

WESLEND VA FIXED & ARM

SECTION 1:	CODING															
PROGRAM CODES	<p>PROGRAM CODES:</p> <p>VA 30 year fixed: 6000-00 VA 15 year fixed: 6300-00 VA 30 year IRRRL: 6037-00 VA High Balance: 6033-00 VA High Balance IRRRL: 6038-00 VA 5/1 Arm: 6700-00</p> <p>Any VA guidelines not specifically addressed in these guidelines can be located on VA's website. www.vba.va.gov</p> <p>All loans must be in compliance with published VA guidelines.</p>															
SECTION 2:	LOAN AMOUNTS AND LTV PERCENTAGES															
MINIMUM LOAN AMT	\$60,000															
MAXIMUM LOAN AMOUNTS MAXIMUM LTV	<p>Acceptable maximum loan amount up to \$1 million, prior to the inclusion of the VA Funding Fee and depending upon:</p> <ul style="list-style-type: none"> borrower's available entitlement the county limit in which the property is located <p>The loan must comply with the following requirements:</p> <ul style="list-style-type: none"> The amount of cash down payment plus the amount of available VA guaranty must equal at least 25% of: <ol style="list-style-type: none"> the purchase price of the property or the Certificate of Reasonable Value (CRV), whichever is less. The funding fee charged by VA must not be included in this calculation. The cash down payment must also include the amount, if any, by which the purchase price exceeds the CRV. Loans for the simultaneous purchase of a home and energy conservation improvement are based solely on the CRV amount. The cash down payment may not be derived from a second mortgage on the property. The mortgage amount may exceed the CRV amount only if the VA funding fee is included in the mortgage and only to the extent of the funding fee. <p>The loans that have base loan amounts, prior to the inclusion of the Funding Fee, that exceeded the following loan amounts are considered VA Jumbo loans.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"># Units</th> <th style="text-align: center;">All States EXCEPT High Cost Areas and AK & HI</th> <th style="text-align: center;">Alaska Hawaii</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1-unit</td> <td style="text-align: center;">\$417,000</td> <td style="text-align: center;">\$625,500</td> </tr> <tr> <td style="text-align: center;">2-unit</td> <td style="text-align: center;">\$533,850</td> <td style="text-align: center;">\$800,775</td> </tr> <tr> <td style="text-align: center;">3-unit</td> <td style="text-align: center;">\$645,300</td> <td style="text-align: center;">\$967,950</td> </tr> <tr> <td style="text-align: center;">4-unit</td> <td style="text-align: center;">\$801,950</td> <td style="text-align: center;">\$1,202,925</td> </tr> </tbody> </table> <p>Note: VA Jumbos are limited as follows:</p> <ul style="list-style-type: none"> Fixed Rate only Maximum loan amount of \$1,000,000 <p>Purchase and Rate/Term Refinance: For a loan amount in excess of 4 times the veteran's available guaranty, the maximum loan amount is 75% of the lesser of the purchase price or CRV, plus the veteran's available VA guaranty. The down payment must also include the amount, if any, by which the purchase price exceeds the CRV. The down payment may not be derived from a second mortgage on the property</p>	# Units	All States EXCEPT High Cost Areas and AK & HI	Alaska Hawaii	1-unit	\$417,000	\$625,500	2-unit	\$533,850	\$800,775	3-unit	\$645,300	\$967,950	4-unit	\$801,950	\$1,202,925
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<p>MAXIMUM LOAN AMOUNTS MAXIMUM LTV</p>	<p>Transactions with loan amounts greater than \$417,000: VA will guarantee 25% of the original principal loan amount, up to the maximum guaranty amount. The maximum guaranty amount will differ depending upon where the property is located.</p>
<p>ELIGIBLE LOAN TYPES/SECTION OF THE ACT</p>	<p>Cash-Out Refinance: For a loan amount in excess of 4 times the potential maximum guaranty, the maximum loan amount may not exceed 75% of the CRV plus the available VA Guaranty. (CRV x 75% plus available VA Guaranty) There are no restrictions on the amount of cash the borrower may receive after all liens are paid off.</p> <p>LTV/CLTV/HCLTV The amount of the loan, which may be guaranteed, is generally limited to the amount shown on the CRV, (up to 100% of the lesser of CRV or the purchase price) with the following exceptions:</p> <ul style="list-style-type: none"> • The maximum VA loan amount may be limited by the amount of remaining eligibility/entitlement. However should never exceed \$1 million, prior to the inclusion of the VA Funding Fee. • Rate/Term Refinance: the new loan amount may not exceed the lesser of the CRV or the sum of the outstanding balance of the loan plus allowable closing costs and discounts. If the loan is a refinance of an existing construction loan, the balance of the loan may include the balance of both the construction loan and lot lien(s), if any. • Cash Out Refinance Loans: Limited to 90%/90% of the amount of CRV (per above max.). • The maximum CLTV is 90%. • Condo's in the State of Florida: The maximum LTV/CLTV/HCLTV is restricted to 70%/70%/70% with a minimum 740 FICO or 60%/60%/60% with a FICO less than 740, prior to the inclusion of the VA Funding Fee.
<p>INELIGIBLE LOAN TYPES</p>	<p>Loans guaranteed by VA under Sections 3710 and 3720 of title 38, U.S. Code and the VA Loan Guaranty Standards.</p> <ul style="list-style-type: none"> • Higher Priced Mortgage Loan (HPML) with an IRRRL • Higher Priced Mortgage Loan (HPML) on ARM loans • Shared equity (non-veteran) • VA mortgages that do not have a minimum 25% Guaranty • Any loan that VA's LGC cannot be issued • Deed Restricted Properties • Non-Traditional Credit (including, among other things, no traditional or inadequate traditional credit report information)
<p>RATE AND TERM REFINANCE</p>	<p>Rate/Term Refinance loans can only be described as transactions to refinance the following:</p> <ul style="list-style-type: none"> • construction loans, • installment land sale contracts, and • loans assumed by veterans at interest rates higher than that for the proposed refinance. <p>All other refinances not described above will be a cash out refinance.</p> <p>These loans may not exceed the lesser of:</p> <ul style="list-style-type: none"> • the VA reasonable value plus the VA funding fee, or • the sum of the outstanding balance of the loan to be refinanced plus allowable closing costs (including the funding fee) and discounts. • The cost of energy efficiency improvements can also be added to the loan. <p>The maximum guaranty for refinancing loans is \$36,000.</p>
<p>:</p>	<p>PROPERTIES RECENTLY LISTED FOR SALE:</p> <ul style="list-style-type: none"> • Rate & term refinance: the listing agreement must be cancelled at least one day prior to the loan application. • Cash-out refinance: the listing agreement must be cancelled 6-months prior to the application date or the loan is subject to a maximum 70% LTV (the listing agreement must be cancelled at least one day prior to the loan application.)

