WesLend Non-QM “Agency Plus”

SECTION 1: MATRIX:

HIGHLIGHTS: Designed for high credit quality borrowers.

- Loan amounts up to $3,000,000
- Interest Only feature available
- DTI up to 50% (see Qualifying and Ratios); 55% with certain conditions
- Minimum 600 credit score
- Credit evaluation and income documentation determined by Desktop Underwriter (DU)

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Primary Residence:

Primary Residence – Purchase / Rate & Term					
Units	**Credit Score**	**LTV[3]**	**CLTV[3,4]**	**Minimum Loan Amount**	**Maximum Loan Amount**
1 Unit	680	90%[6]	90%[6]	$100,000	$1,500,000
1-4 Units	680	80%	80%		$1,750,000
		75%	75%		$2,000,000
		70%	70%		$2,500,000
		60%	60%		$3,000,000
	600	75%	75%		$750,000
		65%	65%		$1,000,000
		55%	55%		$1,500,000

Primary Residence – Cash-Out Refinance[5]				
Units	**Credit Score**	**LTV / CLTV[3,4]**	**Minimum Loan Amount**	**Maximum Loan Amount**
1 Unit	680	85%[6]	$100,000	$1,500,000
1-4 Units	680	80%		$1,750,000
1-4 Units	680	70%		$2,000,000
		60%		$2,500,000
	600	70%		$750,000
		60%		$1,500,000
		50%		$1,500,000

Second Home:

Second Home – Purchase / Rate & Term[2]					
Units	**Credit Score**	**LTV[3]**	**CLTV[3,4]**	**Minimum Loan Amount**	**Maximum Loan Amount**
1-2* Units	720	80%	80%	$100,000	$1,000,000
		70%	70%		$1,500,000
		60%	60%		$2,500,000
	680	80%	80%		$750,000
		70%	70%		$1,000,000
		60%	60%		$2,000,000
	600	70%	70%		$750,000
		60%	60%		$1,000,000
		50%	50%		$1,500,000

Note: 2-Unit second homes must be in a recognized vacation area (see Occupancy)

Second Home – Cash-Out Refinance[1,2,5]				
Units	**Credit Score**	**LTV / CLTV[3,4]**	**Minimum Loan Amount**	**Maximum Loan Amount**
1-2 Units	720	75%	$100,000	$750,000
		65%		$1,500,000
		55%		$2,000,000
	680	70%		$750,000
		60%		$1,000,000
		50%		$2,000,000
	600	65%		$750,000
		55%		$1,000,000
		45%		$1,500,000

Note: 2-Unit second homes must be in a recognized vacation area (see Occupancy)

Investment Property:

Investment – Purchase / Rate & Term[2]					
Units	**Credit Score**	**LTV[3]**	**CLTV[3,4]**	**Minimum Loan Amount**	**Maximum Loan Amount**
1-4 Units	720	80%	80%	$100,000	$1,000,000
		70%	70%		$1,500,000
		60%	60%		$2,500,000
	680	80%	80%		$750,000
		70%	70%		$1,000,000
		60%	60%		$2,000,000
	600	70%	70%		$750,000
		60%	60%		$1,000,000
		50%	50%		$1,500,000

Investment – Cash-Out Refinance[1,2,5]				
Units	**Credit Score**	**LTV / CLTV[3,4]**	**Minimum Loan Amount**	**Maximum Loan Amount**
1-4 Units	720	75%	$100,000	$750,000
		65%		$1,500,000
		55%		$2,000,000
	680	70%		$750,000
		60%		$1,000,000
		50%		$2,000,000
	600	65%		$750,000
		55%		$1,000,000
		45%		$1,500,000

Footnote:

1. See Cash-Out Requirements
2. See Limitations on Other Real Estate Owned for multiple property restrictions
3. New or newly converted condo projects in Florida are limited to 60% LTV/CLTV
4. HELOC – Combined Loan to Value uses the full line amount of the HELOC to calculate the CLTV, regardless of the amount drawn.
5. For Cash-Out transactions, the maximum cash back amount is limited to the max loan amount, as per cash-out matrix.
6. Loans with >80% LTV/CLTV must meet the following parameters:
   - Minimum 680 score
   - 1-unit single family, PUD, or condo (no non-warrantable condos)
   - Minimum 4 years since major derogatory event: Bankruptcy, Short Sale, Deed-in-Lieu, Mortgage Charge-off, Foreclosure

- Mortgage Lates: 0X30X12
- 6 months minimum reserves (may not be waived)

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SECTION 2: Products:

PROGRAM CODES:

Agency Plus				
Fully Amortized			**Interest Only**	
5/1 ARM	9771-30		5/1 ARM I/O	9471-30
7/1 ARM	9871-30		7/1 ARM I/O	9571-30
10/1 ARM	9971-30		10/1 ARM I/O	9671-30
15 Year Fixed	9371-30			
30 Year Fixed	9271-30			

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SECTION 3: Eligibility and Underwriting Parameters:

MINIMUM LOAN AMOUNT

$100,000

MAXIMUM LOAN AMOUNT

$3,000,000 (*Maximum loan amount may be lower depending on loan parameters. Please see matrix for details.)*

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MAX. CASH-OUT

For Cash-Out transactions, the maximum cash back amount is limited to the max loan amount, as per cash-out matrix.

ADJUSTABLE RATE DETAILS (5/1, 7/1 & 10/1 ARMs)

Interest Rate Adjustment Caps	2/2/5
Margin	3.5%
Index	1 Year LIBOR (London InterBank Offer Rate)
Index Establish Date	45 days prior to the change date (aka “look back period)
Interest Rate Floor	Note Start Rate
Conversion Option	None
Assumption	ARM products are assumable to a qualified borrower after the fixed term.
Negative Amortization	None
Interest Only Option	Interest Only Option available for fixed period of ARMs

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Appraisal Requirements

Underwriting may require additional collateral review.

