Investor Solutions - DSCR Loan Eligibility Criteria

Debt Service Coverage Ratio

Published & Effective as of 3/18/2019

SECTION 1.0 - PROGRAM

1.1 - OVERVIEW

MCM Capital Solutions Eligibility guidelines are structured to guide towards making common sense lending decisions on loans to borrowers seeking financing for business purpose loans on residential real estate.

Borrowers with a loan under the Investor Solutions Program must certify they understand that consumer protection laws applicable to consumer loans will not apply to their business-purpose loan, including the Truth in Lending Act (15 U.S.C. § 1601 *et seq*.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq*.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq*.).

Loans eligible for sale to a Government Sponsored Entity (Federal National Mortgage Association ("Fannie Mae" or "FNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") are not eligible for the MCM Capital Solutions Investor Solutions Program.

SECTION 2.0 - LOAN ELIGIBILITY

2.1 - ELIGIBLE PRODUCTS

The following loan products are available

Full Amortizing

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term
- 3/1 LIBOR: (2/2/5 Cap Structure)
  - Qualifying Rate: qualify borrower(s) at Note Rate (Business Purpose).
- 5/1 LIBOR: (2/2/5 Cap Structure)
  - Qualifying Rate: qualify borrower(s) at Note Rate (Business Purpose).
- 7/1 LIBOR: (5/2/5 Cap Structure)
  - Qualifying Rate: qualify borrower(s) at Note Rate (Business Purpose).
- 10/1 LIBOR: (5/2/5 Cap Structure)
  - Qualifying Rate: qualify borrower(s) at Note Rate (Business Purpose).
- 15 Year Fixed
- 30 Year Fixed

Interest-Only

Qualifying Ratios are based on ITIA payment (Business Purpose).

- 3/1 or 5/1 LIBOR: (2/2/5 Cap Structure)
  - Qualifying rate (All Doc Types): qualify borrower(s) at Note Rate.
  - Interest-Only Period: 10 Year Interest-Only Period followed by a 20 Year Amortization Period
- 7/1 or 10/1 LIBOR: (5/2/5 Cap Structure)
  - Qualifying rate (All Doc Types): qualify borrower(s) at Note Rate.
  - Interest-Only Period: 10 Year Interest-Only Period followed by a 20 Year Amortization Period

- 30 Year Fixed Rate
  - Qualifying rate (All Doc Types): qualify borrower(s) at the Note Rate.
  - Interest-Only Period: 10 Year Interest-Only Period followed by a 20 Year Amortization Period

2.2 - INTEREST ONLY RESTRICTIONS

Max 75% LTV

2.3 - UNDERWRITING

Unless otherwise stated, Fannie Mae definitions, documentation, and underwriting guidelines prevail and should be followed.

2.4 - LOAN AMOUNTS

Minimum: $75,000
Maximum: $5,000,000 (2 appraisals required for loan amounts above $1.5MM)

2.5 - MINIMUM FICO

620

See MCM Capital Solutions Matrices for Grade Determination.

2.6 - MAXIMUM LTV/CLTV

80 / 80

See MCM Capital Solutions Matrices for LTV/CLTV maximum by documentation type.

2.7 - INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

May not exceed 3%

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal and HUD-1 and be compliant with applicable federal, state and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the amount of the concession amount that exceeds the limits referenced above.

2.8 - ESCROWS - IMPOUND ACCOUNTS

Escrow funds/impound accounts are required.

2.9 - SECONDARY FINANCING

Secondary financing must be institutional. Lenders must employ reasonable underwriting policies and procedures designed to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available credit line amount unless the borrower can provide documentation the line of credit is past its draw period.

2.12 - BORROWER STATEMENT OF OCCUPANCY

Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate

2.13 - BORROWER STATEMENT OF BUSINESS PURPOSE

Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the "Borrower Certification of Business Purpose".

Cash out loan proceeds used for any personal use are not eligible.

2.14 - AUTOMATIC PAYMENT AUTHORIZATION (ACH)

It is recommended that the borrower execute an assignable Automatic Debit Payment Agreement (ACH Form).

An executed Automatic Debit Payment Agreement (ACH Form) from a U.S. Bank, is required for transactions involving a Foreign National or a U.S. citizen living aboard.

2.15 – BORROWER CONTACT CONSENT FORM

To assist the loan servicer in contacting the borrower in a timely manner, the seller is required to obtain a valid phone number for the borrower(s). The phone number can be collected on the 1003 loan application or by using the Borrower Contact Consent Form (Exhibit I) in the Exhibit section of the Guide.

2.16 - PREPAYMENT PENALTY

Where permitted by applicable laws and regulations, a prepayment charge can be structured to be assessed for between one (1) and up to five (5) years following the execution date of the note. The following prepayment structures may be utilized; either six (6) months of interest, fixed percentage (3%, 4%, or 5%) for the term of the penalty, or declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. (See rate sheet for further detail). The prepayment penalty can be disclosed within the body of the Note or in a separate rider.

> Six Months Interest - The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that payoff due to sale or refinance, or curtailments that exceed 20% of original principal balance in a given 12-month time period.
>
> 3%, 4%, or 5% fixed percentage - The prepayment charge will be equal to the fixed percentage and applied to the outstanding principal balance. The charge applies to loans that payoff due to sale or refinance.
>
> Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%) – The prepayment charge will be equal to the percentage in effect and applied to the outstanding principal balance.

The charge applies to loans that payoff due to sale or refinance.

2.17 - STATE AND FEDERAL HIGH COST LOANS

Not allowed for MCM Capital Solutions.

The seller should follow the HOEPA points and fees calculation in Regulation Z (12 CFR 1026.32(b)(1).

2.18 - LISTING SEASONING

For all cash-out refinances, properties previously listed for sale should be seasoned at least 6 months from the listing contract expiration date. Listing expiration dates of less than 6 months are permitted with a prepayment penalty.

2.19 - PREMIUM RECAPTURE

Loans Paying off early, as defined in the sellers Mortgage Loan Purchase Agreement, will be subject to Premium Recapture.

Premium Recapture liability is reduced by any prepayment penalty amounts collected by MCM Capital Solutions.

2.20 - ASSUMABILITY

Fixed Rate Notes – Are not assumable.

Adjustable Rate Notes – May be assumable based upon the note. In general, Fannie Mae Notes contain an assumable clause. In any case, the verbiage in the Note and Closing Disclosure must match.