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CASH OUT REFINANCE

Cash-Out Refinance includes all refinance transactions that are not defined above

IRRRL (streamline refinance)

To qualify for this type of financing, the interest rate on the IRRRL must be lower than the interest rate on the current loan. The only exception to this rule is a VA Adjustable Rate Mortgage that is refinanced to a Fixed Rate Mortgage. The mortgage term on the refinance cannot exceed the original term by more than 10 years, but not to exceed 30 years. The P&I payment on an IRRRL must be less than the P&I payment on the loan being refinanced unless one of the following exceptions applies:

- The IRRRL is refinancing an ARM to a fixed rate,
- Term of the IRRRL is shorter than the term of the loan being refinanced, or
- Energy efficiency improvements are included in the IRRRL.

The refinance must be beneficial to the veteran. Generally speaking, the total number of months to recoup ALL closing costs (both paid outside of closing and those financed into the loan) should not exceed 84 months, supported by completion of the Rate Reduction Certification form to be signed by the borrower.

- Minimum Credit Score of 620.
- Higher Priced Mortgage Loans (HPML) are not permitted with IRRRL.
- If subordinate financing will remain in place the CLTV may not exceed 90%, regardless of AUS findings.
- The mortgage history must reflect 0x30 in the last 12 months.

The borrower may not receive cash proceeds from the loan. However, in a limited number of situations, the borrower may receive cash at closing, not to exceed \$500. Some examples of situations in which VA does not object to the borrower receiving cash are:

- Computational errors;
- Changes in final pay-off figures;
- Up-front fees paid for the appraisal and/or credit report that are later added into the loan; and
- Refund of the escrow balance on the old loan. This often occurs when a party other than the present holder originates the loan.

All VA IRRRL transactions are required to obtain an appraisal compliant with Fannie Mae and Freddie Mac Appraisal Independence Requirements and federal regulations in regard to appraisal independence and includes a Fannie Mae Market Conditions Addendum, Form 1004-MC.

Property Type	Minimum Appraisal Report Required¹
1 unit, including PUD	2055 ² Exterior-Only Inspection Residential Report
Condo	1075 ² Exterior-only Inspection, Individual Condominium Unit Appraisal Report
2-4 units	1025 Small Residential Income Property Appraisal Report

Footnotes:

1. The inspection report must meet the requirements as listed in the Appraisal Documentation section of the Underwriting Manual, except as modified by this fact sheet below.
2. The 2055/1075 must be changed to an interior and exterior report if the any of the following conditions exist:
 - The property does not conform to the neighborhood, or
 - Adverse physical deficiencies or environmental conditions are observed, or
 - Data sources do not provide sufficient information about the property to perform the appraisal.

