

Du Refi Plus Guidelines													
Max Loan Amount Conforming	Units				Contiguous States, DC				Alaska, Hawaii				
	1 Unit				\$417,000				\$625,500				
	2 Unit				\$533,850				\$800,775				
	3 Unit				\$645,300				\$967,950				
	4 Unit				\$801,950				\$1,202,925				
Max Loan Amount High Balance	Units				Contiguous States, DC				Alaska, Hawaii				
	1 Unit				\$625,500				938m250				
	2 Unit				\$800,775				\$1,201,150				
	3 Unit				\$967,950				\$1,451,925				
	4 Unit				\$1,202,925				\$1,804,375				
Mortgage Product	FNMA DU Refi Plus												
Product Eligibility	DU Approved/Eligible or Expanded Approval is required												
Loan Program	Fixed Rate Only												
Finance Type	Rate and Term Only												
Occupancy	Owner Occupied												
Max LTV/CLT and FICO	Property Type				LTV/CLTV				Min Credit Score				
	1-2 Unit				105/105				660				
1-4 Unit				105/105				620					
Second Home													
Property Type				LTV/CLTV				Min Credit Score					
1 Unit Only				105/105				660					

	Investment													
	Property Type				LTV/CLTV				Min Credit Score					
	1-4 Unit				105/105				660					
Ability to Repay and Qualified Mortgage Rule	<ul style="list-style-type: none"> • For loans subject to the ATR/QM rule, Magnolia Bank will only purchase loans that comply with the ATR/QM requirements. Note: Investment properties which are for business purposes (borrower does not intend to occupy for greater than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements and are subject to the applicable points and fees threshold. • Correspondents are responsible for providing evidence of compliance with the ATR/QM rules. • Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans. • See Seller Guide section "Ability to Repay and Qualified Mortgage Rule" under "Delivery Procedures" for more details. 													
Age of Documents	<ul style="list-style-type: none"> • For new and existing construction, credit documents must be no more than 120 days old on the date the note is signed, including credit reports and employment, income and asset documents. • Preliminary Title Policies must be no more than 180 days old on the date the note is signed. 													
Appraisals	<ul style="list-style-type: none"> • Determined by AUS Findings. Property Inspection Waivers, through Desktop Underwriter, are acceptable with a \$75.00 delivery fee. • If the DU accepts the input value, and approves a PFW, but returns a different estimate of value (higher or lower), the DU does NOT need to be re-run with the estimate of value. 													
Assignment of Mortgages	All loans must be registered with MERS at time of delivery to Magnolia Bank and a MERS transfer of beneficial rights and transfer of servicing right must be initiated by the Seller, to Magnolia Bank, within 24-hours of purchase.													
AUS	• Desktop Underwriter with "Approve/Eligible" Findings is required.													
Borrowers	<ul style="list-style-type: none"> • An existing borrower(s) may be removed from the new loan provided that at least one of the original borrower(s) is retained on the new loan. • A new borrower may be added to the new loan, provided the existing borrower is retained. 													
Borrowers Benefit	Loan must produce a benefit to the borrower by either of the following: *Reduced monthly mortgage principal and interest payment or *Reduction in interest rate or *Reduction in the loan amortization (term) or *More stable mortgage product, e.g. refinancing out of an ARM loan, into a Fixed Rate.													
Buydowns	Buydowns are not permitted.													
Change in Ownership	Where Change occur, refer to the Borrowers section													
Condominiums and or Puds	<ul style="list-style-type: none"> • Lender is not required to perform a review of condo projects, co-op projects, or PUDs. • Lender must represent and warrant that the property is not in a condo or co-op hotel or motel, houseboat project, or a timeshare or segmented ownership project. 													
Credit	<ul style="list-style-type: none"> • The representative score must be equal to or greater than the minimum score as required by the eligibility matrix. • DU performs its standard credit risk assessment for DU Refi Plus loans, which includes a comprehensive review of the borrower's credit and mortgage payment history. • Current Housing Payment: *When the payment is not reported on the credit report, provide third party verification of payment amount. 													

