

SECTION 1	CODING																									
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<p>ELIGIBLE LOAN TYPES/SECTION OF THE ACT</p>	<ul style="list-style-type: none"> • 203(b) Basic, 203(b) • Streamline 30 year fixed, 3/1 Arm, 5/1 Arm <p>Section of the Act and ADP Code 203(b) Fixed rate Mortgages ADP Code 703 Includes 3/1 & 5/1 Arm 203(b)/234(c) "Condo" Fixed rate Mortgage ADP Code 734</p>																									
<p>INELIGIBLE LOAN TYPES</p>	<ul style="list-style-type: none"> ▪ Graduated Payment Mortgages ▪ Growing Equity Mortgages ▪ Loans to non-profit organizations ▪ Loans with private water purification systems requiring an escrow for maintenance ▪ Texas Section 50 (a)(6) Program ▪ Construction to permanent loans with modifications ▪ Non-occupant borrowers on multi-unit dwellings. ▪ Non-occupant co-borrowers not allowed for cash out refinances ▪ All Expanded Documentation Process types ▪ FHA \$100 Down Payment Program ▪ 203K rehab not eligible ▪ Deed Restricted Properties ▪ Non-Traditional Credit ▪ High Balance 15 year fixed ▪ High Balance 3/1 and 5/1 ARMs 																									
SECTION 2	LOAN AMOUNTS AND LTV PERCENTAGES																									
<p>MAXIMUM LOAN AMOUNTS</p>	<p>Maximum Loan Amount cannot exceed the FHA Statutory Mortgage Limits for each county. Maximum Loan Limits (excluding UFMIP) are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: center;">Standard Mortgage Limits</th> </tr> <tr> <th style="text-align: center;">Region</th> <th style="text-align: center;">1 Unit</th> <th style="text-align: center;">2 Units</th> <th style="text-align: center;">3 Units</th> <th style="text-align: center;">4 Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Minimum (Floor)</td> <td style="text-align: center;">\$271,050</td> <td style="text-align: center;">\$347,000</td> <td style="text-align: center;">\$419,400</td> <td style="text-align: center;">\$521,250</td> </tr> <tr> <td style="text-align: center;">Maximum (Ceiling)*</td> <td style="text-align: center;">\$729,750</td> <td style="text-align: center;">\$934,200</td> <td style="text-align: center;">\$1,129,250</td> <td style="text-align: center;">\$1,403,400</td> </tr> <tr> <td style="text-align: center;">Alaska & Hawaii*</td> <td style="text-align: center;">\$1,094,625</td> <td style="text-align: center;">\$1,401,300</td> <td style="text-align: center;">\$1,693,875</td> <td style="text-align: center;">\$2,105,100</td> </tr> </tbody> </table> <p>* New temporary FHA loan limits established for 2009 under the American Recovery and Reinvestment Act of 2009 (ARRA).</p> <p>Notes:</p> <ol style="list-style-type: none"> 1. For areas where the higher of the 2011 Economic Stimulus loan limit and 2009 HERA limits are between the national floor and the ceiling, the limit shall be at the higher of the two limits, effective for all loans that are credit approved after 2009. Refer to HUD Mortgage Letter 2009-07 for details. 2. The maximum CLTV for Purchase transactions is 100%. 3. The maximum LTV/CLTV on FHA rate & term (No Cash Out) refinances with new or existing subordinate liens is 97.75%. Refer to HUD Mortgagee Letter 2010-24 effective case numbers assigned on or after 9/7/10 and Mortgagee Letter 10-36 dated 10/22/10. 	Standard Mortgage Limits					Region	1 Unit	2 Units	3 Units	4 Units	Minimum (Floor)	\$271,050	\$347,000	\$419,400	\$521,250	Maximum (Ceiling)*	\$729,750	\$934,200	\$1,129,250	\$1,403,400	Alaska & Hawaii*	\$1,094,625	\$1,401,300	\$1,693,875	\$2,105,100
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MAXIMUM LTV

LTV Factor - Maximum Loan-to-Value Percentages

For Case Number Assignments on or after 1/1/2009		
Purchase	No Cash Out Refinance	Cash Out Refinance
96.50%	97.75%	85%

Note: Florida Condo's: The maximum LTV/CLTV/HCLTV is restricted to 60%/60%/60% on primary and second homes; investment properties are not eligible.

PURCHASE TRANSACTIONS

Purchase Mortgages using Sections 203b:

- Maximum Base Loan Amount is lesser of:
 - Sales price or appraised value
 - Plus or minus any adjustments for excessive seller contributions
 - Multiplied by the appropriate LTV factor.

PURCHASE TRANSACTIONS

A schedule of FHA mortgage limits for all areas is available online at:

<https://entp.hud.gov/idapp/html/hicostlook.cfm>.

The borrower's minimum required cash investment is 3.5% based on the value (sales price or appraised value, whichever is less) without closing costs. The maximum mortgage may not exceed the amounts defined on HUD's web site at <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

Effective on new case number assignments on or after January 1, 2009, the minimum down payment requirement on purchase transactions increases to 3.5% (from 3%) of the lesser of the appraised value or sales price. This amount is in addition to any borrower closing costs.

Mortgagee letter 2008-25 with case number assignments on or after September 19, 2008, rental income may not be considered from the property being vacated except under the following circumstances described under "Exceptions" below.

Exceptions: Rental income of a primary residence being vacated, reduced by the appropriate vacancy factor as determined by the jurisdictional FHA Homeownership Center (see <http://www.hud.gov/offices/hsg/sfh/ref/sfh2-21u.cfm>) may be considered under the following circumstances:

Relocations: The homebuyer is relocating with a new employer, or being transferred by the current employer to an area not within reasonable and locally recognized commuting distance. A properly executed lease agreement (i.e., a lease signed by the homebuyer and the lessee) of at least one year's duration after the loan is closed is required. FHA recommends that underwriters also obtain evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner.