2.21 – PROPERTY INSURANCE

2.211 - COVERAGE REQUIREMENTS

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum; wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.
Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.
Borrowers may not obtain property insurance policies that include such limitations or exclusions, unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Additional requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement. See Fannie Mae.

The insurance coverage should reflect one of the following:

100% of the insurable value of the improvements, as established by the property insurer; or the unpaid principal balance of the mortgage, as long as it at least equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

2.212 - DETERMINING THE AMOUNT OF REQUIRED PROPERTY INSURANCE

The following table describes how to calculate the amount of required property insurance coverage:

Step	Description
1	Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.
1A	If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.
1B	If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2.
2	Calculate 80% of the insurable value of the improvements.
2A	If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.
2B	If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.

Examples:

Category	Property A	Property B	Property C
Insurable Value	$90,000	$100,000	$100,000
Unpaid Principal Balance	$95,000	$ 90,000	$ 75,000
80% Insurable Value	—	$ 80,000	$ 80,000
Required Coverage	$90,000	$ 90,000	$ 80,000
Calculation Method	Step 1A	Step 2A	Step 2B

Insurance coverage not addressed above default to FNMA requirements.

2.22 – INTEREST CREDIT

Loans closed within the first 5-days of the month may reflect an interest credit to the borrower.

3.0 - PROPERTY ELIGIBILITY

See Section 5.0 *in the Seller Guide for additional requirements related to Appraisals and Properties.*

Underwriters are to address red flags that the property may not be intended for investment. Common occupancy red flags include:

- Subject property value exceeds value of the borrower's primary residence.
- Subject property is located in close proximity to the borrower's primary residence and/or place of employment.
- Subject property could reasonably function as a second home.
- Borrower is currently renting primary residence.

3.1 - APPRAISALS

3.11 – APPRAISAL REQUIREMENTS

Full Interior/Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. Correspondents must order appraisals using one of two processes. The appraisal must either be ordered through an Appraisal Management Company that complies with Appraiser Independence Requirements (AIR), or via the correspondent's own AIR compliant process. The licensed appraiser must complete an interior inspection of the subject property.

- The appraisal should be dated no more than 120 days prior to the Note date. After a 120-day period, a re-certification of value is acceptable up to 180-days. After 180-days, a new appraisal is required.
- Not eligible for MCM Capital Solutions: properties for which the appraisal indicates condition ratings of C4, C5 or C6, or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset (UAD) guidelines. Multi-family properties with ratings of Fair/poor are also ineligible. MCM Capital Solutions will consider purchase if issue has been corrected prior to loan funding with proper documentation.

SECOND APPRAISAL

A Second Appraisal from a MCM Capital Solutions Approved AMC is required when any of the following conditions exist. When a second appraisal is provided, the transactions "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different appraisal company and appraiser than the first appraisal.

- Loan Amount exceeds $1,500,000
- The transaction is a cash out, the loan balance exceeds $1,000,000 and LTV exceeds 65%.
- The transaction is a flip as defined in the Property Flipping section of this guide
- As required under the Appraisal Review Products section of this guide.

MCM CAPITAL SOLUTIONS APPROVED AMC’S

ProTeck Valuation Services
Assurant - StreetLinks
Clear Capital
CoreLogic Valuation Solutions

(The original appraisal report and enhanced review product can both be from Clear Capital or ProTeck if the seller utilizes either firm in the normal course of business)

LARGE LOAN BALANCE APPRAISAL OVERLAYS

The following appraisal restrictions apply to original loan balances that exceed $3,000,000.

Neighborhood Analysis

Degree of Development and Growth Rate: Properties designated as "rural" not allowed
Trend of Property Values: "Declining" Markets not allowed
Supply of Properties in the Subject Neighborhood: Markets in "Over-supply" not allowed
Price Range and Predominant Price: The appraised value may not exceed the highest value of the Predominant Price Range by more than 10%
Marketing Time for Properties: "Over 6 months" Not Allowed
Over-Improvement: The subject property may not be designated as an "over-improvement"

Comparable Sales

Minimum of 4 closed comparable sales
All comparable sales must have occurred within the 12 months preceding the appraisal date
At least 1 closed comparable must have occurred within 120 days of the appraisal date
All comparable sales must be located within 4 miles of subject
At least 1 closed comparable sale must be located within 1 mile of subject
At least 2 closed comparable sales must be located within the same neighborhood as the subject

Property Condition

Eligible Property Condition Ratings: C1, C2, C3
Eligible Quality of Construction Ratings: Q1, Q2, Q3, Q4

Maximum Acceptable Acreage

2 acres

Zoning

Properties zoned as agricultural are not eligible

Total Adjustments

Total net adjustments should be minimal if the comparable is truly similar. Net Adjustments may not exceed 15% of the sales price of the comparable sale and gross adjustments may not exceed 25%

3.12 - APPRAISAL REVIEW REQUIREMENTS

APPRAISAL REVIEW PRODUCTS

An appraisal review product is required on every loan file unless a 2nd appraisal is required; the options for review products include the following:

An enhanced desk review product from the following eligible list:

- ARR from ProTeck,
- CDA from Clear Capital,
- ARA from Computershare; or

A field review or second appraisal from a MCM Capital Solutions Approved AMC is acceptable. The source of the Appraisal Review Product may not be the same AMC used for the appraisal.

If the Appraisal Review Product (ARR, CDA, or ARA) reflects a value more than 10% below the appraised value or cannot provide a validation; the next option in the review waterfall must be followed. The next option would be either a field review or a second appraisal, both must be from a different appraisal company and appraiser than the original report.

3.13 - MINIMUM SQUARE FOOTAGE

SFR:	700 sq. ft.
Condo:	500 sq. ft.
2-4 units:	400 sq. ft. per individual unit

3.14 – RURAL PROPERTY

A property is classified as rural if all the following conditions exists;

The property is classified as rural by the appraiser
Two of the three comparable properties are more than 5-miles from the subject property
Less than 25% of the surrounding area is developed

3.15 - PERSONAL PROPERTY

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

3.16 – ESCROW HOLDBACKS

Not allowed. Any repair or maintenance required by the appraiser, must be completed prior to loan purchase. MCM Capital Solutions will not acquire any loan with an escrow holdback.

3.2 - INELIGIBLE PROPERTY TYPES:

Mixed use properties
Vacant land or land development properties
Properties not readily accessible by roads that meet local standards
Properties not suitable for year-round occupancy regardless of location
Agricultural properties including farms, ranches, and orchards
Manufactured, mobile, or modular homes

Condo-hotels or co-op/timeshare hotels
Projects that include registration services and offer rentals of units on a daily, weekly or monthly basis.
Resort Type Projects
Cooperative share loans
Boarding houses or bed/breakfast properties
Properties with zoning violations
Dome or geodesic homes
Assisted living facilities
Homes on Indian reservations
Log homes
Hawaii properties located in lava zones 1 and/or 2
Houseboats
Properties used for the cultivation, distribution, manufacture or sale of marijuana.

