

Conventional Texas (a)(6) Fixed Guidelines		
Agency	Fannie Mae-DU Approval	
Finance Type	Rate Term and Cash Out	
Occupancy	Owner Occupied	
Term	Fixed Rate 10, 15, 20, 30 years	
	Property Type	Max LTV, CLTV, HCLTV
	1 Unit	80
	Min Credit	
620		
Program Matrix Notes:		
When subordinate financing exists, the LTV must be reduced 5% of the maximum CLTV. For example, if the CLTV is 80%, the max LTV cannot exceed 75%		
Agency	Fannie Mae	
Ability to Repay/Qualified Mortgage Rule	<ul style="list-style-type: none"> • Magnolia Bank will purchase only Safe Harbor Qualified Mortgages as defined under HUD and the Dodd-Frank Wall Street Reform and Consumer Protection Act. 	
Age of Documents	<ul style="list-style-type: none"> • For new and existing construction, credit documents must be no more than 4 months 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	Full interior/exterior appraisal is required.	
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	<ul style="list-style-type: none"> • Desktop Underwriter with "Approve/Eligible" Findings is required. 	
Borrowers Eligibility	<ul style="list-style-type: none"> • U.S. citizens • Permanent resident aliens, with proof of lawful permanent residence • Nonpermanent resident alien immigrants with proof of lawful permanent residence • Inter-vivos trusts not allowed • Magnolia Bank does not accept borrowers that receive Government/Public Assistance Income (commonly known as Section 8). 	
Closing Requirements	<ul style="list-style-type: none"> • Loan may not close until 12 days after the later of: <ul style="list-style-type: none"> o The date the borrower signs a loan application, and the date the customer signs the "Notice Concerning Extension of Credit" • The borrowers must be given a complete and accurate copy of the final HUD-1 or HUD-1A Settlement Statement no later than one business day prior to loan closing. Borrower must sign Borrower's Certification of Receipt of Settlement Statement and the Accuracy Thereof at closing. • Both spouses must execute the mortgage. However, both spouses are not required to be parties to the promissory note. All individuals on title and their spouses must sign all Texas Cash Out documents. • Borrowers must be given a copy of all documents signed at closing and sign the Texas Home Equity Receipt of Copies. The documents may not contain blank spaces. • All loans must contain a Texas Home Equity Loan Closing Instructions Addendum. • Loan must be closed by an attorney or title company or in the Lender's office. No closings by mail or phone. • The following forms must be executed and included in the final funding package: <ul style="list-style-type: none"> o Texas Home Equity Affidavit Agreement o Texas Home Equity Discount Point Acknowledgment, if applicable o Federal Notice of Right to Rescind o In addition to the borrower, the lender must sign the Acknowledgment of Fair Market Value of Homestead property at closing with an appraisal attached to the Acknowledgment o Rural Homestead Affidavit, if the property is more than 10 acres o Notice of No Oral Agreements signed by lender and borrower. 	