Sufficient Equity in Vacated Property: The homebuyer has a loan-to-value ratio of 75 percent or less, as determined by either a current (no more than six months old) residential appraisal or by comparing the unpaid principal balance to the original sales price of the property. The appraisal, in addition to using forms Fannie Mae® 1004/Freddie Mac® 70, may be an exterior-only appraisal using form Fannie Mae/Freddie Mac 2055, and for condominium units, form Fannie Mae 1075/Freddie Mac 466.

Applies solely to a primary residence being vacated in favor of another primary residence and is not applicable to existing rental properties disclosed on the loan application and confirmed by tax returns (Schedule E of form IRS 1040).

**RATE AND TERM
REFINANCE**

Rate and Term Refinances with Appraisals: The maximum mortgage is the *lower* of the LTV limitation or the existing debt calculation described below, and may never exceed the geographical statutory limit except by the amount of any new UFMIP:

- LTV Ratio Applied to Appraised Value: Multiply the appraised value of the property by 97.75 percent. Any appraisal requirements, including repairs, must be satisfied before the mortgage is eligible for insurance endorsement.
- Existing Debt: Add together the amount of the existing first lien, any purchase money second mortgage, any junior liens over 12 months old, closing costs, prepaid expenses, borrower paid repairs required by the appraisal, discount points, and then subtract any refund of UFMIP.

If any portion of the funds of an equity line of credit in excess of \$1000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the property, the line of credit is *not* eligible for inclusion in the new mortgage.

The amount of the existing first mortgage may include the interest charged by the servicing lender when the payoff will not likely be received on the first day of the month (as is typically assessed on FHA-insured mortgages). The amount also may include any prepayment penalties assessed on a conventional mortgage.

In determining the existing debt as part of the mortgage amount calculation, the mortgagee may include accrued late charges and escrow shortages.

Prepaid expenses may include the per diem interest to the end of the month on the new loan, hazard insurance premium deposits, monthly mortgage insurance premiums, and any real estate tax deposits needed to establish the escrow account regardless whether the mortgagee refinancing the existing loan is also the servicing lender for that mortgage.

Additional underwriting and eligibility criteria:

- The mortgage being refinanced must be current for the month due, e.g., a refinance of a mortgage anytime in November must have had the October payment made.
- Combined Loan-to-Value (CLTV) Requirements for FHA Refinance Transactions refer to HUD Mortgagee Letter 2010-24. Effective with case numbers assigned on or after September 7, 2010, FHA refinance transactions will have lower CLTV requirements as follows:
 - ✓ The maximum LTV/CLTV on FHA Rate and Term Refinances is 97.75%
 - ✓ Financed Upfront MIP is not included in the calculation of the CLTV for any refinance types.
 - ✓ Regardless of whether the subordinate financing is existing or new, the combined amounts of the FHA first lien and any subordinate liens may not exceed the applicable county loan limit.
 - ✓ Second liens that have been modified may use the modified total lien amount to calculate the CLTV ratio, provided an executed and recorded modification agreement is supplied.
- Florida Condos maximum LTV/CLTV is 60% on primary residence and second/vacation homes prior to the inclusion of UFMIP.
- At closing, the borrower may not receive cash back in excess of \$500.

If the property was acquired less than one year before the loan application and is not already FHA insured, the original sales price of the property (rather than the appraised value) must be used in determining the maximum mortgage. Expenditures for repairs and rehabilitation incurred after the purchase of the property may be added to the original sales price when calculating the mortgage amount.

Properties Listed for Sale:

Rate & Term Refinances: The listing agreement must be canceled at least one day prior to the date the loan application is taken. A copy of canceled/expired listing should be placed in file and search of the current multiple listing service should be complete to verify that property is not currently listed by a different agency

CASH OUT REFINANCE

Cash out Refinance Transactions

The maximum LTV for Cash out refinances is limited to 85% regardless of length of ownership. In addition, the following guidelines apply.

- Length of Ownership - If the property has been the borrower's principal residence and owned for:
 - At least 12 months preceding the loan application, the borrower may obtain the maximum of 85% of the appraiser's estimated value.
 - Less than 12 months preceding the loan application, the mortgage amount is limited to 85% of the lesser of the appraised value or the subject property's sales price when acquired
 - Properties listed for sale in past 12 month: Listing agreements on the subject property must be canceled six months prior to the loan application date or the loan is subject to maximum loan to value of 70%. A copy of canceled/expired listing should be placed in file and search of the current multiple listing service should be complete to verify that property is not currently listed by a different agency.
- The subject property can be 1-4 units.
- Borrower's who are delinquent or in arrears are not eligible for a cash out refinance.
- No lates in the past 12 months
- Non-Occupant Co-Borrowers/Co-Signers: Any co-borrower or co-signer being added to the note must be an occupant of the property securing the new FHA-insured mortgage. Non-occupant co-borrowers or co-signers **may not** be added in order to meet FHA's credit underwriting guidelines for the cash-out refinance.
- Subordinate Liens and Combined Loan-to-Value (CLTV):
 - New Subordinate Financing: If new subordinate financing is being offered by the mortgagee or other permitted entity, the CLTV is limited to 85 percent (the FHA-insured first mortgage and any new junior liens when added together).
 - Re-Subordinate: Existing subordinate financing may remain in place, but subordinate to the FHA-insured first mortgage as long as the CLTV does not exceed 85%, provided the borrower qualifies for making scheduled payments on all liens.
 - Modified Subordinate Lien: Subordinate lien holders have been requesting modifications to the terms of the lien (typically a reduction in the amount of the lien) in exchange for remaining in a subordinate position. Modifying the subordinate lien in this manner when re-executing at closing is acceptable to FHA and not considered a new subordinate lien as long as the CLTV does not exceed 85%.
- For Mortgages with more than 6 months and less than 12 months of payment history, the mortgagor must have made all payments when due. Mortgages with less than 6 months of payment history are not eligible for a cash-out Refinance.

NOTE: Cash-out refinances are not permitted for FHA loans in Texas.

