WesLend Non-QM "Alt Doc – Asset Qualification"

SECTION 1: MATRIX:

HIGHLIGHTS:

- Asset Qualification
  - Qualified based on verified liquid assets
  - No employment or income on 1003
  - 4506T not required
  - DTI – Not Calculated

Primary Residence:

Primary Residence – Purchase / Rate & Term					
Units	**Credit Score**	**LTV[1]**	**CLTV[1,2]**	**Minimum Loan Amount**	**Maximum Loan Amount**
1 Unit	680	90%[3]	90%[3]	$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				
Units	**Credit Score**	**LTV / CLTV[1,2]**	**Minimum Loan Amount**	**Maximum Loan Amount**
1 Unit	680	85%[3]	$100,000	$1,000,000
1-4 Units	680	80%		$1,500,000
1-4 Units	680	70%		$2,000,000
		60%		$2,500,000
	600	70%		$750,000
		60%		$1,000,000
		50%		$1,500,000

Second Home:

Second Home – Purchase / Rate & Term					
Units	**Credit Score**	**LTV[1]**	**CLTV[1,2]**	**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				
Units	Credit Score	LTV / CLTV[1,2]	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					
Units	Credit Score	LTV[1]	CLTV[1,2]	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				
Units	Credit Score	LTV / CLTV[1,2]	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

Footnotes:

1. New or newly converted condo projects in Florida are limited to 60% LTV/CLTV
2. HELOC – Combined Loan to Value uses the full line amount of the HELOC to calculate the CLTV, regardless of the amount drawn.
3. 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)

WesLend Non-QM “Alt Doc – Asset Qualification”

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SECTION 2: Products:

PROGRAM CODES:

Alt Doc – Asset Qualifier				
Fully Amortized			*Interest Only*	
5/1 ARM	9772-30		5/1 ARM I/O	9472-30
7/1 ARM	9872-30		7/1 ARM I/O	9572-30
10/1 ARM	9972-30		10/1 ARM I/O	9672-30
15 Year Fixed	9372-30			
30 Year Fixed	9272-30			

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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	4.125%
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
	
	Option #1
	
	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 ***One Full Appraisal.*** 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 ***field review*** 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.
	
	Option #2
	
	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.
	
	Unpermitted additions
	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. Foreign Assets are ***not allowed*** for qualification

	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). Funds for down payment, closing and reserves must be verified, sourced and seasoned for 2 months. Additional Requirements Reserve requirement is in addition to the residual assets needed to cover debts for sixty (60) month period. These debts include mortgage related debt such as taxes, insurance, HOA dues and special assessments. 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.
	  ▪ 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
	• Inter Vivos Revocable Trust – must meet FNMA guidelines, see Title/Vesting.
	  ▪ A power of attorney is not allowed when signing mortgage documents related to an inter vivos trust.
	• Non-Permanent Resident Alien
	• First Time Home Buyer – allowed with restrictions, see First Time Home Buyer
	• Asset Qualification Only: U.S. based Corporations, LLCs and Partnerships are allowed. – see Title/Vesting for requirements.
	
	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
	• Corporations, LLCs, Partnerships
	• Land Trusts
	.

Business Funds	Business funds are not to be included in the total available asset calculation or qualifying calculation unless the business is functioning as an investment vehicle for personal investment. Additional documentation (e.g., business tax returns) would be required. The Asset Qualification is intended for use with Personal Assets only. Any business funds or transfers to personal accounts documented in the most recent 6 months personal statements will be disallowed and excluded from qualification. .
Cash-Out Requirements	Always use the appraised value for LTV calculation on a refinance transaction. There is no ownership seasoning requirement for 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. Note: The following items may be paid off with proceeds from a ***<u>Rate/Term refinance</u>***: • Non-purchase money seconds with 12 month seasoning • HELOCs (Home Equity Line of Credit) with total withdrawals not exceeding $2,000 in the last twelve (12) months .
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***. **<u>Each of the following credit components impacts the borrower's ability to repay the loan</u>**: • 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 ***<u>any property</u>*** 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. • 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 <u>current balance</u> and <u>derogatory information</u> (a 30-day or more delinquency) <u>within 2 years prior to the credit report date:</u> ▪ 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 and 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	Full Asset Documentation is required for both funds to close and reserves. Assets can be cash in the bank, stocks, bonds, IRAs, 401Ks, mutual funds or retirement accounts. For most asset types, this would include all pages of the most recent six (6) months. Asset levels in the verified accounts are expected to be consistent and sustained over the six (6) month period. Increases or decreases of greater than 15% over the six (6) month period (i.e., compare month 1 to month 6) must be explained by the borrower. Additional supporting documentation may be required. Large month-to-month changes in asset totals during the six (6) month period may require additional explanation and documentation. A completed Asset Qualifier Worksheet must be submitted with the loan package. No Section 32 High Cost Loans will be allowed. In addition, loans defined by certain states as "higher priced", "high cost", "subprime", "high risk", or "high rate, high fee" loans are **prohibited.** Section 35 Higher Priced Mortgage Loans will be allowed subject to mandatory impound accounts for 5 years and **<u>no property flipping.</u>** The borrower must acknowledge their ability to repay the loan by signing the "Borrower Affirmation document at closing. Borrower Affirmation – Asset Qualification and Borrower Affirmation
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) • 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	<u>New York Consolidation, Extension & Modification Agreement (NY CEMA)</u> 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	First Time Home Buyer is defined as a borrower who had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. No rental or mortgage history is required. See Housing History