3.3 - ACREAGE LIMITATIONS

Maximum 2 acres
No truncating allowed

3.4 - STATE ELIGIBILITY

Nationwide excluding Puerto Rico, Guam, and the US Virgin Islands
NY CEMA loans not allowed for MCM Capital Solutions.

3.5 - PROPERTY FLIPPING

For properties acquired by the seller of the property within 6 months of application date where the contract price exceeds the sellers acquisition price by the following:

More than a 10% price increase if the seller acquired the property in the past 90-days;
More than a 20% price increase if the seller acquired the property in the past 91-180 days

The following additional requirements apply:

Second appraisal required from a MCM Capital Solutions Approved appraisal management company (AMC);
Second appraisal must be dated/delivered prior to the loan consummation/Note date;
Property seller on the purchase contract must be the owner of record;
Increases in value should be documented with commentary from the appraiser and recent comparable sales.
Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.)

3.6 - TITLE VESTING & OWNERSHIP

Ownership must be fee simple.

Acceptable forms of vesting are:

Individuals
Joint tenants
Tenants in common
Inter Vivos Revocable Trust

Limited Liability Companies, Partnerships, Corporations, and S Corporations (each, an "Entity") in accordance with the requirements listed below:

To vest a loan in an Entity, the following requirements must be met:

- Purpose and activities are limited to ownership and management of real property.
- Entity must be domiciled in a U.S. State.
- Any business structure is limited to a maximum of 4 owners or members.
- All members, partners, or shareholders of the Entity, as the case may be, (each, a "Member", and up to a maximum of 4 members per Entity) must provide personal guarantees of the obligations of the Entity in a form satisfactory to MCM Capital Solutions.
- Each Entity Member must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. The application of each Member and such person's credit score and creditworthiness will also be used to determine qualification and pricing.
- MCM cannot suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the Members of the Entity.
- Each Member of the Entity must receive notice of the loan and its terms prior to closing.
- The following Entity documentation must be provided:
  - Entity Articles of Organization, Partnership, and Operating Agreements, if any
  - Tax Identification Number
  - Certificate of Good Standing
  - Certificate of Authorization for the person executing all documents on behalf of the Entity
  - Borrowing Certificate

Documents must be completed and signed as follows:

- Loan Application (1003)
  - Completed for each Individual
  - Section labelled "Title will be held in what Name(s)" should be completed with ***only*** the LLC name.
  - Signed by Individuals
- Disclosures (GFE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.)
  - Completed and signed by Individual(s)
- HUD-1
  - Completed and signed by Individual(s)Other Closing Documents (Final TIL, Borrower Certification of Business Purpose, etc.)
  - Completed and signed by Authorized Member(s)
- Personal Guarantee
  - Each individual who is a member of the entity, must provide a personal guarantee.
  - The guarantee should be executed at loan closing and dated the same date as Note.
- Note, Deed of Trust/Mortgage, and all Riders
  - "Borrower" in form, if applicable, to be completed by the authorized member of the entity that can legally sign and bind entity

3.7 - LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

Seller must provide documentation and Leaseholds must meet all FNMA eligibility requirements (i.e. term of lease).

3.8 - LIMITATIONS ON FINANCED PROPERT

No limit to the number of financed properties per borrower for MCM Capital Solutions.
MCM Capital Solutions' exposure to a single borrower shall not exceed $5,000,000 in current UPB, or six (6) properties.

If the loan is priced with reserves, any additional financed properties require an additional two (2) months PITIA in reserves for each property. Reserves are based upon the PITIA of the subject property. Total reserve requirement is not to exceed twelve (12) months. See MCM Capital Solutions reserve matrix for additional reserve requirements.

3.9 – DISASTER AREAS

Sellers are responsible for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at http://www.fema.gov/news/disasters.fema. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

3.91 - APPRAISALS COMPLETED PRIOR TO DISASTER

An interior and exterior inspection of the subject property, performed by the original appraiser if possible, is required.

The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.
Inspection report must include photographs of the subject property and street view.
Any damage must be repaired and re-inspected prior to purchase

3.92 - APPRAISALS COMPLETED AFTER DISASTER EVENT

Appraiser must comment on the adverse event and certify that there has been no change in the valuation.
Any existing damage notated from the original report must be repaired and re-inspected prior to purchase.

3.93 - DISASTER EVENT OCCURS AFTER CLOSING BUT PRIOR TO LOAN PURCHASE

Loan is ineligible for purchase until an inspection is obtained using one of the following options;

- A Post Disaster Inspection (PDI) Report from Clear Capital or Damage Assessment Report from ProTeck may be utilized, any indication of damage reflected on the report will require a re-inspection by the appraiser.
- The appraiser may perform an inspection (Fannie Mae Form 1004D) and comment on the event and certify that there has been no change to the value.

Guidelines for disaster areas should be followed for 90-days from the disaster period end date, or the date of the event, whichever is later.

3.10 - CONDOMINIUMS

Fannie Mae eligible projects and Non-Warrantable projects allowed.

- MCM Capital Solutions may review and approve Fannie warrantable projects, a Condo Project Warranty Certification.
- Non-warrantable projects must be reviewed by a MCM Capital Solutions Due Diligence partner, see below.
- Projects consisting entirely of detached units will not require a project review and are eligible for single-family dwelling LTV/CLTV.
- Two to Four Unit Condo projects will not require a project review provided the following are met:
  - The project is not a condotel, houseboat, timeshare or segmented ownership project.
  - The priority of common expense assessments apply.
  - The standard insurance requirements apply.

MCM Capital Solutions project exposure maximum shall be $5,000,000 or 15% of project, whichever is lower.
Borrower project/unit concentration limit: 2 units.

See MCM Capital Solutions Product Matrix for additional LTV/CLTV and Non-Warrantable project limits and guidelines.

3.101 - GENERAL PROJECT CRITERIA

Project has been created and exists in full compliance with applicable local jurisdiction, state, and all other applicable laws and regulations.

Project meets all FNMA insurance requirements for property, liability, and fidelity coverage.

Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.

Seller to confirm project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.

