

JUMBO 3/1, 5/1, 7/1 & 10/1 LIBOR ARM PRODUCTS

	JUMBO 3/1 LIBOR ARM	JUMBO 5/1 LIBOR ARM	JUMBO 7/1 LIBOR ARM	JUMBO 10/1 LIBOR ARM
1. PRODUCT DESCRIPTION	<ul style="list-style-type: none"> Conventional Jumbo three-year/twelve month adjustable rate mortgage Fully amortizing Non-Convertible 	<ul style="list-style-type: none"> Conventional Jumbo five-year/twelve-month adjustable rate mortgage Fully amortizing Non-Convertible 	<ul style="list-style-type: none"> Conventional Jumbo seven-year/twelve-month adjustable rate mortgage Fully amortizing Non-Convertible 	<ul style="list-style-type: none"> Conventional Jumbo Ten-year/twelve-month adjustable rate mortgage Fully amortizing Non-Convertible
2. PRODUCT CODES	<ul style="list-style-type: none"> Jumbo 3/1 LIBOR ARM 2.25% Margin 	<ul style="list-style-type: none"> 5/1 Jumbo LIBOR ARM 2.25% Margin 	<ul style="list-style-type: none"> 7/1 Jumbo LIBOR ARM 2.25% Margin 	<ul style="list-style-type: none"> 10/1 Jumbo LIBOR ARM
3. INDEX	London interbank offered rate for twelve month United States dollar-denominated deposits, as published in the Wall Street Journal (Libor)			
4. MARGIN	2.25%			
5. ANNUAL/ADJUSTMENT CAP	2%			
6. LIFE CAP	6%	5%		
7. RATE AT ADJUSTMENT	<ul style="list-style-type: none"> The initial note rate is in effect for 36 months; thereafter, a 2% annual adjustment cap begins with the first adjustment. Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps. 	<ul style="list-style-type: none"> The initial note rate is in effect for 60 months. The first interest rate adjustment is subject to the <u>life cap</u>; thereafter, a 2% annual adjustment cap begins with the second adjustment. Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps. 	<ul style="list-style-type: none"> Initial note rate is in effect for 84 months. The first interest rate adjustment is subject to the <u>life cap</u>, thereafter, a 2% annual adjustment cap begins with the second adjustment. Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps. 	<ul style="list-style-type: none"> Initial note rate is in effect for 120 months. The first interest rate adjustment is subject to the <u>life cap</u>, thereafter, a 2% annual adjustment cap begins with the second adjustment. Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps.
8. CONVERSION OPTION	N/A			
9. CONVERSION FEE	N/A			
10. DELIVERY	Complete packages only. Prequals not allowed			

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11. TEMPORARY BUYDOWNS	<p>30 year products Annual</p> <ul style="list-style-type: none"> LIBOR ARM's permitted Maximum LTV <ul style="list-style-type: none"> 80%: 1-2 Units 70%: 3-4 Units Maximum rate discount of 3% Maximum buydown term of 3 years Maximum rate increase of 1% annual Qualified at Note rate using the fully amortized payment, taxes, and insurance (PITI) 	<p>Annual</p> <ul style="list-style-type: none"> LIBOR ARM's permitted Maximum LTV <ul style="list-style-type: none"> 80%: 1-2 Units 70%: 3-4 Units Maximum rate discount of 3% Maximum buydown term of 3 years Maximum rate increase of 1% annual Qualified at Note rate using the fully amortized payment, taxes, and insurance (PITI) 		
12. QUALIFYING RATE AND RATIOS	<p>Qualifying Rate</p> <ul style="list-style-type: none"> Qualify at higher of Note rate or fully-indexed rate using the fully-amortized payment of principal, interest, taxes, and insurance or note rate + 2.0% <p>Ratios</p> <ul style="list-style-type: none"> Ratios <ul style="list-style-type: none"> LTV/CLTV <= 80% - 45% 	<p>Qualifying Rate</p> <ul style="list-style-type: none"> Qualify at the higher of Note rate or fully-indexed rate using the, fully-amortized payment of principal, interest, taxes, and insurance. On the Jumbo 5/1 use note rate plus 2.0% <p>Ratios</p> <ul style="list-style-type: none"> Ratios <ul style="list-style-type: none"> LTV/CLTV <= 80% - 45% 		