NOTE: Properties with a condition rating of **C5** or **C6** are not acceptable.

Appraisal transfers are allowed.

Loan Amount	Appraisal Requirement
<= $1,000,000	One Full Appraisal
> $1,000,000	Two Full Appraisals
All properties For Sale By Owner (FSBO) w/LTV > 75%	Two Full Appraisals

	Additional Collateral Valuation Requirement – Two Options
	
	<u>Option #1</u>
	
	A Pro Teck Valuation Services Appraisal Risk Review (ARR) or a Clear Capital Collateral Desktop Analysis (CDA) supporting the value within 10% (higher or lower than appraised value) will be required when the Appraisal Requirement is ***<u>One Full Appraisal.</u>*** If variance exceeds 10% then a field review ordered from one of the following providers will be required:
	• Class Appraisal
	• Clear Capital
	• Consolidated Analytics
	• Direct Valuation Solutions, Inc. (DVS)
	• Property Science
	• Springhouse Valuations (AltiSource)
	
	A ***<u>field review</u>*** from any of the above providers is acceptable in lieu of an ARR or CDA.
	
	If a field review is obtained there is a 5% tolerance as follows:
	• If the field review value is ≤ 5% below the appraised value, use the appraised value for LTV calculations
	• If the field review value is more than 5% below the appraised value, a second appraisal is required.
	    ▪ Use the lower value of the two appraisals for LTV calculations
	
	When two (2) appraisals are provided, an ARR or CDA is not required. The lower value of the two appraisals will be utilized.
	
	<u>Option #2</u>
	
	Fannie Mae Collateral Underwriter (CU) appraisal review - Acceptable. Must meet the following criteria:
	• 1 – Unit property only (This is a CU limitation)
	• Loan amount <= $679,650
	• CU Risk Score of 2.5 of less
	When an acceptable CU is provided, an ARR or CDA is **not required.**
	
	Condos and PUDs must meet FNMA requirements. See Property Types section for additional information.
	
	<u>Unpermitted additions</u>
	All of the following apply:
	• Must obtain a "cost to cure"
	• Must review the LTV (including cost to cure) fits within guidelines
	    ▪ If a guideline maximum is 80% and the current LTV is 75% and the cost to cure equals 2% of the value of the home, the loan would be approved without an exception, as the LTV is still within guidelines.
	    ▪ If the cost to cure drives the LTV over the maximum LTV limit, the loan would not be eligible unless the home was converted back to the original state with a completion certificate in the file.
	• Obtain typical comparables for value of the home, but would not require similar improvements
	• Unpermitted improvement may not increase the value of the home (hence the cost to cure)

Appraiser Requirements	Appraisals from appraisers on probation with any regulatory agency, are not allowed. No exceptions. Transferred appraisals are subject to this requirement as well.
ASSETS	Borrower must have sufficient liquid assets available for down payment, closing costs and reserves. Funds must be sourced and seasoned for two (2) months and the most recent consecutive statements (all pages) or the most recent quarterly statements are required.

	Stocks, Bonds, and Mutual Funds (FNMA B3-4.3-01) Vested stocks, bonds, and mutual funds (including retirement accounts) may be used for down payment, closing costs, and reserves without any reduction in value: • One hundred percent (100%) of the value of the asset is allowed when determining available reserves • If the lender documents that the value of the asset is at least 20% more than the funds needed for the borrower's down payment and closing costs, no documentation of liquidation is required. Otherwise, documentation of the borrower's actual receipt of funds realized from the sale or liquidation must be obtained. • **NOTE:** As a reminder, non-vested assets are not eligible for down payment, closing costs, or reserves. Like-Kind Exchanges Assets for the down payment from a "like-kind exchange," also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031 (FNMA B3-4.3-10). Cash out from the subject transaction may be used toward the reserve requirement. Restricted Stock Units (RSUs) are not eligible for income or reserves.

Borrower Eligibility	***Eligible:***
	• U.S. Citizens
	• Permanent Resident Aliens; provide evidence of lawful residency and must meet all the same credit standards as U.S. citizens.
	  ▪ A copy of the borrower's identification is required to verify the acceptable documentation that evidences the borrower is eligible to lawfully reside in the U.S.
	  ▪ Valid Green card, showing continuous time remaining for at least 12 months and 12 months remaining status.
	  ▪ Borrower must be employed in U.S. for the last 24 months or have acceptable education documentation (e.g., college transcripts) combined with employment to total at least 24 months
	• Non-Permanent Resident Alien
	• Inter Vivos Revocable Trust – must meet FNMA guidelines
	  ▪ A power of attorney is not allowed when signing mortgage documents related to an inter vivos trust
	• First Time Home Buyer – allowed with restrictions, see First Time Home Buyer
	
	Non-Permanent Resident Aliens must meet the following requirements
	• Must have an unexpired passport from their country of citizenship containing INS form I-94 which must be stamped Employment Authorized
	• An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker (form I-140) in file
	• The borrower(s) must have a minimum of 5 years residency, with the likelihood of employment continuance for at least 3 years
	• Owner Occupied only, Single Family, PUD, and Condo
	• Only H1B and H2B Visas are accepted
	• Visa must have a minimum remaining duration of 2 years with a letter of intent from the employer to renew
	• Borrower must have a 5 year history in the same line of work
	• Borrowers with diplomatic immunity or A1, A2, A3 Visas are ***ineligible***
	
	Ineligible:
	• Borrowers with a U.S. student visa are ineligible for all Portfolio programs. Student visa types include: F Visa (e.g., F-1, F-2, F-3), J Visa (e.g., J-1, J-2), and M Visa (e.g., M-1, M-2, M-3).
	• Foreign Nationals
	• Land Trusts
	• Corporations
	.