**PAY OFF OF DEBT
REVOLVING /
INSTALLMENT**

- Pay off of installment debt or revolving debt is acceptable. Accounts may not be paid down to 10 months or less for qualifying.
- All revolving debts that are paid off with loan proceeds must be closed out.
- If a revolving account is to be paid off but not closed, it will be considered long term debt. The borrower will need to qualify with the monthly payment that is currently being reported on the credit report.
- 30 day accounts that have a large balance require the borrower to have sufficient funds to pay them off monthly.
- Authorized User accounts must be deleted from credit, in order to omit them from the ratio calculation.

**STREAMLINE
REFINANCE WITHOUT
AN APPRAISAL**

Streamline Refinances WITHOUT an Appraisal. For Case Assignments dated on or after November 17, 2009: The new base loan amount may not exceed the lesser of:

- Original Loan Amount: The maximum insurable mortgage can not exceed:
- The outstanding principal balance minis the applicable refund of the UFMIP
Plus
- The new UFMIP that will be charged on the refinance

**STREAMLINE
REFINANCE WITHOUT
AN APPRAISAL
Continued...**

[1] The outstanding principal balance may include interest charged by the servicing lender when the payoff is not received on the first day of the month but may not include delinquent interest, late charges or escrow shortages.

Additional underwriting and eligibility criteria for Case Assignments dated on or after November 17, 2009:

- If subordinate financing will remain in place the CLTV must be based on the original appraised value and may not exceed 105%.
- No new subordinate financing allowed
- 6 months seasoning at time of application (must provide evidence of 6 months' payments made).
- At closing, the borrower may not receive cash back in excess of \$500.

Additional Underwriting and Eligibility Criteria for Case numbers assigned on or after September 7, 2010:

- If subordinate financing will remain in place, the CLTV must be based on the original appraised value and may not exceed 100% (97.75% max for High Balance Streamlines).

The FHA Streamline Refinance program is designed to lower the monthly principal and interest payments on a current FHA-insured mortgage. Streamline Refinances are subject to the following requirements:

- Cash-back to the borrower is not allowed with the exception of minor adjustments at closing provided the amount does not exceed \$500.
- Allowed with or without an appraisal.
- If assets are needed to close, the assets used for closing must be verified on two months bank statements.
- Must result in an immediate payment reduction to the borrower.
- Streamline Refinances are eligible for jumbo loan amounts.
- Loans closed prior to July 1, 1991, with or without an appraisal is exempt from annual MIP; however, UFMIP is required. Refer to MIP for MIP Premium Based on Term tables list for the MIP amounts based on the term of the loan.
- Must include documentation attached to the Loan Purchase Voucher (LPV) at the time of delivery to indicate that the mortgage being refinanced was closed on or before July 1, 1991.

Payment History:

- For all mortgages, the borrower must have made all mortgage payments within the month due. 0x30 day late in the past 12 months.

Seasoning

- At the time of the loan application, the borrower must have made at least 6 payments on the FHA mortgage being refinanced.

**NET TANGIBLE
BENEFIT**

Effective with case numbers assigned on or after 4/15/11:

Reducing the term of the mortgage, in and of itself, is not a net tangible benefit. Also when refinancing to a Hybrid ARM, mortgagees must treat the new Hybrid ARM as a Fixed Rate Mortgage. The following defines the permissible minimum thresholds in different refinance situations and outlines what is the new guidance.

"The Net Tangible Benefit " is defined as:

- A 5% reduction to the P & I of the mortgage payment plus the annual MIP or
- Refinancing from an Adjustable Rate Mortgage (ARM) to a fixed rate mortgage

Fixed Rate to Fixed Rate: Reduction of at least 5% of P & I & MIP

Fixed Rate to One Year Arm: New Interest rate at least 2% below the current rate of the Fixed rate mortgage (One Year ARM Program not available with Lenox/Weslend).

Fixed Rate to Hybrid ARM: Reduction of at least 5% of P & I and MIP

**NET TANGIBLE
BENEFIT
Continued...**

Hybrid Arm During Fixed Period

- **Hybrid ARM to Fixed Rate:** Reduction of at least 5% of P & I and MIP
- **Hybrid ARM to One Year ARM:** New Interest rate 2% below the current interest rate of ARM (One year ARM program not available with Lenox/Weslend).
- **Hybrid Arm to Hybrid Arm:** Reduction of at least 5% of P & I & MIP

Hybrid ARM during Adjustable Period

- **Hybrid ARM to Fixed Rate:** New interest rate no great than 2 % above current interest rate of Hybrid Arm
- **Hybrid ARM to One Year ARM:** Reduction of at least 5% of P & I and MIP (One year ARM program not available with Lenox/Weslend).
- **Hybrid ARM to Hybrid ARM:** New interest rate at least 2% below the current interest rate of Hybrid ARM

One Year ARM (not available with Lenox/Weslend)

- **One Year ARM to One Year ARM:** Reduction of at least 5% of P & I & MIP
- **One Year ARM to Fixed:** new interest rate no greater than 2% above current interest rate of the ARM Loan
- **One Year ARM to Hybrid Arm:** New interest rate at least 2% below current interest rate of the ARM

Note

Non-Owner Occupied Streamlines are not Eligible
Streamlines with appraisal to include closing cost and prepaids are no longer eligible.

Reducing the term of the mortgage (loan must be underwritten and **closed as a regular** rate and term (no cash out) refinance and would not follow the guidelines as outlined in this fact sheet)

SECTION 3

PROGRAM PARAMETERS

MINIMUM LOAN AMT

\$60,000

ALLOWABLE TERMS

30 year or 15 year fixed rate
3/1 Arm and 5/1 Arm (30 year term)

ARM ADJUSTMENTS

Interest-rate adjustment: Adjusts annually with 1% maximum increase or decrease per adjustment

- 3/1 ARM - First adjustment is 36–42 months after the first payment date
- 5/1 ARM - First adjustment is 60–66 months after the first payment date

Payment adjustment date: First adjustment is the first of the month following the interest rate adjustment and every 12 months thereafter

CAPS

Life cap: 5% above initial rate (maximum interest rate the loan can adjust over the life of the loan).

