

SECTION 1	MATRIX:																														
FHA Standard:																															
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<ol style="list-style-type: none"> 1. In some cases (i.e. provided by a family member, government agency, etc...) subordinate financing may be as high as 100% CLTV. 2. LTVs/CLTVs for Streamline refinances W/O appraisals are based on the original loan amount. 3. Non-Credit Qualifying Streamlines: The new base loan amount may not exceed the original base loan amount. 4. 620 Minimum FICO for Manufactured Homes. 5. 85% LTV for No Cash Out refinances where the borrower has occupied the subject property fewer than 12 months prior to case number assignment or if owned less than 12 months, has not occupied the property for that entire period of ownership. 6. 620 Minimum FICO for High Balance Transactions. 																															
SECTION 2	Overlays:																														
	<ul style="list-style-type: none"> ▪ Minimum Loan Amount \$60,000 ▪ Minimum Loan Amount \$75,000 for properties located in NY and TX <p>Ineligible Loan features:</p> <ul style="list-style-type: none"> ▪ Manual Underwriting (for Purchases, Rate/Term, Simple Refinance and Cash Out) – Not Allowed ▪ Graduated Payment Mortgages ▪ Growing Equity Mortgages ▪ Loans to non-profit organizations ▪ Reverse Mortgages ▪ Loans with private water purification systems requiring an escrow for maintenance ▪ Texas Section 50 (a)(6) Program ▪ Construction to permanent loans with modifications ▪ Non-Traditional Credit – Not Allowed ▪ Non-occupant borrowers on multi-unit dwellings > 75% LTV/CLTV ▪ Non-occupant co-borrowers not allowed for cash out refinances ▪ All Expanded Documentation Process types ▪ FHA \$100 Down Payment Program ▪ 203k , 203k streamline or 203b with Repair Escrows ▪ Deed Restricted Properties (other than age restricted) ▪ Temporary Buy downs 																														

	<ul style="list-style-type: none"> ▪ High Balance 3/1 and 5/1 ARMs ▪ Loans to owners and employees and TPOs employee loans are not allowed ▪ Manufactured Homes with accessory dwellings or guest houses - not allowed ▪ Tax liens or judgements must be satisfied. ▪ Late payment and delinquent accounts during the most recent 12 months consisting of more than one 30-day late must be explained. ▪ Borrowers with recently amended tax returns are ineligible. Minor amendments that do not affect the income (or loss) are acceptable. ▪ Lease Holds ▪ HUD REO ▪ Properties with Solar Leases ▪ Native American Indian Land Trusts ▪ Property ratings of C5, C6 and Q6 ▪ Condominium projects not on FHA's approved list. ▪ Single Wide Manufactured Homes ▪ Newly constructed properties located in a flood zone ▪ Manufactured homes in a condo project ▪ Mobile homes, log homes, dome homes or houseboats <p>Manufactured homes are eligible in the following states: AL, AZ, CA, CO DE, FL, GA, HI, IL , IN, KS, KY, LA, MI, MN, NV, NC, ND, NM, NY, OH, OK, OR, SC, TN, TX, UT, VA, WA, WY</p>																																				
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ATR and QM	<ul style="list-style-type: none"> • All loans must meet the Ability to Repay (ATR) and Qualified Mortgage (QM) provisions of the Dodd-Frank Act. 																																				
LOAN LIMITS	<p>FHA Mortgage Limits</p> <ul style="list-style-type: none"> • https://entp.hud.gov/idapp/html/hicostlook.cfm 																																				
REFIANCE PARAMETERS	<p>Refinance Seasoning: “Simple Refinance”, “Cash Out” and “Rate/Term Refinance”</p> <p>Seasoning Requirements to determine LTV: (applies to all refinance except streamlines)</p> <ul style="list-style-type: none"> • For subject properties acquired by the borrower within 12 months of the case number assignment date the LTV is based on 																																				

	<p>the lesser of:</p> <ol style="list-style-type: none"> 1. The borrower's purchase price; or 2. The property value. <ul style="list-style-type: none"> • For subject properties acquired by the borrower greater than or equal to 12 months prior to the case number assignment date, the LTV is based on the appraised value <p>Note: For subject properties acquired by the borrower through inheritance or through a gift from a family member with 12 months of the case number assignment date, the LTV is based on the appraised value.</p> <p>Refinance Seasoning: Streamline On the date of the FHA case number assignment:</p> <ul style="list-style-type: none"> • The borrower must have made at least six payments on the FHA-insured mortgage that is being refinanced. • At least six full months must have passed since the first payment due date of the mortgage that is being refinanced. • At least 210 days must have passed from the closing date of the mortgage that is being refinanced; and • If the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption.
<p>UNDERWRITING REQUIREMENTS</p>	<p>Underwriting:</p> <ul style="list-style-type: none"> • TOTAL Scorecard (DU/LP) – “Approve Eligible” • Manual underwriting - Streamlines allowed. All others default to 1st Advantage Program Guides. <p>The AUS must be downgraded to manual underwrite for the reasons below.</p> <p>Note: If a manual underwrite is warranted, the file will need to be placed on WesLend's FHA 1st Advantage Program.</p> <p>The Mortgagee must downgrade and manually underwrite any Mortgage that received an Accept recommendation if:</p> <ul style="list-style-type: none"> • the mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard; • additional information, not considered in the AUS recommendation affects the overall insurability of the Mortgage; • the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts; • the date of the Borrower's bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment; • the case number assignment date is within three years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale); • the case number assignment date is within three years of the date of the transfer of title through a foreclosure sale; • the case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure; • the Mortgage Payment history, for any mortgage trade line reported on the credit report used to score the application, requires a downgrade as defined in Housing Obligations/Mortgage Payment History; • the Borrower has undisclosed mortgage debt that requires a downgrade; or • business income shows a greater than 20 percent decline over the analysis period
<p>CAIVRS</p>	<p>CAIVRS System Provide a clear CAIVRS # on each applicant and any co obligor. An applicant cannot be considered a satisfactory credit risk if he/she</p>