**SECTION 3:
ALLOWABLE TERMS**

PROGRAM PARAMETERS

30 year or 15 year fixed rate
5/1 ARM (30 year term)

For Streamline Refinance (IRRRL), the term is the lesser of 30 years or the un-expired term of the loan plus 10 years rounded down to the nearest 5 year increment.

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ARM ADJUSTMENTS CAPS	<p>The VA Hybrid ARM product provides for an initial fixed interest rate for a period of five years, and then adjusts annually after the initial fixed period.</p> <ul style="list-style-type: none"> The 5/1 VA Hybrid ARM products allow a 1% annual interest rate adjustment after the initial fixed interest rate period of 5 years, and a 5% interest rate cap over the life of the loan. Interest rate adjustments must occur on an annual basis, except for the first adjustment which may occur no sooner than 64 months from the date of the borrower's first payment. 										
ARM ADJUSTMENT DATES	<p>Because government loans only adjust 4 times per year (January 1, April 1, July 1, and October 1), the loan's first adjustment will occur with the corresponding adjustment period that follows the initial fixed period. For example, if the initial fixed period ends in February, the rate will adjust in April and then annually thereafter until maturity.</p> <p>5/1 VA Hybrid ARM: the first rate adjustment will occur between the 61st and the 66th payment due date.</p> <table style="margin-left: 40px;"> <tr> <td>If the 1st Payment is Due</td> <td>then the 1st Interest Change Date is</td> </tr> <tr> <td>Nov, Dec, Jan</td> <td>January or April</td> </tr> <tr> <td>Feb, March, April</td> <td>April or July</td> </tr> <tr> <td>May, June, July</td> <td>July or October</td> </tr> <tr> <td>August, Sept, Oct</td> <td>October or January</td> </tr> </table>	If the 1st Payment is Due	then the 1st Interest Change Date is	Nov, Dec, Jan	January or April	Feb, March, April	April or July	May, June, July	July or October	August, Sept, Oct	October or January
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INDEX	The index is the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year. Also known as the 1-Year Constant Maturity Index.										
MARGIN	2.00% margin - see daily rate sheet.										
TEMPORARY BUYDOWNS	Not allowed.										
ASSUMPTIONS	VA loans are assumable.										
PREPAYMENT PENALTY	Not available.										
SECTION 4:	BORROWER ELIGIBILITY										
ELIGIBLE BORROWERS	<p>Verify the veteran's eligibility for home loan benefits and amount of available entitlement by obtaining a Certificate of Eligibility (COE):</p> <ul style="list-style-type: none"> VA Form 26-8320, Certificate of Eligibility for Loan Guaranty Benefits, or VA Form 26-8320a, Certificate of Eligibility for Loan Guaranty Benefits (Reserves/National Guard) <p>A Certificate of Eligibility is the <i>only</i> reliable Proof of Eligibility.</p>										
TRUST	Not allowed										
FIRST TIME HOMEBUYER	Allowed, no restrictions										
NON-OCCUPANT CO-BORROWER	Allowed, see VA guidelines for qualification.										
PERMANENT RESIDENT ALIEN	Permitted as long as primary occupying borrower is a Veteran.										
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<p>FOREIGN NATIONAL OCCUPANCY NUMBER OF OTHER PROPERTIES</p>	<p>Not Allowed</p> <p>Owner occupied primary residence only.</p> <p>Refer to Certificate of Eligibility (entitlement)</p> <ul style="list-style-type: none"> • A Veteran is limited by the amount of available entitlement • If partial entitlement has previously been used, a Veteran can obtain another VA guaranteed loan if there is sufficient remaining entitlement and down payment to satisfy requirements • Entitlement can be restored and reused under certain criteria • Property being purchased or regular refinanced must be primary residence • Limits borrowers to a maximum of four financed residential properties including the subject property • borrower(s) is limited to a maximum of four financed residential properties including the subject property
<p>SECTION 5:</p>	<p>CREDIT CRITERIA</p>
<p>UNDERWRITING</p>	<p><u>Automated Underwriting:</u> Loans must be underwritten through Fannie Mae’s Desktop Originator (DO) and 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.</p> <p>Downgrade Policy In the event that credit terms or loan information was not considered in the AUS decision, an Approve/Eligible or Accept decision must be downgraded to Refer and be manually underwritten. Circumstances requiring a downgrade, if not considered in the AUS decision, include but are not limited to:</p> <ul style="list-style-type: none"> • Delinquent federal debt, CAIVRS, and suspended and debarred individuals. • Disputed accounts, significant inaccuracy or undisclosed debt. • Previous mortgage foreclosure (within 3 years of application) and bankruptcy (within 2 years of application) • Collection accounts, tax lien, charge-off, judgments. • Delinquent items during the most recent 12 months consisting of any of the following: <ul style="list-style-type: none"> o Three or more late payments greater than 30 days o One or more late payments of 60 days plus one or more 30-day late pays o One payment greater than 90 days late. • Bank statements that indicate multiple non-sufficient funds (NSF) charges. Example: more than 1 or 2 isolated incidents over a 60 day period. An explanation for such NSFs will be required and additional asset statements may be required to decision the loan. • Failure to meet the specific conditions of an AUS approval. <p>A copy of the DU credit report and findings must be included with the loan guaranty submission package. The underwriter must reconcile DU output against the documentation in the loan file to determine if there is any potentially derogatory or contradictory information that is not part of the data analyzed by DU. Deficiencies that may not be within the scope of DU's analysis include delinquent rent payments, workouts, forbearance, write-offs, judgments and liens appearing on title, etc. All would render the AUS decision null and void.</p> <p>Manual underwriting is not permitted.</p> <p><u>CAIVRS System</u> Provide a clear CAIVRS # on each applicant and any co obligor. An applicant cannot be considered a satisfactory credit risk if he/she has a judgment lien against his/her property for a debt owed to the Government until the judgment is paid or otherwise satisfied. The one exception to this policy is that CAIVRS is not required for non-purchasing spouses in community property states.</p>