Life floor: 5% below the start rate, but never lower than the margin.

INDEX

Weekly average on U.S. Treasury securities adjusted to a constant maturity of one year.

MARGIN

Margin of 2.00%.

CONVERSION

Conversion options are not allowed

**TEMPORARY
BUYDOWNS**

Temporary buydowns are no longer available.

ASSUMPTIONS

Permitted – credit worthy borrower’s only

**PREPAYMENT
PENALTY**

Not Permitted

SECTION 4	BORROWER ELIGIBILITY
ELIGIBLE BORROWERS	Eligible borrowers must provide evidence of valid Social Security numbers (SSN) on all FHA loans.
	<p>Evidence includes a copy of the borrower's:</p> <ul style="list-style-type: none"> • Social Security card (Tax Identification numbers (TINs) are not allowed), or • Pay stub, W-2, or other government-issued card that includes the borrower's Social Security number. <p>In addition, FHA requires validation of Social Security numbers for consistency with the borrower's name and date of birth through FHA Connection and ECHO systems or its equivalent.</p>
TRUST	<p>Living Trusts Properties held in living trusts are eligible if beneficiaries occupy them as principal residences. Property may also be held in a living trust if purchased from FHA's inventory and an individual investor is the trust beneficiary. Inter Vivos Revocable trust are eligible – Refer to HUD Handbook 4155.1 Rev. 5</p>
FIRST TIME HOMEBUYER	Allowed, no restrictions.
NON-OCCUPANT CO-BORROWER	<ul style="list-style-type: none"> • Purchase transactions only • Maximum occupant ratios cannot exceed 55% • Maximum financing allowed as follows: <ul style="list-style-type: none"> ○ Borrower's related by blood, marriage or law such as: Spouse, parent\child, siblings, step child, aunts, uncles, nieces, or nephews. ○ If parent is selling to child, the parent cannot be the co-borrower with the child unless the LTV is 75% or less. • Co-borrower does not have to occupy the property • Co-borrower must take title to the property and sign the note and the mortgage • The co-borrower cannot be the seller, builder, real estate agent, etc... • Non-occupant must have a principal residence in the U.S.
PERMANENT RESIDENT ALIEN	<ul style="list-style-type: none"> • Allowed under the same terms as US citizens. • Permanent resident aliens must provide proof of their residency (i.e. green card).
NON-PERMANENT RESIDENT ALIEN	<ul style="list-style-type: none"> • Primary Residence Only • Borrower must be eligible to work in the U.S. • Must be a legal resident of the U.S. as evidenced by social security number • Evidence of residency and work status to be obtained through documentation from US Bureau of Citizenship and Immigration Services (BCIS) <ul style="list-style-type: none"> ○ Copy of the Employment Authorization Card, I-668B ○ A social security card is not acceptable as evidence of work status • Tax Identification Number (TIN) is not acceptable
FOREIGN NATIONAL	Not eligible
NON-ARMS LENGTH TRANSACTIONS	<p>Identity of Interest Identity-of-interest transactions on principal residences are restricted to a maximum LTV ratio of 85%. Maximum financing above 85% LTV is allowed under the following circumstances:</p> <ul style="list-style-type: none"> • A family member purchasing another family member's principal residence. • An employee of a builder purchasing one of the builder's new homes or models as a principal residence. • A current tenant purchasing the property that the tenant has rented for at least six months predating the sales contract. A lease or other written evidence must be submitted verifying occupancy. • Sales by corporations that transfer employees out of an area, purchase the transferred employee's home, and then resell to another employee

<p>NON-ARMS LENGTH TRANSACTIONS Continued...</p>	<p>Restricted Family Member Transactions: If the property being sold from one family member to another is the property seller's investment property, the maximum mortgage is the lesser of either:</p> <ul style="list-style-type: none"> • 85% of the lesser of the sales price or appraised value, or • The current maximum mortgage calculation formula (per ML 98-29) <p>The 85% limit may be waived if the family member has been a tenant in the property for at least six months immediately predating the sales contract. A lease agreement, and canceled checks, or other written evidence must be submitted to verify occupancy.</p>
<p>OCCUPANCY</p>	<p>Primary Residence Only A primary residence is a property that will be occupied by the borrower the majority of the calendar year and meets the following criteria:</p> <ul style="list-style-type: none"> • 1-4 unit family homes, PUD's, FHA-approved condominiums, HUD-owned properties. • At least one borrower must occupy the property and sign the Note and security instrument for the property to be considered owner-occupied. • The borrower must occupy the property within 60 days after the loan closes with continued occupancy for at least one year. The only exceptions allowed are due to hardship or extenuating circumstances. • 3-4 unit properties require an Occupancy Declaration to be included in the loan file. • There is no limit on the maximum acreage for FHA loans
<p>NUMBER OF OTHER PROPERTIES</p>	<p>Borrower may own no more than one FHA loan with maximum financing. An eligible investor may own no more than four rental units in a contiguous/adjacent area (defined as a 2-block radius). Maximum number of financed properties, for all borrowers, is limited to 4, including the subject.</p>
<p>SECTION 5 UNDERWRITING</p>	<p>CREDIT CRITERIA <u>Automated Underwriting:</u></p> <ul style="list-style-type: none"> • Loans can be underwritten through Fannie Mae's Desktop Originator (DO) to receive an Approve/Eligible recommendation. Loans may be documented per the DO findings report with the exception of the appraisal property inspection waiver. Property inspection waivers are not permitted. • Fannie Mae Desktop Originator is not permitted on Streamline Refinance Loans. <p><u>Manual Underwriting is not permitted:</u></p>
<p>CREDIT SCORES</p>	<p>Credit score determined by DO for AUS loans, subject to clear CAIVRS, LDP and GSA search results. The following credit score overlays apply to all FHA transactions, including Streamline Refinance, regardless of AUS Findings.</p> <ul style="list-style-type: none"> • FHA Standard FICO Requirement – (Purchase, Refinance, Cash-out): 640 minimum. • FHA Streamline FICO Score Requirement: 640 minimum. • FHA Streamline High Balance FICO Score Requirement: 660 minimum. • High Balance Standard mortgage limits FICO Score Requirement – 660 minimum. • A 3 bureau merged in-file report must be obtained that contains at least 2, preferably 3 credit scores for each borrower. • All borrowers must have a minimum of 2 credit scores. • A "representative score" (lower of 2, middle of 3) will be chosen for each borrower on the loan. Then, the lowest of all the borrower's "representative scores" will be the score used for qualifying. • Occupant borrower and a non-occupant borrower: The lower of the two scores should be used for pricing. • All borrowers must have credit scores (2 scores are required). • Non-traditional credit is not acceptable
<p>CREDIT REQUIREMENTS</p>	<p>For FHA Streamline Refinances, a tri-merged credit report must be obtained to verify the minimum score requirements but they do not need to be processed through Total Scorecard. No further evaluation of the credit report is necessary beyond current policy requirements.</p> <p>Bankruptcy Both Chapter 7 liquidations and Chapter 13 bankruptcies discharged within 24 months of loan application date require compliance with the instructions regarding bankruptcies described in HUD Handbook 4155.1.</p> <p>A borrower whose bankruptcy has been discharged less than one year is not eligible for FHA</p>