Business Funds	Business funds - Funds in the borrower's business account(s) ≤ 50% of account balance may be counted toward down payment, closing costs, and reserves so long as borrower(s) and/or non-borrowing spouse/domestic partner or family members* have a cumulative 100% ownership interest in the business (e.g., Sole Proprietor, S Corp, Corporation, LLC). A non-borrowing spouse/domestic partner or family members* who are the only other co-owner of the business are acceptable and must provide a letter allowing the borrower to access the funds in the business account.

	*Family Members for business ownership interest purposes above are specifically defined as follows:
	• Child, parent, or grandparent
	  ▪ Child is defined as a son, stepson, daughter, or stepdaughter;
	  ▪ A parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
	• Spouse or domestic partner (domestic partner must live with borrower)
	• Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption
	• Foster child
	• Brother, stepbrother, sister, stepsister
	• Aunt or uncle
	• Son-in-law, daughter- in- law, mother-in-law, brother-in-law, or sister-in-law of the borrower
	• Cousins are – ***NOT Allowed.***
	
	Business funds that are in a personal account prior to application may be used for down payment, closing costs, and reserves without restriction. Large deposits must be sourced to determine there is not an undisclosed loan.
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Cash-Out Requirements	There is no ownership seasoning requirement for a cash-out refinance when at least one borrower on the new loan is an original purchaser. There is no seasoning requirement when additional borrowers are added to title so long as at least one borrower from the original purchase will be a borrower on the new loan. • If a borrower is on title without any original purchasers, the borrower must wait 6 months to do a cash out refinance. • If a property is titled in an LLC and the borrower(s) are 100% owners of the LLC, then title may be transferred to the individual borrower(s) for purposes of refinance without a waiting period. (Example: Husband and wife are 100% owners of LLC. They can deed property to themselves as individuals to do a refinance without a waiting period, so long as the LLC has been on the existing loan for 6 months. ▪ If the LLC has more than one member and only one member will be on the new loan, then the member who receives title must wait 6 months to do a cash-out refinance. When the appraised value exceeds purchase price by more than 20% and the subject property is currently owned for less than 6 months (at time of application date), the appraisal must provide detailed and substantial commentary to support the increase in value. Cash-Out allowed to borrowers who own up to 15 financed properties when subject is second home or investment property. Borrowers with more than 15 financed properties are ineligible when subject is second home or investment property. A refinance of a prior cash-out loan within 6 months is allowed to be classified as a rate/term refinance. .
Non-Occupant Co-Borrowers	Non-occupant co-borrowers allowed with a 5% reduction in maximum LTV. .

Credit	All borrowers must have a minimum credit score of ***600***.
	
	Each of the following credit components impacts the borrower’s ability to repay the loan:
	• Borrowers must have a minimum of 3 trade lines on the credit report. Trade lines may be open or closed, with one seasoned trade line having a minimum 24 month rating and one trade line with at least a $5,000 high credit limit. The seasoning and high credit limit requirements may be met with the same trade line. Authorized user trade lines are not eligible for any portion of the credit requirement. When spouse is co-borrower only one borrower is required to have the credit depth listed above.
	• Mortgage / Rental Lates – **1x30** during the past 12 months
	  ▪ This applies to all mortgages on all properties
	  ▪ (See Loan Modification for refinancing loans with prior modifications)
	  ▪ No Notice of Default (NOD) filed on ***any property*** in the past 12 months
	  ▪ Rental history must be documented by a direct verification of rent (VOR) by a professional management company and/or private party. If the VOR is provided by a private party, 12 months cancelled checks or 12 months bank statements must be provided to document rents.
	  ▪ Verification of mortgages that do not appear on credit report.
	    • Institutional lender – Written VOM
	    • Private Lender – 12 months cancelled checks.

	• Bankruptcy (Ch. 7, 11 and 13), Short Sale, Deed-in-Lieu, Charge-off of Mortgage Accounts – **None less than four (4) years** ▪ Bankruptcy, Short Sale or Deed in Lieu, Charge-off of Mortgage Accounts ≥ 2 years and < 4 years is acceptable with the following compensating factors: • Maximum 70% LTV or existing guidelines, whichever is lower. • Foreclosure – **None** in the last four (4) years ▪ Foreclosure ≥ 3 years and < 4 years is acceptable with the following compensating factors: • Maximum 70% LTV or existing guidelines, whichever is lower. • Judgment/Tax Lien/Collections/Charge-Offs – **Must be paid**. ▪ Judgments and Tax Liens must be paid ▪ Medical collections are excluded regardless of amount. ▪ Any new charge-offs or non-medical collections within the last 12 months greater than $1,000 per trade line, or the cumulative amount is greater than $2,000, must be paid off. • Consumer Credit Counseling – Borrowers who have experienced credit or financial management problems in the past may have elected to participate in consumer counseling sessions to learn how to correct or avoid such problems in the future. Whether borrowers have or have not completed participation in the sessions before closing on the mortgage transaction is not relevant since it is the borrower’s credit history that is of primary importance. (FNMA B3-5.2-01) • Disputed Accounts – Disputed accounts are reviewed to determine current balance and derogatory information (a 30-day or more delinquency) within 2 years prior to the credit report date: ▪ Zero balance and no derogatory information – no action required ▪ Zero balance a derogatory information – remove and pull ne credit report ▪ A positive balance and no derogatory information – remove and pull new credit report ▪ A positive balance and derogatory information – remove and pull new credit report **Note:** A credit supplement is not allowed to document disputed accounts .
Disaster Declarations and Recertification	If an area containing the subject property is eligible to receive individual assistance and/or public assistance, as designated by FEMA, the property will require a recertification of value as follows: • An appraisal completed in an area after the disaster declaration was released (incident date) does not require a recertification. Ideally, the appraiser will comment that the property is free from damage and the disaster had no effect on the property. • If the appraisal was completed prior to the disaster, at a minimum a re-inspection stating the property is free from damage & the disaster had no effect on the property value and marketability - required (including exterior photos of the property). ▪ Payment for necessary re-inspections will be the responsibility of the borrower. Interior photos may be required on a case-by-case basis. The re-certification must be obtained as promptly as possible (but not until after the disaster is active) in order to ensure a timely closing, funding (and purchase if applicable) of the loan. WesLend reserves the right to require additional inspections as required in this guide for properties in areas deemed affected by natural disasters that may have not been designated by FEMA. .
Documentation	Standard Fannie Mae full income and asset documentation is required. For loans ≤ $453,100 that receive an Approve recommendation, refer to DU findings for credit and income documentation. Minimum 600 credit score for all borrowers still applies. Verbal VOE to be performed by the underwriter prior to closing using lender’s VVOE form or if self-employed, an independent written confirmation of self-employment is required (i.e., copy of business license reflecting ownership of company, etc.). • Employment Income - Verbal VOE (VVOE) must be obtained within 10 business days prior to the note date; • Self-Employment Income – Lender must verify the existence of the borrower’s business within 120 calendar days prior to the note date ▪ From a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; or ▪ By verifying a phone listing and address for the borrower’s business using a telephone book, the Internet, or directory assistance.