<p>Closing Requirements Cont.</p>	<ul style="list-style-type: none"> o Texas Home Equity Receipt of Document Copies o Signed Affidavit Confirming Borrower Receipt of Final Itemized Disclosure of Fees. • Use the following forms at closing: <ul style="list-style-type: none"> o Texas Home Equity Security Instrument o Texas Home Equity Note o Texas Home Equity Condo Rider, if applicable o Texas Home Equity Pud Rider, if applicable • Title Policy must include T42 and T42.1. • All transactions require a valid survey. • Power of Attorney is not permitted.
<p>Credit</p>	<ul style="list-style-type: none"> • At least one borrower must have a minimum of one credit score to be eligible. • Min Credit score is 620 regardless of AUS Findings. • Current Housing Payment: When the payment is not reported on the credit report, provide third party verification of payment amount. If living rent free, a rent free letter from landlord or person obligated on lease required.
<p>Condosminiums and or Puds</p>	<ul style="list-style-type: none"> • Must follow Fannie Mae published Condominium Eligibility Guidelines. See https://www.fanniemae.com/singlefamily/project-eligibility for more information. • Limited Review allowed in accordance with Fannie Mae Guidelines • Limited Review for attached Condominium Units in Established Condominium Projects not located in Florida: <ul style="list-style-type: none"> - O/O up to 80% N/O/O not Eligible • Magnolia Bank will not allow any project (condo, or PUD) for which the homeowners' association is named as a party to pending litigation, or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project. Note: Projects for which the lender determines that pending litigation involves minor matters are not considered ineligible projects, provided the lender concludes that the pending litigation has no impact on the safety, structural soundness, habitability, or functional use of the project. The following are defined to be minor matters: <ul style="list-style-type: none"> - non-monetary litigation involving neighbor disputes or rights of quiet enjoyment; - litigation for which the claimed amount is known, the insurance carrier has agreed to provide the defense, and the amount is covered by the association's insurance; or - the homeowners' association is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due homeowners' association dues. • Florida Condos are allowed in accordance with Fannie Mae requirements with the exception of newly converted condo projects (see ineligible section): PERS is required for new condo projects Lender full review allowed - CPM/Limited Review: <ul style="list-style-type: none"> o O/O up to 75% o Second Homes up to 70% o N/O/O Not Eligible
<p>Continuity of Obligation:</p>	<p>Continuity of obligation occurs on a refinance transaction when at least one of the borrower(s) on the existing mortgage is also a borrower on the new refinance transaction secured by the subject property. Although the following refinance transactions don't meet the definition of continuity of obligation, the new refinance transaction will be eligible and not bound by the limited eligibility parameters described below if any of the following are applicable:</p> <ul style="list-style-type: none"> • The borrower on the new refinance transaction was added to title 24 months or more prior to the disbursement date of the new refinance transaction. • The lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (for example, divorce, separation, or dissolution of a domestic partnership). There is no minimum waiting period with regard to when the borrower acquired the property before

completing a new refinance transaction.

- The borrower on the new refinance transaction has been added to title through a transfer from a trust, or a limited liability company (LLC), or partnership. The following requirements apply:
 - the borrower must have been a beneficiary/creator (trust) or a 25% or more owner of the LLC or partnership prior to the transfer, and the transferring entity and/or the borrower has had a consecutive ownership (on title) for at least the most recent 6 months prior to disbursement of the new loan.

Note: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.

- The borrower has been on title for at least 12 months but is not obligated on the existing mortgage(s) that is being refinanced and the borrower meets at least one of the following requirements:
 - has been residing in the property for at least 12 months,
 - has paid the mortgage for at least 12 months, or
 - can demonstrate a relationship with the current obligor (for example, relative or domestic partner).

All other refinance transactions that do not meet either the continuity of obligation requirements or a permissible exception must comply with the following LTV, CLTV ratio restrictions regardless of the occupancy of the property. The LTV, CLTV ratios must be based on the current appraised value.

- Less than 6 months on title: Ineligible
- ≥ 6 months < 24 months: Limited to 50% LTV/CLTV ratios
- ≥ 24 months: No additional restrictions

	Derogatory Event	Waiting Period Requirements
Derogatory Credit	Bankruptcy — Chapter 7 or 11	• 4 years
	Bankruptcy — Chapter 13	• 2 years from discharge date • 4 years from dismissal date
	Multiple Bankruptcy Filings	5 years if more than one filing within the past 7 years
	Foreclosure	<ul style="list-style-type: none"> • 7 years • 3 years with documented extenuating circumstances (see section below) allowed subject to: <ul style="list-style-type: none"> - up to the lesser of 90% LTV/CLTV or the max LTV/CLTV per the eligibility matrix, purchase of an OO, or rate and term of any occupancy • If a mortg rate and term of any occupancy the lender obtains the appropriate documentation to verify that the mortgage obligation was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting periods must be applied.
	Deed-in-Lieu of Foreclosure, Preforeclosure Sale (Short Sale), Mortgage Charge-Off	<ul style="list-style-type: none"> • 4 years • 2 years with documented extenuating circumstances.
All transactions require a DU Approve/Eligible regardless of which time frame for the derogatory event is met, standard or extenuating circumstances.		

