

MFG 900 Series Conforming Program Wholesale

Disclaimer	The guidelines contained herein are intended to give an overview of Manhattan Financial Group's general underwriting policies. They are not all inclusive in that scenarios not depicted here may arise, in which case additional restrictions may apply. MFG reserves the right to update our guidelines periodically without notice.
Program Description	Purchase, rate / term refinance and cash out refinance are all allowed. All occupancy types acceptable. SFR, Condo, PUD & 2-4 unit acceptable. 10-, 15-, 20-, & 30-year fixed and 5/1, 7/1 & 10/1 ARMs available. Full doc only. Additional restrictions will apply if unable to obtain DU/LP Approve / Eligible. Please see LTV / CLTV restrictions on back page.
FICO Restrictions	All three credit scores for all borrowers must be 620 or above
Program Numbers	10-year fixed: #903 15-year fixed: #904 20-year fixed: #905 30-year fixed: #906 5/1 ARM: #954 7/1 ARM: #955 10/1 ARM: #956
Loan Size	MFG follows the standard loan limits set by FNMA and FHLMC. Current loan limits are as follows: 1 unit - \$417,000 2 unit - \$533,850 3 unit - \$645,300 4 unit - \$801,950 Hawaii loan limits are as follows: 1 unit - \$625,500 2 unit - \$800,775 3 unit - \$967,950 4 unit - \$1,202,925
Eligible Borrowers	MFG will only extend loans to individual applicants. Borrowers must be natural persons only – no corporations, estates, partnerships, etc. We can lend on a Trust, (except on Investment property) provided it is a "Living" Trust, and subject to the following: Attorney's Opinion letter from the borrower's attorney verifying all of the following: The trust was validly created and is duly existing under applicable law, is revocable, borrower is settler and beneficiary, the trustee is qualified by law to serve as trustee, is the borrower, and settler, is fully authorized to encumber the trust assets. Also require complete copy of the trust documents certified by the borrower to be accurate. U.S. citizens and permanent resident aliens are eligible. Non-permanent resident aliens are eligible for financing case by case. Require applicable Visa, and subject to underwriting manager approval. Foreign nationals and borrowers with diplomatic immunity are not eligible.
Co-borrower	Co-borrower does not have to occupy property subject to the following: Refer to AUS recommendation.
Non-Arms Length Transactions	Non-arms length transactions are permitted on primary residence transactions on a case-by-case basis. Not permitted on second home or investment property transactions. An enhanced desk review, or 2055 with exterior inspection, or a second full appraisal is required. Regardless of format, this supplemental report must be obtained from RELS Valuation at: www.res-direct.com or 1-877-844-8573. Appraiser must verify last sale date and sales price of the subject property, and must provide recent listing and/or marketing materials. No bail out situations; no pattern of delinquency in past 12 months on present mortgage. No Flip transactions. MFG requires written LOE regarding relationship.
Property Type Restrictions	Condo / Attached PUD must be warrantable per FNMA warranty & insurance guidelines. No units allowed on second home. Units require appraiser to complete FNMA Form 216, regardless of occupancy. On 2 nd home & Investment property transactions, 10 yr fixed & 5/1 ARM products are not allowed if borrower owns more than one financed 1-4 unit investment property.