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13. TYPES OF FINANCING	<ul style="list-style-type: none"> • Purchase Mortgages • Rate and Term Refinances <ul style="list-style-type: none"> • No seasoning of first mortgage • If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required. • If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership • Reasonable and customary closing costs, prepaids and seasoned junior liens may be incorporated into the loan amount. • Cash out not to exceed the lesser of 1% or \$2000 of the principal amount of the new loan. • One year seasoning on junior liens from funding unless documentation is provided to verify it was incurred as part of acquisition or for home improvements. This does not apply to draws of 1% or less of the new loan amount or a maximum of \$2,000 within the past 12-month period. • Properties listed for sale in the last 6 months(on or before the application date) are not eligible for refinance transactions • Equity Refinances <ul style="list-style-type: none"> • All borrowers must have held title to subject property for a minimum of 6 months (note date to application date) • If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required. • If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership. • Properties listed for sale in the last 6 months(on or before application date) are not eligible for equity refinance transactions • Cashout limitations– Includes payoff of unseasoned second mortgages, HELOCs and/or non-mortgage debt. 																				
14. MINIMUM/MAXIMUM LOAN AMOUNT	<p>Maximum Loan Amount</p> <ul style="list-style-type: none"> • \$2,000,000: 1-2 Unit • \$1,500,000: 3-4 Unit <table border="1" style="margin-left: 20px; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #e0e0e0;"> <th rowspan="2">Units</th> <th>Continental US</th> <th>Alaska and Hawaii</th> </tr> <tr style="background-color: #e0e0e0;"> <th>Minimum Loan Amount</th> <th>Minimum Loan Amount</th> </tr> </thead> <tbody> <tr> <td>One</td> <td>\$417,001</td> <td>\$625,501</td> </tr> <tr> <td>Two</td> <td>\$533,851</td> <td>\$800,776</td> </tr> <tr> <td>Three</td> <td>\$645,301</td> <td>\$967,951</td> </tr> <tr> <td>Four</td> <td>\$801,951</td> <td>\$1,202,926</td> </tr> </tbody> </table>				Units	Continental US	Alaska and Hawaii	Minimum Loan Amount	Minimum Loan Amount	One	\$417,001	\$625,501	Two	\$533,851	\$800,776	Three	\$645,301	\$967,951	Four	\$801,951	\$1,202,926
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17. PROPERTY TYPES	<p><u>Eligible Property Types</u></p> <ul style="list-style-type: none"> • Single family Residence • Modular Home, Pre-Cut Home, Panelized Home • Multifamily (2 units) • Site Condominium (1 Unit) • Planned Unit Development (PUD) <p><u>Ineligible Property Types</u></p> <ul style="list-style-type: none"> • Assisted Living Projects • Cantilevered Property • Common Interest Apartments • Condominium • Condo-Hotel • Cooperative • Houseboats • Investment Securities <ul style="list-style-type: none"> • Manufactured Home • Mixed use property • Mobile Home • Multi-family dwelling with more than 4 units • Multi-family condominium dwelling with ownership of > 1 unit evidenced by a single deed and mortgage (includes lock-out units) • Projects with non-incidentual business operations owned or operated by the Homeowners Association such as, but not limited to, a restaurant, spa, health club, etc. • Property or project with pending structural litigation. Non-structural litigation may be considered on a case-by-case basis. • Property that restricts the owner's ability to occupy the unit, have mandatory rental pools or guaranteed rent- backs • Property that represents a legal, but Non-Conforming use if zoning regulations prohibit rebuilding the improvements to current density in the event of full or partial destruction. • Property without full kitchen • Non-warrantable condominium • Planned Unit Development (PUD) project with pending structural litigation • Property with more than 10 acres • Property without full utilities installed to meet all local health and safety standards • Continuing supply of potable water • Public sewer or certified septic system • Public electricity • Natural or LP gas <ul style="list-style-type: none"> • Property zoned and used for commercial or industrial purposes • Tax-sheltered syndicate • Time share units/projects • Unimproved land • Working farm, ranch or orchard 			
18. OCCUPANCY	<ul style="list-style-type: none"> • Primary Residence Only 			

