



MFM Bulletin: 021-2021

Date: November 1, 2021

Subject: Member First Mortgage Overlays

We are pleased to announce that Member First Mortgage has amended our underwriting overlays to lower our minimum credit scoring requirements on FHA and VA loans. MFM will now allow FHA credit scores down to 580 or 620 on VA loans with DU or LPA approved/eligible findings. **These loans must be locked as servicing released to be sold to Newrez.** Our intention is to add additional investors for the lower credit score loans in the coming weeks.

We are also providing greater clarity on our existing overlays and have added a few additional. Please review these overlays carefully. The first section details the overlays applied to all products, then loan specific overlays, and finally government credit scoring/LTV overlays. Some of the more significant changes are:

- Clarified that any property where marijuana is grown or processed inside the home or on the property is not allowed, regardless of state law.
- Native American Land: Properties on Native American tribal or Indian Trust Land or Restricted Land is acceptable on HUD SECTION 184 LOANS only.
- **Added overlays specifically related to credit scores under 620 for FHA loans and VA loans under 640.**
- Incorporated our current Power of Attorney policies into the overlays for greater clarity and ease of access.
- Added a list of acceptable VISAs and EADs (Employment Authorization document) per our investor requirements.
- Clarified that DACA recipients (C33 EAD) is allowed on serviced retained loans only.

Policies contained in these overlays are currently in effect and you may begin taking loan applications immediately.

Thank you

MFM Underwriting Overlays



ALL LOAN PROGRAMS

Ineligible Properties	<ul style="list-style-type: none"> • Lease holds • Co-ops • Single wide manufactured homes • Earth/berm homes, geodesic domes • Native American Land: Properties on Native American tribal or Indian Trust Land or Restricted Land (EXCEPT HUD SECTION 184 LOANS) • Land Trusts • Property condition: Properties with ratings of C5, C6 or Q6, unless these ratings are cured prior to closing as confirmed by appraiser. Appraisal revision upgrading to at least C-4 is required. • Any property where marijuana is grown or processed inside the home or on the property is not allowed, regardless of state law.
Ineligible Borrowers	<ul style="list-style-type: none"> • Borrowers with no Social Security Number including ITIN borrowers • Non-US Citizen who does not meet all Non-US Citizen requirements set forth by applicable Agency - see below.
Unacceptable Title Vesting	<ul style="list-style-type: none"> • Irrevocable trusts • Title held in Life Estate • Title held in Land Trusts
Maximum Loans To One Borrower	<ul style="list-style-type: none"> • No individual may be a Borrower or Co-Borrower on more than four (4) loans serviced by MFM.
Ineligible Non-ARMs Length Transactions	<ul style="list-style-type: none"> • Investment properties • Properties acquired less than 12 months ago • Properties where seller's mortgage is in default • MFM may require a written explanation of his/her relationship to the property seller and a rationale for the property purchase that convinces MFM that borrower will occupy the property as a primary residence and is acceptable.
Tax Transcripts	<ul style="list-style-type: none"> • Required for all loans being sold to private investors and tax returns are required* • Both personal and business transcripts are required (if applicable - see above) • Transcripts may not be provided by borrowers <p>*Tax returns are always required in the following instances:</p> <ul style="list-style-type: none"> • Self-employed borrower (both personal and business returns) • Borrowers employed by family members • Rental income being used to qualify • Interest and dividend income used to qualify • Capital gain income used to qualify • Handwritten W2's or 1099's
Power of Attorney	<ul style="list-style-type: none"> • Please see Power of Attorney requirements (attached)

ALL LOAN PROGRAMS CONTINUED

<p>Non-US Citizen Documentation Requirements</p>	<p>Permanent Resident Alien</p> <ul style="list-style-type: none"> • A valid and current Permanent Resident card (form I-551) • A passport stamped “processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until _____. Employment authorized”. This evidences that the holder has been approved for, but not issued a Permanent Resident card. <p>Non-Permanent Resident Alien</p> <ul style="list-style-type: none"> • See attached VISA and EAD Eligibility Matrix for list of acceptable Visa and EAD categories. Visa and EADs, which are not specifically detailed on the list below, are generally not acceptable. • DACA C33 EAD allowed on servicing retained only. • Expiring Visas: If the authorization for temporary residency status will expire within one year and a prior history of residency status renewals exist, continuation may be assumed. If there are no prior renewals, the likelihood of renewal must be determined based on information from USCIS.
<p>Texas 50(a)(6) and 50(f)(2) Loans</p>	<ul style="list-style-type: none"> • Conventional conforming and port loans only (not allowed on government loans) • 50(f)(2) loans ALWAYS require appraisals

CONVENTIONAL / CONFORMING LOANS

<p>Conventional / Conforming</p>	<ul style="list-style-type: none"> • All Freddie Mac and Fannie Mae Mortgage Loans must have an automated approval with Accept/Eligible findings from LPA or DU • No manual underwriting
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FHA LOANS

