

MAGNOLIA BANK CORRESPONDENT FUNDING RURAL DEVELOPMENT PRODUCT SUMMARY

RURAL DEVELOPMENT FIXED RATE (DELEGATED CLIENTS ONLY)	
1. PRODUCT DESCRIPTION	<ul style="list-style-type: none"> USDA Fixed Rate Mortgage 30 year term Fully amortizing
2. PRODUCT CODE	USDA Fixed Rate 30 Year (W92)
3. INDEX	N/A
4. MARGIN	N/A
5. ANNUAL/ADJUSTMENT CAP	N/A
6. LIFE CAP	N/A
7. RATE AT ADJUSTMENT	N/A
8. CONVERSION OPTION	N/A
9. CONVERSION FEE	N/A
10. DELIVERY	Refer to the MAGNOLIA Bank Correspondent Funding Client Guide for acceptable delivery timeframe. <ul style="list-style-type: none"> USDA Lender Tax ID: <u>23-1694840</u> USDA Assigned Branch Number: <u>001</u> Lender Name: MAGNOLIA Mortgage

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11. TEMPORARY BUYDOWNS	Not Permitted																																							
12. QUALIFYING RATE AND RATIOS	Ratios <ul style="list-style-type: none"> GUS Accept/Eligible - 29% / 45% GUS Refer - 29% / 41% 																																							
13. TYPES OF FINANCING	<ul style="list-style-type: none"> Purchase Mortgages Rate and Term Refinance (No Cash Out) <ul style="list-style-type: none"> Rate and term refinances are only permitted on properties where the existing mortgage is a rural development loan. Interest rate on the new loan must be at least 1% below the interest rate of the loan being refinanced Maximum loan amount cannot exceed the balance of the loan being refinanced, plus the guarantee fee and reasonable and customary closing costs, including the amount necessary to establish new tax and insurance escrow accounts Cash out limited to the reimbursement of personal funds used for eligible loan purposes as part of the refinance transaction, such as appraisal fees or credit report fee. Outside of reimbursement of fees, no cash out is permitted Cash out as a result of final escrow and interest calculations must be applied to principal reduction of the new loan 																																							
14. MAXIMUM LOAN AMOUNT	Units Maximum Loan Amount <u>Continental US</u> <ul style="list-style-type: none"> \$417,000 																																							
15. LOAN AMOUNT AND LTV LIMITATIONS	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="5">PURCHASE</th> </tr> <tr> <th>Units</th> <th>Maximum LTV</th> <th>Total LTV (plus guarantee fee)</th> <th>CLTV</th> <th>Minimum FICO</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>100%</td> <td>103.5%</td> <td>N/A</td> <td>640</td> </tr> <tr> <th colspan="5">REFINANCES</th> </tr> <tr> <th colspan="5">Rate/Term Refinance</th> </tr> <tr> <th>Units</th> <th>Maximum LTV</th> <th>Total LTV (plus guarantee fee)</th> <th>CLTV</th> <th>Minimum FICO</th> </tr> <tr> <td>1</td> <td>100%</td> <td>101%</td> <td>101%</td> <td>640</td> </tr> </tbody> </table> <ul style="list-style-type: none"> For purchase transactions, loan amount cannot exceed the lesser of the sale price or appraised value of the property being purchased, plus the guarantee fee (100% LTV plus 3.5% for a maximum 103.5% LTV) For refinance transactions, loan amount cannot exceed the balance of the loan being refinanced, plus the guarantee fee and reasonable and customary closing costs (100% LTV plus 1% for a maximum 101% LTV). 					PURCHASE					Units	Maximum LTV	Total LTV (plus guarantee fee)	CLTV	Minimum FICO	1	100%	103.5%	N/A	640	REFINANCES					Rate/Term Refinance					Units	Maximum LTV	Total LTV (plus guarantee fee)	CLTV	Minimum FICO	1	100%	101%	101%	640
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	<p>The total loan amount after adding the Guarantee fee may exceed 100% of the lesser of sale price or appraised value by the amount of the Guarantee Fee.</p> <ul style="list-style-type: none"> • Maximum LTV/CLTV in West Virginia cannot exceed 100% of the appraised value
<p>16. SECONDARY FINANCING</p>	<ul style="list-style-type: none"> • New subordinate financing is not permitted. • Existing subordinate financing must be re-subordinated within LTV/CLTV restrictions
<p>17. PROPERTY TYPES</p>	<p>Eligible Property Types (existing properties only – no new construction)</p> <ul style="list-style-type: none"> • 1 unit • PUD • Townhouse • Modular Pre-Cut/Panelized Housing <p>Ineligible Property Types</p> <ul style="list-style-type: none"> • 2-4 units • Condominiums • Co-ops • Manufactured Homes • New Construction • Rehabilitation Loans • Properties with in-ground swimming pools are not permitted –this exclusion is not applicable to PUD developments with a common pool • Properties with a site value exceeding 30% • Income Producing Farms • Leasehold • Resale/Deed Restrictions