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19. GEOGRAPHIC LOCATIONS / RESTRICTIONS	<ul style="list-style-type: none"> California Only 			
20. STATE SPECIFIC				
21. ASSUMPTIONS	Permitted only after the initial note rate ends and in accordance with the Due on Sale and Assumption qualifications. Credit worthy borrowers only.			
22. ESCROW WAIVERS	Permitted for One Unit properties only			
23. UNDERWRITING	<p>Eligibility</p> <ul style="list-style-type: none"> Morgan Strause overall exposure with a borrower exceeding \$729,750 must be submitted to Investor. Refer to #29 Limitations on Other Real Estate Owned for Multiple Loans to the Same Borrower <p>Manual Underwrite is required for all loans</p> <ul style="list-style-type: none"> Each loan is to be underwritten manually to the product and policy guidelines indicated on the product summary Refer to section #32, AUS Requirements for additional guidance 			
24. DOCUMENTATION TYPES	<ul style="list-style-type: none"> Full Income Documentation Only 			

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25. BORROWER ELIGIBILITY	<p>Eligible</p> <ul style="list-style-type: none"> • U.S. citizen • Permanent Resident Aliens • Verify Alien Registration Card • Must provide a valid Social Security number • Non-Permanent Resident Alien <ul style="list-style-type: none"> • Maximum LTV/CLTV for 1-2 units: 75% • Maximum LTV/CLTV for 3-4 units: 70% • Must provide a valid Social Security number • Must provide documentation to support that the Borrower is eligible to work in the U.S. as evidenced by an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigrations Services (USCIS). For further information, see www.uscis.gov <ul style="list-style-type: none"> • If the authorization for temporary residency status will expire within one year and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood of renewal must be determined, based on information from USCIS • Borrowers sponsored by a specific employer do not need an EAD. A valid passport, a letter from the employer/sponsor and an I-94 or I-797 form proving they may work in the U.S. are acceptable in lieu of the EAD. • A Social Security card may not be used as evidence of eligibility of employment; the USCIS EAS must be used. • An individual classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure or Humanitarian Parole is not eligible. • First Time Homebuyer • Primary residence only • For all loans, verification of 12 months rental payments is required. The loan file must contain 12 months cancelled checks or bank statements to evidence eligibility for mortgage/housing history for the loan program under which the loan is submitted. Written verification of rent via the credit report is not permitted. Direct written verification of rent is acceptable in lieu of cancelled checks when the landlord is a large professional management company. • First-Time Homebuyers require 12 month reserves • Borrower living rent free, requires 12 months liquid reserves (excluding retirement accounts). This is to be used only when all borrowers are living rent free. • Non-occupant Co-Borrower, guarantor, and co-signor <ul style="list-style-type: none"> • An Established relationship with the Borrower exists • A party with an interest in the property sales transaction, (including but not limited to the builder, property seller, or real estate broker) is not eligible as a non-occupant Co-Borrower, guarantor, or co-signor. • Primary residence • A non-occupant Co-Borrower, guarantor, or co-signor must provide verification of income • Maximum LTV/CLTV for 1-2 units: 75% • Maximum LTV/CLTV for 3-4 units: 70% • Qualifying total debt ratio for the occupant borrower may not exceed 45% • Trust Agreements <ul style="list-style-type: none"> • Please contact your Account Executive for details <p>Ineligible</p> <ul style="list-style-type: none"> • Foreign National 			