ARM Adjustments	The adjustment on all ARM products are 5/2/5
Maximum Fees	Loan below \$500k = 4% including YSP. Loans \$500k and over = 2% including YSP. ARMS = max 2% YSP. Fixed = max 3% YSP.
Investment Properties	Gift funds not allowed. Rural properties not allowed. Non-arms length transaction not allowed. May not be vested in a trust. 6 months PITI reserves required on subject. 6 months rent loss insurance required on subject. 5/1 ARM products are not allowed if borrower owns more than one financed 1-4 unit investment property. A full second appraisal on all investment occupancy transactions with a sales price or appraised value less than \$100,000. FNMA 216 / 1007 always required.
Debt Ratios	Maximum debt ratio is 45%. 50% allowed on a case-by-case basis with DU Approve / Eligible. LP debt ratio is maxed out at 45% regardless of LP approval for a higher debt ratio.
Qualifying Rate	<u>Fixed</u> – Note rate <u>ARMs</u> – Note rate or fully indexed rate, whichever is higher, except 5/1 ARM requires qualification on Note rate plus 2%.
Debts Counted	Installment debts with monthly payments that extend beyond 10 months must be included in the debt ratio for qualification purposes. Installment debt with 10 or less payments should also be considered if it significantly affects the borrower's ability to meet his/her credit obligations. Pay down of installment debts to less than 10 payments to qualify is not allowed. Lease payments must always be counted. Deferred debt is not allowed. For student loan debt, 2% of the current balance, or proof of actual payment will be used to qualify if no payment is stated on the credit report. For other deferred debt, proof of the actual payment is required. Revolving debt must be included in debt ratio unless account is paid in full and closed. Revolving debt payment must be included in debt ratio regardless of apparent number of months remaining. 30 day (Amex type) charge accounts are required to be paid off unless borrower has sufficient funds to pay the unpaid balance. Co-signed debt may be omitted from debt ratio with copies of a minimum of 12 months cancelled checks, evidencing debt paid by someone else, no lates. HELOC 2 nd may be qualified with actual payment shown on credit report.
Credit	DU/LP will assess credit history and make credit approval determination. No 1X60 mortgage lates allowed within the past 12 months. Private party VOM / VOR must be accompanied by canceled checks for a consecutive 12 months. Disputed accounts: DU - follow DU findings, LP – Require written LOE from borrower and supporting documentation subject to underwriter review. Minimum 48 months (60 months if there are multiple bankruptcies) since BK discharge with a minimum 680 qualifying credit score. Minimum 84 months since Foreclosure discharge required with a minimum 680 qualifying credit score – both require satisfactory re-established credit history. Deed in lieu of Foreclosure: none in past 84 mo (7 yrs) (4-7 yrs allowed case by case with re-established credit; Purchase allowed on primary residence only to 90% LTV, and allowed on all occupancy types for rate/term refi, cash out refi not allowed). Minimum two FICOs required for all borrowers. Credit report must be dated within 90 days of funding.
Credit Inquiries	All inquiries in past 90 days require an explanation, and borrowers must certify no new credit has been established, and / or if new credit has been established require proof of payment and balance. If borrower(s) have more than three inquiries in past 90 days we will require a letter from borrowers stating that all loan applications were withdrawn, or declined and why. In addition they must execute Manhattan Financial Group's "Undisclosed Debt Acknowledgement" form
Max Financed Properties	On second home and investment property transactions, borrowers may not own more than a maximum of four financed properties. On second home and investment property transactions, if borrower owns more than one financed 1-4 unit investment property, subject loan may not be on 10 year fixed or 5/1 ARM programs. No limit on primary residence transactions. Commercial properties are not considered in this calculation.