	No Section 32 High Cost Loans will be allowed. Section 35 Higher Priced Mortgage Loans will be allowed subject to mandatory impound account for 5 years and no property flipping. **Ability to Repay must be documented with:** Self-Employed: 2 years 1040s, 1065s, 1120s, K-1s as applicable, VVOE and processed 4506T Wage Earner: 2 years W-2s, 30 days paystubs, VVOE and processed 4506T The borrower must acknowledge their ability to repay the loan by signing a Borrower Affirmation document at closing. .
Escrow Holdback	Escrow Holdbacks are allowed for weather related repairs on purchase transactions only. • Allowable repairs are the lesser of 5% of value of $10,000 (before multiplying by 1.5) • Maximum $5,000 repair limit • Escrow withhold amount must be at least 1.5 times the cost of repairs ▪ Example: $5,000 repairs X 1.5 = $7,500 total escrow withhold amount • Other policies and procedures may apply – subject to Credit Risk evaluation. • Maximum escrow holdback amount is $15,000 • An additional $400 fee will be charged for administration of the escrow holdback account. .
Escrow Waivers	Impounds are not required unless the loan is a higher-priced mortgage (HPML) transaction. HPML transactions require a minimum 5 year escrow period (CFPB TILA ESCROW RULE) .
Financing Types	Rate/Term Refinance A rate/term refinance may include the payoff of a non-purchase money second seasoned at least 12 months. If HELOC, no draws > $2,000 in the past 12 months. New York Consolidation, Extension & Modification Agreement (NY CEMA) For all refinance products under this program, property located in the state of New York, may be structured as a Consolidation, Extension and Modification Agreement (CEMA) transaction. • **Exclusion: CEMA transactions are not allowed for interest only refinance loans.** The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided: • NY Consolidation, Extension and Modification Agreement (Form 3172) • Original Note(s) – Original documents signed by the borrower • Gap Note and Gap Mortgage, if applicable • Consolidated Note – Original documents signed by the borrower • Listing of all Notes & Mortgages being consolidated, extended and modified • Legal description of the subject property • Copy of the consolidated Note • Copy of the consolidated Mortgage Lost Note Affidavits are not an acceptable substitute for any of the required documents. If original documentation cannot be provided per above, then a **CEMA is not allowed.** .
First Time Home Buyer	No rental or mortgage history is required. See Housing History .

WesLend Non-QM "Agency Plus"

WesLend FINANCIAL

Geographical Locations / Restrictions	Eligible states are as follows:
	• All approved states are eligible except:
	  ▪ OH
	  ▪ Interest Only Restriction – Interest Only loans are not allowed in Illinois
	  ▪ New York
	    • Loans that meet the definition of a subprime home loan under New York law are **NOT eligible.**
	    • **Primary residences 1-4 units** with loan amounts falling within conforming or high balance county loan limits – **Not Allowed**
	    • 1-4 unit Primary residences with Non-Conforming loan amounts, Second Homes and Investment property – **Allowed**
	  ▪ Hawaii
	    • Properties in lava zones 1 & 2 – Not Allowed, due to increased risk of property destruction from lava flows.
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Gift Funds / Gifts of Equity	**Gift Funds** – Allowed • Gift funds are allowed for paying off debt, equity contribution refinances, and for closing costs and down payments. • Gift funds are **NOT** allowed for reserves. • When the subject property is a **second home or investment property with 100% gift funds,** a 10% reduction in maximum LTV is required. If borrowers have 5% of their own funds verified, the LTV reduction is not required. • Acceptable Donors* for gift funds – Follow FNMA guidelines for acceptable donors listed below • The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction. **Gift of equity** – Allowed at <= 75% LTV • A "gift of equity" refers to a gift, provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property, and I transferred to the buyer as a credit in the transaction. • Only immediate family members* may provide equity credit as a gift on property being sold to other family members • The acceptable donor requirements for gift funds (above) also apply to gifts of equity A signed gift letter is required for all gift funds and gifts of equity. Transfer of funds of evidence of receipt must be documented prior to or at closing. *Acceptable Donors (per FNMA B3-4.3-04) A gift can be provided by: • A relative, defined as the borrower's spouse, child or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or • A fiancé, fiancée, or domestic partner The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction. .
Higher Priced Mortgage Loans (HPML)	See Escrow Waivers HPML only applies to principal residences. **Property Flipping with HPML is Ineligible – see below** Limitations on HPML loans for resale transactions within 180 days When a second appraisal is required per the TILA HPML Appraisal Rule the loan is **considered on a case by case basis.** For principle residences, when the price reflected in the buyer's purchase agreement is more than a certain amount higher than the seller's acquisition price, the rule requires a second appraisal. The amounts are: • More than a 10% increase if the seller acquired the property in the past 90 days • More than a 20% price increase if the seller acquired the property in the past 91 to 180 days • See CFPB TILA HPML Appraisal Rule for exemptions from this requirement. ..