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18. OCCUPANCY	Primary Residence
19. GEOGRAPHIC LOCATION / RESTRICTIONS	<p><u>Continental US</u></p> <p>Homes must be located in rural areas. Rural areas include open country and places with a population of 10,000 or less and-under certain conditions-towns and cities with between 10,000 and 25,000 residents. Property eligibility MUST be verified at the following link: http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do. Verification of property eligibility must be printed and retained in the loan file.</p>
20. STATE SPECIFIC REQUIREMENTS	<ul style="list-style-type: none"> • Loan amounts in West Virginia are prohibited where the value is less than the combined loan amount. Therefore, LTV/CLTVs cannot exceed 100%. • State specific restrictions regarding loan eligibility supersede all program guidelines in the event that state specific guidelines are more restrictive than program guidelines.
21. ASSUMPTIONS	Not permitted.
22. ESCROW WAIVERS	Not permitted.
23. PREPAYMENT PENALTY	Not permitted.

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24. UNDERWRITING

Approval Authority

Only delegated Correspondent clients who are also approved as lenders by USDA will be eligible to participate in this program with Ally/MAGNOLIA as evidenced by Form 1980-16.

Automated Underwriting Requirements

- All loans must be submitted to GUS (Guarantee Underwriting System)
- GUS can be accessed at the following link: <https://usdalinc.sc.egov.usda.gov>

Eligible GUS Decisions

- Accept/Eligible
- Refer

Ineligible GUS Decisions

- Accept/Ineligible
- Refer with Caution
- Loans manually underwritten outside of GUS

Accept/Eligible Recommendation

If GUS renders an underwriting recommendation of ACCEPT and ELIGIBLE, the loan is eligible for Rural Development's guarantee. As with all RD loans, the file must be submitted to the RD office in the state in which the property is located to obtain a Conditional Commitment prior to closing. The Conditional Commitment must be included in the file

Refer Recommendation

Loans with Refer recommendation will require further review by the lender. The underwriter must perform an underwriting evaluation of the mortgage loan application to determine if the borrower is creditworthy in accordance with RD standard credit policies and guidelines found in RD Instruction 1980-D and associated Administrative Notices (AN's).

Submission to Rural Development for Conditional Commitment

For Accept/Eligible recommendations, minimal documentation provisions apply. The following three completed documents must be submitted to obtain a Conditional Commitment when the GUS recommendation is Accept/Eligible:

- "Uniform Residential Appraisal Report" (ARAR) for single family dwelling units or its equivalent, or condominium or manufactured homes (FNMA Form 1004 or Freddie Mac form 70)
- "Standard Flood Hazard Determination Form" (FEMA Form 81-93)
- "Request for Single Family Housing Loan Guarantee" (Form RD 1980-21)

For Refer recommendations, a full loan file is required. Credit documentation, mitigating circumstances and compensating factors considered in the underwriting analysis should be recorded in the permanent case file. Compensation factors should be documented on the underwriting analysis and summary (Uniform Underwriting Transmittal Summary – FNMA Form 1008/FHLMC Form 1077). Rural Housing Comprehensive Risk Assessment Worksheet to be completed for all loans with a GUS Refer recommendation.