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26. CREDIT	<p>Refer to #15 Loan Amount and LTV Limitations for requirements</p> <p><u>Housing Payment History</u></p> <ul style="list-style-type: none"> • 0 x 30 mortgage/rental Delinquency in past 12 months • No 60+ mortgage/rental Delinquency in past 24 months • Subject mortgage must be current on delivery <p><u>Bankruptcy/Foreclosure</u></p> <ul style="list-style-type: none"> • None in past 7 years • Measured by discharge or dismissal date 			

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27. ASSETS

Minimum Borrower Investment

A minimum down payment of 5% of the value for a primary residence must be paid from the Borrower's own funds. The balance may be paid from any of the acceptable asset sources. (borrowers funds, gift funds or Secondary financing)

Seller Contributions

- Maximum contribution is 3%

Gifts

- Acceptable on loans up to \$1 million provided minimum borrower investment requirements are met.
- The minimum borrower investment is waived on primary residences when gift reduces the LTV to $\leq 80\%$ and borrower pays own closing costs and no secondary financing exists.
- No gifts acceptable on loans over \$ 1 million.

Reserves

Reserves must come from borrowers own funds. Must be verified PITI (inclusive of HOA fees, if applicable) reserves remaining after closing, exclusive of closing costs, cash out received, and proceeds from home equity transactions.

Loan Amount/Combined Loan Amount \geq to \$1 million

- Minimum 12 months liquid reserves (inclusive of HOA fee, if applicable) and exclusive of cash out funds, business assets (other than schedule C).
- Max 6 months of reserves permitted from 401K/SEP account at 50% of full vested amount.

Amount/Combined Loan Amount $<$ \$1 million

- DTI $\geq 35\%$
 - Minimum 12 months liquid reserves (inclusive of HOA fee, if applicable) and exclusive of cash out funds, business assets (other than schedule C).
 - Max 6 months of reserves permitted from 401K/SEP account at 50% of full vested amount
- DTI $< 35\%$
 - Minimum 6 months liquid reserves (inclusive of HOA fee, if applicable)
 - Exclusive of 401k/SEP accounts, cash out funds, business assets (other than schedule C). See below for other Ineligible Reserves

Ineligible sources for reserves include:

- **Business Assets (other than schedule C)**
- **Cashout Proceeds**
 - Bridge Loans
 - Loans secured by other assets
 - Proceeds from the sale of non-real estate assets

First Time Homebuyers

- **Refer to Borrower Eligibility (Section 24) for additional reserve requirements.**

Retirement Account Funds

- Funds from Retirement Accounts must be reduced by 50%

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28. MULTIPLE PROPERTIES OWNED/FINANCED	<p>Multiple Loans to the Same Borrower</p> <ul style="list-style-type: none"> • Maximum 20% concentration in any one project or subdivision. • A borrower may own a maximum of 4 properties, regardless of whether properties are financed or owned free and clear • A borrower may finance a maximum of 4 properties with Morgan Strause, and the cumulative amount financed among all Morgan Strause loans cannot exceed \$2 million. • Ownership in commercial properties, vacant lots, multi-family (five or more units) properties and properties owned free and clear is included in this limitation. • The number of properties financed by Morgan Strause is limited to 4 with a maximum aggregate dollar amount of \$2 million. Additionally, Morgan Strause limits the total number of properties owned by a Borrower to 4. • New multiple loans must be underwritten simultaneously. • Refer to #23 Underwriting 			
29. APPRAISER REQUIREMENTS	Appraiser must have current license.			
30. APPRAISAL REQUIREMENTS	<ul style="list-style-type: none"> • Morgan Strause loan amounts < \$850,000. <ul style="list-style-type: none"> • One full appraisal • Morgan Strause loan amounts > = \$850,000 • Two full appraisals by two independent appraisal firms • Interior photos required 			

