mortgage/Rental payment history requirements as determined by AUS.</b>
<b>Installment Debt</b>	<ul style="list-style-type: none"> <li>• Installment debt, including car lease payments, must be included in the qualifying ratio regardless of months remaining.</li> <li>• When a borrower has a contingent liability (co-signed debt) it may be excluded from DTI with proof that the <b>primary obligor</b> has made timely payments for the last 12 months.</li> <li>• Debt that is not a contingent liability must be included in the DTI. A contingent liability is defined as a debt paid by a party or entity other than the borrower where said party or entity and not the borrower is the primary obligor. If the borrower is the primary obligor on any liability the debt must be included in the DTI. <ul style="list-style-type: none"> <li>○ <u>Example</u>: A borrower financed the purchase of an automobile for their business and the business pays the loan. If the loan is in the borrower's name this debt must be included in the DTI.</li> </ul> </li> <li>• Real estate owned by the borrower where the borrower is not on the Note may be excluded from DTI with twelve (12) months cancelled checks showing another party is making the payments. Tax and Insurance amounts on the property must be documented and the full amount of taxes and insurance must be included in the DTI.</li> <li>• PITI on real estate owned pending sale must be included in the DTI</li> <li>• Borrowers who have entered into an IRS repayment plan must have a minimum of three (3) months timely pay history. Credit report and title must not indicate an IRS tax lien.</li> <li>• <b>Student loans must be included as a long term debt even if payments are deferred.</b> If the monthly amount of a student loan is not shown on the credit report a payment of one percent (1%) may be used for qualifying.</li> <li>• Payments related to a 401(K) loan do not need to be included in total debt obligation.</li> <li>• Child support and alimony payments with ten (10) months or less remaining do not need to be included in total debt obligation unless the debt effects the borrower's ability to pay the mortgage during the months immediately after loans closing.</li> <li>• Installment debt paid by another entity such as the borrower's business <u>must be</u> included unless the business entity (not the borrower) is the primary obligor.</li> <li>• Installment debt may be paid off to qualify either before closing.</li> <li>• Gift funds may not be used to pay off debt to qualify at closing.</li> </ul>
<b>Revolving Debt</b>	<ul style="list-style-type: none"> <li>• All revolving debt is included for qualifying regardless of number of payments remaining.</li> <li>• Debt that is not a contingent liability must be included in the DTI. A contingent liability is defined as a debt paid by a party or entity other than the borrower where said party or entity is the primary obligor. If the borrower is the primary obligor on any liability the debt must be included in the DTI. <ul style="list-style-type: none"> <li>○ <u>Example</u>: A borrower purchases an automobile for their business. The business pays the loan however the loan is in the borrower's name. This debt must be included in the DTI.</li> </ul> </li> <li>• The monthly payment amount of a revolving account shown on the credit report may be used for qualifying.</li> <li>• If the monthly amount of a revolving account is not shown on the credit report a payment of five percent (5%) may be used for qualifying.</li> <li>• The payment may only be excluded if the account is documented as paid in full and closed.</li> </ul>



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	<ul style="list-style-type: none"> <li>• Revolving debt may be paid off to qualify either before closing. Documentation that the revolving debt has been paid off <b>and the account is closed</b> is required.</li> <li>• Gift funds may not be used to pay off debt to qualify at closing.</li> <li>• For open thirty (30) day charge accounts (for example, American Express), the borrower must have sufficient verified liquid assets to pay off the balance in addition to any reserve requirements to exclude the payment.</li> </ul>
<b>Liens, Judgements and Collections</b>	<ul style="list-style-type: none"> <li>• Any existing tax or mechanic's liens must be paid in full through escrow.</li> <li>• Satisfactory explanation for any delinquent credit from the borrower is required.</li> <li>• Must pay off all delinquent credit that has the potential to impact lien position.</li> <li>• Collection accounts or charged-off accounts do not need to be paid off if the balance of an individual account is less than \$1,000 or if the total balance of all accounts is \$2,500 or less.</li> </ul> <p><b>PJE: Collection accounts or charged off accounts must be paid off as required by AUS.</b></p>