Please see the Loan Origination Matrix included in Administrative Notice (AN) 4470 for required documentation for all loans:

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	<p>http://www.rurdev.usda.gov/regs/an/an4470.pdf</p> <p>The following link contains a checklist to ensure that all documentation and underwriting requirements have been met. http://www.rurdev.usda.gov/regs/an/an4465.pdf</p>
<p>25. PROCESSING STYLES</p>	<p>Standard</p>
<p>26. BORROWER ELIGIBILITY</p>	<p>US Citizens</p> <p>Permanent Resident Aliens</p> <ul style="list-style-type: none"> • Verify Alien Registration Card • Must provide valid Social Security number <p>Ineligible</p> <ul style="list-style-type: none"> • Borrowers who are eligible for uninsured conventional financing • Borrowers whose adjusted household income exceeds the Rural Development income limit for the applicable area • Non-Permanent Resident Aliens • Foreign National • Living Trust Agreements • Full time students <p>Payment Shock</p> <ul style="list-style-type: none"> • Regardless of the GUS decision, the new fully indexed PITIA may not exceed twice (2 times) the borrower’s existing fully indexed PITIA <p>First Time Homebuyer Education is required.</p> <ul style="list-style-type: none"> • Training must be provided by homebuyer counselors that are certified by any of the following: (1) Department of Housing and Urban Development (HUD); (2) NeighborWorks America (NWA); (3) National Federation of Housing Counselors (NFHC); (4)

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	<p>State Housing Finance Agency or other qualified state organization; or (5) National American Indian Housing Council (NAIHC).</p> <ul style="list-style-type: none"> • Certification of Completion is required and must be retained in the loan file. See www.rurdev.usda.gov/(state abbreviation)
<p>27. CO-BORROWERS</p>	<ul style="list-style-type: none"> • Co-borrower must occupy the property. • Co-borrower must take title to the property AND sign the Note and the Mortgage • Co-signors are not permitted. • The co-borrower cannot be an interested party to the transaction (such as seller, builder, real estate agent, etc)
<p>28. INCOME</p>	<p>PROGRAM ELIGIBILITY</p> <p>Household income from all working adults (age 18 or older) in the household that will reside in the home must not exceed the moderate-income limits established for the area in which they are purchasing/refinancing a home. Income from all the working adult members of the household must be included in the qualifying income to determine program eligibility. Household income which should be included to determine program eligibility is defined as Annual Income and Adjusted Annual Income and can be determined at the following link: http://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state&NavKey=income@11. The Single Family Housing Income Eligibility screen must be printed and retained in the loan file.</p> <p>ABILITY TO REPAY (DTI calculation)</p> <p>Ability to repay is determined by the ratios. Only the income from the borrower and co-borrower(s) (if any) may be used in determining ratios. Employment income and Repayment Income (non-employment income) may be used to determine borrower's ability to repay. Refer to Chapter 6I of the MAGNOLIA Bank Correspondent Funding Client Guide and Rural Development Instruction 1980-D sections 1980.345, 1980.347, 1980.348 further clarification of eligible Annual Income, Adjusted Annual Income and Repayment Income. http://www.rurdev.usda.gov/regs/regs/pdf/1980d.pdf For income documentation requirements refer to the Client Guide</p>
<p>29. CREDIT</p>	<p>Minimum Fico Score Requirements</p> <ul style="list-style-type: none"> • Minimum 640 credit score regardless of GUS decision • Non-Traditional Credit: not permitted <p>Clear CAIVRS (Credit Alert Interactive Voice Response System) is required.</p> <p>Housing Payment History</p> <ul style="list-style-type: none"> • Mortgage/Rental history: • GUS Accept/Eligible: Credit evaluated by GUS • GUS Refer: 0 x 30 in last 12 months

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	<p>Bankruptcy/Foreclosure/Deed-In-Lieu</p> <ul style="list-style-type: none"> • Bankruptcy must have been discharged for more than 36 months • Foreclosure must have been dismissed for more than 36 months • Measured by discharge or dismissal date
<p>30. ASSETS</p>	<p>Borrower Eligibility</p> <p>Borrower must lack sufficient resources to obtain traditional uninsured conventional financing (Borrower has less than 20% down payment)</p> <p>Borrower Investment</p> <ul style="list-style-type: none"> • borrower investment required toward down payment • Cash on hand is not permitted. Funds must be validated in an account. <p>Seller Contributions</p> <ul style="list-style-type: none"> • 6% (based upon the lesser of the sale price or appraised value) <p>Gifts</p> <ul style="list-style-type: none"> • Permitted <p>Reserves</p> <ul style="list-style-type: none"> • None required
<p>31. LIMITATIONS ON OTHER R.E. OWNED</p>	<p>Multiple loans to the Same Borrower</p> <ul style="list-style-type: none"> • Up to one financed property (which is not the subject property); however, this may not be financed by Rural Development. • May not be within the local commuting area. Local commuting area = within a 50 mile radius