CREDIT REQUIREMENTS Continued...

mortgage insurance (except on non-credit qualifying Streamline Refinances). For cash out transactions >\$417,000, prior to the inclusion of UFMIP, the bankruptcy and foreclosure discharge/release date must have been at least 7 years prior to the loan application.

A borrower paying off debts under Chapter 13 may be eligible if:

- One year of the pay-out period has elapsed, and
- The borrower's performance has been satisfactory, and
- The borrower also receives court approval to enter into the mortgage transaction.

Foreclosure

A borrower whose previous residence or other real property was foreclosed on or has given a deed-in-lieu of foreclosure within the previous three years is generally not eligible.

Includes Short Sale where mortgage was paid as agreed.

For cash out transactions >\$417,000, prior to the inclusion of UFMIP, the bankruptcy and foreclosure discharge/release date must have been at least 7 years prior to the loan application.

Late Payments, Collection Accounts, and Delinquent Credit Items

These adverse items include:

- Tax lien, or judgments must be satisfied (for non-applicant spouse in community property states)
- Late payment and delinquent accounts during the most recent 12 months consisting of more than one 30-day late must be explained.

For FHA streamlined refinances, no 30-day or greater mortgage lates allowed in most recent 12 months.

All open judgments, tax liens, collection accounts and charge-offs must be paid prior to or at time of closing.

RATIOS

Ratios determined by DU/DO for AUS loans. Manual Underwriting is not permitted.

QUALIFYING

Note Rate

NEW SUBORDINATE FINANCING

- FHA Streamline Refinance – No new subordinate financing allowed
- FHA Standard Purchase: 100% CLTV
- FHA Rate and Term Refinances: 97.75% CLTV with case numbers assigned on or after 9/7/10
- FHA Standard Cash Out Refinance: 85% CLTV.

EMPLOYMENT AND INCOME HISTORY

- **A signed 4506-T form is required for all borrowers. See details below.**
- **FHA Standard wage earner borrowers** - 30 days worth of consecutive paystubs required with a minimum 30 days YTD earnings.
- **FHA Standard – Self-employed** – documentation verification of the existence of the business through directory assistance no more than 30 calendar days prior to the loan closing is required.
- **FHA Streamline Refinances – wage earner borrowers** – most recent year-to-date pay stub must be obtained showing income on the date of application
- **FHA Streamline Refinances – Self-employed or other income borrowers** – Documentation as determined by the underwriter to certify income on the date of application.

SALARIED AND HOURLY WAGES

Full Documentation

- Verification of employment (VOE) covering the most recent two-year history, and
- Most recent paystub reflecting the borrower's name, Social Security number, and year-to-date gross earnings.

(or)

Alternative Documentation

- Paystubs and Wage and Tax Statements (W2s) (in lieu of the written VOE)
- Verbal verification of employment, and
- Cancelled checks (in lieu of the VOM or VOR)
- Bank statements or year-end statement.

**SALARIED AND
HOURLY WAGES**
Continued...

(or)

Income may be documented to AUS Findings

Overtime Income:

- Overtime income may be used to qualify if such income has been received for the past two years and it is expected to continue.
- An average of overtime income for the past two years must be developed, **and**
- The employment verification must state that such income is likely to continue.

SELF EMPLOYMENT

A borrower with a 25% or greater ownership interest in a business is considered self employed for underwriting purposes.

Minimum Length of Self-Employment

Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years. Self employment between one and two years can be considered if the self-employed borrower has at least two years previous successful employment, or a combination of one year of employment and formal education or training in that or a related occupation to be eligible.

The income from borrowers who have been self-employed less than one year may not be considered as effective income.

Self employment may be documented with the following:

- Two years Individual Tax Returns (IRS Form 1040) (and)
- Two years Partnership Tax Returns (IRS Form 1065) (if applicable)
- Two years S Corporation Tax Returns (IRS Form 1120S) (if applicable)
- Two years Corporate Tax Returns (IRS Form 1120) (if applicable)
- May be documented per AUS Findings.

Note: For case numbers assigned on, or after, 4/1/2012, a P&L and Balance Sheet are required if one of the following exist:

- More than one calendar quarter has elapsed since the date of the most recent calendar, or fiscal-year end, tax return was filed by the borrower, **or**
- The income used to qualify the borrower exceeds the two year average of tax returns. (In this case, signed quarterly tax returns, obtained by the IRS, may be used in lieu of the P&L)

Commission

- VOE(s) covering the most recent two-year history, and
- Most recent paystub reflecting the borrower's name, Social Security number, and year-to-date gross earnings, and
- Most recent two years' individual tax returns (1040s), including form 2106 (Employee Business Expense).
- May be documented per AUS Findings

FIXED INCOME

Retirement and Social Security

Retirement and Social Security income require verification from the source, i.e., former employer or Social Security Administration, or federal tax returns. If any benefits expire within the first three years, the income source may be considered only as a compensating factor.

