

# CEMA Conforming Fixed



<b>SECTION 1</b>		<b>MATRIX:</b>	
<b>Primary Residence – Owner Occupied</b>			
Transaction	FICO	Number of Units	Maximum LTV/CLTV
Rate Term	620	1 - Unit	95% Conforming; 95% High Balance
		2 - Units	85
		3-4 Units	75
Cash-Out Refinance	620	1 - Unit	80
		2-4 Units	75
<b>Second Home</b>			
Transaction	FICO	Number of Units	Maximum LTV/CLTV
Rate Term	620	1 – Unit	90
Cash-Out Refinance	620	1 – Unit	75
<b>Investment Property – Non-Owner Occupied</b>			
Transaction	FICO	Number of Units	Maximum LTV/CLTV
Rate / Term	620	1-4 Units	75
Cash-Out Refinance	620	1 – Unit	75
		2-4 Units	70

<b>SECTION 2</b>		<b>Products:</b>	
Program Codes	<b>CEMA Conforming Transaction:</b>		
	15 Year Fixed	1007-05	
	30 Year Fixed	1307-05	

<b>SECTION 2</b>		<b>CEMA Conforming:</b>	
	<ul style="list-style-type: none"> <li>• Min loan amount \$60,000.</li> <li>• Min loan amount \$75,000 for properties located in NY and TX</li> <li>• Construction to Perm – Not Allowed</li> <li>• Cooperatives – Not Allowed</li> <li>• HPML – Not Allowed</li> <li>• Life Estates – Not Allowed</li> <li>• Manufactured Homes – Not Allowed</li> <li>• Non-Traditional Credit – Not Allowed</li> <li>• Temporary Buy Downs – Not Allowed</li> <li>• Third Party Processing Fees – Not Allowed</li> </ul>		