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 <u>subprime home loan</u> under New York law are **NOT eligible.**
	    • **Primary residences 1-4 units** with <u>loan amounts</u> falling within <u>conforming</u> or <u>high balance</u> county loan limits – **Not Allowed**
	    • 1-4 unit Primary residences with Non-Conforming loan amounts, Second Homes and Investment property – **Allowed**
	
	  ▪ Hawaiian Lava-Flow Hazard Zones – The U.S. Geological Survey (USGS) categorizes the island of Hawaii into nine “lava zones” based on each zone’s probability of exposure to lava flows caused by volcanic eruption. Properties in lava zones 1 and 2 are not eligible for loans funded or purchased by Impac Mortgage Corp. due to increased risk of property destruction from lava flows within these areas. The Hawaii Lava-Flow Hazard Zone
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Gift Funds / Gifts of Equity	Gift funds and gifts of equity – Not Allowed.
Higher Priced Mortgage Loans (HPML)	See Escrow Waivers HPML only applies to principal residences. **<u>Property Flipping with HPML is Ineligible – see below</u>** <u>Limitations on HPML loans for resale transactions within 180 days</u> When a second appraisal is required per the <u>TILA HPML Appraisal Rule</u> the loan is **considered on a case by case basis.** For <u>principle residences</u>, 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. .
Income / Asset	Cash out proceeds from the subject transaction may not be used for qualifying or for reserves on the Asset Qualification program.

Verification	

	Employment and Income are not required to be disclosed on the 1003 loan application. If not disclosed, please enter “Not applicable to this loan” in the respective fields. Business phone number must be reflected on the 1003 (for consumer contact purposes only)
	
	Assets must be verified sufficient to cover the loan amount request with sufficient additional assets to cover all revolving, installment, alimony/child support, and mortgage related expenses for a period of no less than five (5) years, plus the separate reserve requirement based on loan amount listed in the Assets section of these guidelines.
	
	Installment debt that is not secured by a financial asset – including student loans, automobile loans, and home equity loans – must be considered part of the borrower’s recurring monthly debt obligations if there are more than 10 monthly payments remaining. Paying down installment debt to <= 10 remaining payments to avoid including in additional reserve calculation is not allowed. Paying off installment debt completely is allowed.
	
	IMPORTANT: The ending balance on the most recent asset statement (s) must be sufficient to cover the required assets including:
	• Loan Amount Request
	• Down payment
	• Closing Costs and Prepaids
	• Five (5) years of other debt/expenses described above
	• Separate reserve requirement
	
	Eligible Asset Types (Loan Qualification)
	Considered assets must be comprised of the following readily marketable assets which must be available to the borrower and are limited as follows:
	• Bank Deposits – Checking, Savings, 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)
	NOTE: Assets must be in liquid or semi liquid form, no privately held stock, deferred compensation or non-regulated financial companies
	
	Note: For eligible asset typs, any debt tied to that asset must be netted out. Example: Stocks bought on margin or 401k loan against the 401k account.
	
	Ineligible Asset Types
	• Business funds
	• Non-liquid assets (automobiles, artwork, business net worth etc…..)
	• Life insurance – Face Value not allowed
	  ▪ Cash value of a vested life insurance policy is allowed ad 100%
	  ▪ When used for reserves the cash value must be documented but does not need to be liquidated or received by borrower.
	  ▪ Annuities of any type are not allowed.
	