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CREDIT SCORES

The following minimum FICO scores are required on all VA loans, including IRRRL, regardless of AUS findings:

Purchase and Rate/Term including IRRRL:

Loan Type & Loan Amount	Minimum FICO
<= \$700,000	620
>\$700,000 to <= \$1,000,000	620

Cash out:

Loan Type & Loan Amount	Minimum FICO
<= \$700,000	640

CREDIT REQUIREMENTS

For no-credit programs such as VA IRRRL, a tri-merged credit report (or a mortgage only credit report showing scores from 3 bureaus) must be obtained to verify the minimum score requirements. No further evaluation of the credit report is necessary beyond current policy requirements.

Overall credit quality, however, must meet VA guidelines for acceptable credit history.

Non-Traditional credit is not allowed.

BANKRUPTCY

Chapter 7: Discharged less than two years – not eligible

FORECLOSURE

If foreclosure is due to hardship then:

- If seasoned >36 months but < 84 months minimum, max LTV is 90%
- If seasoned ≥ 84 months standard down payment policies apply

If foreclosure due to financial mismanagement, must be seasoned at least 84 months and standard downpayment policies apply

DEED-IN-LIEU

If Deed-in-Lieu of foreclosure is due to hardship then:

- If seasoned >36 months but < 84 months minimum, max LTV is 90%.
- If seasoned ≥ 84 months standard down payment policies apply

If Deed in Lieu of foreclosure due to financial mismanagement, then:

- If seasoned > 48 months but < 84 months, max LTV is 90%
- If seasoned ≥ 84 months standard down payment policies apply

RATIOS

Total debt ratio is 41% or as allowed by DU/DO.

Ratio on IRRRL: N/A

Note: For new construction properties, borrowers should be qualified using the estimated real estate taxes based upon the completed property improvements, not the unimproved lot taxes.

Residual income must be sufficient to support the household based on loan size, family size and region of the country. Exceptions not permitted.

Residual income is the amount of net income remaining (after deduction of debts and obligations and monthly shelter expenses) to cover family living expenses such as food, health care, clothing, and gasoline.

Count **all** members of the household (without regard to the nature of the relationship) when determining “family size,” including:

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RATIOS (cont'd)

- an applicant's spouse who is **not** joining in title or on the note, and
- any other individuals who depend on the applicant for support. For example, children from a spouse's prior marriage who are not the applicant's legal dependents.

Reduce the residual income figure (from the following tables) by a minimum of five percent if:

- the applicant or spouse is an active-duty or retired serviceperson, and
- there is a clear indication that he or she will continue to receive the benefits resulting from use of military-based facilities located near the property.

Table of Residual Incomes by Region				
For loan amounts of \$79,999 and below				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
over 5	Add \$75 for each additional member up to a family of seven.			

Table of Residual Incomes by Region				
For loan amounts of \$80,000 and above				
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			

Key to Geographic Regions Used in the Preceding Tables			
Northeast	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
Midwest	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
South	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia

QUALIFYING

Fixed Rate: Note Rate

5/1 ARM: Initial Note Rate.

Note Rate Limitations

ARM rate - may not be lower than 1% below the fully indexed rate.

SUBORDINATE FINANCING

Although not typical, additional liens must be subordinated to the VA first mortgage product. The combined loan amount may not exceed the CRV or purchase price whichever is less. No lien other than the existing VA first mortgage loan may be paid from the proceeds of an IRRRL.

If subordinate financing will remain in place the CLTV must be based on the original appraised value and may not exceed 100% on a purchase and 90% on a refinance, regardless of AUS findings

EMPLOYMENT AND INCOME HISTORY

Non-Taxable Income: Certain types of income may be "grossed up" in accordance with VA guidelines. Income can be grossed up for the purpose of calculating debt ratios only (not residual income).