Projects that are FNMA Warrantable may be reviewed and approved by Client Underwriter. A Rep and Warrant from Client Underwriter that project meets the requirements of FNMA Warrantable Project must be provided with the loan package to avoid MCM Capital Solutions project review and expense.

Non-Warrantable projects require Project Approval by MCM Capital Solutions.

3.102 - INELIGIBLE PROJECTS

A project subject to the rules and regulations of the U.S. Securities Exchange Commission.
Condominium Hotel - Condotel:

- Condominium project in which any unit owner or the homeowner's association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
- Condominium project where the unit is not the lessee's residence.
- Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
- Projects with the names that include the words "hotel," "motel," "resort," or "lodge."
- A project that includes registration services and offer rentals of units on a daily, weekly, or monthly basis.
- Hotel or motel conversions (or conversions of other similar transient properties.)

Resort type projects.
Timeshare or projects that restrict the owner's ability to occupy the unit.
New condo conversion completed less than 2 years.
Houseboat projects.

Manufactured home projects.

Assisted living facilities, or any project where unit owners' contract in advance for a lifetime commitment from the facility to care for them, regardless of future health or housing needs.

Any project in which a single entity owns more than 25% of the total number of units.

For projects that have

5-19 units, one owner is allowed to own two units.

Multi-family units where single deed has ownership of more than one or all of the units.

Projects where more than 50% of total square footage in the project, or in the building that the project is located in, is used for non-residential purposes.

A common-interest apartment

- A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
- the project or building is often owned by several owners as tenants-in-common or by a homeowner's association.

Fragmented or segmented ownership

- Ownership is limited to a specific period on a recurring basis i.e. timeshare.

Any project where the developer (or its affiliates) owns the common and/or limited elements and leases the elements back to the HOA.

Non-conforming zoning (cannot be rebuilt to current density).

Project units sold with excessive seller contributions that may affect the value of the subject property.

Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association.

Project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability.

Project with adverse environmental issue(s) involving safety, soundness, or habitability.

Projects that are not well managed or in poor physical or financial condition

- Excessive special assessments; low reserves; neglected repairs.

3.104 - NON-WARRANTABLE CONDOMINIUM PROJECTS

MCM Capital Solutions will purchase loans secured by non-warrantable projects due to the following:

Investor concentration up to 70% in an Established Project.

Commercial space up to 50%, see restrictions on New Projects.

Reserve requirements down to 3% in an Established Project, see restrictions under Established Projects below:

Maximum LTV/CLTV: 80%

Maximum Loan Amount: $1,500,000

Project approval required by MCM Capital Solutions

NOTE: Stacking of risk is not allowed (Only 1 Non-Warrantable factor per project)

SINGLE OWNER/ INVESTOR ENTITY CONCENTRATION:

Maximum of 25% of project owned by any Single Owner/Investor Entity.

Maximum of two (2) units owned by any Single Owner/Investor Entity if the project has fewer than 10 units.

NEW PROJECTS

A Project is considered new if any of the following apply: project is not fully completed or is subject to additional phasing or annexation, fewer than 90 percent of the total number of units in the project have been conveyed to owners other than the developer, or control of the homeowner's association has not been turned over to the unit owners.

New Condominium Projects that meet all the following requirements are eligible for purchase.

Subject legal phase and any prior legal phases where units have been offered for sale are substantially complete. Substantially complete means that a certificate of occupancy or its equivalent has been issued, and all units in the subject unit building are complete.

OCCUPANCY: A minimum of 50% of the total number of units in the project are conveyed or under contract to purchaser, other than developer or successor as primary or second home, OR at least 50% of the total number of units in the subject legal phase and a minimum of 50% of the units in subject phase plus all prior legal phases, must have been conveyed or under contract as primary or second home.

Developer must be responsible for assessments on unsold units built, but not yet closed.

BUDGET: A minimum of 10% of the association's annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance.

Budget must reflect adequate funding for insurance deductible.

DELINQUENT ASSESSMENTS: Delinquent assessments greater than 60 days cannot exceed 15% of the total number of units.

Commercial space up to 35% of building space allowed when pre-sale exceeds 70%, otherwise, limited to 25%. Commercial entity cannot control the HOA.

REQUIRED DOCUMENTATION FOR NEW PROJECT APPROVAL

NEW PROJECTS

- Completed Condo Project Questionnaire and Developer/Builder Questionnaire, or similar
- Current Annual Budget.
- Current Balance Sheet (dated within the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
- FNMA Warranty of Project Presale signed by Developer/Builder as Authorized Rep (Form1029).
- FNMA Final Certification of Substantial Project Completion completed by Developer (Form1081).
- FNMA Warranty of Condominium Project Legal Documents (Form 1054) or comparable Lender's Warranty.
- Project legal documents: Declarations, By-Laws, and any Amendments.
- Rent roll/ absorption.
- Schedule of outstanding loan info.
- Letter from construction lender stating financing is in good standing.
- Evidence there are no contractor liens outstanding.
- Project marketing analysis: sales and marketing plan.
- Photos of subject project including site, improvements, facilities/amenities, parking, and same on 2 to 3 comparable projects.
- PERS preliminary approval, if applicable.

ESTABLISHED PROJECTS

Established projects, as defined by FNMA, which meet all the following requirements are eligible for purchase.

OCCUPANCY: There is no owner-occupancy requirement if the subject unit will be owner occupied. If property will be used as an investment property, a minimum of 30% of the total number of units in the project must be conveyed to owners who occupy their unit as a primary residence or second home. The project may not have delinquencies greater than 15%, the project reserve fund must represent a minimum of 100% of project's annual budget and appraisal must support rental market.

BUDGET AND RESERVE FUND BALANCE: A minimum reserve fund balance of 30% of annual budget must be in place. A minimum of 10% of the association's annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance. If not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and reserve fund balance supports a lower allocation as follows:

- 7% to 9.99% requires a reserve fund balance of 50% of annual budget
- 5% to 6.99% requires a reserve fund balance of 75% of annual budget
- 3% to 4.99% requires a reserve fund balance of 100% of annual budget

DELINQUENT ASSESSMENTS: Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project. 60-day delinquency up to 20% may be allowed as non- warrantable if HOA reserve fund represents 120% of its annual budgeted income.

Commercial space limited to 50% of building space. Commercial entity cannot control HOA.

REQUIRED DOCUMENTATION FOR ESTABLISHED PROJECT APPROVAL

Established Project Certification
Current Annual Budget
Current balance sheet (dated within the last 60 days)
Evidence of current HOA/project insurance in compliance with FNMA guidelines

3.105 - RE-CERTIFICATION OF PROJECTS

Projects must be recertified every 6 months, or at expiration of the project budget or insurance, whichever is earlier.