Employment	DU/LP will assess employment history and determine the extent of documentation required to verify income. Additional documentation may be required at underwriter's discretion. Typically, a 2-year history of employment in the same line of work and / or self-employment is required. Self employed borrowers may be qualified with most recent 1 year 1040 with DU / LP approval. Minimum 2-year history of secondary employment is required; 1-year history may be considered on a case-by-case basis, provided secondary employment is directly related to primary employment. 1003 must report a full 2-year employment history (if available). All employment income must be derived from current employment in the United States.
Other Income Types	DU/LP will assess income type and set documentation requirements. Other non-employed income may be used to qualify, provided the borrower can evidence a history of receiving said income regularly. 2 year history of managing rental properties required in order to use rental income on investment property. Typically, a minimum 2 years history (12 months for Alimony / Child Support) of receiving other income and minimum 3 years continuance of receipt is required.
Assets	DU/LP will set all reserve requirements and documentation requirements on owner occupied SFR, however, all refinance transactions run through LP require minimum one month bank statement even when no reserves or funds to close are required. Typically, 2 months PITI reserves required for purchase & cash out refinance. Second homes require 2 months PITI reserves for subject and all other financed properties other than primary residence. Investment properties require 6 months PITI reserves for subject and 2 months PITI reserves for all other financed properties other than primary residence. Owner occupied 2-4 unit requires 6 months PITI reserves, regardless of transaction type. Business funds are acceptable, provided borrower is 100% owner, and a satisfactory third party (CPA, etc.) can verify that withdrawal of funds will not adversely affect ongoing viability of business. All funds must be verified by all pages of most recent two months bank statements. VODs permitted on an exception basis only.
Gift Funds	Allowed on owner occupied or second home, must be from family member related by blood, marriage, or adoption. 5% borrower's own funds required, unless 20% down. Gift of equity allowed, subject to the aforementioned restrictions. Gift of equity must be reflected in sales contract and on final HUD-1.
Max Seller Contributions	Primary Res. / Second Home: 9% if CLTV ≤ 75%, 6% if CLTV 75.01-90% (based on lesser of purchase price / appraised value) Investment Properties: 2% for all LTVs (based on lesser of purchase price / appraised value)
Subordinate Financing	Require copy fully executed Subordination Agreement and Note on 2 nd mortgage. Require a 5% reduction in max LTV. See back pages. Ineligible subordinate financing are: has interest rate buydown plan, neg am, wraparound terms, community 2 nd , seller 2 nd , tax and judgment liens, prepayment penalty, maturity date less than 5 years (unless fully amortized). Scheduled payments must be on a regular basis; no less than semi-annually. If employer 2 nd must: be fully amortizing, or deferred for a period of time then fully amortizing, deferred over the entire term, forgiveness of debt over time. If a variable rate (other than HELOC), the monthly payment must remain constant for 12 months, change of the payment at the end of each 12-month period cannot exceed 1%. HELOC 2 nd may be qualified with actual payment shown on credit report.
Rate / Term vs. Cash Out	Payoff of existing first lien, payoff of purchase money second lien, incidental cash back equal to maximum of \$2,000 and / or payment of due property taxes will be considered rate / term. Any excess cash back / debt consolidation, payoff of non-purchase money second liens, payoff of a HELOC first, payoff of a first lien seasoned less than six months that was a cash out refinance, and / or payment of delinquent property taxes will be considered cash out. Cash out refinance requires minimum six months ownership of subject property for all borrowers and minimum six months seasoning on all liens to be paid. All rate/term (limited cash out) refinances run through LP: if we are paying off a purchase money 1st mortgage, a minimum of 120 days seasoning is required, Note date to Note date.