SALARIED AND HOURLY WAGES

Income from Non-Military Employment can include the following:
Salaried Employed Borrower

- A written VOE, or
- Paystubs covering at least the most recent 30-day period, and
- W-2 forms for the previous 2 years, and
- A telephone verification of the applicant's current employment documenting the date of verification and the name, title, and telephone number of the person with whom employment was verified.

Building Trades/Seasonal or Climate-Dependent Work

- Provide documentation evidencing total earnings YTD
- 2 years federal income tax returns required
- Union employees must provide evidence of a history with the union

Income from Overtime, Part-time, Second Jobs, and Bonuses

- Must be verified for two (2) years
- Must be regular and predictable
- Must be reasonable likelihood that it will continue in the foreseeable future
- If received <24 months but >12 months, may be used to offset debts of 10 to 24 months duration.

Commission

- When all or a major portion of the applicant's income is derived from commissions, obtain the following documentation:
 - Written VOE or other written verification which provides the following:
 - Actual amount of commissions paid year to date
 - Basis for payment (salary plus commission, straight commission, or draws against commission)
 - When commissions are paid (monthly, quarterly)
 - Individual income tax returns, signed and dated, plus all applicable schedules for the previous **two years**
- Less than two years cannot usually be considered stable unless the applicant has previous related employment and/or extensive specialized training
- Less than one year is not acceptable as stable

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SELF EMPLOYMENT	<p>Self-Employed Borrowers - A borrower who has an ownership interest of 25% or more in a business is considered to be self-employed.</p> <ul style="list-style-type: none"> • Must have been established for a minimum of 2 years. A shorter timeframe will be considered on a case-by-case basis. • Must have a signed 4506. • Copies of the past two years' signed and dated individual federal income tax returns are required. • A year-to-date Profit and Loss Statement and current Balance Sheet are required. • If the business is a corporation or partnership: <ul style="list-style-type: none"> • Copies of the signed federal business income tax returns for the previous two years plus all applicable schedules, and • List of all stockholders or partners showing the interest each holds in the business • Less than two years cannot usually be considered stable unless the applicant has previous related employment and/or extensive specialized training. • Less than one year is not acceptable as stable.
MILITARY INCOME:	<p><u>Income from Military Employment can include the following:</u> A military LES (Leave and Earnings Statement) is required instead of a VOE (VA Form 26-8479) Service members who are within 12 months of release from active duty or end of contract term.</p>
MILITARY INCOME:	<ul style="list-style-type: none"> • Find the date of expiration of the applicant's current contract for active service on the LES or on Officer's Orders. • For National Guard or Reserve member, find the expiration date of the applicant's current contract • If the date is within 12 months of the anticipated date that the loan will close, include one of the following four items, or combination of items to be acceptable: <ul style="list-style-type: none"> • Documentation that the service member has already re-enlisted or extended his/her period of active duty to a date beyond the 12 month period following the projected closing of the loan, OR • Verification of a valid offer of local civilian employment following the release from active duty. All data pertinent to sound underwriting procedures (date employment will begin, earnings, and so on) must be included, OR • A statement from the service member that he/she intends to re-enlist or extend his/her period of active duty to a date beyond the 12 months period, PLUS a statement from the service member's commanding officer confirming that: <ul style="list-style-type: none"> • The service member is eligible to re-enlist or extend his/her active duty as indicated AND • The commanding officer has no reason to believe that such re-enlistment or extension of active duty will not be granted, OR • Documentation of other unusually strong positive factors, such as <ul style="list-style-type: none"> • A down payment of at least 10% • Significant cash reserves, and • Clear evidence of strong ties to the community coupled with a non-military spouse's income so high that only minimal income from the active duty service member is needed to qualify. <p>Military Quarters Allowance may be used when:</p> <ul style="list-style-type: none"> • The applicant's duty assignment clearly qualifies the applicant for quarters allowance. • When VA has established that the waiting list for on-base housing in a particular geographic area is so long that it is improbable that individuals desiring to purchase off-base housing would be precluded from doing so in the foreseeable future. • VA issues a release to all lenders in the jurisdiction to inform them of its determination. <p>Subsistence and Clothing Allowances</p> <ul style="list-style-type: none"> • Any subsistence (rations) and clothing allowances are indicated on the LES. <p>Other Military Allowances</p> <ul style="list-style-type: none"> • Verification of the type and amount of the military allowance, and how long the applicant has received it.

**MILITARY INCOME
(cont'd)**

- Military allowances may be included in effective income only if such income can be expected to continue because of the nature of the recipient's assigned duties.
- If duration of the military allowance cannot be determined, this source of income may still be used to offset obligations of 10 to 24 months duration.

