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Mortgage Mac
LENDER YOU CAN TRUST

KVOE PROGRAM

UNDERWRITING GUIDELINE

WE CAN SERVE YOU BETTER

MORTGAGE MAC | 330 Lambert Rd. Suite 250, Brea, CA 91821

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1 Introduction

1.1 Underwriting Philosophy

Mortgage Mac ("MTG MAC") originates loans to borrowers on one- to four-family properties. This section describes the underwriting philosophy and general underwriting guidelines applied to all mortgages during the origination process. MTG MAC reserves the right to modify these underwriting guidelines.

The soundness of a loan is dependent on the applicant's ability to repay the debt, verifiable credit history, and the market value of the property. All property values are supported by appraisal reports completed by appraisers that are licensed or certified in the state where the property is located.

All loans are reviewed by authorized underwriters to ensure the loan file documentation complies with Federal and State regulations and all loans are approved or denied based on the underwriting standards and guidelines set forth in this Guide.

Each loan is individually underwritten with professional judgment. MTG MAC's underwriting objective is to remain uninfluenced until the loan analysis is complete, at which time a definite decision is rendered. The applicant's past, and present payment history, employment and income, assets, liabilities, and property value are all critical factors considered during the underwriting review process. All loans are reviewed for accuracy, credit discrepancies, income contradictions, and misrepresentations during the underwriting process. The loan package must be documented as required for the loan program and must contain sufficient information to render an informed and knowledgeable decision.

Disclaimer: KVOE loans are non-QM loans and are not to be sold nor securitized through any of the GSEs including Ginnie Mae.

1.2 Fair Lending and Fair Credit Reporting Act (FCRA) Notices

It is illegal to discriminate against credit applicants on the basis of race, color, religion, sex, marital status, national origin or ancestry, and conditions, characteristics, or trends in the neighborhood or geographic area surrounding a housing accommodation. MTG MAC is committed to treating all mortgage applicants in a fair and responsible manner in accordance with all applicable federal, state and local fair lending laws and regulations. We expect our approved originators to be equally diligent in conducting their lending in accordance with all applicable fair lending laws and regulations.

The Fair Credit Reporting Act (FCRA) requires that when an application is denied on the basis of information provided by a consumer reporting agency, the applicant must be given notice identifying the consumer reporting agency and includes a statement of the applicant's rights under FCRA. If the lender has approved the request and MTG MAC has denied it, the Statement of Denial will be sent directly to the applicant by MTG MAC.

1.3 Ability to Repay

Mortgage Mac is a prime & non-prime mortgage lender that makes loans consistent with the ATR and generally considered to be non-qualified mortgages. Mortgage Mac currently has a Full Documentation program that is consistent with the requirements under ATR to utilize "Third-party record[s]" to document income "reasonably and [make a] good faith determination".

Under the eight-point test of ATR, the "Basis for Determination" under § 1026.43(c)(2)(i) is required to consider "[t]he consumer's current or reasonably expected income or assets".

"QUALIFIED USING EMPLOYER'S WRITTEN VERIFICATION OF EMPLOYMENT (FORM 1005)"

Under the eight-point test of ATR, the "Basis for Determination" under § 1026.43(c)(2)(i) is required to consider "[t]he consumer's current or reasonably expected income or assets".

Specifically, a VOE is a document consistent with § 1026.43(c)(4)(v).

(4) VERIFICATION OF INCOME OR ASSETS.

(v) Records from the consumer's employer or a third party that obtained information from the employer;

Separately, the Applicant's employer meets the definition of a Third-Party Record in § 1026.43(b)(13)(i):

(b) DEFINITIONS. FOR PURPOSES OF THIS SECTION:

(13) THIRD-PARTY RECORD MEANS:

(i) A document or other record prepared or reviewed by an appropriate person other than the consumer, the creditor, or the mortgage broker, as defined in § 1026.36(a)(2), or an agent of the creditor or mortgage broker.

OFFICIAL INTERPRETATION TO 1026.43(b)(13)(i):

REVIEWED RECORD.

A VOE form, executed and prepared by the Applicant's employer would confirm, as a third-party record, a specific individual consumer's income and also carry a statement as to the current employment status. Said employment status can be supplemented via a Verbal Verification of Employment ("VVOE"), which may not be in writing under § 1026.43(c)(2)(ii):

"For purposes of paragraph (c)(2)(ii) of this section,

(C) REPAYMENT ABILITY

(2) BASIS FOR DETERMINATION.

(ii) If the creditor relies on income from the consumer's employment in determining repayment ability, the consumer's current employment status; a creditor may verify a consumer's employment status orally if the creditor prepares a record of the information obtained orally."

1.4 Underwriting

All loans must be manually underwritten.

1.5 Program Highlights

Wage-Earner are qualified using employer's Written Verification of Employment (Form 1005)

Assets must be traditionally documented

Loan amounts up to agency loan limits

Credit scores as low as 640

1.6 Maximum Fees

MTG MAC will not purchase any loan where the total combined Lender Fees and Broker Fees exceed 5.00% of the gross loan amount for loan requests or the maximum allowed under applicable state laws and predatory lending practices. Non-grossed up third-party fees are not included.

2 Program Matrix

PURCHASE & R/T REFINANCE			
Primary & Second Homes			
Property Type	Max. LTV/CLTV	Min. FICO	Reserves
1 Unit SFR, PUD, CONDO	75%	680	4 months PI
	70%	640	4 months PI
2-4 Units	70%	700	4 months PI
Investment Properties			
Property Type	Max. LTV/CLTV	Min. FICO	Reserves
1 Unit: SFR, PUD, CONDO	70%	680	6 months PI
2-4 Units	65%	700	6 months PI
CASH-OUT REFINANCE			
Primary & Second Homes			
Property Type	Max. LTV/CLTV	Min. FICO	6 months PI
1 Unit: SFR, PUD, CONDO	70%	700	6 months PI
2-4 Units	65%	700	6 months PI

*Max. Loan amounts up to agency loan limits.

3 Eligible Products

- 30 Year Fully Amortizing Fixed Rate
- 5 Year Fully Amortizing ARM
- 7 Year Fully Amortizing ARM

4 ARM Information

FULLY AMORTIZING

Qualifying Ratios are based on PITI payment with the principal and interest payments amortized over the loan term.