Documents Required:

Project Approval Certification Form

Current Annual Budget

Current balance sheet (dated within the last 60 days)

Evidence of current HOA/project in

SECTION 4.0 - TRANSACTION TYPES

4.1 - NON-ARMS LENGTH AND INTERESTED PARTY TRANSACTIONS

4.11 - NON-ARM'S LENGTH TRANSACTION

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions.

When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report, in these cases, is required; as well as the payment history pattern (VOM on the Seller's mortgage)

4.12 - INTERESTED PARTY TRANSACTION

A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.

In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent, extra due diligence must be exercised. For example, the seller's real estate agent for the subject property, may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties is required

4.13 - ELIGIBLE NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction

- Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves

Seller(s) representing themselves as agent in real estate transaction.

4.14 - NON-ARM'S LENGTH AND INTERESTED PARTY RESTRICTIONS

Borrower to provide cancelled check verifying the earnest money deposit
Cash-Out refinances not allowed
Maximum LTV/CLTV: 75%
Employer to employee sales or transfers not allowed
Property trades between buyer and seller not allowed
Renter(s) purchasing from Landlord not allowed
Purchase between family members not allowed
Other transactions not listed as eligible above are not allowed
For Sale by Owner (FSBO) transactions must be arms-length

4.2 - TRANSACTION

4.21 - PURCHASE

- Proceeds from the transaction are used to finance the acquisition of the subject property
- LTV/CLTV based upon the lessor of the sales price or appraised value

4.22 - RATE/TERM TRANSACTION

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
  - Closed end loan, at least 12 months of seasoning has occurred;
  - HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than $2,000.
- Buying out a co-owner pursuant to an agreement.
- Paying off an installment land contract executed more than 12 months from the loan application date.
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $2,000 can be included in the transaction.
- LTV/CLTV based upon the appraised value.

4.23 - CASH-OUT

A refinance that does not meet the definition of a rate/term transaction.

A mortgage secured by a property currently owned free and clear is considered cash out.

The payoff of delinquent real estate taxes (60-days or more past due) is considered cash-out.

The borrower(s) must indicate the purpose of the cash-out proceeds. Cash-out proceeds must be for business purposes. (Cash-out proceeds for personal use are not eligible.)

A 2nd appraisal is required for all cash-out transactions where the LTV exceeds 65%, and the loan balance exceeds $1,000,000. See appraisal requirements in section 3.11 – Appraisals.

Cash-out proceeds can be used for required reserves.

Loans not eligible for cash-out:

- Properties listed for sale in the past 6-months unless requirements in section 2.18 meet.
- A prior cash out transaction within 6-months

See MCM Capital Solutions Matrices for cash-out limits.

Cash-Out Seasoning is defined as the difference between application date of the new loan and prior financing note date or date of purchase.

For Cash-out Seasoning greater than 12-months, the appraised value can be used to determine the LTV/CLTV.

If Cash-Out Seasoning is between (6) to (12) months, the appraised value may be utilized to determine property value with the following restrictions:

- The loan amount may not exceed 100% of the acquisition cost plus documented improvements
- If the DSCR documentation option is selected;
  - DSCR must be 1.15 or greater;
  - The property may not be "Unleased" as defined by the guidelines

If Cash-Out Seasoning is between (3) to (6) months, the appraised value may be utilized to determine property value with the following restrictions:

- The loan amount may not exceed 90% of the acquisition cost plus documented improvements
- If the DSCR documentation option is selected;
  - DSCR must be 1.15 or greater;

- The property may not be "Unleased" as defined by the guidelines

Cash-Out Seasoning of less than three (3) months, such as delayed financing, is allowed with the following restrictions:

- 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, and HCLTV ratios for the cash-out transaction based on the current appraised value.
- The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
- At least one of the following must exist;
  - No mortgage financing was used to obtain the property.

    The original purchase transaction is documented by a settlement statement, 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 settlement statement if a settlement statement was not provided to the purchaser at time of sale.).

    The preliminary title search or report must confirm that there are no existing liens on the subject property, or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note.
  - The mortgage being refinanced was used to purchase the property and has an original term of 24 months or less as evidenced by a copy of the settlement statement and original note.
  - 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 settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan 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. The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

SECTION 5.0 - BORROWER ELIGIBILITY

5.1 - FIRST TIME HOME BUYERS

Not allowed for MCM Capital Solutions.

5.2 - RESIDENCY

Eligible:	U.S. Citizen Permanent Resident Alien Non-Permanent Resident Alien Foreign National
Ineligible:	Applicants possessing diplomatic immunity Borrowers from OFAC sanctioned countries Politically exposed borrowers Any material parties (company or individual) to transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list.

Refer to Fannie Mae guidelines for all definitions of eligibility status.

5.21 - U.S. CITIZEN

Eligible without guideline restrictions

5.22 - PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

Acceptable evidence of permanent residency includes the following:

- Alien Registration Receipt Card I-151 (referred to as a green card).
- Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
- Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
- Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."

Eligible without guideline restrictions.

5.23 - NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

Legal Status Documentation

- Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
- Visa must be current and may not expire for a minimum of 2 years following the close date or evidence that the proper extension steps have been followed per the USCIS website along with proof of payment receipt and the extension was done in time frame required by USCIS.

- When applicable, valid Employment Authorization Document (EAD) required for US employment if not sponsored by current employer. If the Visa will expire within 6 months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).

Guideline restrictions:

- Maximum LTV/CLTV: 75%
- Gift Funds not allowed
- US credit requirements detailed under the CREDIT section of this guide should be utilized. If adequate depth of US credit cannot be established the Foreign National Qualifying Foreign Credit section of this guide may be used. When Foreign Credit is used, the restrictions listed under the Foreign Credit section apply, including the Max LTV of 70%.

5.24 - FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S. or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. In order to be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

See the Foreign National section of this guide for additional details.

5.25 - INTER VIVOS REVOCABLE TRUST

Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae requirements should be followed to the extent this section is silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. 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.

The trustee must include either:

The individual establishing the trust (or at least one of the individuals, if 2 or more); or

An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

The following documentation is required:

If the trust was created under California law, a fully executed Certificate of Trust under Section 18100.5 of the CA Probate Code.