Income from Service in the Reserves or National Guard

- Income derived from service in either Reserves or National Guard may be included in effective income if the length of the applicant's total active and Reserve/Guard service indicates a strong probability that the Reserve/Guard income will continue.
- Otherwise, this income may be used to offset obligations of 10 to 24 months duration.

RENTAL INCOME

Subject Property

- Eligible for 2-4 unit properties only.
- Income only used when:
 - Veteran has a minimum six months PITI reserves; and
 - Documentation shows the Veteran has past property management experience.
 - Use 75% of proposed rental income off lesser of lease or appraiser's estimated rent projection.
 - Boarder income not permitted.

Other Investment property Owned by Borrower

- Obtain individual income tax returns, signed and dated, plus all applicable schedules for the previous two years, which show rental income generated by the property
- Must have a minimum three months' PITI reserves for transaction subject property

Previous Principal Residence

Departure property guidelines:

If the veteran is converting a current principal residence to an investment property upon the purchase of a new principal residence, the following requirements apply:

Both the current and proposed monthly housing expenses must be used to qualify.

- Rental income may not be used to offset the mortgage payment.*
- Evidence of cash reserves totaling 6 months PITI for both properties must be provided.*

*Underwriting analysis on VA loans may not consider rental income from the property vacated and the 6-month reserve requirement may not be waived except under circumstances described under "Exceptions" below.

Exceptions: Under the following circumstances rental income on the property vacated by the borrower, reduced by the appropriate VA vacancy factor, may be used and the 6 month reserve requirement waived:

- Relocations: 1 The homebuyer is relocating with a new employer, or is transferred by the current employer to an area not within a reasonable and locally recognized commuting distance.
- Equity in Existing Principal Residence: If there is a documented equity of at least 30% in the existing property.

VERBAL VOE

Wage Earner: Documented telephone verification of employment with the employer no more than 30 calendar days prior to the loan closing is required. Neither a pay stub nor a written VOE may replace the verbal VOE.

Self-Employed: Documented verification of the existence of the borrower's business through directory assistance no more than 30 calendar days prior to the loan closing is required.

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<p>IRS FORM 4506-T</p> <p>ASSETS</p> <p>CASH RESERVES</p> <p>GIFTS/ DOWN PAYMENT</p> <p>DOCUMENTATION TYPES</p>	<p>A signed and processed IRS Form 4506-T is required on all loans to obtain the borrower(s) tax return transcripts for the two years prior to the loan application, regardless of 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 closed loan package. This form is required on all loans, all wage earners, self-employed, commission and all other non-employment income types.</p> <p>Veteran may borrow up to 100% of the reasonable value of the property as determined by VA. If the purchase price or cost is more than VA's reasonable value, the Veteran must certify that he or she has paid or will pay the difference in cash from his or her own resources.</p> <p>Assets will be needed for the following:</p> <ul style="list-style-type: none"> • Closing costs or points which are the applicant's responsibility and are not financed in the loan • The difference between the sales price and the loan amount if the sales price exceeds the reasonable value established by VA. <p>If rental income is not being used to qualify, reserves are not required.</p> <ul style="list-style-type: none"> • Gift funds are allowed with no exception, including Non-Profit Organizations • List donor's name, address and phone number, relationship to Borrower and dollar amount of gift on application or gift letter. If provided in a gift letter, the donor must sign it. • If sufficient funds required have not been verified in Borrower's accounts, document transfer. <p>Loans should be documented according to VA guidelines, with the exception of credit score. A final signed and dated Uniform Residential Loan Application (URLA) Fannie Mae 1003/Freddie Mac 65 and a VA Form 26-1802a HUD/VA Addendum to URLA must be submitted.</p> <p>The Certification of Loan Disbursement form (26-1820) is required to be completed accurately on all VA loans.</p>
<p>SECTION 6:</p>	<p>PROPERTY/APPRAISALS</p>
<p>ELIGIBLE PROPERTIES</p> <p>INELIGIBLE PROPERTIES</p> <p>PRINCIPAL CURTAILMENTS</p> <p>STATE RESTRICTIONS</p> <p>APPRAISAL</p>	<ul style="list-style-type: none"> • 1-Unit, detached and attached residences • VA approved PUDs • VA approved condos • 2-4 Unit <ul style="list-style-type: none"> • Manufactured Housing • Properties that do not meet VA's property standards • Properties that are not residential in nature and use (i.e.: farms, orchards, commercial properties, etc. • Log Homes • Leasehold properties <p>Principal Curtailments are only allowed as a result of at closing excess premium rate credits. The amount must be identified on the HUD-1 Settlement Statement and is limited to the amount of the excess premium rate credit.</p> <p>Texas cash out refinances, Section 50 (a)(6) are not allowed.</p> <p>Work completion escrows are not permitted. All work must be complete.</p> <p>Refer to the VA guidelines for complete detailed policy.</p> <p>All appraisals must contain Fannie Mae Market Conditions Addendum, Form 1004MC.</p> <ul style="list-style-type: none"> • Refer to VA guidelines for additional information on appraisal requirements on foreclosed properties.