- 5 Year ARM:
  - Qualifying rate: qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.
  - INDEX: SOFR 30A
  - MARGIN: 4.5%
  - CAPS: 2/1/5
  - Reset Frequency: once every 6 months
- 7 Year ARM:
  - Qualifying rate: qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.
  - INDEX: SOFR 30A
  - MARGIN: 4.5%
  - CAPS: 5/1/5
  - Reset Frequency: once every 6 months

5 Subordinate Financing

Purchase loans with new subordinate financing are permitted.

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 line amount unless the borrower can provide documentation the line of credit is past its draw period.

6 Temporary Buydowns

Temporary interest rate buydowns are not permitted.

7 Borrower Eligibility

7.1 Eligible Borrowers

U.S. Citizen / Permanent Resident Alien

- All US citizens and Permanent Resident Aliens are eligible provided that the borrower must be a natural person.

Non-Permanent Resident Alien

- Non-Permanent Resident Aliens must have EAD card with minimum 90 days remaining at time of funding. EAD card with 30-89 days remaining requires evidence of application for extension. EAD card with less than 30 days remaining without renewed status is not eligible.

First-Time Homebuyer

- First Time Home Buyer is defined as a borrower who had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. First Time Home Buyer is allowed. There is no prior rental requirement.
- However, if the borrower has rent or mortgage history, it must meet credit requirements. Refer to Section 12.6 Housing Payment History

7.2 Ineligible borrowers

- Foreign Nationals
- 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.

7.3 Co-signers

An occupant co-borrower (who is obligated on the note) who does not have an ownership interest (not an owner of record on title) is permitted.

7.4 Non-Occupying Co-borrowers

Non-Occupying Co-borrowers who do not occupy the subject property; may or may not have an ownership interest in the subject property as indicated on the title; sign the mortgage or deed of trust note; have joint liability for the note with the borrower(s); and do not have an interest in the property sales transaction are permitted.

7.5 Trusts

Revocable Living Trusts are a permitted borrower if the trust complies with Fannie Mae or Freddie Mac criteria. Irrevocable trusts are not eligible.

- Title insurance policy must state that title to the security property is vested in the trustee(s) of the inter vivos revocable trust
- The title insurance policy may not list any exceptions with respect to the trustee(s) holding title to the security property or to the trust.
- Title to the security property is vested solely in the trustee(s) of the inter vivos revocable trust, jointly in the trustee(s) of the inter vivos revocable trust and in the name(s) of the individual

borrower(s), or in the trustee(s) of more than one inter vivos revocable trust.

7.6 Non-Arm's Length Transactions

A non-arm's length purchase transaction occurs when there is a direct relationship or business affiliation (family, employer, employee, etc.) between the borrower and another party (including but not limited to the seller, real estate broker, loan originator, builder, appraiser, closing agent, etc.).

Non-arm's length transactions generally carry a higher risk and must be carefully analyzed for concealed credits, cash paid outside of escrow, double escrows and other unacceptable lending criteria. The down payment must be fully sourced and satisfactorily documented.

7.7 Power of Attorney

A power of attorney is allowed per FNMA guidelines (See FNMA B8-5-06).

Except as otherwise required by applicable law, or unless they are the borrower's relative (or a person who is a fiancé, fiancée, or domestic partner of the borrower), none of the following persons connected to the transaction shall sign the security instrument or note as the attorney-in-fact or agent under a power of attorney:

- The lender;
- Any affiliate of the lender;
- Any employee of the lender or any other affiliate of the lender;
- The loan originator;
- The employer of the loan originator;
- Any employee of the employer of the loan originator;
- The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or
- Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent.

Power of Attorney is not allowed for Investment Properties and/or Cash-Out Transactions.

8 Occupancy

8.1 Types

Occupancy is determined in accordance with the borrower's intent as of the time of loan closing. The following occupancy types are permitted subject to LTV and FICO restrictions:

- Primary Residence
- Second Home
- Non-Owner Occupied

Refer to the applicable program eligibility matrix for the specific guidelines in Section 2.

Shared equity arrangements (where there is both an owner-occupant and an owner non-occupant investor) are not eligible.

8.2 Primary Residence Classification – Buying for Parent or Child

MTG MAC will classify the loan as primary residence when the subject property is purchased by the borrower for their parent or adult child in the following limited instances:

- Borrower buying for parent who is unable to work or does not have sufficient income to qualify; or
- Borrower buying for their adult child who is physically handicapped or developmentally disabled and the child is unable to work or does not have sufficient income to qualify.

8.3 Documentation

Occupancy must be consistent with and supported by documentation in the file. When circumstances arise that raise questions about the borrowers' intent to occupy the property as a primary residence, the originator should confirm occupancy and include the confirmation in the file. Circumstances that raise questions include:

- Borrower is employed a long distance from the intended primary residence
- The size of the proposed residence is inconsistent with the size of the borrower's family and number of dependents
- Borrower already owns a primary residence near the subject property and is intending to retain it (as a rental or second home) rather than sell it
- The proposed primary residence is near the existing primary residence, but the new residence is not worth materially more than, or is worth less than, the existing residence
- Borrower is currently purchasing another property or has done so in the last 12 months
- Borrower is in the business of "flipping" homes

The occupancy indicated on the borrower's signed application is sufficient to document that the borrowers intend to occupy the property as a primary residence. Occupancy as primary residence should occur within 60 days of closing

8.4 Occupancy Conversions

When a borrower purchases a new property, this may cause the occupancy of an existing owned property ("departure residence") to change. There are legitimate reasons that lead to an occupancy change for a departure residence, but misrepresentations regarding intent to occupy present elevated risk. Most often, misrepresentation involves the miss-stated intent to convert a departure residence to a rental and occupy the new property as a primary residence.

Because of the elevated risk, MTG MAC applies the restrictions described below when a departure residence will be or recently has been converted to a rental or second home.

For purposes of this policy, a recent conversion is one that occurred within the last 60 days and/or one that is not evidenced by both a signed lease agreement and bank statements evidencing deposit of the security deposit or one or more rental payments.

8.5 Pending Sale of Current Residence

If the departure residence is pending sale rather than being converted, the following requirements must be satisfied:

The PITIA on the departure residence must be included in the qualifying ratios unless there is either:

- An executed sales contract with financing contingencies removed, or
- An executed buyout agreement as part of an employer relocation plan (of the type qualifying for the relocation discount as defined in Section 9.6) where the employer/ relocation company are responsible for the outstanding mortgages on the property pending sale.