<b>Bankruptcy, Foreclosure, Notice of Default, Deed-In-Lieu of Foreclosure &amp; Short Sales</b>	<ul style="list-style-type: none"> <li>• At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), short sale or deed in-lieu measured from the date of completion to the application date.</li> <li>• A satisfactory letter of explanation for the event from the borrower is required</li> <li>• Borrower must show reestablished credit and meet the minimum credit requirement.</li> <li>• <b>Forbearance history not allowed. 2 years must be elapsed from the forbearance cleared date.</b></li> </ul>
<b>Credit Inquiries</b>	<ul style="list-style-type: none"> <li>• All inquiries that have taken place within 120 days of the credit report date must be explained by the borrower and documented accordingly.</li> <li>• Borrower must be qualified with any new debt.</li> </ul>
<b>Modifications</b>	<ul style="list-style-type: none"> <li>• <b>Loan modifications are not allowed on PJE product.</b></li> <li>• Only lender initiated modifications on owner occupied properties with proof that they were not caused by a distress situation.</li> <li>• The borrower must have made 48 consecutive months of timely mortgage payments on the modified loan before closing on the refinance mortgage loan.</li> <li>• Restructured loans in which the terms of the original transaction have been changed resulting in a partial or absolute forgiveness of debt; or a restructure of debt are not eligible: <ul style="list-style-type: none"> <li>○ Forgiveness of a portion of principal and or interest in either the first or the second mortgage.</li> <li>○ Application of a principal curtailment or on behalf of the investor to simulate principal forgiveness.</li> <li>○ Conversion of any portion of the original mortgage debt to a subordinate mortgage or conversion of any portion of the original mortgage debt from secured to unsecured.</li> </ul> </li> </ul>





ASSETS	
<b>Reserves</b>	<p><b>PJ:</b></p> <ul style="list-style-type: none"> <li>○ ≤\$1M: 12 months PITI reserves</li> <li>○ &gt;\$1M to ≤\$2.0MM: 15 months PITI reserves</li> <li>● Second Homes &gt;\$1M to ≤\$1.5M: 18 months PITI reserves</li> </ul> <p><b>PJE:</b> Follow the <u>GREATER</u> of reserve finding Per AUS. If AUS does not provide minimum reserve requirements follow the following:</p> <ul style="list-style-type: none"> <li>● ≤\$1MM: 6 months PITIA reserves regardless minimum 6 months</li> <li>● &gt;\$1MM: 12 months PITIA reserves</li> </ul> <p>Second Homes &gt;\$1MM ≤\$1.5MM: 15 months PITI reserves.</p>
<b>Cash Reserves</b>	<p>All loans require a minimum cash reserve. Reserves must be verified and comprised of liquid assets that borrower can readily access.</p> <p>If a borrower owns multiple financed properties, the borrowers must have an additional 6 months cash reserves for each additional property.</p> <p>Equity lines of credit, gift funds, and cash out from refinance transactions are not acceptable sources to meet the reserve requirement.</p> <p>Vested funds from individual retirement accounts (IRA/SEP/Keogh/401K accounts) are acceptable sources of funds for reserves. If the retirement assets are in the form of stocks, bonds, or mutual funds, in order to be considered for reserves, the account must be discounted by 30% to account for market volatility.</p>
<b>Source of Funds</b>	<ul style="list-style-type: none"> <li>● Must have sufficient liquid assets to meet the requirements for down payment, pre-paid items, closing costs and reserves.</li> <li>● Funds needed for closing must be verified with copies of the most recent two (2) months bank statements including all pages. VODs are not permitted.</li> <li>● Large deposits, defined as a single deposit that exceeds 50% of the total monthly qualifying income, must be sourced. Large deposits inconsistent with monthly income or other deposits must be verified. Large deposits that cannot be sourced may be subtracted from asset amount.</li> <li>● Acceptable sources of verified funds include:             <ul style="list-style-type: none"> <li>○ Bank deposits</li> <li>○ Stocks, stock options, bonds, and mutual funds. Stocks and bonds will be discounted at 70% of value for reserves.</li> <li>○ Life Insurance surrender value if used for cash to close must be liquidated. If used for reserves no liquidation is required.</li> <li>○ Sale of real property.</li> <li>○ Sale of personal property with supporting documentation.</li> <li>○ Disbursement from a Trust Fund.</li> <li>○ Disbursement from an IRA/401K.</li> <li>○ Disaster relief grants. Borrowers may use lump sum grant for down payment. No minimum contribution is required. Grant may not be used for closing costs or reserve requirements. Document that payment received is an actual grant and not a loan. Subordinate lien against the property is ineligible.</li> </ul> </li> <li>● Business funds may not be counted toward cash reserves.</li> <li>● Business funds can be used for down payment with a letter from an accountant verifying the following:             <ul style="list-style-type: none"> <li>○ The amount of business assets that can be used must correspond to the borrower's % of ownership in the business.</li> <li>○ The funds are not a loan.</li> <li>○ Withdrawal of the funds will not negatively impact the business.</li> <li>○ Business funds may not be counted toward cash reserves.</li> </ul> </li> </ul>