Refinance Of Loans Not In Borrower's Name	<p>Typically, outstanding mortgages on the subject property that will be satisfied through a refinance transaction require that at least ONE of the borrowers on the new loan must have been a borrower on the existing loan that is being refinanced. If this criterion is not met, the following underwriting requirements apply:</p> <ul style="list-style-type: none"> - VOM & most recent 12 months canceled checks evidencing payments made on time by current borrower(s); - max LTV 50%; - minimum six months title seasoning required.
Conversion Of Current Primary To Investment	<p>Borrowers who wish to purchase a new primary residence and convert their current primary residence to an investment property are allowed to use 75% of the proposed rental income to offset the existing mortgage payment if there is documented equity of at least 30% in the existing property (derived from an HVCC-compliant appraisal, minus outstanding liens) and borrower(s) have a minimum 2 year history of managing rental properties. If the 30% equity requirement cannot be met, borrowers must be qualified with both PITI payments and 6 months PITI reserves are required for <u>both</u> properties. In addition to above referenced appraisal, the rental income must be documented with a copy of the fully executed lease agreement, receipt of the security deposit, and proof security deposit deposited into borrower's account</p>
Title	<p>Full ALTA title insurance report covering the face value of the mortgage, with plat map or survey, is required. All borrowers must be on title prior to application date. On a cash out refinance all borrowers must be on title a minimum of 6 months. 24-month chain of title required. Judgments or any other adverse credit affecting title must be paid prior to or at close. Child support / alimony orders must subordinate to subject loan. Properties with multiple parcels must be adjoining; only one parcel may contain a residential dwelling. Title must be dated within 90 days of funding. All rate/term (limited cash out) refinances run through LP: if we are paying off a purchase money 1st mortgage, a minimum of 120 days seasoning is required, Note date to Note date.</p>
Hazard / Flood Insurance	<p>Hazard insurance coverage equivalent to the greater of the loan amount or cost new is required <u>or</u> policy to reflect 100% guaranteed replacement cost. Maximum deductible is \$1,000 or 1% of the dwelling coverage. Premium amount listed must be paid current, or provide proof paid at closing. If flood insurance is applicable, all above requirements apply. For Condo projects, if master hazard policy does not provide coverage of the interior of the subject unit an HO-6 (AKA "Walls-In") policy must be provided, showing minimum coverage of 20% of the appraised value.</p>
Mortgage Insurance	<p>All loans with an LTV greater than 80% (see last page for restrictions) require mortgage insurance. Minimum 720 qualifying credit score is required. For loans with a term less than or equal to 20 years the following M.I. percentage is required: 80.01-85% = 6%, 85.01-90% = 12%. For loans with a term greater than 20 years the following is required: 80.01-85% = 12%, 85.01-90% = 25%. 2-4 unit, 2nd home, investment property, and cash out refinance. Max Debt ratio 41%. See separate M.I. company conditions / restrictions as well.</p>
Value Determination	<p>Lesser of purchase price or appraised value used on purchase. If this is an REO transaction, LTV is based on the lesser of appraised value, sales price, auction/foreclosure bid value, or auction/foreclosure sales price. If property was purchased within past 12 months, value will be based on lesser of purchase price or current appraised value for cash out transactions. Exceptions permitted on a case-by-case basis - any increase in value since purchase must be adequately documented by appraiser and must be supported by recent sales, current listings, and independent third-party verification (AVM or appraisal review).</p>
Property Flipping	<p>Properties resold within 90 days of the seller's acquisition are not permitted. Properties resold within 91-180 days of the seller's acquisition are allowed on a case-by-case basis. If property has increased in value by 20% or \$20,000 (whichever is higher) since purchase, a field review is required. Properties that previously sold under value (trustee sale, etc.) or had home improvements that contributed to value increase must be fully documented and supported.</p>

Appraisal

Full URAR required on all loans, to be ordered by MFG. On REO transactions appraisal must be obtained from RELS Valuation at: www.res-direct.com or 1-877-844-8573. If appraisal is not from RELS a Field Review must be obtained from RELS. LTV is based on the lesser of appraised value, sales price, auction/foreclosure bid value, or auction/foreclosure sales price on REO transactions. If value exceeds \$1,000,000 appraisal must be completed by a state certified appraiser. Subject property may not be listed for sale at the time / date of application. Properties listed within past 180 days are eligible for cash out refinance w/ max 70% LTV. Unpermitted additions / conversions may not be given value and require appraiser to establish cost-to-cure to bring property back to original utility. Commercially or agriculturally zoned properties are not allowed. Cost to cure of 2.5% or greater of the property value, and / or any items that affect basic habitability and / or safety will require Appraiser's Completion Cert(s) and photo(s). Appraisal must be dated within 90 days of funding – no exceptions. Recert of value not permitted.

Max LTV / CLTVs

Primary Residence

Type	Units	LTV	CLTV ¹
Purchase and Rate / Term Refinance	1	90	95
	2-4	80	80
Cash Out Refinance	1	85	85
	2-4	75	75

Second Home

Type	Units	LTV	CLTV
Purchase and Rate / Term Refinance	1	90	90
Cash Out Refinance	1	75	75

Investment Properties

Type	Units	LTV	CLTV
Purchase	1	85	85
	2-4	75	75
Rate / Term Refinance	1-4	75	75
Cash Out Refinance	1	75	75
	2-4	70	70

¹ Reduce LTV by 5% when there is subordinate financing,
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