9 Purpose

9.1 Purchase

Refer to Section 7.6 for purchase restrictions related to non-arm's length transactions.

9.2 Rate and Term Refinance

Cash back to the borrower is limited to the lesser of $5,000 or 2% of the new loan amount and the borrower may not have taken cash-out (similarly defined) within the last 6 months of the new loan closing date (via either a first or subordinate lien).

The new loan proceeds may only be used for one or more of the followings:

- The payoff of the outstanding principal balance of an existing first mortgage.
- The payoff of the outstanding principal balance of an existing subordinate mortgage that was used in whole to acquire the subject property.
- The financing of closing costs, including prepaid expenses, if an escrow account
- is being established and cash back to the borrower in an amount no more than the lesser of 2% of the balance of the new refinance or $2,000, except Texas.
- A short-term refinance mortgage loan that combines a first mortgage and a non-purchase money subordinate mortgage into a new first mortgage is considered a cash-out transaction.
- Any refinance of that loan within six months will also be considered a cash-out transaction.
- Pay an individual who has been a joint owner for at least 12 months immediately prior to the application date (12-month requirement does not apply in the case of inheritance) for their interest in the property pursuant to a written agreement (e.g., divorce, separation, dissolution of a domestic partnership, etc.)

The following requirements of Section 14.2.3 must also be satisfied:

- The subject property may not currently be listed For Sale and must have been taken off the market on or before the application date.
- If the subject property was listed For Sale within the 6 months prior to the application date, the documentation must include a signed statement from the borrowers indicating their intent to retain the property.

9.3 Cash-Out Refinance

Any refinance that does not meet the rate and term refinance requirements is considered cash-out for guideline interpretation purposes. The following requirements must also be satisfied:

- The subject property may not currently be listed For Sale and must have been taken off the market on or before the application date.
- If the subject property was listed For Sale within the 6 months prior to the application date, the documentation must include a signed statement from the borrowers indicating their intent to retain the property.
- The property must have been purchased by the borrower at least six months prior to the loan Note date for new financing except on delayed financing guidelines.
- All transactions that involve the payoff of blanket mortgages will be treated as cash-out refinance loans.

9.4 Delayed Purchase Refinance Loans

Borrowers who purchased the subject property within the past six months, measured from the date on which the property was purchased to the disbursement date of the new mortgage loan, are eligible for

a cash-out refinance if all of the following requirements are met:

- The new loan amount is not more than the actual documented amount of the borrower's initial investment in purchasing the property, plus the financing of closing costs, prepaids, and points.
- The purchase transaction was an arms-length transaction.
- The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property.
- 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 Closing Disclosure 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 source of funds for the purchase transaction can be documented.
- All other cash-out refinance eligibility requirements are met, and cash-out pricing is applied.
- The as is appraised value is used to determine LTV
- The borrower(s) must have initially purchased the property as one of the following:
    - A natural person
    - An eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust
    - An LLC or partnership in with the borrower(s) have an individual or joint ownership of 100%
- The preliminary title search must not reflect any existing liens on the subject property.
- Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.

9.5 Texas Refinance Loans

All refinance loans in Texas will be evaluated against the criteria outlined in our Conventional Underwriting Guidelines, Texas Refinances section to determine if the loan must be originated under the requirements of Section 50(a)(6) of the Texas Constitution. Texas refinance loans that must close under Section 50(a)(6) requirements are not eligible.

9.6 Corporate Relocation

MTG MAC does not have any special guidelines applicable to borrowers with employer assisted relocations. Standard underwriting guidelines apply.

MTG MAC may offer a borrower participating in an employer-sponsored corporate relocation program a pricing benefit (refer to the rate card for details) provided all of the following conditions are satisfied:

The borrower is a transferred or new employee purchasing a primary residence.

The borrower is participating in a formal program sponsored by the borrower's employer (or agent) evidenced by a copy of the relocation agreement and/or other documentation detailing the nature and amount of the employer's contribution.

The employer's contribution is used for closing costs (on property being purchased and/or sold), discount points, below-market bridge-loan financing, ongoing subsidy payments related to cost differences, moving expenses, or other expenses related to the relocation.

Refer to Section 8.5 Pending Sale of Current Residence for additional details on qualifying a borrower participating in an employer-sponsored corporate relocation program.

9.7 Construction to Permanent

Ineligible

10 Income Documentation and Calculations

10.1 General Information

This section of the guidelines describes minimum income documentation requirements.

Qualifying income should reasonably be expected to continue for a minimum of three years. Income that is not expected to continue for a minimum of three years will not be considered. The documentation required to determine the amount of income that can be relied upon varies according to the income type and materiality, the applicant's ownership interest in the income source, and other factors described in the guideline sections that follow.

10.1.1 Income Stability

Income trending is a relevant consideration for borrowers with variable income. If the trend is stable or increasing, the calculated income should be utilized. If the income was declining but has since stabilized, the lower current level should be used. If the income continues to decline, but may not be stable, further analysis must be conducted to document the appropriate income, if any, to utilize.

10.1.2 Form 4506

A complete and signed IRS Form 4506-T is NOT required.

10.2 Bonus

- Minimum 24-month of Bonus or Overtime income with a same employer.
- Written VOE (Form 1005) completed in full by same employer verifying most recent two years.
- Income, employment and assets are stated and verified. Documentation may not be more than 90 days from date note is signed.
- Borrowers must have two years consistent employment with the same employer.
- Calculation: (Current year YTD + Last year YTD) divide by 24. If current year YTD is less than last year's YTD, current year YTD divided by 12 will be used.

10.3 Commission

- Borrower with over 25% commission income of total gross income will NOT qualify under this program.
- If the commission income represents less than 25% of the borrower's total annual employment income, obtain the following documents:
  - Minimum 24-month of Commission income with a same employer.
  - Written VOE (Form 1005) completed in full by same employer verifying most recent two years.
  - Income, employment and assets are stated and verified. Documentation may not be more than 90 days from date note is signed.
  - Borrowers must have two years consistent employment with the same employer.
  - Calculation: Develop a 2-year average of the income.

10.4 Hourly

- Minimum 24-month of Hourly income with a same employer.

- Written VOE (Form 1005) completed in full by same employer verifying most recent two years.
- Income, employment and assets are stated and verified. Documentation may not be more than 90 days from date note is signed.
- Borrowers must have two years consistent employment with the same employer.
- Calculation: Develop a 2-year average of the income.