	has a judgment lien against his/her property for a debt owed to the Government until the judgment is paid or otherwise satisfied. The one exception to this policy is that CAIVRS is not required for non-purchasing spouses in community property states.	
RATIOS	Debt to Income Ratio – DTI: <ul style="list-style-type: none"> DTI per DU Approve/Eligible Findings 	
Derogatory Credit Seasoning	Derogatory Seasoning	
	Bankruptcy	<ul style="list-style-type: none"> 24 months from Discharge date Note: There is no distinction between Ch7, Ch11 and Ch13
	Foreclosure	<ul style="list-style-type: none"> 36 Months
	Deed-in-Lieu, Pre-Foreclosure, Charge-off of Mortgage account	<ul style="list-style-type: none"> 36 Months
	Short Sale	<ul style="list-style-type: none"> 36 months
	Mortgage Modification	<ul style="list-style-type: none"> Utilize the payment history in accordance with the modification agreement to determine acceptable mortgage history.
	Foreclosure and Bankruptcy on the same Mortgage (Mortgages not-reaffirmed)	36 months; Manual underwriting required and must demonstrate acceptable mortgage history from bankruptcy discharge. If no foreclosure but not reaffirmed then manual u/w required.
	Judgement / Liens	All non-federal judgments must be paid OR the borrower must have a validated payment arrangement and have made timely payments for three months prior to loan application (prepaying scheduled payments is not acceptable). Outstanding Federal judgements (other than IRS) are ineligible – Verification of three months' payments required – no time frame.
Collections and Charge off	<p>Charge offs – do not need to be included in the borrower's liabilities or debt for AUS approval.</p> <p>Collections – If the cumulative outstanding collection balance (excluding medical) is \$2,000 or greater:</p> <ul style="list-style-type: none"> Verify debt is paid in full, prior to or at the time of settlement, using acceptable sources of funds. Verify payment arrangements with creditor and include monthly payment in DTI: <p>If payment arrangement is not available, calculate monthly payment using 5 percent of the outstanding balance for each collection account.</p>	
STUDENT LOAN PARAMETERS	Student loan payment requirements: The greater of	