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	<ul style="list-style-type: none"><li>• Gift funds are an acceptable source of funds as follows for primary residences and second homes with LTV/CLTV <math>\leq</math> 80% as follows:<ul style="list-style-type: none"><li>○ Borrower must contribute at least five percent (5%) from their own funds.</li><li>○ Gift donor must be a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related by blood, marriage, adoption, or legal guardianship; or a fiancé or domestic partner.</li><li>○ Gift letter from donor that includes name, address, telephone number and relationship to borrower</li><li>○ Evidence of funds transfer and receipt prior to closing.</li><li>○ Gift funds cannot be used to meet the reserve requirement.</li><li>○ Gift funds may not be used to pay debt to qualify.</li></ul></li><li>• Gifts of equity are not allowed to be used as a source of funds.</li></ul>
<b>Interested Party Contributions</b>	<p>Interested party contributions exceeding the allowed amount per program highlights will be deducted from the sales price to determine LTV.</p> <ul style="list-style-type: none"><li>• <b>PJ: 6%</b></li><li>• <b>PJE: &lt;75% LTV – 9%</b> <b>75% - 8% LTV – 6%</b></li><li>• Include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction.</li><li>• <b>May only be used for closing costs and prepaid expenses.</b> Interested party contributions exceeding the allowed amount per program highlights will be deducted from the sales price to determine LTV.</li></ul>



PROPERTY	
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>• 1-unit attached/detached owner occupied properties.</li> <li>• 1-unit second homes.</li> <li>• Planned Unit Development (PUD).</li> <li>• Low/mid/high-rise established FNMA or FHLMC warrantable condominiums.               <ul style="list-style-type: none"> <li>○ Warrantable condominium types S and T.</li> <li>○ Established condominium projects are allowed</li> <li>○ New condominiums project are not allowed.</li> <li>○ Limited review is not eligible. All attached condominiums require full review with or without Condo Project Manager (CPM).</li> <li>○ All supporting documentation used by Mega to determine eligibility must be submitted in the file; including the project acceptance certification generated by CPM, and unexpired PERS approval, as applicable.</li> <li>○ Minimum square footage 400.</li> <li>○ Eligibility and documentation requirement for Master or Blanket Insurance policy, Budget, Condominium Certificate and Questionnaire must meet most recent Fannie Mae guidelines.</li> </ul> </li> </ul>
<b>Age of Appraisal</b>	<ul style="list-style-type: none"> <li>• Appraisal Recertification of Value with two additional comparable required 90 days from original report date and it is good for additional 90 days. The appraisal value is good for a total of 120 days.</li> </ul>
<b>Appraisal Requirements</b>	<ul style="list-style-type: none"> <li>• All appraisals must be completed on the most current Agency appraisal forms and conform to Agency appraisal practices.</li> <li>• All appraisal must be ordered using a Mega approved Appraisal Management Company (AMC).</li> <li>• Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a new appraisal needs to be performed. For new construction an appraisal update on form 1004D is required.</li> <li>• <b>Transfer appraisals are not acceptable.</b></li> <li>• <b>Property Inspection waivers are not allowed.</b></li> <li>• Clear Capital CDA Desk Review required for all loans. MCFI will administer the ordering and processing of Desk Review.</li> <li>• <b>PJE: Appraisals with a Collateral Underwriter score of 2.5 or lower will not require a Clear Capital CDA Desk Review.</b></li> <li>• Desk Review value must be within 10% of the appraisal value.</li> <li>• Second full appraisal is required if the seller/owner on record of the property has owned the property for less than 90 days from the date of sales contract. Increases in value should be documented with commentary from the appraiser. <b>(PJ only)</b></li> <li>• <b>PJ ONLY _ Second full appraisal is required for loan amounts &gt; \$1.5MM. LTV will be based on the lower of the two values. All inconsistencies between the two appraisals must be addressed and reconciled. The two appraisals can be ordered from the same AMC with different appraisers.</b></li> <li>• Maximum lot size 20 acres. Properties with greater than 10 acres must have three (3) comparables with similar acreage.</li> </ul>
<b>Declining Markets</b>	Reduce maximum LTV by 10% for any property located in an area of declining property values as reported by appraiser. Maximum 80% LTV.