10.5 Overtime

- Minimum 24-month of Overtime income with same employer.
- Written VOE (Form 1005) completed in full by same employer verifying most recent two years.
- Income, employment and assets are stated and verified. Documentation may not be more than 90 days from date note is signed.
- Borrowers must have two years consistent employment with the same employer.
- Calculation: Develop a 2-year average of the income.

10.6 Part-Time

- Minimum 24-month of Part-Time or Secondary income with same employer.
- Written VOE (Form 1005) completed in full by same employer verifying most recent two years.
- Income, employment and assets are stated and verified. Documentation may not be more than 90 days from date note is signed.
- Borrowers must have two years consistent employment with the same employer.
- Calculation: Develop a 2-year average of the income.

10.7 Rental

10.7.1 Rental Property Other Than Subject Property

If the property was acquired on or before the most recent tax filing year

- Ineligible to use for qualifying
  (i.e. when most recent tax filing year is 2018, property acquired on or before 2018 is not eligible for rental income use)

If the property was acquired after the last tax filing year

- Fully executed lease agreement AND
- Calculation: 75% of gross rent less PITI and HOA dues.

10.7.2 Subject Property is Rental Property

If the property was acquired during the most recent tax filing year

- Ineligible to use for qualifying

If the property was acquired after the last tax filing year

- Obtain appraisal including market rent analysis AND
- Fully executed lease agreement AND
- Calculation: 75% of gross rent less PITI and HOA dues

10.8 Salaried

- Minimum 24-month of Salaried/Hourly income with same employer.
- Written VOE (Form 1005) completed in full by same employer verifying most recent two years.

- Income, employment and assets are stated and verified. Documentation may not be more than 90 days from date note is signed.
- Borrowers must have two years consistent employment with the same employer.
- Calculation:
  - Use the base salary (semi-monthly, bi-weekly, or hourly rate as supported by YTD) from WVOE. Examples:
    - Semi-monthly: Semi-monthly amount multiplied by 2 equals monthly income.
    - Bi-weekly: Bi-weekly amount multiplied by 26 divided by 12 equals monthly income.
    - Teacher paid for 9 months: Monthly amount multiplied by 9 months divided by 12 months equals monthly qualifying income.

10.9 Ineligible Sources of Income

- Income types other than described above
- Employed by family member
- Accessory Unit Income
- Auto Allowance
- Boarder income
- Capital Gains
- Employment Offers and Compensation Increases
- Expense account payments
- Foreign Income
- Foster Care
- Future income
- Interest and Dividend
- Military
- Mortgage Credit Certificate (MCC)
- Mortgage Differential Payments
- Note Receivable
- Public Assistance (Including Housing Choice Voucher – Section 8)
- Retained earnings
- Retirement Asset Liquidation (Fund Income)
- Reverse Mortgage Income
- Royalty Payments
- Seasonal
- Second Home rental income
- Self-Employment Income
- Trailing Co-borrower
- Temporary Leave
- Trust
- Unemployment Benefits
- Unverifiable sources
- VA Benefits

10.10 Verbal Verification of Employment

Income must be verbally verified within 10 days prior to the note date (or the date a construction-to-permanent loan is converted to permanent financing) for employment income (including military personnel).

The phone number used to verify employment income should be obtained independently and the conversation should be documented (including source of number, date of verification, name/title of person confirming employment, and name/title of person completing verification). A third-party vendor such as the Work Number is an acceptable source of verification.

11 Asset Documentation and Calculations

Funds required to close the loan (down payment, closing costs, prepaids) and for reserves must meet requirements. Funds sufficient to meet minimum borrower contribution requirements are required to be from the borrower's own funds. The remaining funds may come from additional eligible sources. Eligible funds must be under the ownership and control of the borrower for a minimum of 90 days prior to the loan application.

11.1 Evaluating Large Deposits

Large deposit verification applies to purchase transactions only. Refinance transactions are subject to underwriter discretion to ensure that any borrowed funds are considered in the underwriting of the loan file.

Large deposits or cumulative large deposits (exceeding 50% of monthly income) identified on an asset statement must be investigated if they are not related to normal transaction activity (payroll deposits, rental income deposits, social security deposits, etc.).

The source of these deposits must be documented. Large deposits from sources that do not meet the requirements for the minimum borrower contribution cannot be used to meet the requirement.

Verified funds must be reduced by the amount (or portion) of the undocumented large deposit, and UW will confirm that the remaining funds are sufficient for the down payment, closing costs and financial reserves. When UW uses a reduced asset amount, net of the unsourced amount of a large deposit that reduced amount must be used for underwriting purposes.

11.2 Min. Borrower Contribution Requirement

Primary & 2nd Home: A minimum borrower contribution from the borrower's own funds is not required.

11.3 Eligible Assets

Depository balances (checking, savings, CDs, etc.): Verified via a VOD (with 2-month history) or 2 months bank statements. If the lender is also the depository for a borrower's account, the lender may verify funds using a printout or other alternative verification produced directly from the lender's system.

Earnest Money Deposit: the source need not be verified if sufficient borrower contributions and funds to close are verified separately.

Investment balances (stocks, bonds, mutual funds, savings bonds, etc.): Verified via a VOD (with 2-month history) or statements covering a minimum of 2 months.

Proceeds from the sale of assets other than real estate owned: Verified by a bill of sale, documentation of receipt of funds and evidence that the sales price at market.

Proceeds from the sale of real estate owned: Verified via HUD1 or Closing Document

Trust funds: Verified by documentation from the trustee

Tax (Income) refunds (either federal or state): Evidenced by copy of return showing refund amount, copy of check and proof of increase in deposit balances

Gifts of Equity in the subject property: A gift of equity refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property and is transferred to the buyer as a credit in the transaction. A gift of equity is permitted for the purchase of a principal residence or second home. If the transaction is a second home new construction, there may be no relationship between buyer and seller/builder due to non-arm's length transaction restrictions. The acceptable donor and minimum borrower contribution requirements for gifts also applies to gifts of equity.