Housing History	There is no requirement for rent or mortgage history for this program. Borrower can be a first time homebuyer without any rental history. However, if the borrower has rent or mortgage history, it must meet credit requirements. For borrowers who currently own all property free and clear there is no mortgage/rent history requirement.
Income	Full Income Documentation is required. For loan files with AUS, DU findings follow DU credit and income documentation. For loans without AUS Approval, the following documentation is required: Employed Borrowers: Most recent paystub including year-to-date earnings (covering minimum of 30 days) and two years W-2s; or Traditional Written Verification of Employment with 30 days of paystubs and 2 years W-2s. Must have 2 years continuous employment in the same line of work. Gaps of 60 days or less may be accommodated with adequate explanation. Self-Employed Borrowers: Two years personal returns (along with all schedules) and business tax returns (for businesses where borrower has 25% or more ownership interest and the income from the businesses is being used for qualification). **A Year-to-Date (YTD) P&L and Balance Sheet are not required. However, if the most recent tax year filing is under extension, then a signed P&L will be required for that period.** Rental Income - Subject Property and Other Investment Real Estate Owned (not departure residence) (Follow FNMA B3-3.1-08, Rental Income) Generally, if a borrower has a history of renting the subject or another property, the rental income will be reported on IRS Form 1040, Schedule E of the borrower's personal tax returns or on Rental Real Estate Income and Expenses of a partnership or an S Corporation form (IRS Form 8825) of a business tax return. If the borrower does not have a history of renting the subject property or if, in certain cases, the tax returns do not accurately reflect the ongoing income and expenses of the property, the lender may be justified in using a fully executed current lease agreement. **Note:** Airbnb or similar such rentals are not acceptable. An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed. Rental Income on a Departure Residence (Follow FNMA B3-6-06) If the borrower is converting a current principal residence to a second home, both the current and proposed mortgage payments (PITIA) must be used to qualify the borrower for the new transaction. Boarder Income Income from boarders in a borrower's principal residence or second home is not acceptable qualifying income with the exception of the following: • When a borrower with disabilities receives rental income from a live-in personal assistant, whether or not that individual is a relative of the borrower, the rental payments can be considered as acceptable stable income in an amount up to 30% of the total gross income used to qualify the borrower. Personal assistants typically are paid by Medicaid Waiver funds and include room and board, from which rental payments are made to the borrower. Asset Based Income (Asset Amortization) Requirements Asset amortization is a calculation used to generate a monthly income stream from a borrower's personal assets. It can be combined with other income such as Social Security, Pension or other investment income. There is no age restriction. Eligibility Requirements (Asset Amortization) • Available for Primary Residence, Second Homes Only and Investment Property (N/O/O) • Borrower and Co-Borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation. • 100% of eligible assets must be verified and will be amortized over the term of the loan • All assets must be in a U.S. financial institution—No Foreign Assets • The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program.

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- Other reported earnings from Capital Gains or Interest/Dividend already considered and averaged as “effective income” cannot be included or double counted.

Eligible Asset Types (Asset Amortization)
Considered assets must be comprised of the following readily marketable assets which must be available to the borrower with no penalty and are limited as follows:

- Bank Deposits – Checking, Saving, Money Market accounts = 100%
- Publicly traded stocks and bonds = 90% (stock options not allowed)
- Mutual Funds = 90%
- Retirement Accounts
  - 401(K) plans or IRA, SEP or KEOUGH accounts = 80%
(These can only be used if distribution is not already set up)

For eligible asset types, any debt tied to that asset must be netted out. Example: Stocks bought on margin or 401(K) loan against the 401(K) account.

Ineligible Asset Types (Asset Amortization)

- Business funds
- Non-liquid assets (automobiles, artwork, business net worth, etc.)
- Life insurance (neither face value nor cash value is allowed for asset amortization)

Asset Amortization Calculation Policy:

- Eligible asset amount to be amortized over the term of the loan (e.g., 360 months for a 30 year loan, 180 months for a 15 year loan)

Example of Asset Amortization for 30 year loan:

Savings Account Balance $100,000 ($100,000 Usable toward calculation)
Stock Fund Balance $100,000 ($90,000 Usable toward calculation)
Mutual Fund Balance $10,000 ($9,000 Usable toward calculation)

Total Usable toward calculation = $199,000/360 = $552.78 monthly income

IRS Form 4506T is required to be signed and executed during the origination process, and transcript documentation for the most recent two years must be provided in the closed loan file. For self-employed borrowers, this applies to both personal returns and business returns for businesses where borrower has 25% or more ownership and the income from the businesses is being used for qualification).

Form 4506T must also be signed at closing.

Restricted Stock Units (RSUs) are not eligible for income or reserves.

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</td></tr>
<tr><td>Interest Only</td><td>Interest-only payments are allowed on the hybrid ARMs only (i.e., 5/1, 7/1, 10/1) during the fixed rate period of the loan.
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<tr><td>Interested Party Contributions (IPCs) / Seller Concessions</td><td>

Interested parties include, but are not limited to, the property seller, the builder/developer, the real estate agent or broker, or an affiliate who may benefit from the sale of the property and/or the sale of the property at the highest price possible. A lender or employer is not considered an interested party to a sales transaction unless it is the property seller or is affiliated with the property seller or another interested party to the transaction.