	EXAMPLE:
	
	Loan amount: $300,000
	Closing Costs/Prepaids: $15,000
	Principal and Interest (P & I) for subject = $2,000
	
	Verified Assets:
	• $200,000 Checking and Savings (100% usable) = $ 200,000

WesLend FINANCIAL

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- $300,000 Stocks and Bonds (90% usable) = $ 270,000
- $400,000 401K (80% usable) = $ 320,000
- $300,000 Mutual Funds (90% usable) = $ 270,000

Total allowable assets = $1,060,000

$1,060,000 (allowable assets) minus $315,000 (loan amount + closing costs/prepaids) = $745,000 residual assets

Total of monthly debt (revolving, installment, alimony/child support, hazard insurance, property tax on the subject property, etc.) excluding subject P&I = $2500
$2,500 X 60 months = $150,000.

Required reserves (See Assets) = 3 months x $2,000 (P & I) = $6,000

Since the residual assets ($745,000) are **more** than the required funds to cover all other debt for 60 months ($150,000) plus required reserves ($6,000), the loan qualifies for the program.

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

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Interested Party Contributions (IPCs) / Seller Concessions
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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.

<table>
<tr><th colspan="3">IPC Limits</th></tr>
<tr><th>Occupancy Type</th><th>LTV/CLTV</th><th>Maximum IPC</th></tr>
<tr><td rowspan="2">Principle residence or Second home</td><td>75.01% - 80%</td><td>6%</td></tr>
<tr><td>75% or less</td><td>9%</td></tr>
<tr><td>Investment property</td><td>All CLTV ratios</td><td>2%</td></tr>
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Limitations on Other Real Estate Owned
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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.

Ownership of NOO properties requires additional reserves and a positive cash flow requirement. If the positive cash flow requirement is not met, additional residual assets will be required.

An investment property owned by the borrower must show a positive cash flow (100% rent vs PITIA). This may be cumulative if multiple properties are owned. Leases will be required. Rents are derived from the rental/lease agreement. A Form 1007 market rent schedule is not required.

Gross Rent = $1200
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	PITIA for this property must be less than $1200 per month (i.e., positive cash flow) **This calculation may be cumulative for all rents and all PITIAs when more than one NOO is owned.** Here is a sample calculation for additional residual assets when borrower has multiple other investment properties. *Property* / *Monthly PITIA* / *Monthly Gross Rent* A / $1250 / $1400 B / $2100 / $1275 C / $1850 / $1225 Total / $5200 / $3900 Actual total PITIA of other investment properties = $5200 Additional monthly rent needed to break even = $5200 - $3900 = $1300 Additional Residual Assets = 60 months x $1300 = $78000 .
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. **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 iQM 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	**<u>Eligible:</u>** 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 only 1-unit owner occupied 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. <u>Power of Attorney (POA) is ineligible for:</u> - **Cash Out Loans.** .

Property Types	**<u>Eligible</u>**
	• 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

<u>Limited Review (See FNMA B4-2.2-02, Limited Review Process for Attached Condo Units)</u>
Limited Review eligibility criteria for **<u>attached units</u>** 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 **<u>not required</u>** 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. **<u>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.</u>**

<u>Mixed Use properties are allowed per Fannie Mae guidelines (B2-3-04)</u>
(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)
<u>Appraisal must indicate:</u>

- 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.

<u>Ineligible</u>

- 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 and Ratios – N/A .
Reserves	Cash out from the subject transaction ***may not be used*** for reserves on the Asset Qualification Program. *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 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 **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. .
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 **Note:** Interest Only is prohibited on a Texas Section 50(a)(6) Equity Cash Out Loan
Title / Vesting	**Inter Vivos Revocable Trust (must meet requirements of FNMA B2-2-05)** • 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. A power of attorney is not allowed when singing mortgage documents related to an inter-vivos revocable trust Vesting in Corporations, LLCs, or Partnerships is not allowed. .
Underwriting	Loans must be manually underwritten and fully documented. All loans must be underwritten in compliance with the Ability to Repay standards set forth in 12 C.F.R. §1026.43. For additional topics not specifically or fully addressed by 12 C.F.R. §1026.43 guidance or herein, Fannie Mae underwriting guidelines should be followed **Residual Income Calculation for Asset Qualification** In accordance with ATR standards, a monthly residual income calculation must be completed when using the Asset Qualification option. The formula for this calculation is: Total Monthly Income – Total Monthly Debt Obligations (Expenses) = Monthly Residual Income Total Monthly Income = Total Allowable Assets / 60 months Monthly Residual Income must meet or exceed the income found in the VA Residual Income Table in these guidelines. (See VA Residual Income Tables below) Note: Required reserves are **not** deducted from Total Allowable Assets when calculating residual income. .
	- Continued -

VA Residual Income Tables (VA Lender Manual Chapter 4.9)

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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