The following documents must be retained in the loan file:

- Signed gift letter & The Closing Disclosure listing the gift of equity

Gifts of Funds:

- A borrower of a mortgage loan secured by a principal residence or second home may use funds received as a personal gift from an acceptable donor. Gift funds may fund all or part of the down payment, closing costs, or financial reserves subject to the minimum borrower contribution requirements. Gifts are not allowed for investment property transactions.
- A signed gift letter from a donor who is either related to the borrower by blood, marriage, adoption or legal guardianship; or can document an established relationship with the borrower (domestic partner or future spouse); or
- A borrower signed letter of explanation along with either a copy of the wedding invitation or marriage license to support receipt of wedding gift funds; and such funds are verified as being on deposit within 60-days of the wedding or marriage license date.

Interested Party Contributions: Provided they are within the maximums permitted in Section 11.5.

11.4 Ineligible Assets

The following are ineligible assets (sources of funds):

- Advances against future earnings
- Bridge loans
- Cash on Hand
- Employer Assistance
- Gifts requiring repayment
- Grant Funds
- Individual Development Account
- Loans against assets or unsecured loans where proceeds do not meet 90 days seasoning requirement
- Pledged assets in lieu of down payment (an asset transferred to the lender for the purpose of securing debt and retained by the lender until payoff)
- Pooled or Community Savings Accounts
- Property seller funds dispersed indirectly via third parties in a way intended to circumvent requirements related to assets, interested party contributions, etc.
- Secondary Financing
- Sweat Equity
- Uniform Transfers to Minor Act (UTMA)

11.5 Interested Party Contributions and Abatements

Interested parties are parties involved in the transaction such as the builder, seller, realtor, etc.

Contributions from these parties are limited so they do not inflate the property value. Interested party contributions must meet the following requirements:

Primary Residence & Second Homes limited to 6%

Investment Property limited to 2%

Must be identified in the sales contract and evaluated by the appraiser in the appraisal report to determine the impact, if any, on value. Unplanned buydowns arising just before closing and paid by the seller/builder to allow the borrower to maintain an interest rate after rates rise are considered contributions.

Amounts in excess of the limit must be deducted dollar-for-dollar from the sales price for purposes of calculating the LTV to determine eligibility:

- Non-monetary sales incentives must be deducted dollar-for-dollar from the sales price for purposes of calculating the LTV to determine eligibility
- Lender funded transaction costs are not considered contributions unless the lender is affiliated with an interested party

11.6 Reserve Requirements

Primary & 2nd Home: Minimum 4 months reserves will be required upon assessment of the overall risk.

Investment: Minimum 6 months reserves will be required upon assessment of the overall risk.

Additional reserves for each financed property (other than subject): 2 months PI for each REO

12 Credit Reports and Scores

12.1 Traditional Credit Requirements

A credit report is required for every borrower based on data provided by the national credit repositories. Reported information cannot be changed but duplicate information may be deleted. Credit information must be developed by combining data from at least two of the national repositories (Experian, Equifax and TransUnion) as follows:

A two or three-repository merged in-file credit report

A Residential Mortgage Credit Report (RMCR)

Each eligible borrower must have:
A minimum of 3 (open or closed) trade lines (excluding authorized user, charge- off, collections, judgment, repossession, foreclosure, bankruptcy, credit counseling trades and trade lines for which a payment has never been made (i.e. deferred student loan)) reporting for a minimum of 12 months each.

Two FICO scores.

12.2 Non-Traditional Credit

Borrowers must have an acceptable U.S. credit history meeting the Traditional Credit Requirements described above. Non-traditional credit, non-traditional credit reports, foreign credit reports, and borrowers without a credit history or credit score are not eligible.

12.3 Foreign Credit

Refer to Non-Traditional Credit requirements above.

12.4 Representative FICO Score for Underwriting

Each borrower's individual representative FICO score is determined by taking the middle of three or lower of two FICO scores. The representative FICO for the loan that must be used for underwriting is the lowest of the representative FICO scores among the borrowers.

12.5 Minimum FICO Score

The minimum FICO score is described on the applicable program matrix in Section 2.

12.6 Housing Payment History

- Mortgage history verification is required for all mortgage not reporting on the credit report. All mortgage tradelines must be updated for current rating at the time of funding/closing. If more than 45 days have elapsed since last reporting, it is required to document the mortgage is current.
- Mortgage Lates – 1x30 during the past 12 months
- Borrowers owning properties free and clear: If borrower does not have a current mortgage payment (i.e. free and clear), no housing payment history is required to be documented.
- First Time Homebuyers: No housing payment history is required

12.7 Payment of Derogatory Amounts

- Judgments, tax liens and repossessions must be paid in full at or before loan closing.
- Collection & non- mortgage accounts must be paid off at or before closing regardless of amount.

12.8 Derogatory Event Seasoning

- Bankruptcy (Ch. 7, 11 and 13): None less than four (4) years
- Foreclosure: None in the last seven (7) years
- Short Sale or Deed-In-Lieu: None in the last four (4) years.
- Loan Modification: None as long as no mortgage late in the last 24 months.
- Consumer Credit Counseling: Credit must be re-established following completion (similar to above 3 trade lines rule except 24 months and no delinquencies are required)

12.9 Disputed Accounts

Disputed accounts are reviewed to determine current balance and derogatory information (a 30-day or more delinquency) within 2 years prior to the credit report date:

- $0 balance and no derogatory information: no action required
- $0 balance and derogatory information: remove and pull new credit report
- A positive balance and no derogatory information: remove and pull new credit report
- A positive balance and derogatory information: remove and pull new credit report
- A credit supplement is not allowed to document disputed accounts.

12.10 Credit Inquiries

The borrower needs to address all inquiries to their credit within 120 days of the credit pull date, unless a corresponding new tradeline is evidenced on the credit bureau. In the event any new debt was incurred since the original credit pull date, details of the new obligation must be obtained and the monthly payment must be included in the debt to income ratio. Acceptable documentation would

include a recent statement or a credit supplement.

12.11 Fraud Alert Messages on Credit Reports

All fraud alert messages appearing on the credit report must be satisfactorily addressed to ensure the information presented on the loan application is true and correct. The borrower must be contacted at the phone number provided on the credit report and the conversation must be documented in the file.

13 Liabilities and Ratios

13.1 General Requirements

The income and debts of the applicants should be utilized to calculate qualifying ratios. Income should be documented and calculated as described in Section 10. Liabilities should be determined in accordance with the credit report requirements described in Section 12 .

Note: The monthly amount of the paid alimony and/or paid child support (with greater than 10 payments remaining) may not be deducted from the income when calculating the debt ratio.