- May be documented per AUS findings

Alimony, Child Support, or Maintenance

Income from these sources may be considered as effective if such payments are likely to be consistently received for the first three years of the mortgage. The borrower must provide:

- A copy of the final divorce decree, legal separation agreement, or voluntary payment agreement, and
- Evidence that payments have been received during the last 12 months.
- May be documented per AUS Findings

Acceptable evidence of payment regularity includes canceled checks, deposit slips, tax returns, and court records. Periods less than twelve months may be acceptable, provided the payer's ability and willingness to make timely payments is adequately documented.

FIXED INCOME
Continued...

Notes Receivable

The amount and length of payment must be established by reviewing a copy of the Note. Note income may be considered as effective if such payments are likely to be consistently received for the first three years of the mortgage.

Evidence that payments have been received consistently for the last 12 months must be provided, which may include deposit slips, canceled checks, or tax returns.

The adjustments made (the amount the income is "grossed-up") for any non-taxable income source must be documented and supported. Either the published IRS tax tables may be used for calculating the amount that may be "grossed up", or the tax rate of 25%.

- May be documented to AUS Findings

VERBAL VOE

Verbal Verification of Employment (VOE)

Verbal VOE requirements for hourly, salary and commission income are:

- The employer must be contacted, verbally or in writing, and confirm the borrower's current employment status **within 10 days** prior to the closing date.
- The Lender must independently obtain a phone number and, if possible, an address for the borrower's employer. This can be accomplished by using a telephone book, the Internet, or directory assistance, or by contacting the applicable licensing bureau.
- If the contact is made verbally, the conversation must be documented. It should include the name and title of the person who confirmed the employment, the date of the call, and the source of the phone number. The written documentation should also include the name and title of the person who performed the verification.

Verbal VOE requirements for self-employed income are:

- The lender must verify the existence of the borrower's business **within 30 days** prior to the closing date:
 - from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; and
 - by verifying a phone listing and address for the borrower's business using a telephone book, the Internet, or directory assistance.
- If the contact is made verbally, the lender must document the source of the information obtained and the name and title of the lender's employee who obtained the information

IRS FORM 4506-T

IRS Form 4506-T – a signed and processed IRS Form 4506-T is required on all loans to obtain the borrower(s)'s tax return transcripts for the two years prior to the loan application, regardless of income or documentation type. All borrowers must sign the IRS Form 4506-T at application and closing; only the form signed at application must be processed. All forms and transcripts must be included in the loan file. This form is required on all loans, all wage earner, self-employed, commission and all other non-employment income types.

ASSETS

- 2 months complete bank statements allowed (or) two months consecutive bank statements.
- Internet statements must reflect URL at the bottom of the print out and must reflect the same information as the standard bank statements (borrower's name, address, full account number, date of statement and all transaction history for 30 days).
- Verifications of Deposit (VODs) are not acceptable.

Interest and Dividends

Interest and dividend income may be used, provided documentation supports a two year history of receipt, and it is averaged over the two years. Any funds from these sources required for the cash investment must be subtracted before the projected interest or dividend income is calculated.

- May be documented per AUS Findings

Trust Income

Income from trusts may be used if guaranteed, constant payment will continue for at least the first three years of the mortgage term. Documentation is required and includes a copy of the Trust Agreement, or other trustee's statement, confirming amount, frequency of distribution, and duration of payments.

ASSETS

Continued...

Funds from the trust account also may be used for the required cash investment with adequate documentation.

- May be documented per AUS Findings

All funds required to close should be identified on 1003 with verification in file

- Alt Doc of assets requires all pages of account statements with all transactions for most recent 60 day period. Print outs must reflect borrower's name, account number and address.
- Computer generated statements must be signed & dated by preparer
- Account statements must show any outstanding loans, if applicable
- Show the period covered with a start and ending balance or cash value.

Retirement Funds:

- Retirement statement verifying 3 months balance
- Document terms of liquidation – UW conditions for proof of liquidation & evidence of proceeds
- Loans against the retirement account will not be included in debt ratios.
- If used for reserves, only 60% of the funds can be used for qualifying assets.

CASH RESERVES

- 1 & 2 units – None
- 3 & 4 units – 3 months PITI. The subject property must be "self sufficient." This means that the gross rents less the vacancy factor for all units, including the owner occupied unit, must be equal to or greater than the total payment of the subject property.

**GIFTS/ DOWN
PAYMENT**

Acceptable Gift Funds

An outright gift of the cash investment is acceptable if the donor is:

- A relative of the borrower
- The borrower's employer or labor union
- A charitable organization
- A governmental agency or public entity that has a program to provide homeownership assistance to low- and moderate-income families or first-time homebuyers
- A close friend with a clearly defined interest in the borrower

A gift from any other source is considered an inducement to purchase and requires a reduction to the sales price. Donors may borrow gift funds from an acceptable source, not from a party to the loan transaction including the mortgage lender.

Gift Letter Requirements

The gift letter must:

- Specify the dollar amount given.
- Be signed by the donor and the borrower.
- State that no repayment is required.
- Show the donor's name, address, telephone number, and relationship to the borrower.

Additionally, the gift letter must also contain language asserting that the funds given to the homebuyer were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent or broker, builder, loan officer, or any entity associated with them.

Gift Documentation and Transfer:

Gift Funds in the Homebuyer's Account

- **Donor Ability** document with most recent bank statement to include all pages. Note any large deposits must be documented to be from acceptable source. This is required on all gifts.

Funds Provided at Closing

If the transfer of the gift funds is by certified check made on the donor's account the lender must obtain a:

- Bank statement showing the withdrawal from the donor's personal account, and
- Copy of the certified check

GIFTS/ DOWN PAYMENT
Continued...