Disaster Policy Magnolia Bank may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster.

Documentation Type

- Determined by AUS
- Full

Down Payment Assistance

- Down Payment Assistance is allowed as long as the assistance is provided by a government entity. Evidence of the terms and provider must be included in the loan file and must meet Fannie Mae requirements.
- Employer assistance is acceptable in accordance with Fannie Mae guidelines.

Employment Income Verification

- For salaried employees the verbal verification of employment must be completed within 10 business days prior to the note date.
- For self-employed borrowers the verbal verification of employment must be completed within 30 days prior to the note date.
- For borrowers in the military, a military Leave and Earnings Statement dated within 30 days prior to the note date is acceptable in lieu of a verbal verification of employment.
- Borrowers with employment contracts: borrowers must begin employment before the lender delivers the loan to Magnolia Bank. The lender must obtain

Employment Income Verification Cont.	<p>a paystub from the borrower that includes sufficient information to support the income used to qualify the borrower prior to delivering the loan to Magnolia Bank.</p> <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. <p>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> <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$).</p> <p>The lender must obtain a 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>
Escrow Holdbacks	<ul style="list-style-type: none"> • All holdbacks must be cleared at delivery and a copy of an amended HUD-1 showing the disbursement is required with the loan file. If the holdback was due to appraiser required repairs, a copy of a form 442 - Certificate of Completion is also required.
High Cost and High Priced Mortgages	Not Applicable
Lien Position	First
Max Loan Amount	Conforming Limit
Min Loan Amount	25,000
Mortgage Insurance	Not Applicable
Occupancy	<ul style="list-style-type: none"> • Primary Residence - 1 units
Points and Fees	<ul style="list-style-type: none"> • Financed closing costs and other costs (excluding prepaid items) cannot exceed 3% of the principal amount of the loan. All discount points must be included in the 3%. Only fees to third parties (i.e. appraisal, title report, title insurance, and third party closing costs) may be passed through to the borrower. If closing costs are greater than 3%, fees must be reduced prior to closing. Refunds to the borrower are not permitted. • Premium pricing is permitted if disclosed to the borrower at time of initial application.
Property, Eligible Types	<ul style="list-style-type: none"> • Single Family Detached Single Unit • Single Family Attached Single Unit • PUDs • Low-rise and High-rise Condominiums - Warrantable (must be Fannie Mae eligible) • Modular Home • Must be verified to be either the borrower's urban homestead or rural homestead, as defined below. <ul style="list-style-type: none"> o If the property is the borrower's urban homestead, it must meet all of the following requirements: <ol style="list-style-type: none"> 1 Maximum 10 acres. If adjacent property is owned, the file must show that the subject property is a separate parcel and does not include the additional lot. 2 The municipality in which the property is located must provide (directly or by contract) police protection, and paid or volunteer fire protection 3 The municipality in which the property is located must provide (directly or by contract) at least three of the following services: <ul style="list-style-type: none"> Electric Natural Gas Sewer Storm Sewer Water o If the property is the borrower's rural homestead, it must meet all of the following requirements: <ol style="list-style-type: none"> 1 The acreage may exceed 10 acres. However, the lot size must be typical and common with the highest and best use as residential. In no case may