All debts for which the borrowers are obligated should be included in the debt ratio calculations with the following exceptions:

Installment payments (including child support and alimony) where it has been documented that 10 or fewer payments remain (but lease payments must be included regardless of the number of remaining payments).

Court-Ordered Assignment of Debt: When the borrower has outstanding debt that was assigned to another party by court order (such as under a divorce decree or separation agreement), the debt should not be counted as a recurring debt obligation unless the primary obligor has a history of being delinquent in making payments on the debt. For purposes of this guideline, a history of being delinquent is defined as any one or more of the following: a) currently 30+ days past-due, or b) one or more 60+ days past-due or two or more 30+ days past- due in the last 12 months.

Borrower has cosigned for a loan: When the borrower has an outstanding debt that was co-signed, the debt should not be counted as a recurring debt obligation if the borrower can document that the primary obligor has been making payments on the debt for at least 12 months and the primary obligor does not have a history of being delinquent as defined above.

Student loans payments for loans with payment deferment. The payment amount must be determined in the manner described in Section 13.2 for student loans.

A future obligation to make reverse mortgage payments on a property being vacated and retained by the borrower.

13.2 Qualifying Payment Amounts

The following qualifying payments should be utilized unless the Underwriter has determined it is more appropriate to use a higher amount:

Installment Debts: Current payment amount

Lease Payments: Current lease payment amount must be included regardless of the number of remaining payments

Student Loans: For each borrower separately, the monthly payment amount used for calculating the debt ratio must be determined in one or more of the following methods, as applicable:

Sum the outstanding balances from all student loans (regardless of their payment status) and apply one of the following to calculate a qualifying minimum payment:

(1) 1% of the total combined balance; or

(2) 10% of the individual borrower's qualifying income; OR

Fully amortizing payments (determined at the individual loan level) and if the student loan information does not provide sufficient information to calculate a fully amortizing payment for a particular loan, then use 0.50% of the individual loan balance.

Student Loan Debt Paid by Others: Monthly payments for student loan debt(s) may be excluded when calculating the debt ratio if all of the following are met:

The monthly payment on the student loan debt is paid by:

- **Someone other than the borrower ("Payer")**, provided the borrower provides evidence that the student loan debt payer has been making the student loan payments in a timely manner for the most recent 12-months (cancelled checks, etc.);

OR

- **Employer**, provided:
- Borrower provides evidence that their employer is making the student loan payments on their behalf per an employment contract or other written documentation indicating the amount and duration of the payments approved for the borrower; and
- The documentation evidences the employer student loan debt payments will continue for a minimum of 3 years;

AND

Student loan payments must be current and have never been 30 or more days delinquent;

Student loan debt payer or employer may not be an interested party to the transaction; and

The monthly amount of the payer or employer paid student loan debt may not be included as qualifying income. Only the monthly amount of the student loan debt that is paid by the payer or employer may be deducted from the monthly debt when calculating the debt ratio. If the borrower's monthly student loan debt is higher than the monthly amount paid by the payer or employer, then the differential or the remaining balance must be included in the borrower's monthly debt when calculating the debt ratio.

Revolving and Open-End Credit: Amount listed on the credit report or 5% of the outstanding balance.

New Mortgage Payment:

Initial fixed term <= 5 Years: Fully amortizing payment calculated using the greater of the fully indexed rate or the initial note rate plus 2%; and including property taxes, insurance (hazard and flood) and HOA dues.

All Others: Fully amortizing payment calculated using the initial note rate; and including property taxes, insurance (hazard and flood) and HOA dues.

Conversion of Property to Rental or Second Home; or pending sale of current primary residence or second home: Refer to Section 8.4.

Bridge Loans: Borrower must be qualified including mortgage payments on the current home (PITIA plus Bridge loan payments).

Alimony, Child Support and separate Maintenance:
If the borrower:

Discloses specific payments for alimony, child support or separate maintenance in the liabilities section of the application; or

Discloses in the declaration that "yes" they are obligated to make such payments; or

Submits tax returns deducting alimony payments; or

Has provided some documentation that should cause an underwriter to believe alimony, child support or maintenance obligations may be present,

Then MTG MAC requires written documentation supporting the payment. Absent such disclosure (even if the borrower is separated with dependents or unmarried with dependents), then MTG MAC does not require written documentation. If the borrower declares the payment is voluntary or that no written agreement exists (perhaps no such agreement has yet been finalized), then no payment needs to be included.

13.3 Debt-To-Income (DTI) Ratios

Maximum DTI ratios are 49.99%.

13.4 Payment Shock

There is no payment shock requirement.

14 Underwriting the Property

14.1 Eligible Property Types

14.1.1 Single Family/PUD

Properties where ownership includes the lot under the dwelling fall into this category. The category includes detached, semi-detached and attached units.

14.1.2 Condominiums

Properties where ownership excludes the lot under the dwelling fall into this category. Condominiums must meet agency eligibility and project requirements.

Detached site condominiums (similar to a regular condominium except the units are detached) are underwritten as detached single-family properties.

14.1.3 Two-Four (2-4) Units

Two-four units properties must meet agency requirements.

14.1.4 Acreage

The property should not exceed 10 acres and the amount of acreage must be typical for the area and supported with comparable of similar lot size.

14.1.5 Multiple parcels

Follow Agency Guidelines.

14.1.6 Zoning

The property must be a legally permissible use of the land and there may not be any governmental restrictions or regulations prohibiting reconstruction or maintenance of the property.

14.1.7 Accessory Unit

A single family or two-unit property with an accessory unit (unit over detached garage, basement unit, guest house, etc.) is eligible provided all of the following requirements are met:

The property and improvements must be a legally permissible use of the land:

- The legal description and property tax assessment must show the property as single family or two-unit (as applicable) without counting the accessory unit

- Income from the accessory unit, if any, cannot be considered when qualifying the borrower
- The appraisal report must demonstrate that the improvements are typical and marketable for the area through an analysis including at least one comparable sale with an accessory unit

14.1.8 Unpermitted Additions

The appraiser must comment on the quality and appearance of the work and any impact the addition might have on the market value of the subject property. Refer to FNMA Selling Guide for additional requirements.

14.1.9 Properties with Solar Panels

Follow Agency Guidelines

14.2 Property Condition

14.2.1 General Requirements

The appraisal report must identify and describe physical deficiencies that could affect a property's safety, soundness, or structural integrity. If the appraiser has identified any of these deficiencies, the property must be appraised subject to completion of the specific repairs or alterations needed to remedy the deficiency. In these instances, the property condition and quality ratings must reflect the condition and quality of the property based on the hypothetical condition that the repairs or alterations have been completed.