FHA	<ul style="list-style-type: none">• AUS approved only (manual underwriting not permitted)• Income and asset documentation no older than 60 days at closing• Prior mortgage credit rejects are not permitted• MAX DTI 55% (regardless of AUS findings)
FHA Condominiums	<ul style="list-style-type: none">• FHA approved projects only (HRAP)
FHA Manufactured Housing	<ul style="list-style-type: none">• Manufactured housing not allowed on streamline refinances
Additional overlays for FHA loans with credit scores less than 620 (servicing released to AFR and Newrez)	<ul style="list-style-type: none">• AUS approved eligible only (no manual downgrades allowed)• All borrowers must have at least one credit score• Maximum 4 properties (including subject)• Private VOR required 12-months cancelled checks (for any loan downgraded to manual underwriting)• 2 years self-employment required• Gift of equity (in-laws not allowed. Both spouses must be on loan)• Max 1X30 mortgage late if not within the past 3 months (allowed on AUS approved only)• Property restrictions:<ul style="list-style-type: none">• 3-4 unit properties not permitted• Mixed-use properties not permitted• Utilities must be on at time of appraisal

VA LOANS

<p>VA</p>	<ul style="list-style-type: none"> • AUS approved eligible only (manual underwriting not permitted) • Income and asset documentation no older than 60 days at closing • MAX DTI 55% (regardless of AUS findings) • Valuation required on all VA IRRRLs (max LTV CLTV 105%) • Maximum VA loan amount \$1,000,000 (for veterans with full entitlement) excluding VAFF • VA IRRRL required at least 2 credit scores
<p>VA Manufactured Housing</p>	<ul style="list-style-type: none"> • Manufactured housing not allowed on VA IRRRLs • 85% maximum LTV on manufactured home cash out refinance (which are all refinances other than IRRRLS)
<p>Additional overlays for VA loans with credit scores under 640 (servicing released to AFR and Newrez)</p>	<ul style="list-style-type: none"> • Minimum 2 credit scores required • Max 50% with residual meeting 120% of requirement (AUS approved eligible only) • VA jumbo max loan amount \$1,000,000 (includes funding fee)* • 2 years self-employment required • 2 years overtime or bonuses required • Private VOR required 24-months cancelled checks (for any loan downgraded to manual underwriting) • Property restrictions: <ul style="list-style-type: none"> • 3-4 unit properties not permitted • Mixed use properties not permitted • Utilities must be on at time of appraisal <p>*Jumbo loans are loan amounts over Fannie/Freddie county limits per CONV loan limits table. These require a down payment from Veteran in the amount of 25% of the amount above the applicable county limit.</p>

FHA, USDA and VA Program Overlays



Please see below for a list of MFM Underwriting overlays for FHA, USDA and VA government programs.

FHA OVERLAYS

PURCHASE			
Purpose	Credit Score	LTV	CLTV
Purchase	580 (servicing released AFR, Newrez) 620 (servicing retained) 640 (servicing released - all other investors)	96.5%	96.5%

RATE / TERM AND CASH-OUT REFINANCE			
Purpose	Credit Score	LTV	CLTV
Rate and Term Refi	580 (servicing released AFR, Newrez) 620 (servicing retained) 640 (servicing released - all other investors)	97.75%	97.75%
Simple Refi	640 (620 if servicing retained)	97.75%	97.75%
Cash-Out Refi	580 (servicing released AFR, Newrez) 620 (servicing retained) 640 (servicing released - all other investors)	80%	80%

STREAMLINE REFINANCE			
Purpose	Credit Score	LTV	CLTV
Credit Qualifying	640	Unlimited	Unlimited
Non-Credit Qualify Refi	640	Unlimited	Unlimited

FHA MANUFACTURED HOUSING			
Purpose	Credit Score	LTV	CLTV
Purchase	640	96.5%	96.5%
Rate and Term / Simple Refi	640	97.5%	97.5%

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FHA, USDA and VA Program Overlays



USDA OVERLAYS

PURCHASES AND STANDARD RATE & TERM (NON-STREAMLINED) REFINANCES	
Credit Score	LTV/CLTV
640	100%

STREAMLINED REFINANCE	
Credit Score	LTV/CLTV
640	100%

STREAMLINED ASSIST REFINANCE	
Credit Score	LTV/CLTV
640	100%

VA OVERLAYS

PURCHASE			
Purpose	Credit Score	LTV	CLTV
Purchase	620	100% (plus VAFF)	100%

PURCHASE (MANUFACTURED HOUSING)			
Purpose	Credit Score	LTV	CLTV
Purchase	640	100% (plus VAFF)	100%

CASH-OUT REFINANCE			
Purpose	Credit Score	LTV	CLTV
Cash-Out Refi	620	90% (includes VAFF)	90% (includes VAFF)

CASH-OUT REFINANCE (MANUFACTURED HOUSING)			
Purpose	Credit Score	LTV	CLTV
Cash-Out Refi	640	85% (includes VAFF)	85%

VA IRRRL		
Credit Score	LTV	CLTV
Primary Residence		
640	105%	105%

Valuation required on all VA Streamline refinances by one of the following:

- AVM,
- "Drive-by" appraisal
- Full appraisal (cannot be ordered through WEBLGY)

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VISA & EAD Eligibility Matrix



VISA & EAD ELIGIBILITY

Guide Summary:

- Visa categories, types, descriptions, or EADs which are not specifically detailed on the list below are generally not acceptable.
- All loans must meet the continuity, stability, and dependable income requirements of the applicable Agency and program guide.