<b>HERO/Pace/Solar Panels</b>	Any item that that will include a UCC associated with the property and/or will create an easement on title is ineligible. <b>UCC's on title will need to be terminated.</b>



<p><b>Land-to-Value</b></p>	<p>The property site should be of size, shape, and topography that is generally conforming and acceptable in the market area. It must also have competitive utilities, street improvements, adequate vehicular access, and other amenities. Because amenities, easements, and encroachments may either detract from or enhance the marketability of a site, the appraiser must reflect them in his or her analysis and evaluation. The appraiser must comment if the site has adverse conditions or if there is market resistance to a property because the site is not compatible with the neighborhood or the requirements of the competitive markets, and assess the effect, if any, on the value and marketability of the property.</p>
<p><b>Ineligible Property Types</b></p>	<p>Manufactured Homes            Factory built housing            Properties with income producing attributes            Condo hotel units            Log homes            Timeshare units            Geothermal homes            Unique properties            Mixed use properties (includes but not limited to Live Work Condos, etc.)            Working farms            Hobby farms; <b>including but not limited to properties with any horse facilities</b>            Commercially zoned properties            Agriculturally zoned properties (agricultural/residential eligible)            Properties held as leaseholds            Properties with oil and gas lease.  <b>Properties with more than 20 acres.</b>            Properties located in Puerto Rico, Guam, and US Virgin Islands            Unwarrantable condos            Condos with HOA in litigation            2-4 Unit Condo Projects – Attached  <b>Coops</b>  <b>Any mention of wood destroying organism damage will require a termite report.</b></p>
<p><b>Properties Located in a Disaster Area</b></p>	<ul style="list-style-type: none"> <li>• For properties located in a FEMA declared disaster area a re-inspection is required to be performed by the original appraiser. A written certification is required from the appraiser to confirm that the property value has not been impacted by the disaster.</li> <li>• For FEMA declared natural disasters, the inspections must be dated after the disaster end date is declared by FEMA.</li> </ul>



COMPLIANCE	
<b>Power of Attorney</b>	<p>The use of a Power of Attorney (POA) is allowed in accordance to Fannie Mae Policy. POAs are allowed on Purchase and Rate &amp; Term transactions. The use of a POA is permitted if the following requirements are met:</p> <ul style="list-style-type: none"><li>• The POA must be transaction specific; and</li><li>• The attorney-in-fact must be the borrower's attorney-at-law or the borrower's relative</li></ul>
<b>Seller Contributions</b>	<p><b>PJ:</b> Maximum six percent (6%) of sales price. . <b>PJE:</b> &lt;75% LTV – 9% 75 – 80% LTV – 6%.</p>
<b>Escrows / Impounds</b>	<ul style="list-style-type: none"><li>• It is recommended that escrow account be created for funds collected by the originator to pay taxes, hazard insurance, flood insurance, special assessments, water, sewer, and other items as applicable.</li><li>• All applicable loans must adhere to HFIAA regarding flood insurance escrows.</li></ul>
<b>Escrow Holdback</b>	Not allowed
<b>Chain of Title</b>	<ul style="list-style-type: none"><li>• All transactions require a minimum twelve (12) months chain of title.</li></ul> <p><b>PJE:</b> For purchase transactions seller <b>must</b> have taken title to the subject property at least ninety (90) days prior to the date of sales contract. <b>PJ:</b> If seller had taken title to the subject property under 90days, a 2<sup>nd</sup> appraisal will be required. Refer to Purchase section</p>
<b>Hazard Insurance</b>	<ul style="list-style-type: none"><li>• Properties where the insurance coverage on the declaration page does not cover the loan amount must have a cost estimate from the insurance company or agent evidencing the property is insured for its replacement cost.</li><li>• Hazard insurance must have the same inception date as the date of the disbursement. This may be documented with a post-closing Closing Disclosure or the correction of the inception date on the hazard policy.</li></ul>