If the appraiser is not qualified to evaluate the alterations or repairs needed, the appraisal must identify and describe the deficiencies and the property must be appraised subject to a satisfactory inspection by a qualified professional.

The appraisal may have to be revised based upon the results of the inspection. If so, the report must indicate the impact, if any, on the final opinion of value. The lender must review the revised appraisal report to ensure that no physical deficiencies or conditions that would affect the safety, soundness, or structural integrity of the property are indicated. A certification of completion is required to ensure the necessary alterations or repairs have been completed prior to closing.

And "as is" valuation is acceptable providing any existing conditions are minor and do not affect the safety, soundness, or structural integrity of the property; and the appraiser's value opinion reflects these conditions.

14.2.2 Natural Disasters

Natural disasters caused by floods, hurricanes, tornados, earthquakes, forest fires, or other catastrophes may impact property condition and value. If the disaster occurs prior to the appraisal, the impact, if any, of the disaster must be reflected in the value conclusion. When the disaster occurs following the appraisal but prior to loan closing and issuing of insurance, the lender must take prudent and reasonable actions to determine whether the condition of the property was affected by the disaster and those actions and conclusions must be documented in the file. Lenders must warrant that the property has no damage affecting safety, soundness, structural integrity or property value. If the property has damage affecting any of these things, the property must be repaired prior to the issuance of the mortgage insurance.

14.2.3 Properties Listed or Previously Listed for Sale

For refinance transactions, properties may not currently be listed For Sale and must have been taken off the market on or before the application date. For rate and term refinance transactions, if the subject property was listed For Sale within the 6 months prior to the application date, the documentation must include a signed statement from the borrowers indicating their intent to retain the property.

For cash-out refinance transactions, the subject property may not have been listed For Sale in the last 6 months.

14.3 Ineligible Property Types

- Apartment/hotel conversions that do not satisfy agency eligibility and project requirements
- Condotels
- Cooperative properties
- Berm, dome, earth, geothermal, log and straw bale homes
- Float Homes
- Houseboats
- Kiddie condominiums (condominium projects made up of student housing)
- Land (including improved or unimproved lots)
- Located outside of the 50 states and the District of Columbia
- Log homes
- Lot loans
- Manufactured Homes
- Mobile homes
- Mixed-use properties
- Non-warrantable condominiums
- Properties exceeding 10 acres
- Properties not appraised as residential
- Properties not primarily residential in nature (farms, ranches, orchards, vineyards, etc.)
- Properties not suitable for year-round occupancy
- Property of a type that is potentially eligible but fails to meet the specific requirements above
- Properties operated as a hotel
- Properties subject to oil and/or gas leases
- Properties with resale restrictions
- Timeshares
- Unique properties where marketability in the local market cannot be established

14.4 Eligible Ownership Types

14.4.1 Fee Simple Estate

Absolute exclusive ownership in perpetuity with greatest rights of possession, use and disposition.

14.4.2 Leasehold Estates

Properties located on leasehold land are eligible provided all of the following requirements are met:

- Agency requirements must be met
- There must be an established market for leaseholds in the area and the comparable properties in the appraisal must include at least three leasehold properties
- Increases in the ground rent, if any, must occur according to a pre-determined schedule, in accordance with a cost-of-living or similar index, or in accordance with a reappraisal process with reasonable limitations.
- The leasehold term must exceed the term of the mortgage by at least 5 years.
- Community Land Trusts (CLTs) satisfying the above criteria are eligible. CLTs are developed by nonprofit organizations or public entities to create and preserve long-term affordable housing. The CLT sells the home, retains ownership of the land, and provides an affordable below-market ground lease to the buyer. Provisions of the ground lease typically guarantee continued use of the property for low and moderate-income borrowers via restrictions affecting resale of the property improvements. Because the buyer is paying a subsidized price, the sales price

is not an indicator of market value – therefore the LTV ratio must be determined by dividing the loan amount by the appraised value of the improvements and leasehold interest. The appraisal must be prepared in accordance with applicable GSE requirements.

14.5 Max. Number of Financed Properties

- Max number of finance properties to be 4 including subject property regardless of occupancy type.
- MTG MAC will finance 4 properties with a maximum unpaid principal balance of $2,000,000.
- Joint ownership in residential real estate is considered the same as total ownership and is subject to the same restriction.

14.6 Property Flips

Property Flips occur when a property is resold within 6 months (close of escrow to close of escrow) of purchase and up to underwriter's discretion.

14.7 Appraisal Types

MTG MAC requires a traditional full appraisal with an interior inspection. Exterior only appraisals or evaluations, property inspection waivers, AVMs or BPOs are not permitted.

Appraisals should include all required photos, exhibits and addendums and be on one of the following acceptable forms:

Uniform Residential Appraisal Report: (Fannie Mae 1004 / Freddie Mac 70)

Individual Condominium Unit Appraisal Report: (Fannie Mae 1073 / Freddie Mac 465)

Individual Cooperative Interest Appraisal Report: (Fannie Mae 2090)

Small Residential Income Property Appraisal Report (Fannie Mae 1025 / Freddie Mac 72)

Appraisal Update or Completion Certificate (Fannie Mae 1004D / Freddie Mac 442) The appraisal must be in compliance with:

- Uniform Standards of Professional Appraisal Practice (USPAP)
- Federal Housing Finance Agency (FHFA) Appraisal Independence Requirements (AIR)

Note: FHA appraisals are acceptable provided they are on the Fannie Mae/Freddie Mac acceptable forms noted above.

14.8 Appraisal Requirements

In order to ensure a reliable valuation of underlying property, a thorough appraisal framework is required which includes at minimum at least one Appraisal and one additional valuation tool.

Appraisal Requirements: The appraisal report must not be more than 180 days old on the date of the note. An appraisal update is allowed on appraisals older than 120 days, but not older than 180 days. All appraisals must meet the Uniform Appraisal Dataset requirements determined by Fannie Mae (as modified by Fannie Mae from time to time).

14.9 Third Party Appraisal Review

- The seller must order an appraisal desk review product for each loan from a vendor listed on the Approved Appraisal Desk Review Vendors.
- A copy of the appraisal desk review report should be submitted in the loan file. The review must not be over 120 days old from the date of the Note.