IPC Limits		
Occupancy Type	*LTV/CLTV*	*Maximum IPC*
Principle residence or Second home	75.01% - 80%	6%
	75% or less	9%
Investment property	All CLTV ratios	2%

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</td></tr>
</table>

Limitations on Other Real Estate Owned	Loan/Property restrictions per borrower are as follows: • Borrowers limited to eight (8) loans with WesLend and/or its investors not to exceed $2,000,000. • If borrower only has one (1) loan with WesLend and/or its investors including the subject property, that loan may exceed $2 million (up to the guideline maximum herein). • Borrowers with > 15 financed properties are not eligible for any 2nd home or investment property transactions (purchase, rate/term, or cash-out) • Borrower may have WesLend and/or its investors financing on a maximum of 10% of the properties in a PUD or condominium project. ▪ For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed **WesLend and/or its investors is limited to a maximum overall concentration of 20% in any Florida condominium project. This limitation is per project and not per borrower.** .
Listed for Sale / “Recently Listed”	Rate/Term Refinance (per FNMA B2-1.2-02) Subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. The borrower must confirm their intent to occupy the subject property (for principal residence transactions). Cash-out Refinance (per FNMA B2-1.2-03) Subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. .
Loan Modification	If the borrower is refinancing a loan with a prior modification/restructure then credit requirement is increased to 0x30 in the last 12 months for all mortgages. Modification must be complete on the subject loan to be refinanced and borrower is making on time scheduled payments. There is no additional seasoning requirement prior to refinance. .
Locking the Loan	• 30 day minimum lock term required • Loan must be approved prior to lock .
Non-Arm’s Length transactions	Non-arm’s length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Non-arm’s length transactions are allowed for the purchase of existing property. For the purchase of newly constructed properties, if the borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property, only primary residence is allowed. Mortgage loans on newly constructed homes secured by a second home or investment property where there is a non-arm’s length relationship are prohibited. (FNMA 2-1.2-01) When tenant is buying from landlord/seller, a Verification of Rent (VOR) from a third party management company is acceptable. If there is no third party management company, provide the most recent 12 months cancelled rent checks or 12 months bank statements (or whatever shorter time period the borrower has been renting) **Conflict of Interest** Situations where the borrower has a dual role in the transaction, namely as borrower and as another party in the same transaction are **prohibited**. These include, but are not limited to, situations where the borrower is also: • The builder • The loan officer on the transaction • The listing agent • Both the listing and selling agent Exception: Borrower is allowed to be the selling agent in the transaction where borrower is the purchaser so long as borrower is not also the listing agent.

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	Additional conflicts: The owner of a loan brokerage company or a lender may not originate his personal loan with his own company. • The owner must originate with an entirely unrelated company. The employee of a loan brokerage company or a lender may use his employer's company to originate a loan so long as that employee is not involved in the origination process (e.g., underwriter, processor, etc.). • Employee may use Agency Plus program only. A loan officer may have his loan originated within the same company only for the Agency Plus program. • For all other programs, the loan officer must have his loan originated with a different unrelated company Note: Gifts of equity are allowed on sales between immediate family members for existing properties only. See *Gifts*. .
Occupancy	**Eligible:** Primary Residence – 1-4 units Second Homes – 1-2 unit only • For 2 unit second homes, one unit must be available for the borrower's exclusive use, no rental or time sharing arrangements in the borrower's exclusive unit • Must be suitable for year round use • Must be located in a recognized vacation area typical for second home properties (e.g., beach, ski, golf, resort) • Must be a reasonable distance from borrower's current owner-occupied property Investment or Non-Owner Occupied – 1-4 Units Group Homes are only allowed for 1-uit owner occupied primary residence.
Points and Fees	• Maximum 5% limit • The points and fee limit applies to all occupancy types. .
Power of Attorney	A power of attorney is allowed per FNMA guidelines (See FNMA B8-5-06). Except as otherwise required by applicable law, or unless they are the borrower's relative (or a person who is a fiancé, fiancée, or domestic partner of the borrower), none of the following persons connected to the transaction shall sign the security instrument or note as the attorney-in-fact or agent under a power of attorney: • The lender; • Any affiliate of the lender; • Any employee of the lender or any other affiliate of the lender; • The loan originator; • The employer of the loan originator; • Any employee of the employer of the loan originator; • The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or • Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent. Power of Attorney (POA) is ineligible for: - **Cash Out Loans.** .

Property Types	**Eligible**
	• 1-unit single family residences (attached and detached) and PUDs (attached and detached)
	• 2-4 unit properties (within matrix parameters)
	• Condominiums - FNMA Eligible
	  ▪ Both FNMA Condo Project Manager (CPM) and FNMA Limited Review are allowed
	  ▪ Detached Condo units that are Principal Residences may be processed with Limited Review (See FNMA B4-2.2-03, Limited Review Process for Detached Condo Units)
	  ▪ Non-Warrantable Exception:
	    • The FNMA investment property concentration limits (i.e., the percentage of non-owner occupied properties within a project) do not apply, and

- Minimum 50% of units in project (or subject legal phase, considered with prior legal phases) must be sold or under contract.
  - ♦ Note: For reference, FNMA (B4-2.2-02) requires that investment property transactions on attached units in established projects (including two-to four-unit-projects), have at least 50% of the total units in the project conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home.
- Single Entity Ownership Exception:
  - Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns up to and including 25% of the total number of units in the project will be considered on a case by case basis.
    - ♦ Note: For reference, the FNMA (B4-2.1-02) acceptable limit is:
      - Projects with 2 to 4 units = 1 unit
      - Projects with 5 to 20 units = 2 units
      - Projects with 21 or more units = 10% of total units

Limited Review (See FNMA B4-2.2-02, Limited Review Process for Attached Condo Units)
Limited Review eligibility criteria for **attached units** differ depending upon the occupancy type and LTV/CLTV/HCLTV ratios, and are as follows:

Occupancy Type	*Maximum LTV/CLTV*
Principal residence	90% (matches FNMA)
Second home	80% (exceeds FNMA)
Investment property	72% (exceeds FNMA)

Note: Mortgages secured by attached units in **new** condo projects are not eligible for Limited Review.