Property, Eligible Types Cont.	<p>the lot size exceed 20 acres. If adjacent property is owned, the file must show that the subject property is a separate parcel and does not include the additional lot.</p> <p>2 The property does not have to meet urban property requirements.</p>
Property, Ineligible Types	<ul style="list-style-type: none"> • 2-4 Units • Leaseholds. • Manufactured homes (built on a permanent chassis and attached to permanent foundations) • Mobile Homes • Condominium Conversions that were converted within the last three years • Cooperatives • Condotels • Hotel Condominiums • Timeshares • Geodesic Domes • Agricultural zoning • Working Farms and Ranches • Unimproved Land • Property currently in litigation • Condition Rating of C5/C6 or a Quality Rating of Q6
Ratios	<ul style="list-style-type: none"> • The Maximum DTI is 50% with a DU Approve/Eligible.
Recently Listed Properties	<ul style="list-style-type: none"> • No Cash-Out Transaction - The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject property (for principal residence transactions). • Cash-Out Transaction - Properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV/CLTV. Properties that were listed for sale must be taken off the market on or before the disbursement date of the new mortgage loan. <p>Note: If the property was listed in the prior 30 days to the application date, the Early Pay-off (EPO) provision will be extended to 1 year.</p>
Rental Income Calculation	<p>When the borrower has a history of owning rental property, net rental income or loss is calculated by:</p> <ul style="list-style-type: none"> • The lesser of the gross rent (minus a 25% expense factor) or the market rent established by the appraiser for properties not reflected on the borrower's tax returns. • When the property is reflected on the borrower's tax returns, analyze the borrower's cash flow and calculate the net rental income (or loss), making sure that depreciation or any interest, taxes, or insurance expenses were added back in the borrower's cash flow analysis. • The full PITI for the rental property must be factored into the amount of the net rental income or loss. <p>When the borrower does not have a history of owning rental property, follow the Fannie Mae requirements.</p>
Reserves	<ul style="list-style-type: none"> • Primary Residence - Follow AUS findings. However, follow Fannie Mae requirements when the borrower's current principal residence is pending sale or converting to a second home or investment property: <ul style="list-style-type: none"> - If the equity on the current residence is 30% or more, 2 months on the subject and 2 months on current principal residence. - If the equity on the current residence is less than 30%, 6 months on the subject and 6 months on current principal residence. • Second Homes - Follow AUS findings. However if the borrower owns additional financed second homes or investment properties, provide: <ul style="list-style-type: none"> - 2 months for each additional second home or investment when borrower owns 1-4 total (including subject) financed properties - 6 months for each additional second home or investment when borrower owns 5-10 (including subject) total financed properties <p>Required in addition to DU Required reserves.</p> • N/O/O - Follow AUS findings. However if the borrower owns additional financed second homes or investment properties, provide: <ul style="list-style-type: none"> - 2 months for each additional second home or investment when borrower owns 1-4 (including subject) total financed properties - 6 months for each additional second home or investment when borrower owns 5-10 total (including subject) financed properties <p>Required in addition to DU Required reserves.</p>
Seasoned Loans	Not Applicable

Secondary Financing	<ul style="list-style-type: none"> • No NEW secondary financing is permitted. • Existing subordinate financing not subject to Section 50(a)(6) may be subordinated. • If the existing subordinate lien is a Texas Section 50(a)(6), it must be paid off at closing. • No third liens permitted. • HELOC is not eligible secondary financing. • Must meet Agency requirements for secondary financing.
State Restrictions	Texas Homestead only
Tax Transcript	<ul style="list-style-type: none"> • Tax transcripts are required for the most recent year of income submitted in the file. W2 transcripts are allowed for salaried borrowers. • 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 acknowledgment receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and the previous year's tax transcript.
Transaction Type	<p>Purchase: not allowed</p> <p>Limited Cash-Out/Rate & Term Refinance</p> <ul style="list-style-type: none"> • Loan proceeds will be used to pay off an existing Texas Section 50(a)(6) lien. • No cash back is allowed. <p>Cash Out Refinance</p> <ul style="list-style-type: none"> • Loan proceeds will be used to pay off an existing Texas Section 50(a)(6) 1st lien or any non purchased money 2nd lien (will be shown on the title commitment as an "equity loan"). • Loan proceeds can be used to pay off secured debt or unsecured debt. • Borrower may receive cash out at closing. <p>Any existing Texas Section 50(a)(6) lien must be seasoned for at least 12 months before the borrower is eligible for a new refinance. All refinance transactions must meet Continuity of Obligation requirements.</p>