14.10 Transferred Appraisals

Transferred Appraisals are NOT allowed.

14.11 Loan-to-Value (LTV) and Home Equity Combined Loan-to-Value (HCLTV)

The lesser of the appraised value or sales price is used to calculate the LTV and CLTV ratios and determine the applicable MTG MAC guidelines and pricing. Maximum LTVs and CLTVs are described in the applicable product matrix.

14.12 Home Equity Combined Loan-to-Value (HCLTV)

The HCLTV is calculated by adding the first lien amount to the combined total of the junior liens (adding the outstanding balance of loans, the remaining balance of lines in repayment without ability to make new draws, and the greater of the line amount or outstanding balance for lines of credit that are active where the borrower continues to have the ability to make new draws). When a junior lien is present, payment must be included when calculating the qualifying ratios and the HCLTV must not exceed program guidelines.

14.13 Value Seasoning

- Rate & Term Refinance: LTV/CLTV is based on the appraised value.
- Cash-out Refinance:
  - If borrower has less than 6 months ownership in the property, LTV/CLTV is calculated on the lower of the purchase price or appraised value for delayed financing.
  - If the borrower has owned property for more than 6 months, LTV/CLTV is based on the appraised value.

14.14 Continuity of Obligation

- Follow Agency Guidelines

14.15 Insurance Requirements

14.15.1 Flood Insurance

- Flood insurance consistent with standard Fannie Mae/Freddie Mac requirements must be in place.
- Flood insurance must be included in the borrower's escrow account even if all other escrows have been waived.

14.15.2 Hazard Insurance

Hazard insurance consistent with standard Fannie Mae/Freddie Mac requirements must be in place.

14.15.3 Title Insurance

Title insurance consistent with standard Fannie Mae/Freddie Mac requirements must be in place.

15 Legal and Regulatory Requirements

Loans must be originated in accordance with applicable federal, state and local laws and regulations.

16 Age of Documentation

Credit Documentation: All credit documentation must be dated within 120 days of closing.

Asset Statements: The most recent asset statement to verify the source of funds or reserves must be dated no more than 45 calendar days earlier than the date of the loan application, and not more than 120 days earlier than the date of the Note. Quarterly statement are permissible.

Income Documentation: The most recent income documentation including WVOE, bank statements, and P&L reports, must be dated no more than 45 calendar days earlier than the date of the loan application, and not more than 120 days earlier than the date of the Note.

Appraisal: Eligible appraisals must be dated within 120 days of closing.

Title & CPL: Eligible Title & CPL must be dated within 120 days of closing.

17 Additional Requirements

17.1 Escrow/Impound requirement

- An escrow waiver is eligible for non-HPML files.
- Flood insurance must be included in the borrower's escrow account even if all other escrows have been waived if property is in flood zone.
- Investment & FICO <720: tax and insurance must be impounded.

17.2 Escrow Holdback

Escrow Holdback are not eligible.

17.3 Assumable

Not Permitted.

17.4 Prepayment Penalty

Prepayment penalties are not permitted.

17.5 Section 32: High-Cost Loans

High-cost loans (Section 32) as defined by applicable state and/or local regulations are not permitted.

17.6 Section 35: Higher Priced Mortgage Loan (HPML)

HPML only applies to principal residences.

MTG MAC will purchase loans that are defined as HPML only if all the requirements listed below are met along with applicable product guidelines.

- QM Points and Fees audit must pass.
- QM Ability to Repay requirements are met.
- Escrows/Impounds are required for property taxes and homeowner's insurance (including flood insurance).
- All federal and state guidelines are met.

17.7 Early Pay Off (EPO's)

If any borrower pays off mortgage loan during the 210 days following the Funded/Closed Date, Broker shall promptly reimburse to the Mortgage Mac, (1) any related premium above par and/or any other pricing enhancements paid by Mortgage Mac to Broker and/or Borrower including but not limited to any amount paid by Mortgage Mac, and/or credited toward to borrower's closing cost OR (2) SRP of 1.750% of Loan Amount which was included in your final pricing, whichever is greater.

17.8 Early Payment Default (EPD)

If any of the first four (4) monthly payments due after the loan sale date becomes delinquent Mortgage Mac considers this an Early Payment Default (EPD). EPD loans are subject to repurchase by the Client pursuant to the Mortgage Loan Purchase Agreement

17.9 Legal Documentation

Available Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for loan documentation. In the case when Fannie Mae doesn't offer current documentation, such as interest only, a document vendor should be utilized for forms.

17.10 Fraud Prevention

All loans are underwritten with fraud prevention and detection as part of the lending decision process. The following fraud prevention requirements are used for all transactions as applicable, which include, but are not limited to:

- Internal Fraud Prevention Tools (CoreLogicTM or FraudGuard® Reports).
- Ineligible Party List search requirements.
- Verbal Verification of Employment requirements.
- MERS search prior to closing.
- Internal settlement agent and title company approval process.
- Soft-pull credit report in compliance with Fannie Mae's LQI to determine if the borrower may have taken out new credit prior to closing.
- Originators are required to originate loans in compliance with all applicable federal, state and local laws, rules and regulations, including the USPAP and the FACT Act.

The Fraud Report is reviewed by the Underwriter at initial approval and again prior to issuing a clear to close if the report is more than 30 days old. All variances noted on the Fraud report must be reviewed and mitigated with comments and supporting documentation, if necessary, before the final clear to close can be issued.

Clearing Variances on Fraud Report: Underwriters must note how they mitigated the Moderate and High Risk Variances on the Fraud report by making notes on the report. Supporting documentation should be included in file before the final clear to close be issued.

FraudGuard® scores above 800 from CoreLogicTM require management review and approval by the Underwriting Manager to proceed with the loan.

Underwriters to confirm by reviewing the Fraud Tools, if any of the companies or individuals involved in the origination, underwriting or servicing of the mortgage transaction are on any of the following lists:

- General Services Administration (GSA) Excluded Party List
- HUD Limited Denial of Participation List (LDP List)
- OFAC List
- Freddie Mac Exclusionary List

Regardless of the reason or the scope for the party being excluded, any party to the transaction included on either list will result in the loan being ineligible for delivery.

17.11 Due Diligence

For additional risk management, MTG MAC may engage in third party due diligence prior to funding which may result in additional conditions.