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<b>4506 Transcripts</b>	Transcripts are required per income documentation type in the loan file.
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>• <b><u>Transferred appraisals are not allowed.</u></b></li> <li>• Interior photographs must be provided in addition to standard exhibits.</li> </ul>
<b>Appraisal Submission Summary Report (SSR)</b>	Both Fannie Mae and Freddie Mac SSRs must be in the file for all loans with an appraisal. A successful UCDP status is required from one or both of the Agencies.
<b>Appraiser Policy</b>	A copy of the appraiser's license/certification must be in the file. The appraiser must not be on the <i>Funding Validation List</i> .
<b>Assets</b>	<p>Assets are to be reviewed for patterns of unusual payments, deposits, and/or gift funds, regardless of when they were provided to the borrower that could be indicative of structuring to avoid compliance with laws and regulatory reporting requirements of the United States or foreign countries. Unusual patterns can include, but are not limited to, large cash deposits, large and numerous gifts, and any other unexplained activity not typical for the borrower.</p> <p>Any indication of possible structuring and/or unsourced assets. <b>Even if not used for closing/reserves</b>, require an increased level of review by the underwriter. <b>Red Flags:</b></p> <ul style="list-style-type: none"> <li>• A borrower receives multiple gifts of similar amounts wired outside the U.S.</li> <li>• A borrower receives gift funds in the form of a wire transfer from an individual with no ties to the borrower or the transaction.</li> <li>• A borrower receives a wire from a business not associated with the transaction and it is explained as payment for services rendered or products provided.</li> <li>• A borrower receives large deposits listed as tuition expenses co-mingled with funds for down payment from the same account.</li> <li>• A borrower receives gift funds from a donor that transferred the funds through multiple financial institutions prior to deposit in the borrower's account.</li> </ul>
<b>Assets for Qualification</b>	Assets As a Basis for Mortgage Qualification option is not allowed. If the borrower is not currently using the asset as a source of income, it may not be used to qualify.
<b>Citizenship</b>	<p>The following is required:</p> <ul style="list-style-type: none"> <li>• Each borrower on the loan must have a valid social security number.</li> <li>• A copy of the Permanent Resident Alien card (front and back) is required for all permanent resident aliens.</li> <li>• All non-permanent resident aliens must provide evidence of a valid, acceptable Visa or an Employment Authorization Document (EAD). A copy of the Visa or EAD card must be in the file. The following Visas are eligible:             <ul style="list-style-type: none"> <li>▪ A Series – A-1, A-2, A-3</li> <li>▪ E-1 Treaty Trader and E-2 Treaty Investor</li> <li>▪ E-3</li> <li>▪ G Series – G-1, G-2, G-3, G-4, G-5</li> <li>▪ H-1, H-1B, H-1C, H-4 Temporary Worker</li> <li>▪ L-1, L-2, Intra-Company Transferee</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>▪ O-1A, O-2</li> <li>▪ TN, NAFTA</li> <li>▪ TC, NAFTA</li> </ul> <ul style="list-style-type: none"> <li>• <b>Loans to foreign nationals and individuals with diplomatic immunity are not allowed.</b></li> </ul> <p>Refer to the guidelines for further details regarding eligible Visas.</p>
<b>Condominium Projects</b>	<ul style="list-style-type: none"> <li>• Loans secured by existing and new condominium projects must meet Fannie Mae's condominium project guidelines.</li> <li>• The Homeowners Association Certification Review process is not acceptable.</li> </ul>
<b>Credit Repair</b>	<p>Credit repair is not allowed:</p> <ul style="list-style-type: none"> <li>• The use of credit repair vendors designed to help a borrower falsely repair their credit profile by intentionally manipulating data to improve their credit score is prohibited.</li> <li>• <b>If the use of credit repair services is revealed at any time during the loan process the loan will be determined to be ineligible.</b></li> </ul>
<b>Deed Restrictions</b>	<ul style="list-style-type: none"> <li>• Prior approval of the deed restriction by the investor is required including age restricted properties.</li> <li>• Refer to Select Conforming Guidelines for details.</li> </ul>
<b>Escrow Accounts</b>	<p>Escrows for taxes and insurance are required for all loans with LTVs &gt; 80% with the following exceptions:</p> <ul style="list-style-type: none"> <li>• <b>California</b>, where the LTV requirements are <math>\geq</math> 90%</li> <li>• <b>New Mexico</b>, where the LTV requirements are <math>\geq</math> 80%</li> </ul>
<b>Flood Insurance</b>	<ul style="list-style-type: none"> <li>• <b>An escrow impound account must be established for payment of the flood insurance premiums for all loans regardless of the LTV and/or federal exemptions.</b></li> <li>• Replacement cost is defined as 100% of the insurable value of the improvements as determined by the amount of hazard insurance coverage obtained.</li> <li>• A PUD unit requires its own separate flood insurance policy unless the HOA has worked with FEMA to be covered by a Residential Condominium Building Association Policy (RCBAP) in the HOA's name.</li> <li>• Gap policies are not allowed for co-op loans.</li> <li>• The coverage must be in full effect. Any waiting periods must have expired.</li> <li>• Residential detached structures (generally defined as having a food preparation area, bathroom, and/or sleeping area) valued greater than \$10,000 in a Special Flood Hazard Area require flood insurance coverage at 100% of the insurable value.</li> <li>• For detached structures that include some but not all three facilities (food preparation area, bathroom, and sleeping area) make a good faith determination and provide documentation clearly detailing whether the detached structure serves as, or is intended to serve as, a residence.</li> <li>• If the structure is not intended to serve as a residence, follow Fannie Mae guidelines with respect to flood insurance requirements on non-residential detached structures.</li> <li>• If the borrower questions the flood zone determination, Lenox/WesLend and the borrower may jointly appeal directly to FEMA. The borrower cannot be required to purchase flood insurance until FEMA issues a final opinion on the flood zone determination. The loan cannot be purchased until FEMA issues its opinion or a flood insurance policy has been purchased</li> </ul>