- Proof of Deposit into borrower's bank account.

If the donor purchased a cashier's check, money order, official check, or any other type of bank check as a means of transferring the gift funds:

- The donor must provide a withdrawal document,
- Cashiers Check/Money Order,
- Proof of deposit into the borrower's bank account,
- Copy of the check, **or**
- Canceled check for the amount of the gift showing the funds came from the donor's personal account.

If the donor borrowed the gift funds and cannot provide the documentation from his/her bank or other savings account, the donor must provide evidence that those funds were borrowed from an acceptable source, not from a party to the loan transaction or the mortgage lender.

DOCUMENTATION TYPES

Loans may be documented in accordance with DU/DO findings and conditions for employment, income, and assets.

SECTION 6

PROPERTY/APPRAISALS

ELIGIBLE PROPERTIES

1-4 unit detached or attached residences, PUD's and FHA approved Condo's

INELIGIBLE PROPERTIES

- Manufactured Housing
- Co-ops
- Properties that do not meet HUD's Minimum Property Standards
- Properties that are not residential in nature and use (i.e. farms, orchards, commercial properties, etc)
- Spot Condo's are ineligible

PRINCIPAL CURTAILMENTS

At closing, principal curtailments to make additional down payments or to reduce the loan amount are not allowed.

STATE RESTRICTIONS

- Cash-out refinances are not permitted for FHA loans in Texas. Texas rate & term refinances are limited to 10% total financed closing cost of new loan amount.
- Florida Condo's are restricted to 60%/60%/60% LTV/CLTV/HCLTV prior to the inclusion of UFMIP.

APPRAISAL

Appraisers must be on FHA's approved list on the FHA connection. The FHA Connection must indicate the Appraiser has passed the mandatory appraiser exam. The assigned appraiser must perform the physical inspection of the property. He/she may not sign the appraisal performed by another appraiser.

Based on the property type, the following appraisal report form must be used:

Property Type	Form Name/No.
Single-Family Residence (SFR), Planned Unit Development (PUD)	Uniform Residential Appraisal Form (#1004/#70) And 1004MC
Condominiums	FNMA Form 1073 and 1004MC
Site Condominiums	FNMA Form 1004 and 1004MC
2-4 unit Properties	Small Residential Income Property Appraisal Report (#1025/#72) and 1004MC

PROPERTY FLIPPING/SECOND APPRAISAL REQUIREMENTS

Property Flipping

If the seller acquired the property less than 6 months before the purchase agreement was executed, the following rules apply:

Resale within 90 days or less:

The property is not eligible for a mortgage insured by FHA if less than 90 days have passed between the settlement date and the date of the new sales contract. (see Temporary Waiver below for exceptions).

Resale Occurs between 91 days to 180 days:

If the resale price is greater than or equal to 100% over the property seller's acquisition price, a

**PROPERTY
FLIPPING/SECOND
APPRAISAL
REQUIREMENTS
Continued...**

second FHA appraisal (from a new appraiser) is required. The second appraisal must be ordered by WesLend/Lenox and may not be paid for by the borrower.
On February 1, 2011, HUD issued [Temporary Exemption from Compliance with FHA's Regulation on Property Flipping Extension of Exemption](#), which extended their original Waiver of Requirements of FHA regulations 24 CFR 203.37a(b)(2).

In addition to compliance with HUD's requirements when waiving regulations 24 CFR 203.37a(b)(2), Weslend requires a **second full FHA appraisal** for FHA transactions when the subject property is being resold within 90 days of the previous acquisition and the sales price of the subject property is 20 percent or more above the seller's acquisition cost¹. The **second full FHA appraisal** must verify the property seller has completed sufficient legitimate renovation, repair and rehabilitation work on the subject property to substantiate the increase in value or, in cases where no such work is performed, the appraiser must provide appropriate explanation of the increase in property value since the prior title transfer.

Important Notes:

- The second full FHA appraisal must be ordered by WesLend/Lenox **and may not be paid for by the borrower.**
- The second appraisal (ordered by WesLend/Lenox) must be completed by an FHA roster appraiser, who must perform the second appraisal in compliance with all FHA appraisal reporting requirements.
- The lower of the two appraised values must be used to qualify.
- Home inspection must be completed prior to Docs. Final inspection of these repairs will also be required. All health and safety items noted in Home inspection and by the appraisal **"No Exceptions"**
- **The second appraisal may not be paid for by the borrower.**
- In their regulation Section 203.37a(c), HUD provides a list of sales transactions which are exempt from their rule on property flipping. Loans meeting HUD's exemption as listed in regulation Section 203.37a(c) are available without meeting the additional requirement stated above.
- All Transactions must be Arms-length, with no identify of interest between the buyer and seller or other parties participating in sales transactions.

¹The property seller's acquisition cost is defined as what the seller paid to acquire the subject property. It does not include the cost of any repairs or improvements made to the property after purchase.

Ordering the Second Appraisal

The second full FHA appraisal must be ordered by WesLend/Lenox.

TERMITE INSPECTION

A termite inspection is required on existing property as follows:

- When called for in the sales or purchase agreement, or
- When the appraiser recommends the inspection in the appraisal report.

A termite inspection is no longer an automatic inspection requirement (Mortgagee Letter 2005-48).

CONDO PROJECTS

FHA 203 (b) - FHA Condominiums. A Full review to be completed by underwriter and approved by HUD.

Condominium Project Approval

- Effective for loans with case number assignments on or after 08/29/11 there are new condo approval process steps that must be followed. Refer to ML. 2011-22 See website for Condo Approval requirements.
- Effective for all case numbers assigned on or after 8/29/11 all condominiums need to reflect the section of the act as 203(b) with a 734 suffix after case number, including detached condos.
- Condo approval time frame 30 days from date HOC Condo Department receives package from Weslend.
- See WesLend Website for Condo Project Requirements. (see attached)

Condominium project approval is not required for detached site condominiums; however a Condominium Rider must be executed.