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<p>32. APPRAISER REQUIREMENTS</p>	<ul style="list-style-type: none"> • Appraisers must be on FHA's approved list on the FHA Connection with State Certification designation of Certified General or Certified Residential • Only appraisers who are properly licensed or certified, as appropriate, to make residential real estate appraisals in accordance with the criteria set forth by the Appraiser Qualification Board of the Appraisal Foundation regardless of the amount of the loan.
<p>33. APPRAISAL REQUIREMENTS</p>	<ul style="list-style-type: none"> • One full appraisal (FNMA 1004/FHLMC 70)
<p>34. INSPECTIONS</p>	<p>Inspections shall be done by a party the Client determines to be qualified, such as a HUD approved fee inspector. The sale agreement shall identify which party (i.e., purchaser or seller) is responsible to obtain and pay for required inspections and certifications.</p> <ul style="list-style-type: none"> • Property must meet the current requirements of HUD Handbook 4150.2 and 4905.1 (available from the HUD Ordering Desk 1-800-767-7468). • Water and water/waste disposal. Water supply must meet the local health or state drinking water standards based on the results of a bacteriological analysis of the water supply source.
<p>35. GUARANTEE FEE</p>	<p>Guarantee must be obtained from USDA</p> <p>The amount of the fee is determined by multiplying the following figures times the total loan amount:</p> <ul style="list-style-type: none"> • New Section 502 Guaranteed Loan – 3.5% of total loan amount* • Refinance of existing Section 502 Guaranteed loan – 1% of total loan amount* <p>The Guarantee Fee can be financed into loans with LTV's up to 101% on a refinance, 103.5% on a purchase.</p> <p>(*Total Loan Amount for purchase = Base loan amount/0.965)</p> <p>(*Total Loan Amount for refinance = Base loan amount/0.99)</p>

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<p>36. INVESTOR ELIGIBILITY</p>	<p>GNMA</p>
<p>37. SPECIAL REQUIREMENTS / RESTRICTIONS</p>	<p>The Request for Single Family Housing Loan Guarantee must be completed and executed by the approved client, or their authorized representative and all borrowers who will be a party to the note. Multiple forms may be utilized. http://www.rurdev.usda.gov/regs/forms/1980-21.pdf</p> <p>Conditions precedent to issuance of the Loan Note Guarantee.</p> <p>(a) Lender certification. Using the reverse side of Form RD 1980-18 (http://www.rurdev.usda.gov/ga/1980-18.pdf) (must be imaged and included in the file), the Lender must certify to the Rural Housing and Community Development Service (RHCDS) that:</p> <ul style="list-style-type: none"> • No major changes have been made in the Lender's loan conditions and requirements since the issuance of Form RD 1980-18, except those approved in writing by RHCDS. • Required insurance coverage is in effect and an escrow account has been established for the payment of taxes and insurance. • Truth-in-lending requirements have been met. • All equal employment opportunity and nondiscrimination requirements have been met. • The loan has been properly closed by a party skilled and experienced in conducting loan closings and the required security instruments, including any required shared equity instruments, have been obtained and recorded in the appropriate office in a timely and accurate manner. • The borrower has a marketable (clean and defensible) title to the property then owned by the borrower, subject to the instrument securing the loan to be guaranteed, and any other exceptions approved in writing by RHCDS. • Lien priorities are consistent with the requirements of Form RD 1980-18. <p>(b) Inspections. The Lender will certify to RHCDS that inspections in accordance with section 34 have been completed.</p> <p>(c) Lender agreement. There must be a valid Form RD 1980-17 on file. http://www.rurdev.usda.gov/ga/1980-17.pdf</p> <p>(d) Lender file. The Lender will maintain a file for each guaranteed RH loan containing originals or copies, as appropriate, of all documents pertaining to that loan.</p> <p>Form 4506-T must be processed prior to closing. A new IRS form 4506 T is required to be signed with the closing package as well as at application even when the form has been processed.</p> <ul style="list-style-type: none"> • Refer to the MAGNOLIA Bank Correspondent Funding Client Guide for eligibility guidelines.

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38. INTERNET LINKS

To access Rural Development instructions, go to:

<http://www.rurdev.usda.gov/AZ/PDF/RD1980d.pdf>

All announcements/modifications to 1980-D can be found at the following link. Only information under Part 1980 – General applies:

http://www.rurdev.usda.gov/regs/regs_toc.html#1980