	for the property.
<b>Foreign Assets</b>	Any funds used in the loan transaction that originate from a foreign country must be deposited into a United States bank account prior to closing. The funds may not be wired directly to escrow from a foreign bank.
<b>Identity of Interest/Non-Arms-Length/At Interest Transactions</b>	<p>Certain transactions pose an increased risk and additional precautions must be taken to evaluate that risk. In-depth analysis of transactions between parties with family or business relationships may reveal unsupported values, straw borrowers, non-arms-length or at-interest influences, inflated sales prices, or excessive fees or disbursements.</p> <ul style="list-style-type: none"> <li>• A <b>non-arms-length transaction</b> is one where the parties to the transaction are related such as family members, employer/employee, or principal/agent. Common types of non-arms-length transaction include: <ul style="list-style-type: none"> <li>▪ Family Sales</li> <li>▪ Property in an Estate</li> <li>▪ Employer/Employee Sales</li> <li>▪ Flip Transactions</li> </ul> </li> <li>• An <b>at-interest transaction</b> involves persons who are not closely tied or related but may have a greater vested interest in the transaction such as a party who plays more than one role in the same transaction (selling/listing agent and mortgage broker, for example). At-interest transactions carry increased risks due to the greater vested interest in the transaction by one of the parties. Examples of at-interest transactions include: <ul style="list-style-type: none"> <li>▪ Builder also acting as Realtor/broker</li> <li>▪ Realtor/broker selling own property</li> <li>▪ Realtor/broker acting as listing/selling agent as well as the mortgage broker</li> </ul> </li> </ul> <p>All non-arms-length transactions are considered at-interest transactions; however, at-interest transactions are not always non-arms-length.</p> <ul style="list-style-type: none"> <li>• Primary residence, second home and investment property transactions are eligible for consideration subject to additional scrutiny by the underwriting, closing and quality control functions. Refer to the "Identity of Interest" guidelines for further details.</li> </ul>
<b>Income from Illegal Activities</b>	All sources of income must be legal in accordance with <b>federal</b> laws, rules and regulations. Income derived from sources deemed illegal by the federal government is not eligible.
<b>Ineligible Fannie Mae Offerings</b>	<p>The following Fannie Mae offerings are not eligible:</p> <ul style="list-style-type: none"> <li>• Any loan receiving a "refer" or "refer with caution" decision from DU</li> <li>• <i>HomeReady</i></li> <li>• <i>HomeStyle Renovation/Home Improvements</i></li> <li>• Minimum level Mortgage Insurance option</li> <li>• <i>Refi Plus</i></li> <li>• Timely Payment Rewards</li> <li>• <i>HomePath</i> Mortgage Program</li> <li>• <i>HomePath</i> Renovation</li> <li>• Community Land Trust</li> </ul>

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<b>Marijuana Related Business</b>	<ul style="list-style-type: none"> <li>Income from Marijuana related business – Not Allowed</li> </ul>
<b>Mortgage Insurance</b>	<ul style="list-style-type: none"> <li><b>Loans with DTI greater than 45% and a credit score &lt;700 are not eligible.</b></li> <li>Borrower-paid (BPMI) or Lender-paid single premium (upfront) option only.</li> <li>Financed MI and Lender-paid monthly or annual options – Not Allowed</li> <li>Loans originated with custom or lower cost PMI options – Not Allowed.</li> <li>Less than Standard MI Coverage – Not Allowed</li> </ul>
<b>Self-Employment Income</b>	<ul style="list-style-type: none"> <li>If a borrower is self-employed and the self-employment income is not being used to qualify, the borrower's individual federal tax returns must be obtained.</li> <li>If a business loss is reported on the tax returns, additional documentation may be required to fully evaluate the impact of the business loss on the borrower's ability to qualify for the loan.</li> </ul>
<b>State Requirements</b>	<ul style="list-style-type: none"> <li>Properties located outside of the United States or properties located in a Territory, Province or Commonwealth in which the United States has an interest are <b>not eligible</b>.             <ul style="list-style-type: none"> <li>Properties that would not be eligible include those located in Guam, Puerto Rico, and the Virgin Islands.</li> </ul> </li> <li>Texas Cash-Out transactions are not allowed.</li> <li>Properties located in Hawaii in Lava Zone 1 and 2 are not eligible.</li> <li>Specific requirements apply for repair escrows to or replacement of septic systems in Massachusetts. Refer to the guidelines for details.</li> </ul>
<b>Third Party Originated (TPO) Loans</b>	<p><b>Loans that are originated by a mortgage broker (Wholesale TPO) with lender-paid broker compensation where the broker charges third-party processing fees as a separate fee paid by the borrower, seller or other third party – Not Allowed.</b></p>
<b>Validation Lists</b>	<p>TPO Lists</p> <ul style="list-style-type: none"> <li>If any entity appearing on the <i>Third-Party Originators List</i> as of the Note dated originated the loan, it is ineligible.</li> </ul> <p>Settlement Agents List</p> <ul style="list-style-type: none"> <li>If any entity appearing on the <i>Settlement Agents List</i> as of the Note date provided settlement services (title insurance, closing, etc.) for the loan it is ineligible.</li> </ul> <p>Any Roles List</p> <ul style="list-style-type: none"> <li>If an individual or entity appearing on the <i>Any Role-Individuals List/Any Role-Entities List</i> as of the Note date played <b>any role</b> in the origination or sale of the loan or the related real estate transaction, the loan is ineligible.</li> </ul>