Project Certification and Pre-Sale Certification forms are required for all condos. These forms are available on the WesLend website.

Condo must be on FHA's approved list. Spot approvals are not permitted.

Site Condominiums:

- All individual site condominium units must be processed under Section 203(b) of the National Housing Act.
- Site (detached) condominiums (single family detached dwellings encumbered by a declaration of condominium covenants or condominium form of ownership) are allowed as an eligible property type for loans insured under Section 203(b) and no longer require condominium project approval.
- A condominium rider (attachment D in the ML 2009-19) must be fully executed and included in the FHA case binder submitted for insurance endorsement on all site (detached) condominiums.
- FHA Appraisal Form #1073 must be used for all site (detached) condominiums.

Minimum Square Footage Requirement - The square footage requirement of 400 sq ft applies to FHA financing

**SECTION 7
MORTGAGE
INSURANCE**

INSURANCE

Effective with Case numbers assigned on, or after, April 9, 2012 (refer to Mortgagee Letter 2012-04):

Purchase and Refinance				
Mortgage Terms > 15 Years				
Loan to Value Ratio (LTV)	Up-Front (UFMIP) (4/18/11 – 4/8/12)	Up-Front (UFMIP) NEW (4/9/12 – Present)	Annual Premium (Paid Monthly) (4/18/11 – 4/8/12)	Annual Premium (Paid Monthly) NEW (4/9/12 – Present)
≤ 95.00	1.00%	1.75%	1.10%	1.20% ¹
> 95.00	1.00%	1.75%	1.15%	1.25% ¹
Mortgage Terms ≤ 15 Years				
Loan to Value Ratio (LTV)	Up-Front (UFMIP) (4/18/11 – 4/8/12)	Up-Front (UFMIP) NEW (4/9/12 – Present)	Annual Premium (Paid Monthly) (4/18/11 – 4/8/12)	Annual Premium (Paid Monthly) NEW (4/9/12 – Present)
≤ 78.00	1.00%	1.75%	None	None
78.01 - 90.00	1.00%	1.75%	0.25%	0.35% ¹
> 90.00	1.00%	1.75%	0.50%	0.60% ¹

1 – Add an additional 0.25% to the Annual Premium for Loan Amounts > \$625,500.

For Streamline Refinances of loans obtained on, or before, May 31, 2009:

<p>MORTGAGE INSURANCE Continued...</p>	<p align="center">Upfront MIP: 0.01% Annual Premium: 0.55%</p>
<p>HAZARD INSURANCE:</p>	<p>For Streamline Refinances of loans obtained after May 31, 2009, use the standard MIP grid, above.</p> <p>MIP Notes:</p> <ul style="list-style-type: none"> • The number of years will be determined when the loan balance equals 78% LTV, provided that the borrower has paid the annual MIP for at least 5 years, (scheduled or actual.) • Loan amount multiplied by Annual premium, divided by 12 months equals monthly MIP. • All FHA loans will have upfront and monthly premiums, except as noted above. • Pricing and loan program eligibility are determined using the base loan amount prior to financing UFMIP. • UFMIP must be 100% financed into the mortgage or paid entirely by cash: partial financing not allowed. <p>• Hazard insurance is required for each property.</p> <p>• The amount of hazard insurance coverage must be the lesser of 100% of the insurable value of the improvements as established by the property insurer OR the unpaid principal balance as long as it equals at least 80% of the insurable value of the improvements.</p> <p>• For properties located in California, lenders may not require hazard insurance in an amount exceeding the replacement value of the improvements on the property.</p> <p>• The maximum deductible may be up to 5% of the amount of the policy.</p>
<p>HO6 COVERAGE "WALLS IN"</p>	<p>Effective on case assignments dated on or after February 1st, 2010: HO6 "Walls In" insurance is required for all attached condos and PUDs, if the master insurance policy does not provide coverage of the interior of the unit, the borrower will be required to obtain a "walls in" coverage policy (commonly known as HO-6 policy). Minimum coverage of 20% of the unit's appraised value is required.</p>
<p>FLOOD INSURANCE</p>	<ul style="list-style-type: none"> • A flood hazard determination is required for all loans. • Flood insurance is required if the property is located in a special flood hazard area or flood zone. • Flood insurance is required on properties located within the following special flood hazard area zones: A, AE, AH, AO, A1-30, A-99, V, VE, V1-30 • The maximum amount of flood insurance required is the lowest of: 100% of the replacement cost of the dwelling, calculated as appraised value minus land value OR the unpaid principal balance of the mortgage OR the maximum insurance available under the National Flood insurance program. (Currently \$250,000 per dwelling.) • The deductible for 1-4 unit properties may not exceed a maximum of \$5,000 unless a higher maximum is required by state law.
<p>IMPOUNDS</p>	<p>Government loans require impounds for taxes and insurance. Government loans may not waive escrows.</p>
<p>SECTION 8</p>	<p>TITLE/CLOSING AGENTS</p>
<p>TITLE DOCUMENTATION</p>	<p>Title History Review Policy: The preliminary title report must reflect a minimum 24-month title history.</p> <p>Title Insurance: A full ALTA title policy is required.</p>
<p>SECTION 9</p>	<p>FEES/MISCELLANEOUS</p>
<p>FEE LIMITATIONS</p>	<p>Borrowers are prohibited from paying tax service fees.</p>

SELLER/INTERESTED PARTY CONTRIBUTIONS	Maximum of 6% of Sales Price or Appraised Value the lower of the two. <ul style="list-style-type: none">• Seller-paid closing costs must be deducted from total closing costs before calculating the maximum base mortgage amount.• Seller contributions limited to:<ul style="list-style-type: none">○ Buy down funds, if applicable○ Discount points○ Seller-paid closing costs○ Prepaid Expenses○ UFMIP
MAX REAL ESTATE COMMISSIONS	The maximum total real estate commission on a transaction is limited to 8% (the lesser of the sales price or appraised value).