	<ul style="list-style-type: none"> • 1% of outstanding balance; or • Actual fully amortized payment – as per credit report; or • Calculated payment based on documented terms <p>IBR – Interest Based Repayment plan – not acceptable</p>												
STATE RESTRICTIONS	<p>Texas 50(a)(6):</p> <ul style="list-style-type: none"> • Not Allowed 												
RESERVES	<p>Reserves:</p> <ul style="list-style-type: none"> • 1 & 2 units – The sum of the Borrower’s verified and documented liquid assets minus the total fund the borrower is required to pay at closing. • 3 & 4 units - 3 months PITI. The subject property must be “self-sufficient.” The PITI divided by the monthly Net Self-Sufficiency Rental Income may not exceed 100% • Calculation: <p>Net Self-Sufficiency Rental Income is calculated using the Appraiser’s estimate of fair market rent from all units, including the unit the Borrower chooses for occupancy, and subtracting the greater of the Appraiser’s estimate for vacancies and maintenance, or 25% of the fair market rent.</p>												
NON-OCCUPANT CO-BORROWER	<ul style="list-style-type: none"> • Proposed rents cannot be used as income to qualify. • Maximum LTV is 75% on 2-4 units • > 75% LTV, borrowers must be family members. • May not be used to develop a portfolio of rental properties. Schedule of Real Estate Owned to be examined. • Not allowed, for qualifying purposes, on Cash Out refinance transactions. • Co-borrower must take title to the property and sign the note and the mortgage • The co-borrower cannot be the seller, builder, real estate agent, etc... • Non-occupant must have a principal residence in the U.S. or be a US citizen 												
APPRAISALS	<p>Based on the property type, the following appraisal report form must be used:</p> <table border="1" data-bbox="453 1110 1898 1435"> <thead> <tr> <th data-bbox="453 1110 1010 1154"><i>Property Type</i></th> <th data-bbox="1010 1110 1898 1154"><i>Form Name/No.</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="453 1154 1010 1224">Single-Family Residence (SFR), Planned Unit Development (PUD)</td> <td data-bbox="1010 1154 1898 1224">Uniform Residential Appraisal Form (#1004/#70) And 1004MC</td> </tr> <tr> <td data-bbox="453 1224 1010 1268">Condominiums</td> <td data-bbox="1010 1224 1898 1268">FNMA Form 1073 and 1004MC</td> </tr> <tr> <td data-bbox="453 1268 1010 1318">Site Condominiums</td> <td data-bbox="1010 1268 1898 1318">FNMA Form 1073 and 1004MC</td> </tr> <tr> <td data-bbox="453 1318 1010 1382">2-4 unit Properties</td> <td data-bbox="1010 1318 1898 1382">Small Residential Income Property Appraisal Report (#1025/#72) and 1004MC</td> </tr> <tr> <td data-bbox="453 1382 1010 1435">Manufactured (HUD Code) Housing</td> <td data-bbox="1010 1382 1898 1435">FNMA Form 1004C and 1004MC</td> </tr> </tbody> </table>	<i>Property Type</i>	<i>Form Name/No.</i>	Single-Family Residence (SFR), Planned Unit Development (PUD)	Uniform Residential Appraisal Form (#1004/#70) And 1004MC	Condominiums	FNMA Form 1073 and 1004MC	Site Condominiums	FNMA Form 1073 and 1004MC	2-4 unit Properties	Small Residential Income Property Appraisal Report (#1025/#72) and 1004MC	Manufactured (HUD Code) Housing	FNMA Form 1004C and 1004MC
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	Update of Appraisal (All Property Types)	FNMA Form 1004D
	Final inspection of New Construction	Form HUD-92051
	Final Inspection for Existing Property	FNMA Form 1004D
<p>Ineligible Properties</p>	<ul style="list-style-type: none"> • Properties contaminated by methamphetamine production or use. • Properties with more than one accessory dwelling • Properties located within 75 ft of an operating/proposed gas or oil well • Hawaii properties located in Zones 1 or 2 • Properties located within 10 ft of a pipeline easement or high pressure gas line • Properties located within 300 ft of above/below ground stationary storage tanks containing more than 1000 gallons of explosive/flammable fuel (includes gas stations) • Properties located in Coastal Barrier Resources Systems • Properties that don't meet FHA MPR/MPS. • Properties that are not residential in nature (working farms or orchards – bed and breakfasts) • Newly constructed properties located in military airfield accident prone zone 1 	
<p>PROPERTY FLIPPING</p>	<p>Property Flipping If the seller acquired the property less than 6 months before the purchase agreement was executed, the following rules apply:</p> <p>Resale within 90 days or less: A property that is being resold 90 days or fewer following the seller's date of acquisition is NOT eligible for an FHA-insured Mortgage. Note: <u>Sales contracts are not allowed to be re-executed in order to get around the 90 day flip rule.</u></p> <p>Resale Occurs between 91 days to 180 days: If the resale price is greater than or equal to 100% over the property seller's acquisition price, a second FHA appraisal (ordered through Rels) is required. The second appraisal must be ordered by WesLend/Lenox and may not be paid for by the borrower.</p> <p>Important Notes:</p> <ul style="list-style-type: none"> • The second full FHA appraisal must be ordered by WesLend/Lenox and may not be paid for by the borrower. • The second appraisal (ordered by WesLend/Lenox) must be completed by an FHA roster appraiser, who must perform the second appraisal in compliance with all FHA appraisal reporting requirements. • The lower of the two appraised values must be used to qualify. • Home inspection must be completed prior to Docs. Final inspection of these repairs will also be required. All health and safety items noted in Home inspection and by the appraisal are to be completed. "NO EXCEPTIONS" • All transactions must be Arms-length, with no identity of interest between the buyer and seller or other parties participating in the sales transaction. <p>The property seller's acquisition cost is defined as what the seller paid to acquire the subject property. It does not include the cost of any repairs or improvements made to the property after purchase.</p>	
<p>RENTAL INCOME</p>	<p>Rental income received from owner occupied property being vacated by borrower.</p>	

	<p>If rental income is being derived from the property being vacated by the borrower, the borrower must be relocating to an area more than 100 miles from the borrower's current Principal Residence. The borrower must also provide a lease agreement of at least one year's duration after the Mortgage is closed and evidence of the payment of the security deposit or first month's rent and meet one of the documentation requirements listed below.</p> <p>Required Documentation:</p> <ul style="list-style-type: none"> Limited or No History of Rental Income Where the borrower does not have a history of Rental Income for the property since the previous tax filing, including property being vacated by the borrower, an appraisal evidencing market rent and that the borrower has at least 25 percent equity in the property must be included in the file. OR History or Rental Income Borrower to provide last two year's tax returns with Schedule E, showing rental income. 																															
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