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APPRAISAL	<ul style="list-style-type: none"> Refer to VA guidelines for additional information on transactions that involve the sale of a new construction properties acquired by lenders due to the builders bankruptcy or cessation of business. Refer to IRRRL guidelines above for appraisal requirements 																																																
SEASONING REQUIREMENTS	<p>Recently Listed for Sale Policy:</p> <ul style="list-style-type: none"> Rate & term refinance: the listing agreement must be cancelled at least one day prior to the loan application. Cash-out refinance: the listing agreement must be cancelled 6-months prior to the application date or the loan is subject to a maximum 70% LTV (the listing agreement must be cancelled at least one day prior to the loan application.) 																																																
TERMITE INSPECTION	<p>Appraisers must look for and report evidence of wood destroying insect infestation, fungus growth, and dry rot in addition to any VA requirement for an inspection of the property by a wood destroying insect inspector.</p>																																																
CONDO PROJECTS	<p>The VA must approve condominium projects. VA will no longer accept FHA approvals of condominium projects as stated in VA Lenders Handbook.</p> <p>Documentation Requirements:</p> <ul style="list-style-type: none"> Printed copy of the VA-Approved Project page must be retained in the loan file. A list of approved projects can be found at: http://condopudbuilder.vba.va.gov/2.2/frames.html Insurance: Evidence that the project is covered by the appropriate hazard, liability, fidelity bond if more than 20 units and, if applicable, flood insurance. Refer to ML 2009-46A and ML 2009-46B. Appraisal 																																																
SECTION 7:	INSURANCE																																																
MORTGAGE INSURANCE:	<p>The VA Funding Fee, which is based on the LTV, may be included in the loan amount provided the loan amount does not exceed the allowable VA limits.</p> <p><u>For loans closed on or after November 22, 2011, the following fee structure applies:</u></p> <p>First Time Use of VA Loan Guaranty Benefits:</p> <table border="1" data-bbox="505 1199 1458 1436"> <thead> <tr> <th>Loan Type</th> <th>Down Payment Percentage</th> <th>Active Duty/Veteran</th> <th>National Guard/Reserve</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Purchase</td> <td>0% down</td> <td>2.15%</td> <td>2.40%</td> </tr> <tr> <td>5% down</td> <td>1.50%</td> <td>1.75%</td> </tr> <tr> <td>10% down</td> <td>1.25%</td> <td>1.50%</td> </tr> <tr> <td>Regular Cash-Out Refinance</td> <td>N/A</td> <td>2.15%</td> <td>2.40%</td> </tr> </tbody> </table> <p>Second or Subsequent Use of VA Loan Guaranty Benefits:</p> <table border="1" data-bbox="505 1465 1458 1703"> <thead> <tr> <th>Loan Type</th> <th>Down Payment Percentage</th> <th>Active Duty/Veteran</th> <th>National Guard/Reserve</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Purchase</td> <td>0% down</td> <td>3.30%</td> <td>3.30</td> </tr> <tr> <td>5% down</td> <td>1.50%</td> <td>1.75%</td> </tr> <tr> <td>10% down</td> <td>1.25%</td> <td>1.50%</td> </tr> <tr> <td>Regular Cash-Out Refinance</td> <td>N/A</td> <td>3.30%</td> <td>3.30%</td> </tr> </tbody> </table> <p>Various Other Types of Transactions:</p> <table border="1" data-bbox="505 1732 1458 1871"> <thead> <tr> <th>Loan Type</th> <th>Down Payment Percentage</th> <th>Active Duty/Veteran</th> <th>National Guard/Reserve</th> </tr> </thead> <tbody> <tr> <td>IRRRL</td> <td>N/A</td> <td>0.50%</td> <td>0.50%</td> </tr> <tr> <td>Assumptions</td> <td>N/A</td> <td>0.50%</td> <td>0.50%</td> </tr> </tbody> </table>	Loan Type	Down Payment Percentage	Active Duty/Veteran	National Guard/Reserve	Purchase	0% down	2.15%	2.40%	5% down	1.50%	1.75%	10% down	1.25%	1.50%	Regular Cash-Out Refinance	N/A	2.15%	2.40%	Loan Type	Down Payment Percentage	Active Duty/Veteran	National Guard/Reserve	Purchase	0% down	3.30%	3.30	5% down	1.50%	1.75%	10% down	1.25%	1.50%	Regular Cash-Out Refinance	N/A	3.30%	3.30%	Loan Type	Down Payment Percentage	Active Duty/Veteran	National Guard/Reserve	IRRRL	N/A	0.50%	0.50%	Assumptions	N/A	0.50%	0.50%
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INSURANCE:	<p>The following persons are exempt from paying the funding fee:</p> <ul style="list-style-type: none"> • Veterans receiving VA compensation for service-connected disabilities. • Veterans who would be entitled to receive compensation for service-connected disabilities if they did not receive retirement pay. • Veterans who are rated by VA as eligible to receive compensation as a result of pre-discharge disability examination and rating. • Veterans entitled to receive compensation, but who are not presently in receipt because they are on active duty. • Surviving spouses of veterans who died in service or from service-connected disabilities (whether or not such surviving spouses are veterans with their own entitlement and whether or not they are using their own entitlement on the loan).
HAZARD INSURANCE	<ul style="list-style-type: none"> • Hazard insurance is required for each property. • 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. • For properties located in California, lenders may not require hazard insurance in an amount exceeding the replacement value of the improvements on the property. • The maximum deductible may be up to 5% of the amount of the policy.
HO6 LCOVERAGE "WALLS IN"	<p>HO6 "Walls In" insurance is required for all condominiums 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>
FLOOD INSURANCE	<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.
IMPOUNDS	<p>Government loans require impounds for taxes and insurance. Government loans may not waive escrows.</p>
SECTION 8:	TITLE/CLOSING AGENTS
TITLE DOCUMENTATION	<p><u>Title History Review Policy:</u> The preliminary title report must reflect a minimum 24-month title history.</p> <p><u>Title Insurance:</u> A full ALTA title policy is required.</p>
SURVEYS	<p>A new survey is not required on refinances provided the borrowers and/or the title company certifies that there no changes from the original survey, or matters regarding the survey are insured over by the title company.</p>
SECTION 9:	FEES/MISCELLANEOUS
FEE LIMITATIONS	<p>The veteran can pay a maximum of:</p> <ul style="list-style-type: none"> • reasonable and customary amounts for any or all of the "Itemized Fees and Charges" designated by VA, plus • a one percent flat charge by the lender, plus • reasonable discount points.
FEE LIMITATIONS (cont'd)	<p>Note: Some special provisions apply to construction, alteration, improvement, and repair loans.</p>