Credit Cont.	*If living rent free, a rent free letter from landlord or person obligated on lease required.
Credit - Derogatory	Standard waiting periods for bankruptcy, foreclosure, deed-in-lieu, or pre-foreclosure do not need to be met. The DU approval will issue a message acknowledging the event. Follow the DU approval.
Debt To Income Ratio	<ul style="list-style-type: none"> • The Maximum DTI is 50% with a DU Approve/Eligible. • Loans with DTI exceeding 50% regardless of AUS decision are ineligible. • Higher Priced Mortgage Loans (HPML) and Higher Priced Covered Transaction (HPCT) loans limited to 45% DTI. See HPML section for details. <p>*Applicable to owner occupied and second home transactions.</p>
Disaster Policy	Magnolia Bank may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster.
Documentation Type	<ul style="list-style-type: none"> • Any documentation required by the DU Findings Report must be evidenced in the loan file, except for "reducing documentation for income and assets" addressed by Fannie Mae SEL 2012-09. • The loan must receive the following message from DU: "This loan casefile was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loan casefiles where the borrower's existing loan is identified by DU as a Fannie Mae loan. This loan casefile must be delivered with Special Feature Code 147". • A new executed, complete Uniform Residential Loan Application (Form 1003 or 1003(S)) • A new merged credit report with the borrower's "representative" credit score • A new mortgage note, security instrument, and applicable riders and addenda are required for each new mortgage loan • Subordination Agreement, if required along with a copy of the note of the subordinate financing. • Title Policy and applicable Endorsements (Short form policy is acceptable if provided through the original Title Company) • Tax transcripts are required for each borrower whose income is utilized as a source of repayment. Transcripts must be provided for the number of years of income used to qualify the borrower. Tax transcripts are required to support the income used to qualify the borrower. If only W2 income is used to qualify, the lender may obtain W2 transcripts as long as tax returns are not included in the loan file. Generally, when the documentation used to verify income is from the same calendar period as the tax transcript, the information must match exactly. However, if the income documentation is from the current calendar year and the transcript is from a prior year, there can be acceptable variances. If this variance exceeds 20%, document the rationale for using current income. If tax transcripts are not available (due to a recent filing) a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and the previous one years tax transcripts. • A properly executed 4506-T is required for all transactions.
Eligible Mortgage Products	<p>Magnolia Bank will only purchase the following products:</p> <ul style="list-style-type: none"> • Agency Fixed Rate: 10, 15, 20, 25, 30 Year;
Eligible Requirements	<ul style="list-style-type: none"> • All loans under this program must be run through DU, and must receive an Approve / Eligible or Expanded/Approval (EA-1, EA-II or EA-III) recommendation • Existing loan must have a note date on or before May 31, 2009
Employment / Income	<ul style="list-style-type: none"> • Mortgage Credit Certificates (MCCs) enable an eligible first-time home buyer to obtain a mortgage secured by his or her principal residence and to claim a federal tax credit for a specified percentage (usually 20% to 25%) of the mortgage interest payments. - When calculating the borrower's debt-to-income ratio, treat the maximum possible MCC income as an addition to the borrower's income, rather than as a reduction to the amount of the borrower's mortgage payment. Use the following calculation when determining the available income: • $[(\text{Mortgage Amount}) \times (\text{Note Rate}) \times (\text{MCC \%})] \div 12 = \text{Amount added to borrower's monthly income.}$ <p>*For example, if a borrower obtains a \$100,000 mortgage that has a note rate of 7.5% and he or she is eligible for a 20% credit under the MCC program, the amount that should be added to his or her monthly income would be \$125 ($\\$100,000 \times 7.5\% \times 20\% = \\$1500 \div 12 = \\$125$).The lender must obtain a</p>

Employment / Income Cont.	<p>copy of the MCC and the lender's documented calculation of the adjustment to the borrower's income and include them in the mortgage loan file.</p> <p>*For refinance transactions, the lender may allow the MCC to remain in place as long as it obtains confirmation prior to loan closing from the MCC provider that the MCC remains in effect for the new mortgage loan. Copies of the MCC documents, including the reissue certification, must be maintained in the new mortgage loan file.</p> <ul style="list-style-type: none"> • Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) are an acceptable source of income. However due to operational constraints, transactions involving HAPs paid directly to the Servicer are ineligible for purchase by Magnolia Bank. Transactions with HAPs paid directly to the borrower continue to remain eligible for purchase.
Escrow Accounts	<p>Generally, escrow accounts are not required. However, loans requiring private mortgage insurance premiums must have the MI premium escrowed unless there is a single premium.</p>
Financing Concessions	<p>Not applicable</p>
Hazard Insurance	<p>Hazard Insurance and Flood Insurance must be paid current.</p>
High Cost and High Priced Mortgages	<ul style="list-style-type: none"> • Magnolia Bank will not purchase High Cost Loans • Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence. Must meet all applicable state and/or federal compliance requirements. - A prohibition on ARM loans with an initial fixed rate period of less than seven years (7/1 ARMs are eligible).
Ineligible Existing Mortgage Loans	<p>Reverse Mortgage loans</p> <ul style="list-style-type: none"> • Second Mortgage loans • Government Mortgage loans • Loans that are currently subject to any outstanding repurchase request from Fannie Mae • Mortgage loans that are subject to any credit enhancement (e.g. full or partial recourse) other than borrower paid or lender paid mortgage insurance
Ineligible New Mortgage Loans	<ul style="list-style-type: none"> • All ARM Product types • Mortgage loans with an interest-only feature • Balloon mortgage loans • My Community Mortgage loans • Home-style Renovation mortgage loans prior to the completion of the property • Loans that "buy out" the interest of another borrower • Loans that receive a ineligible or refer with caution/IV recommendation
Loan Purpose	<ul style="list-style-type: none"> • Limited Cash-Out/Rate & Term Refinance *Proceeds can be used to Pay off a first mortgage *Proceeds can NOT be used to pay off any junior liens, even if used to purchase the subject property *Proceeds may be used to pay related closing costs. *Borrower may receive no more than \$250 cash bac
Maximum Loan Amount	<p>Refer to the grid at the top of this Matrix for maximum loan amounts</p> <p>There is no minimum loan amount for this program</p>
Mortgage Insurance	<ul style="list-style-type: none"> • Loans which require mortgage insurance are only allowed when continued or transferred from Radian, PMI, MGIC, RMIC, TRIAD, CMG/ArchMI, Genworth, or United Guaranty (UG). All other Mortgage Insurance companies are not allowed. If the lender determines the existing loan has mortgage insurance, the lender may either obtain the existing amount of mortgage insurance coverage in effect on the loan or obtain standard (reduced not allowed) mortgage insurance.

