Conforming ARM DU & LP

02/22/2018

WesLend FINANCIAL

SECTION 1	MATRIX:

Transaction	FICO	Number of Units	Maximum LTV/CLTV
Primary Residence – Owner Occupied			
Purchase	620	1 - Unit	95%
		2 - 4 Units	80
Rate/Term	620	1 - 2 Unit	95
		3 - 4 Units	80
Cash-Out Refinance	620	1 - Unit	80
		2-4 Units	75
Second Home			
Purchase	620	1 – Unit	85
Rate/Term	620	1 – Unit	85
Cash-Out Refinance	620	1 – Unit	75
Investment Property – Non-Owner Occupied			
Purchase	620	1 – Unit	*80*
		2 - 4 Units	75
Rate / Term	620	1 – Unit	*80*
		2 – 4 Units	75
Cash-Out Refinance	620	1 – Unit	75
		2 - 4 Units	70

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SECTION 2	Overlays:

- 620 Minimum FICO score.
- Borrowers without credit scores – Not Allowed
- Max of 6 financed properties for 2nd Home and Investment Property transactions.
- Min loan amount $60,000.
- Min loan amount $75,000 for properties located in NY and TX
- Manufactured Homes – Not allowed
- Texas 50(a)(6) – Not Allowed
- Investment Properties – Not Allowed with LPMI
- Investment Properties limited to the lesser of program guidelines or 80% LTV/CLTV
- Cooperatives – Not Allowed
- Cooperatives – Not Allowed
- HPML – Not Allowed
- AUS findings - LP “Accept” or DU “Approve Eligible”

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SECTION 3	Products:

Program Codes

Conforming				
5/1 ARM	1700-03		5/1 ARM LPMI	1720-03
7/1 ARM	1800-03		7/1 ARM LPMI	1820-03
10/1 ARM	1900-03		10/1 ARM LPMI	1920-03

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SECTION 4	Parameters and Underwriting:

ATR and QM

- All loans must meet the Ability to Repay (ATR) and Qualified Mortgage (QM) provisions of the Dodd-Frank Act.

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Loan Limits

Units	2018 General Loan Limits	
	Continuous 48 States, DC and Puerto Rico	Alaska, Guam, Hawaii and the U.S. Virgin Islands
One	$453,100	$679,650
Two	$580,150	$870,225
Three	$701,250	$1,051,875
Four	$871,450	$1,307,175

The corresponding 2018 loan limit for a specific county can be found here, FHFA 2018 Conforming Loan Limits.

Units	2017 General Loan Limits	
	Continuous 48 States, DC and Puerto Rico	Alaska, Guam, Hawaii and the U.S. Virgin Islands
One	$424,100	$636,150
Two	$543,000	$814,500
Three	$656,350	$984,525
Four	$815,650	$1,233,45

Mortgage Insurance

- Borrower Paid Mortgage Insurance – Allowed
- Lender Paid Mortgage Insurance (LPMI) – Allowed
- Financed Mortgage Insurance – ***NOT*** Allowed
- Loans with a DTI greater than 45%, with a credit score <700 are not eligible for Mortgage Insurance regardless of AUS decission

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Note Rate Limitations

- 5/1 ARM – Note rates may not be lower than 2% below the fully indexed rate.
- 7/1 & 10/1 ARM – Note rates may not be lower than 3% below the fully indexed rate.

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MARGIN

- 2.25%

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INDEX

- LIBOR

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RATE ADJUSTMENT CAPS	.
ASSUMABILITY	• Assumable after the initial fixed interest rate period has expired. .
REFINANCES	see below

Product	Interest Rate Caps		
	First	Subsequent	Life
5/1 LIBOR ARM	2%	2%	5%
7/1 LIBOR ARM	5%	2%	5%
10/1 LIBOR ARM	5%	2%	5%

All Refinance Mortgage requirements:

- When an existing Mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:
- At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced. OR
- The borrower has been on title, and residing in the property, for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc…) with the current obligor. OR
- The borrower has recently inherited, or was legally awarded, the property (divorce, separation, or dissolution of a domestic partnership).

Rate and Term requirements:

A "no cash-out" refinance Mortgage, Rate and Term, is a mortgage for which the proceeds may be used only to:

- Pay off the first Mortgage, regardless of its age; for Construction Conversion Mortgage and Renovation Mortgages, the amount of the Interim Construction Financing secured by the Mortgaged Premises is considered an amount used to pay off the first mortgage.
- Pay off any junior liens secured by the Mortgaged Premises, that were used in their entirety to acquire the subject property.
- Pay related Closing Costs, Financing Costs, and Prepaids / Escrows
- Disburse cash out to the borrower (or any other payee) not to exceed 2% of the new refinance Mortgage or $2000, whichever is less.