See table below for LTV/CLTV restrictions on Limited Review for ***Florida*** condominiums. (See FNMA B4-2.2-04)

Florida Attached Units in Established Condo Projects – Limited Review	
Occupancy Type	*Maximum LTV/CLTV*
Principal Residence	70/90%
Second Home	70/75%
Investment property	Not Eligible

New or newly converted condo projects in Florida with attached units are **not required** to be approved by Fannie Mae through the PERS process (B4-1.1-02). WesLend's investor will conduct its own review and approval of Florida condo projects. **New or newly converted condo projects in Florida are limited to 60% LTV/CLTV. WesLend and its investors is limited to a maximum overall concentration of 20% in any Florida condominium project. This limitation is per project and not per borrower.**

Mixed Use properties are allowed per Fannie Mae guidelines (B2-3-04)
(Examples: Business use in addition to residential use, such as property with space aside for a day care facility, a beauty or barber shop, or a doctor's office)

- The property must be a one-unit dwelling that the borrower occupies as a principal residence
- The borrower must be both the owner and the operator of the business
- The property must be primarily residential in nature
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property.

The property must meet appraisal requirements for mixed use properties (B4-1.4-07)

Appraisal must indicate:

- A detailed description of the mixed-use characteristics of the subject property
- That the mixed use of the property is a legal, permissible use of the property under the local zoning requirements
- Any adverse impact on marketability and market resistance to the commercial use of the property
- Market value of the property based on the residential characteristics, rather than of the business use or any special business-use modifications that were made.

	Ineligible • Acreage greater than 20 acres (appraisal must include total acreage) • Agricultural zoned property • Condo hotel • Co-ops • Hobby Farms • Income producing properties with acreage • Leaseholds • Log Homes **(may be eligible on a case-by-case basis)** • Manufactured housing • Modular homes • Properties subject to oil and/or gas leases **(may be eligible on a case-by-case basis)** • Title may not be held in a business name • Unique properties • Working farms, ranches or orchards .

Qualifying Rate and Ratios	Qualifying Rate
	• 5/1, 7/1, 10/1 ARM – Qualify at the greater of the fully-indexed rate* or Note rate
	• ARM qualifying ratios are based on a fully amortizing principal and interest payment.
	• Interest Only loans qualify at the greater of the fully-indexed rate* or Note rate based on the scheduled remaining loan term at the time of recast after the interest only period has expired.
	• Fixed Rate loans qualify at the note rate
	
	*Calculate the fully indexed rate by adding the appropriate margin to the current index.
	• **Round the result to the nearest one-eighth of one percentage point (0.125%)**
	
	Interest Only ARM Qualification:
	Use the remaining scheduled **fully amortization term after** the interest only period expires. For a 5/1 Interest Only ARM, the remaining term is 25 years (i.e., 30 – 5 = 25).
	
	DTI Ratio
	• Maximum DTI is 50% (applies to both fully amortizing and interest only)
	  ▪ DTI >50% <= 55% may be allowed with the following conditions:
	    • Minimum 680 credit score
	    • Maximum 75% LTV
	    • Minimum 1 year (12 months) reserves required
	    • Purchase and Rate/Term refinance only
	    • No waiving of reserves
	• For loans with DTI > 43% underwriter may require additional reserves based on borrower’s residual income after total debt payments. Refer to VA residual income requirements. See VA Residual Income Calculation and VA Residual Income Tables. Maximum increase of six (6) months reserves. Additional reserves are not required if the residual income exceeds the table amount by over 20%.
	• Section 35 Higher Priced Mortgage Loans (HPMLs) will be allowed subject to mandatory impound account for 5 years and no property flipping. See Higher Priced Mortgage Loan (HPML).
	
	HELOC – Debt to Income (DTI) qualification
	When subordinate financing in the form of a HELOC is used, if the HELOC provides for a monthly payment, use the principal and interest or interest only payment being made (usually this is on the drawn amount of the HELOC). If no payment is being made, then there is no need to include a payment in the DTI calculation.
	.