If the trust was created under the laws of a state other than California:

Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all of the following:

- The trust is revocable,
- The borrower is the settler of the trust and the beneficiary of the trust,
- The trust assets may be used as collateral for a loan,
- The trustee is:
  - Duly qualified under applicable law to serve as trustee,
  - The borrower,
  - The settler,
  - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

5.26 - INELIGIBLE BORROWERS

Irrevocable Trust
Land Trust
Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction

SECTION 6.0 - CREDIT

6.1 - CREDIT REPORTS

Fannie Mae guidelines, with the exception of the following paragraph, should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility for MCM Capital Solutions.

The credit report used to evaluate a loan may not reflect a security freeze. If he borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.

6.2 – LOAN INTEGRITY AND FRAUD CHECK

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e. Fraud Guard, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with documentation resolving any deficiencies or red flags noted.

6.3 - CREDIT INQUIRIES

Creditor must obtain verification from borrower in the form of a signed statement attesting that their current obligations are accurate. Additionally, any credit inquiries listed on the report within 90 days of the report date, must be explained. If new credit was extended, the borrowers must provide documentation on the current balance and payment; if no credit was extended, the borrower must state the purpose of the inquiry. Lenders must inform borrowers that they are obligated to inform the lender of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

6.4 - HOUSING HISTORY

Mortgage/rental history is required for all MCM Capital Solutions programs. If a borrower's mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12 months history (cancelled checks, mortgage/rental statements including payment history, verification of mortgage/rental, etc.) must be provided. A VOM/VOR completed by an individual must be supported by cancelled checks.

For properties owned free and clear, a property profile report or similar document, showing no liens against the property, should be included in the credit file.

Borrower's mortgage and/or rental history may reflect late payments based on Documentation Option and Grade criteria (see matrices for requirements). All housing late payments must be cured at the time of application and remain paid as agreed through closing.

Housing late payments exceeding 1x60x24 require a letter of explanation from the borrower. The situation causing the delinquency must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved.

See MCM Capital Solutions Grade Determination Matrix for Grade specific restrictions.

6.5 - CONSUMER CREDIT

6.51 - CONSUMER CREDIT HISTORY

Any non-mortgage account can be no more than 30-days delinquent at time of application. Any delinquent account must either be brought current or paid off at closing.

All mortgage accounts must be current at application and remain paid as agreed through closing.

If a short sale, deed in lieu of foreclosure, or foreclosure has occurred within the last 12 months, no more than 1x30x6 is allowed on each revolving debt account and no more than 1x30x12 is allowed on each installment debt account.

6.52 - TIMESHARES

Timeshare obligations will be treated as a consumer installment loan.

6.53 - CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

Individual collection and non-mortgage charge-off accounts equal to or greater than $250, and accounts that total more than $2,000, must be paid in full prior to or at closing.

Medical collections may remain open with a max cumulative balance of $10,000.

A 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination

Collections and charge-offs that have expired under the state statute of limitations on debts. Evidence of expiration must be documented.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following is met:

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions)

- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

6.54 - CONSUMER CREDIT COUNSELING SERVICES

Borrowers currently participating in Fannie Mae approved credit counseling services are acceptable if most recent 12 months are paid as agreed and the CCCS administrator provides a letter allowing borrower to seek new mortgage financing.

6.55 - JUDGMENT OR LIENS

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

6.56 - INCOME TAX LIENS

All income tax liens (federal, state, local) must be paid off prior to or at loan closing unless the requirements listed below are met:

The file must contain a copy of the repayment agreement
A minimum of 6-payments has been made under the plan with all payments made on time
The balance of the lien must be included when determining the maximum CLTV for the program
Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property.

6.57 – DISPUTED ACCOUNTS

When the credit report contains tradelines disputed by the borrower, the credit file should be documented with a credit supplement showing the account(s) have been resolved.

6.6 - BANKRUPTCY HISTORY

Recent bankruptcies are allowed. All bankruptcies (except for a Chapter 13, see below) must be settled at time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

A cash-out refinance may be used to settle the remaining balance of a Chapter 13 repayment plan. All the following requirements must be meet;

A minimum of 12-months of payments have been made under the bankruptcy plan.

The most recent 12-months of payment plans have been made on time.
The borrower has received written permission from the bankruptcy court for the mortgage transaction.

Bankruptcies resolved in the last 48 months require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple bankruptcies exist in this time frame, each must be addressed in the explanation.

See MCM Capital Solutions Grade Determination Matrix for grade specific restrictions

6.7 - FORECLOSURE SEASONING

Foreclosures completed in the last 48 months require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the Note date.

In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the foreclosure completion date. Re-established credit of at least 2 tradelines, paid as agreed for 12 months, is required, or the foreclosure date will be used. Active foreclosures are not allowed.

See MCM Capital Solutions Grade Determination Matrix for grade specific restrictions.

6.8 - SHORT SALE / DEED IN LIEU SEASONING

Short Sales and Deed in Lieu of Foreclosures completed in the last 36 months require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the Note date. For the Credit Grades of B or B- where the housing event can be settled, the delinquency proceeding the housing event can be ignored.

In the case of a short sale/deed in lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the short sale/deed-in-lieu completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not allowed.

See MCM Capital Solutions Grade Determination Matrix for grade specific restrictions.

6.9 - FORBEARANCE OR MODIFICATION

Forbearance or loan modifications are treated as a short sale/deed-in-lieu of foreclosure for grading and pricing purposes. For the Credit Grades of B or B- where the housing event can be settled, the delinquency proceeding the housing event can be ignored. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made forbearance or modification necessary must be provided. The current housing payment history, along with the new housing payment, must be considered when determining if the situation has been adequately resolved.

6.10 - CREDIT SCORE

Decision Score: Minimum of one borrower with two credit scores. Must use the lower of the two credit scores or median of the 3 credit scores generated;

- Use lowest Decision Score amongst all borrowers who will be on the Note and Title.

6.11 - TRADELINES AND GRADE DETERMINATION

6.111 -STANDARD TRADELINES

All Programs –

At least three (3) tradelines reporting for a minimum of 12-months with activity in the last 12-months; or
At least two (2) tradelines reporting for a minimum of 24-months with activity in the last 12-months.

The following are not acceptable to be counted as a tradeline: "non-traditional" credit as defined by Fannie Mae, any liabilities in deferment status, accounts discharged through bankruptcy, authorized user accounts, charge-offs, collection accounts, foreclosures, deed-in-lieu of foreclosure, short sales, or pre-foreclosure sales.

6.112 - LIMITED TRADELINES

Not allowed

6.12 - OBLIGATIONS NOT APPEARING ON CREDIT REPORT

6.121 - HOUSING AND MORTGAGE RELATED OBLIGATIONS

Housing and mortgage-related obligations include property taxes, premiums and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowners' association billing statements, and information obtained from a valid and legally executed contract.