Cash Out requirements:

- If the borrower has not owned the property for six months the following requirements apply:
- At least one borrower on the refinance mortgage inherited or was legally awarded the subject property (divorce, separation or dissolution of a domestic partnership) OR all of the following:
- The settlement/closing disclosure statement from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property.
- The preliminary title report for the refinance must reflect the borrower as the owner of the subject property and must reflect that there are no liens on the property.
- Source of funds to purchase the property must be documented.
- If funds were borrower to purchase the subject property, those funds must be repaid and reflected on the Settlement/Closing Disclosure Statement for the refinance transaction.
- The amount of the cash-out refinance mortgage must not exceed the sum of the original purchase price and related Closing Costs, Financing Costs and Prepaids/Escrows as documented by the Settlement/Closing Disclosure Statement for the purchase transaction. A recorded trustee's deed or equivalent documentation may be used when a Settlement /Closing Disclosure Statement was not used for the purchase transaction.

	• There must have been no affiliation or relationship between the buyer and seller of the purchase transaction. • If the property was listed for sale in the past 6 months, LTV for cash out refinance may not exceed 70%. • Texas cash out refinances are not allowed. • All cash-out refinance transactions require a full appraisal.
Derogatory Credit	See tables below

Derogatory Seasoning – Loan Prospector (LP)

Bankruptcy Foreclosure Deed-in-Lieu, Pre-Foreclosure, Charge-off of Mortgage account Short Sale Mortgage Modification Foreclosure and Bankruptcy on the same Mortgage (Mortgages not-reaffirmed) Judgement / Liens Collections and Charge off	• As per Loan Prospector (LP) - LP Streamline Accept – Only. (If LP is accept with standard documentation the waiting periods apply).

Derogatory Seasoning – Desktop Underwriter (DU)

Bankruptcy	• CH 7 – 48 months • CH 11 – 48 months • CH 13 – 24 months from Discharge date; 48 Months from Dismissal Date • Multiple Bankruptcies – 60 months
Foreclosure	• 84 Months
Deed-in-Lieu, Pre-Foreclosure, Charge-off of Mortgage account	• 48 Months
Short Sale	• 48 months
Mortgage Modification	• 12 Months

	<table><tr><td>Foreclosure and Bankruptcy on the same Mortgage (Mortgages not-reaffirmed)</td><td>If a mortgage debt was discharged through a bankruptcy, the bankruptcy waiting periods may be applied if 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. And demonstrate acceptable mortgage history</td></tr><tr><td>Judgement / Liens</td><td>Must be fully satisfied prior to or at time of closing.</td></tr><tr><td>Collections and Charge off</td><td>Follow DU requirements outlined in DU findings</td></tr></table> . .
Student Loan Payment	***IBR*** – Interest Based Repayment plan – not acceptable Whether deferred, in forbearance, or in repayment (not deferred), monthly payment must be included in the borrower's recurring monthly debt obligation when qualifying the borrower. If a monthly payment is provided on the credit report, the lender may use that amount as the monthly payment for qualifying purposes. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment (which may be the case for deferred loans or loans in forbearance), the lender must calculate a qualifying monthly payment using one of the options below: • 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or • a fully amortizing payment using the documented loan repayment terms.
Underwriting	• Loan Prospector – "LP Accept" • Desktop Underwriter – "DU Approve/Eligible" • Manual Underwriting – Not Allowed
Qualifying Rate	• 5/1 ARM – Higher of Note Rate +2% or fully indexed rate • 7/1 & 10/1 ARM – Higher of fully indexed rate or Note Rate .
Ratio	**Debt to Income Ratio – DTI:** • As per LP – LP Accept • As per DU – DU Approve/Eligible .
Escrow Waiver	• Allowed for LTV's less than or equal to 80% (unless state law dictates escrows are not required for mortgage

	loans with an LTV> 80%)
Texas 50(a)(6)	• Not Allowed .
Non-Occupant Co-Borrower	• Not Allowed
ASSETS	**Assets:** • Assets used for down payment must be documented to show that they are from borrower's own funds. The loan application should provide an accurate reflection of the funds required from the borrower to close the transaction. The application must clearly state the source of the funds for down payment and closing costs, and cannot state other or any vague description. This applies to all loan applications. **Reserves: Loan Prospector (LP)** **Reserves are to be documented per LP except as follows:** **Subject Property / LP Required Reserves** Primary Residence 1 unit: As Per LP Primary Residence 2-4 units: 6 Months PITI Second Home: 2 Months PITI Investment Property: 6 Months PITI **When Borrower has up to 6 Financed Properties, Additional reserves are required:** **Subject Property / Additional LP required reserves** Second home or Investment: 2 months additional PITI for each additional financed property. Based on the qualifying PITI payment amount of each financed property . All reserves submitted to LP must be verified, regardless of LP feedback. ***Note:*** LP is not able to determine the exact number of financed properties the borrower owns. The underwriter must manually apply the Multiple Property and Departure Property reserve requirement policies. Borrowers with more than 6 financed properties are not permitted. **Reserves: Desktop Underwriter (DU)** If the borrower has multiple financed properties and is financing a second home or investment property, DU will base the reserve calculations for the other financed properties on the number of financed properties determined by DU. See below. **Calculation of Reserves for Multiple Financed Properties** If the borrower owns financed properties, additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:

	• 2% of the aggregate UPB if the borrower has one to four financed properties, • 4% of the aggregate UPB if the borrower has five to six financed properties, or • 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only). The aggregate UPB calculation does not include the mortgages and HELOCs that are on • The subject property, • The borrower's principal residence, • Properties that are sold or pending sale and accounts that will be paid by closing (or omitted in DU on the online loan application). **NOTE:** DU will also include the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the online loan application. .
Number of Financed Properties	**Number of financed properties permitted:** • If the subject property is owner occupied, there are no restrictions on the number of financed properties that a borrower can own. • If the subject property is a second home or NOO, the borrower may own up to 6 financed properties. Properties the borrower owns free and clear are not included. When the borrower owns >6 properties, documentation must be provided to show the excess properties are owned free and clear. **Number of properties WesLend will finance:** • WesLend will finance up to 4 multiple properties for one borrower. • Maximum 4 multiple loans to one borrower with the same investor or $2,000,000 to one borrower with the same investor.
Property / Appraisal	**Eligible Properties** are attached & detached SFR, 2-4 units, warrantable condo and PUD units, rural properties and modular homes. **Agency Warrantable condo projects** allowed. See condo section for more info. **2nd Homes** must be suitable for year round occupancy. Timeshares, Condotels, mandatory rental pools and properties with recreational leases are not allowed. Multi-units and mixed-use properties are not eligible for second homes. **Modular Housing** is acceptable. Modular housing is prefabricated, panelized or sectional housing that assumes the characteristics of a site built home, meets all local and state building codes, is permanently affixed to the land and is legally classified as real estate. **Leaseholds** – Not Permitted **Listed Properties**: **Rate and Term Refinances**: For rate and term refinances of properties recently listed for sale, the listing agreement must be cancelled at least one day prior to the date the application is taken. **Cash Out Refinances**: On cash out refinances, listing agreements on the subject property must be cancelled six months prior to the application date or the loan is subject to a maximum loan-to-value of 70%. In all circumstances, listing agreements must be cancelled at least one day prior to the loan application.
Rental Income	If the borrower owned rental property during the previous tax year, provide complete federal income tax returns to determine the net rental income or loss for qualifying. The rental income or loss from the tax returns must be used unless there are reasons for not using the income or loss (tax returns show large one-time expenses or the borrower documents and explains that the property was under renovation) Subject Property 2-4 Unit Primary Residence and Subject Property 1-4 Unit Investment Property

	Use the following to determine and document income: • The borrower's prior year federal tax return if reported on Schedule E and the borrower has owned the property for at least on year: or • Form 998, Operating Income Statement Rental income used to qualify the borrower must be substantiated when using: • Income approach on the appraisal; and • Copies of the present lease(s), if applicable. Positive net rental income may be considered stable monthly income provided the borrower meets the reserve requirements and the income approach on the appraisal and copies of current leases substantiate the rental income used to qualify the borrower. Form 998 is not required if rental income from the subject property is not considered or if the borrower has owned the subject property for at least one year and reports the income on Schedule E. Investment Property other than the Subject Property Use the following to determine and document income. • Schedule E of the borrower's federal tax returns to determine the net rental income when rental income; or • Verified net rental income from signed lease(s) may be used to determine the net rental income for an investment property not owned during the previous tax year.

Subject Property	***Reserves For Subject Property***	***Reserves for each Property owned other than the subject.***
Primary residence 2-4 Units	6	2
Investment Property 1-4 Units	6	2

Note: Reserves are required regardless of whether rental income is used in qualifying the borrower.

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Other Income

Other types of Income:

Alimony or Child Support	Allowed	Foster-Care Income	Allowed
Automobile Allowances	Allowed	Foreign Income	Allowed
Boarder Income	Allowed	Interest/Dividend Income	Allowed
Capital Gains Income	Allowed	Notes Receivable	Allowed
Expected Income(Future Income)	Allowed	Royalty Payment Income	Allowed
Housing or Parsonage Allowance	Allowed	Tip Income	Allowed
Employment Related Assets (Asset Depletion) Some examples: 401(k), IRA, SEP, Keogh.	Allowed	Trust Income	Allowed

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