## CEMA (Consolidation, Extension and Modification Agreement) Transactions

### Parameters and Underwriting:

<p><b>Summary</b></p>	<p>A CEMA, also known as a Consolidation, Extension and Modification Agreement, allows the customer to consolidate, extend and modify (CEMA), or extend and modify (EMA) the terms of an existing loan. By using a CEMA or EMA, the customer can significantly reduce or eliminate the mortgage tax due. This method of financing can save the customer a significant amount of money. A CEMA is only acceptable for New York property. WesLend follows Fannie Mae CEMA requirements.</p> <p>Any loan closed as a CEMA is a modification. A CEMA can change terms of the existing loan and allow the customer to receive additional funds. There is no limit to the number of times a borrower may refinance the same property as a CEMA or EMA.</p> <ul style="list-style-type: none"> <li>▪ If there is no increase in the principal balance of the current loan, only a change in terms (i.e. rate, maturity date, etc.), the loan is an Extension and Modification (EMA).</li> <li>▪ If there is an increase in the principal balance of the current loan, regardless of changes in any loan term, the loan is a Consolidation, Extension and Modification (CEMA).</li> </ul>
<p><b>Purchase Transactions</b></p>	<ul style="list-style-type: none"> <li>• Not Allowed</li> </ul>
<p><b>New Money</b></p>	<p>Defined as any amount of money above the customer's existing/current principal balance. The term "new money" as it applies to the mortgage recording tax must not be confused with the underwriting criteria of a "cash out" refinance or "no cash out" refinance. It is common to have a "no cash out" refinance with "new money." This scenario occurs when the amount of the "new money" is less than 1% of the total loan amount.</p> <p>CEMA's can be used in a refinance of a single lien to modify the existing terms or to consolidate several existing liens. The existing liens can be a first or second mortgage, Equity Source Account (ESA) or Preferred Line of Credit. All of these options can be done with or without receiving "new money."</p>
<p><b>Refinance Transactions</b></p>	<p>All of the following documents are required for a refinance CEMA:</p> <ul style="list-style-type: none"> <li>▪ All original Notes, recorded mortgages, intervening recorded assignments, and previous recorded CEMAs.</li> <li>▪ If the original of a recorded document is not available, we accept a recorder's certified copy of the recorded mortgages, assignments and CEMAs from the clerk/registrar's office.</li> </ul> <p><b>Note:</b> For files underwritten in LP (Freddie Mac) or Total Scorecard (FHA), recorder's certified copies are not acceptable, as such if original documents are not available then the CEMA is not allowed.</p> <ul style="list-style-type: none"> <li>▪ The existing mortgagee must be willing and able to assign the mortgage, by an officer of the lending institution.</li> <li>▪ The existing Note must contain the proper endorsement and be signed by an officer of the lending institution.</li> <li>▪ A recorded assignment is required for each historical transaction where the transfer was not a MERS lender to MERS lender transfer.</li> </ul> <p>All document deficiencies must be cured before the loan is purchased.</p> <p>All documents must be properly executed, endorsed and listed in sequential order without a break in the chain of assignments. The original documents (recorder's certified true copies, as applicable) must be in the closing package. Loans without the original documents are not eligible.</p>

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<b>Prior Note(s)</b>	Documents are reviewed to ensure the chain of title is intact and all Note endorsements are present/correct. The endorsement must have an original signature from the assigning lender and include the lender's name and the name and title of the individual signing.
<b>New Documents</b>	If the principal balance increases, a new "Gap Note" and "Gap Mortgage" must be executed for the "new money." This Gap Note and Gap Mortgage, along with all "old" Notes and "old" Mortgages, are then consolidated into a single lien with the governing terms described in the CEMA. The CEMA must be the last document placed on public record. If the customer does not receive cash out, a new Gap Note and Gap Mortgage is not required. A Consolidated Note) and Consolidated Mortgage and all applicable riders must be attached to the CEMA for recording.