Reserves	Cash out from the subject transaction ***MAY BE*** used toward the reserve requirement when ***LTV <= 80%.*** Proceeds from a cash-out refinance ***MAY NOT BE*** used for reserves when ***LTV > 80%.*** *Loan Amount* / *Required Reserves*: <=$1,000,000 — 3 months >$1,000,000<$2,000,000 — 6 months >=$2,000,000 — 12 months • **For Refinances Only:** For loan amounts <= $679, 650, required reserves (above) may be waived when all borrowers have 0x30x12 VOM/VOR and payment on new loan is decreasing. In addition, the borrower(s) must not have any history of bankruptcy, foreclosure, short sale, or deed-in-lieu in order to waive reserves. • When the subject property loan amount is > $679,650 there is no waiving of reserves. **Additional reserves for each financed property (other than subject):** One month PITIA for each additional financed property. PITIA calculated using the actual mortgage payment (PITIA) of the “other” property for each additional property. • Reserves for financed properties with a recent 12 month paid-as-agreed history may be waived *except* when the subject property loan amount is > $679,650. When the subject property loan amount is > $679,650 there is no waiving of reserves. • Reserves for financed properties acquired within the 12 months prior to application cannot be waived **Notes:** 1. Required reserves for Option #1 are calculated using only P&I (principal + interest) payment. Other mortgage related debt is included with “60 months monthly debt” calculation as part of loan qualification. See Income/Asset Verification Option #1 – Asset Qualification. **PITIA for reserves is the monthly housing expense for a property and includes the following:** • Principal and interest (P&I); • Hazard, flood, and mortgage insurance premiums (as applicable); • Real estate taxes; • Ground rent; • Special assessments; • Any owners’ association dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit); • Any monthly co-op corporation fee (less the pro rate share of the master utility charges for servicing individual units that is attributable to the borrower’s unit); • Any subordinate financing payments on mortgages secured by the subject property. Cash value of a vested life insurance policy may be used for reserves. When used for reserves the cash value must be documented but does not need to be liquidated or received by the borrower. .
Subordinate Financing	Subordinate financing must have regular monthly payments at market interest rate that cover at least the interest due so that negative amortization does not occur. Financing provided by the property seller is allowed for arm’s-length transactions only in accordance with FNMA guidelines and program CLTV limits. If financing provided by the seller is more than 2% below current standard rates for second mortgage, the subordinate financing must be considered a sales concession and the subordinate financing amount must be deducted from the sales price. Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five years after the note date of the new first mortgage is unacceptable. An exception may be made when the amount of the subordinate debt is minimal relative to the borrower’s financial assets and/or credit profile (FNMA B2-1.1-04) See *Qualifying Rate and Ratios* for HELOC qualification. .

Texas Section 50(a)(6) Equity Cash Out	Allowed **<u>Note:</u>** Interest Only is prohibited on a Texas Section 50(a)(6) Equity Cash Out Loan
Title / Vesting	**<u>Inter Vivos Revocable Trust (must meet requirements of FNMA B2-2-05)</u>** • Title insurance policy must state that title to the security property is vested in the trustee(s) of the inter vivos revocable trust • The title insurance policy may not list any exceptions with respect to the trustee(s) holding title to the security property or to the trust. • Title to the security property is vested solely in the trustee(s) of the inter vivos revocable trust, jointly in the trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrower(s), or in the trustee(s) of more than one inter vivos revocable trust. .

Underwriting	**Minimum credit score of 600 applies to all borrowers.**
	
	The following DU recommendations are acceptable to proceed with manual underwriting:
	• Approve/Eligible
	  ▪ Loan has a foreclosure or short sale/deed in lieu outside of Fannie Mae requirements (DU may not be picking up the correct dates)
	• Approve/Ineligible
	  ▪ Due to loan amount size
	  ▪ Excessive DTI (Must be below the 50% maximum per guidelines)
	  ▪ Short sale/deed-in-lieu or foreclosure outside of Fannie Mae requirements
	  ▪ Cash out when borrower has > 5 properties and subject is second home or investment
	  ▪ Loan has an interest only feature
	  ▪ Borrower has > four financed properties and the subject is a second home or investment property and the credit score is <720 and/or borrower is receiving cash out.
	• Refer with Caution
	  ▪ Foreclosure or shortsale/deed-in-lieu
	
	Loans must be manually underwritten and fully documented.
	
	<u>Ability to Repay must be documented as follows:</u>
	All loans must be underwritten in compliance with the Ability to Repay standards set forth in 1026.43. For additional topics not specifically or fully addressed by 1026.43 guidance or herein, Fannie Mae underwriting guidelines should be followed
	.

VA Residual Income Calculation	Use VA Form 26-6393 Loan Analysis to calculate residual income.
	http://www.vba.va.gov/pubs/forms/VBA-26-6393-ARE.pdf
	1. Calculate the total gross monthly income of all occupying borrowers.
	(Note: Do not gross up non-taxable income for the residual income calculation)
	2. Deduct from gross monthly income:
	  a. State income tax
	  b. Federal income tax
	  c. Municipal or other income tax
	  d. Retirement or Social Security tax
	  e. Proposed total monthly fixed payment (total mortgage payment + all recurring monthly obligations)
	  f. Estimated maintenance and utilities (use $0.14 per square foot of gross living area)
	  g. Job related expenses (if applicable – Employee Business Expense from IRS Form 2106)
	3. Subtract the sum of the deductions above from the total gross monthly income of all occupying borrowers.
	The balance is residual income.
	
	<u>Compensating Factor</u>
	Residual income may be cited as a compensating factor provided it can be documented and it is at least equal to the applicable amounts for

	household size and geographic region found on the Table of Residual Incomes by Region. To use residual income as a compensating factor, count all members of the household of the occupying borrowers without regard to the nature of their relationship and without regard to whether they are joining on title or the note. From the table, select the applicable loan amount, region and household size. If residual income equals or exceeds the corresponding amount on the table, it may be cited as a compensating factor. Exception: The lender may omit any individuals from "family size" who are fully supported from a source of verified income which is not included in effective income in the loan analysis. These individuals must voluntarily provide sufficient documentation to verify their income to qualify for this exception.
VA Residual Income Tables (VA Lender Manual Chapter 4.9)	See tables below.

Table of Residual Incomes by Region

Family Size	Northeast	Midwest	South	West
1	$ 450	$ 441	$ 441	$ 491
2	$ 755	$ 738	$ 738	$ 823
3	$ 909	$ 889	$ 889	$ 990
4	$ 1,025	$ 1,003	$ 1,003	$ 1,117
5	$1,062	$1,039	$1,039	$1,158
Over 5	Add $80 for each additional member up to a family of seven.			

Region	States
Northeast	CT, MA, ME, NH, NJ, NY, PA, RI, VT
Midwest	IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI
South	AL, AR, DC, DE, FL, GA, KY , LA, MD, MS, NC, OK, PR, SC, RN, RX, VA, VI, WV
West	AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

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