6.122 - CURRENT DEBT OBLIGATIONS, ALIMONY, AND CHILD SUPPORT

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to believe that the information on the credit report is inaccurate or disputed. However, a credit report cannot be used by the lender to verify obligations that do not appear on the credit report, such as alimony and child support; these must be documented according to Fannie Mae guidelines.

6.13 - ADDITIONAL CREDIT CRITERIA

Inquiries – Recent inquiries within 90 days of the credit report date must be explained by the borrower.

New debt/liabilities – A verification of all new debt/liabilities must be provided, and borrower must be qualified with the additional monthly payment.

Gap credit – Prior to MCM Capital Solutions funding, Sellers should confirm there are no new borrower debt obligations. This can be confirmed with new gap credit report. Refer to "Credit Inquiries" section above.

For Foreign National credit criteria see the Foreign national Credit section of this guide

MCM Capital Solutions reserves the right to request a newly processed credit report pre-loan closing or prior to MCM Capital Solutions loan funding date to confirm no new debt/liabilities have been added.

SECTION 7.0 - ASSETS

THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.

7.1 - DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on borrower asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in MCM Capital Solutions guidelines.

7.2 - RESERVES

The MCM Capital Solutions loan program reserve requirements are outlined on the MCM Capital Solutions Loan/LTV matrices.

Loans priced without reserves have no reserve requirement for the subject property or other financed properties.

Each financed property, in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA on the subject property, to a maximum requirement of 12 months. The additional reserves are based upon the PITIA of the subject property.

Reserves must be sourced and documented per section 7.5 of these guidelines.

ARM loans – reserves based upon initial PITIA, not the qualifying payment.

Reserves for a loan with an Interest Only feature based upon the interest only payment (ITIA).

Proceeds from a cash-out refinance can be used to meet the minimum reserve requirements.

Proceeds from 1031 Exchange cannot be used to meet reserve requirements.

7.3 - DOWN PAYMENT SOURCING

Down payment funds should be documented for 60 days per the Fannie Mae Verification of Deposits and Assets guidelines with the documentation included in the loan file. Lenders must require that the borrower state the source of the down payment and provide verification. If the lender determines that the source of the down payment is another extension of credit, the lender must then consider that loan as simultaneous secondary financing. Refer to "Secondary Financing" section above.

7.4 - GIFT FUNDS

Gift funds not allowed.

7.5 - ASSET DOCUMENTATION

In addition to documenting minimum PITIA reserve requirements, all borrowers must disclose, and Seller must verify, all other liquid assets. Fannie Mae guidelines prevail regarding sources and types of assets as well as assets which are not eligible for closing costs and/or reserves.

Account statements should cover most recent 60-day period.

VOD must be dated within 30 days of loan application date.

Stocks/Bond/Mutual Funds - 100% of stock accounts can be considered in the calculation of assets for closing and reserves.

Vested retirement account funds – 60% may be considered for closing and/or reserves.

Non-vested or restricted stock accounts are not eligible for use as down payment or reserves. Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) prior to closing.

Documenting Assets Held in Foreign Accounts:

- Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
- A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.

7.51 - SOLE PROPRIETOR ASSETS/BUSINESS FUNDS

Business funds may be used for down payment, closing costs and for the purposes of calculating reserves. The borrower must be listed as sole owner of the account, and the account needs to be verified per requirements in Section 7.1 of this Guide.

SECTION 8.0 - INCOME

8.1 - DEBT SERVICE COVERAGE

Under the Debt Service Coverage documentation option, property income is used to qualify the transaction. Debt Service Coverage is available to Experienced and First-Time Investors purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Certification of Business Purpose (Exhibit D) and an Occupancy Certification (Exhibit A).

Experienced Investor: A borrower who has owned two (2) or more properties within the most recent twelve (12) months (Primary residence can be included), with one (1) having documented rental income of twelve (12) months or more. Rental income can be documented with one of the following;

- Two (2) mortgage trade lines on the credit report, reflecting 0x30x12 history, or
- Copy of the most recent lease with 2-months proof of receipt

First-Time Investor: A borrower that does not meet the Experienced Investor criteria. First Time Investors must currently own a residence (primary or rental) for a minimum of the most recent twelve (12) months.

8.11 - RESTRICTIONS

See MCM Capital Solutions Matrices for acceptable credit grades and max LTV;
If DSCR < 1.15, minimum loan amount is $150,000;
Minimum 620 credit score;
No Rural properties;
First-Time Investor max LTV/CLTV=65%;
No Gift Funds permitted (Cash or Equity);
Recent late payments on all consumer debt may not exceed 1X60 over prior 12 months.;
Tax returns and IRS Form 4506-T are not required for the program. If Tax returns and/or Transcripts are provided, the loan will be ineligible for this documentation type.

8.12 - BORROWER INCOME

No proof of income required;

The employment section of the 1003 loan application should be completed including a valid phone number, no further verification required.

8.13- ASSET DOCUMENTATION

In the case of DSCR documentation, only 30-days of Asset verification is required. Large deposits need to be sourced, but no seasoning requirements apply. The remaining asset documentation standards in Section 7.5 of this Guide apply.

Any account statement should cover most recent 30-day period.

8.14 - PROPERTY GROSS INCOME DOCUMENTATION AND DETERMINATION

LEASE REQUIREMENTS

Unleased Property: A property where one (1) or both of the following exist:

- More than 50% of the units within the subject property do not have an existing lease;
- More than 50% of the units within the subject property have an executed lease with less than three months remaining, without proof of extension.

Unleased Property LTV/CLTV Restrictions

- Purchase Transaction: Program Max
- Refinance (Rate/Term and Cash-Out)
  - Loan Balance <= $1,000,000 - 65%/65%
  - Loan Balance > $1,000,000 – 60%/60%.

DOCUMENTATION REQUIREMENTS

Purchase

- Form 1007, if applicable
- Existing lease agreement(s), if applicable

Refinance

- Form 1007, if applicable
- Existing lease agreement(s), if appraisal report reflects tenant occupied
- If new lease, must include copy of lease along with proof of receipt of damage deposit and first month's rent
- If subject property leased on a short-term basis utilizing an on-line service such as Airbnb; gross monthly rents can be determined by using a 12-month look back period; and either 12- monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. If documentation can't be provided covering a 12-month period, property will be considered unleased.