Occupancy	<ul style="list-style-type: none"> • Primary Residence - 1-4 units • Second Homes - 1-unit only • Investment Properties 1-4 units • Occupancy is based on the current status of the property. The occupancy of the subject property may have changed by the time of the new transaction.
Property, Eligible Types	<ul style="list-style-type: none"> • Single Family Detached Single Unit • Single Family Attached Single Unit • 2-4 Unit Attached/Detached • PUDs • Low-rise and High-rise Condominiums (must be Fannie Mae eligible) • Rural Properties (in accordance with agency Guidelines, loans must be residential in nature) • Leaseholds
Property, Ineligible Types	<ul style="list-style-type: none"> • Manufactured homes • Mobile Homes • Cooperatives • Condotels • Hotel Condominiums • Timeshares
Property, Ineligible Types Cont.	<ul style="list-style-type: none"> • Working Farms and Ranches • Unimproved Land • Property currently in litigation • Land Trust • Condition Rating of C5/C6 or a Quality Rating of Q6 • Homes purchased using HomeStyle Financing
Property; Maximum Number of Financed Properties	<ul style="list-style-type: none"> • The loan must comply with Fannie Mae's limitations on the maximum number of financed properties, including ownership interest in financed properties. Fannie Mae has imposed LTV/CLTV, minimum credit score, transaction type, reserves and other miscellaneous requirements that may not be assessed by DU. • Borrowers can have up to four Magnolia Bank serviced properties (including the subject transaction), regardless of occupancy. (Exceptions must be approved by Senior Management).
Ratios	<ul style="list-style-type: none"> • The Maximum DTI is 50% with a DU Approve/Eligible. • 5/1 ARMs are qualified at the greater of the Note rate plus 2% or the fully indexed rate. 7/1 & 10/1 ARMs are qualified at the greater of the note rate or fully indexed rate.
Recently Listed Properties	Follow Fannie Mae guidance for DU Refi Plus loans.
Reserves	There are no minimum reserve requirements, except that reserves and assets must be verified in accordance with the DU Findings report.
Secondary Financing	<ul style="list-style-type: none"> • New subordinate financing is permitted if it replaces existing subordinate financing. • Existing secondary financing must be subordinated • The general restrictions on subordinate financing outlined in the FNMA seller's guide chapter b2-1.1-04 do not apply as long as the secondary financing is successfully subordinated to the new loan. • A copy of the subordination agreement and the note of the subordinate loan must be in the loan file
State Restrictions	<ul style="list-style-type: none"> • Illinois Land Trust Vestings are not eligible for loan sale to Magnolia Bank. • Texas 50 (a)(6) refinance mortgages are eligible with Magnolia Bank Seller Approval: <ul style="list-style-type: none"> - Fixed Rate and 5/1, 7/1 & 10/1 ARMs

State Restrictions Cont.	<ul style="list-style-type: none"> - Owner-Occupied, 1 unit only - Maximum 80% LTV/CLTV - 3% fee restriction in accordance with Texas Constitution Full appraisal Required No new secondary financing loans Must comply with Fannie Mae and Texas Constitution requirements Power of Attorney not allowed
Title	<ul style="list-style-type: none"> • The newly originated refinance loan must remain in first lien position • Ensure all real estate taxes and assessments that could become a first lien are current including property taxes, condominium and homeowner's association dues, utility assessments and the personal property tax on manufactured homes • Obtain any Subordination Agreements, if needed • The title insurance policy must be written on an American Land and Title Association (ALTA) 2006 Form with appropriate endorsements • The title insurance policy must protect the mortgagee up to at least the current principal balance • The title policy must have correct information regarding the insured's name, loan number and amount of coverage • Property Reports, Ownership and Encumbrance Reports, Attorney's Opinions are not acceptable • Any existing tax or mechanic's liens must be paid in full through escrow. Proceeds from the new loan may not be used to pay liens • Taxes must be collected if due within 30 days of closing, regardless of the establishment of an impound account.
Underwriting Method	<ul style="list-style-type: none"> • All loans under this program must be run through DU, and must receive an Approve / Eligible or Expanded Approval (EA) on the final recommendation. • AUS approvals are valid provided: <ul style="list-style-type: none"> *The data entered is complete, accurate, verified, and not fraudulent *All AUS conditions are satisfactorily resolved and documented