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Charge	Description
Appraisal and Compliance Inspections	<ul style="list-style-type: none"> The veteran can pay the fee of a VA appraiser and VA compliance inspectors. The veteran can also pay for a second appraisal if he or she is requesting reconsideration of value. The veteran cannot pay for an appraisal requested by the lender or seller for reconsideration of value. The veteran cannot pay for appraisals requested by parties other than the veteran or lender.
Recording Fees	The veteran can pay for recording fees and recording taxes or other charges incident to recordation.
Credit Report	<p>The veteran can pay for the credit report obtained by the lender.</p> <p>For Automated Underwriting cases, the veteran may pay the evaluation fee of \$50 in lieu of the charge for a credit report.</p> <p>For "Refer" cases, the veteran may also pay the charge for a merged credit report, if required.</p>
Prepaid Items	The veteran can pay that portion of taxes, assessments, and similar items for the current year chargeable to the borrower and the initial deposit for the tax and insurance account.
Hazard Insurance	The veteran can pay the required hazard insurance premium. This includes flood insurance, if required.
Flood Zone Determination	<p>The veteran can pay the actual amount charged for a determination of whether a property is in a special flood hazard area, if made by a third party who guarantees the accuracy of the determination.</p> <p>The veteran can pay a charge for a life-of-the-loan flood determination service purchased at the time of loan origination.</p> <p>A fee may not be charged for a flood zone determination made by the lender or a VA appraiser.</p>
Survey	The veteran can pay a charge for a survey, if required by the lender or veteran. Any charge for a survey in connection with a condominium loan must have the prior approval of VA.
Title Examination and Title Insurance	<p>The veteran may pay a fee for title examination and title insurance, if any.</p> <p>If the lender decides that an environmental protection lien endorsement to a title policy is needed, the cost of the endorsement may be charged to the veteran.</p>
Special Mailing Fees for Refinancing Loans	For refinancing loans only, the veteran can pay charges for Federal Express, Express Mail, or a similar service when the saved per diem interest cost to the veteran will exceed the cost of the special handling.
VA Funding Fee	Unless exempt, each veteran must pay a funding fee to VA.
Mortgage Electronic Registration System (MERS) Fee	The veteran may pay a fee for MERS. MERS is a one-time fee for the purpose of electronically tracking the ownership of the beneficial interest in a loan and its servicing rights.
Other Fees Authorized by VA	Additional fees attributable to local variances may be charged to the veteran only if specifically authorized by VA. The lender may submit a written request to the Regional Loan Center for approval if the fee is normally paid by the borrower in a particular jurisdiction and considered reasonable and customary in the jurisdiction.

FEE LIMITATIONS

Whenever the charge relates to services performed by a third party, the amount paid by the