INCOME ANALYSIS

Gross Income

Gross Income is the lower of gross rents indicated on the lease agreement(s) and Form 1007. If the lease(s) agreement reflects higher rents then the 1007, the lease(s) amount may be used for gross rents if two months proof of receipt is verified. For purchase transactions without an existing lease and Unleased Property refinance transactions, the gross rents indicated on the 1007 may be used without the lease agreement(s).

Debt Service Coverage Ratio

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA of the subject property. See the MCM Capital Solutions Eligibility matrix for required Debt Service Coverage Ratios:

EXAMPLE: DEBT SERVICE COVERAGE RATIO

Single Family Purchase Money Transaction
Monthly PITIA = $650
Estimated Monthly Market Rent (Form 1007) = $850
Existing Lease Monthly Rent = Not Available

Gross Market Rent = $850 *(Estimated Monthly Market Rent when a lease is not available for a purchase transaction)*

Gross Income = $850
÷ PITIA = $650
DSCR = 1.30

8.15 - RENT LOSS INSURANCE

Rent loss insurance covering a minimum of 6 months is required for the subject property.

8.16 - DEFAULT EVENT

If a loan payment is delinquent for 60 days, MCM Capital Solutions' loan servicer will enforce the following provision from the 1-4 Family Rider; Paragraph "G" - Assignment of Leases

8.2 - FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country, and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

A complete 1003 loan application is required on all loan files reflecting borrower's full name, phone number, address including flat, floor, unit or house number, street name, city, province/state, along with a postal code. Additional phone numbers to assist credit vendors in contacting the borrower, such as cell, land, or business, should be obtained and the Borrower Contact Consent Form (Exhibit I) may be utilized for this purpose.

8.21 - AUTOMATIC DEBIT PAYMENT AGREEMENT (ACH)

An executed Automatic Debit Payment Agreement (ACH Form) from a U.S. Bank, including either the bank routing number, account number, and account type, or a voided check, is required for transactions involving a Foreign National. See Exhibit B.

8.22 - FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS

The following are required as evidence the borrower is in the U.S legally:

- Copy of the borrower's valid and unexpired passport (including photograph)
- Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94.
- A valid Employment Authorization Document (EAD) must be obtained if the visa is not sponsored by the borrower's current employer (when applicable for employment in the U.S.). If the visa will expire within 6 months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).
- Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at http://travel.state.gov/content/visas/en/visit/visa-waiver-program.html The credit file should be documented with a current print out of the participating countries with the borrowers country of origin highlighted.

Visa types allowed: B-1, B-2, H-2, H-3, I, J-1, J-2, 0-2, P-1, P-2, TN NAFTA, Laser Visa

If a non-U.S. citizen is borrowing with a U.S. citizen, Foreign National documentation requirements still apply.

All parties involved on transaction must be screened through exclusionary lists, must be cleared through OFAC's SND list, search of Specially Designated Nationals & Blocked Persons List may be completed via US Department of Treasury: http://sdnsearch.ofac.treas.gov/.

Borrowers from OFAC sanctioned countries are ineligible http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

Individuals with Diplomatic immunity not eligible http://www.state.gov/s/cpr/rls.

Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal.

Power of Attorney (POA) is not allowed.

8.23 - FOREIGN NATIONAL CREDIT

QUALIFYING U.S. CREDIT

A credit report must be obtained for all Foreign National borrowers with a valid Social Security. Requirements found in the CREDIT section of this guide apply. Borrowers not meeting these requirements may proceed under the Qualifying Foreign Credit requirements detailed in this guide.

Guideline restrictions: Qualifying U.S. Credit

- Maximum LTV/CLTV: 75%
- Gift Funds not allowed
- Minimum Credit Score: 620

QUALIFYING FOREIGN CREDIT

Foreign National Borrowers without Qualifying U.S. Credit (including borrowers without a valid Social Security Number, and borrowers with or without an Individual Tax Identification Number) must provide evidence of three (3) open tradelines reporting for two (2) years with activity in the most recent 12-months. No derogatory credit history is permitted within the 2-year period under review. ANY combination of the following is acceptable to arrive at the tradeline requirement:

- Tradelines evidenced via a U.S. credit report; AND/OR
- Tradelines evidenced via international credit report if a U.S. credit report cannot be produced, or does not provide a sufficient number of tradelines; AND/OR
- Tradelines evidenced via credit reference letters from verified financial institutions in the borrower's country of origin, if a U.S. credit report and/or international credit report is not available, or the combination of the credit reports does not provide a sufficient number of tradelines.
    - A minimum of 1 reference letter must be from an internationally known financial institution.
    - Each letter of reference must state the type and length of the relationship, how the account is held, payment amount, outstanding balance, and status of account, including a minimum 12-month payment history.
    - A single reference source may provide verification of multiple accounts. Individual account detail must be provided.
    - The letter must mention the borrower by name.
    - Name, title & contact information of the person signing the letter must be included.
    - Currency must be converted to U.S. Dollars and signed and dated by certified translator. All documents must be translated into English.

Guideline restrictions: Qualifying Foreign Credit

- Maximum LTV/CLTV: 70%
- Gift Funds not allowed
- Minimum Credit Score: 620 (when available)

HOUSING HISTORY

Evidence of a two-year housing history (mortgage and/or rental) with 0x30x12 is required. Housing history may be included as one of the required tradelines for a Qualifying U.S. Credit transaction if it is included on the U.S. credit report, or it may be used as one of the required tradelines for a Qualifying Foreign Credit transaction if it is included on the U.S. credit report, the international credit report, or verified in accordance with credit reference letter requirements. Without verifiable housing history, including borrowers who live rent free, DTI may not exceed 36%, and borrower must add four (4) months of reserves to the otherwise applicable reserve requirement.

8.24 - FOREIGN NATIONAL INCOME

Debt Service Coverage Ratio is the only available qualifying method, see DSCR criteria in section 8.1.

8.25 - FOREIGN NATIONAL ASSETS

RESERVES

A minimum of twelve (12) months of reserves are required. Without verifiable housing history, including living rent free, the borrower must have an additional four (4) months of reserves.
Each financed property, in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA.

ASSETS HELD IN FOREIGN ACCOUNTS

Assets held in foreign accounts may be used as a source of funds to close, and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing.

Documenting assets held in foreign accounts:

- Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
- A copy of the two (2) most recent statements for that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required, along with the information to comprise a sixty (60) day chain of funds.
- See the Asset Documentation section of this guide for eligible sources and types of assets.

The ASSETS section of this guide prevails unless otherwise mentioned.