VISA ELIGIBILITY MATRIX

Visa Category	Visa Type	Brief Description	Documentation Required	EAD Code
Trade Treaty Work Visa	E-1	Treaty trader - employee, spouse, and/or child	Visa and EAD	C02
	E-2	Treaty investor - employee, spouse, and/or child	Visa	
	E-3	Specialty occupation		
	E-1, E-2, or E-3D	Spouse of E-1, E-2 or E-3	Visa and EAD	A17/C12
Temporary Employment Visa	H-1B	Specialty Occupation	Visa	
	H-1B1	Specialty Occupation		
	H-1B2	Specialty Occupation - U.S. Department of Defense		
	H-1B3	Fashion model of distinguished merit and ability		
	H-1C	Registered nurse - U.S. Department of Labor		
	H-4	Spouse or child of H-1B	Visa and EAD	C26
Media Work Visa	I	Foreign media outlet (press, radio, film or other)	Visa	
Non-immigrant Visa for Fiancé(e)	K-1	Fiancé(e) - purpose of marriage	Visa and EAD	A06
Non-immigrant Visa for Spouse	K-3	Spouse of a U.S. citizen	Visa and EAD	A09
Temporary Employment Visa	L-1A	Intracompany transfer - managerial or executive	Visa	
	L-1B	Intracompany transfer - specialized knowledge		
	L-2	Spouse or child of L-1A or L-1B	Visa and EAD	A18
	O-1A/B	Extraordinary ability in analysis, business, education, entertainment	Visa	
	O-2	Assistant to O-1		
	P-1A	Internationally recognized athlete		
NAFTA Professional Workers Visa	TN	Professional under NAFTA	Visa	

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VISA & EAD Eligibility Matrix



VISA ELIGIBILITY MATRIX CONTINUED

Visa Category	Visa Type	Brief Description	Documentation Required	EAD Code
Spouse/Child of Permanent Resident Alien	V-1	Spouse of a Legal Permanent Resident (LPR) who is the principal beneficiary of a family-based petition (Form I-130) which was filed prior to December 21, 2000, and has been pending for at least three years.	Visa and EAD	A15
	V-2	Child of a Lawful Permanent Resident (LPR) who is the principal beneficiary of a family-based visa petition (Form I-130) that was filed prior to December 21, 2000, and has been pending for at least three years.		
	V-3	The derivative child of a V-1 or V-2.		

EAD ELIGIBILITY MATRIX

Certain borrowers may hold an EAD which does not require a corresponding Visa type. Borrower's holding the **EADs noted below are eligible without a Visa.**

EAD Code	EAD Code Definition
C09	Adjustment of status applicant
C10	<ul style="list-style-type: none"> Nicaraguan Adjustment and Central American Relief Act (NACARA) section 203 applicants Applicant for suspension of deportation. Applicant for cancellation of removal
C24	LIFE legalization applicant
C31	<ul style="list-style-type: none"> Principal beneficiary of an approved VAWA self-petition Qualified child of a beneficiary of an approved VAWA self-petition

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A Power of Attorney (POA) is a legal document giving one person (Attorney in Fact) the power to legally bind another person. Loans with documentation executed by an Attorney in Fact on behalf of the borrower under a POA are eligible if all requirements referenced in these guidelines are met.

AGENCY	Fannie Mae, FHA, VA and USDA	Freddie Mac
General restrictions on use of POA	<ul style="list-style-type: none"> • ALLOWED FOR CLOSING DOCUMENTS ONLY • POA not allowed when title will be held in trust. 	<ul style="list-style-type: none"> • ALLOWED FOR CLOSING DOCUMENTS ONLY • POA not allowed when title will be held in trust. • POA will only be allowed in a hardship or emergency situation in the following instances: <ul style="list-style-type: none"> ○ Medical emergencies ○ Military deployment ○ Disaster ○ Other hardship preventing borrower from signing in person • A letter explaining reason why a POA will be used is required. OR • State law requires lender to accept use of POA <p>Documentation is required.</p>

Eligible Transactions:

- Purchase
- Limited Cash Out
- Cash Out Refinance (VA only)

Eligible Power of Attorney:

- Family Members
- Fiancé

Ineligible Power of Attorney:

- Lender or employee of lender
- Title Agent or affiliate
- Property Seller
- Real Estate Agent or affiliate

Document Requirements:

- Must be a specific Power of Attorney and must include the address of the property being financed.
- The name(s) on the POA match the name(s) of the person(s) on the loan document.
- The POA must be dated such that it was valid at the time the loan documents are executed.
- POA must be notarized.
- POA must be recorded with the mortgage if required by state law.
- Must be reviewed and approved by MFM and Title closing agent and must meet all State requirements.