

January 12, 2017

Fannie Mae Overlay and Fact Sheet UPDATES

Western Bancorp has updated the Fannie Mae Overlay and Fact Sheet to reflect multiple credit policy updates and clarifications. A summary of the updates are provided with this announcement and can also be found in [LMS Xpress/Product Matrices and Underwriting Guidelines](#)

| FANNIE MAE OVERLAYS AND FACT SHEET | | |
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| Topic | Previous Guideline | Updated Guideline |
| Age of Documents | <ul style="list-style-type: none"> All credit docs must be dated within 90 days of the note date Appraisal must be dated within 120 days of the note date. If the effective date of the appraisal report is more than 120 days before the Note Date, an appraisal update (1004D) with at least an exterior-only inspection is not allowed without a second signature from Corporate Credit | <ul style="list-style-type: none"> Monthly bank statements must be dated within 45 days of Western Bancorp's initial application. Quarterly statements must be dated within 90 days of Western Bancorp's initial application. Verifications of source of funds may be dated up to 120 days before the date of the note All credit reports must be dated within 30 days of underwriting. Unless otherwise state, all credit docs must be dated within 90 days of the note date Appraisal must be dated within 120 days of the note date. If the effective date of the appraisal report is more than 120 days before the Note Date, an appraisal update (1004D) with at least an exterior-only inspection is not allowed without a second signature from Corporate Credit |
| Assets (EMD) | Not Addressed | If the earnest money deposit (EMD) is required for funds to close, verification that the deposit has cleared the account is required. The EMD must be verified by a photocopy of the borrower's cancelled check (or similar document) and the bank statement must cover the period up to and including the date the check cleared the bank |
| Eligible Borrower | <ul style="list-style-type: none"> US Citizens Permanent Resident Aliens/Non-Perm, with eligible visa type Inter vivos "Living" Trust—NOT Eligible Partnerships, Corporations and LLC's—Not Eligible Loans to owners and employees of Correspondent Sellers/Brokers, its affiliates and subsidiaries are eligible with a second signature from Corporate Credit | <ul style="list-style-type: none"> US Citizens Permanent Resident Aliens/Non-Perm, with eligible visa type <ul style="list-style-type: none"> Permanent Resident Alien status must be documented with a copy of the borrower(s)' green card. A Non-Permanent Resident Alien must have a valid social security number and evidence they are a lawful non-permanent resident of the United States with one of the following; An acceptable visa, or An acceptable expired visa along with I-797A with detachable I-94, Or EAD card Inter vivos "Living" Trust—NOT Eligible Partnerships, Corporations and LLC's—Not Eligible Loans to owners and employees of Correspondent Sellers/Brokers, its affiliates and subsidiaries are eligible with a second signature from Corporate Credit |
| Eligible Visa Types | Expiration Guidance, not previously addressed | If a borrower's visa will expire within six months of the loan application and the borrower has not changed employers, a copy of the employer's letter of sponsorship for visa renewal must be provided. If the EAD will expire within 6 months the borrower must show evidence they have applied for an extension or provide a letter from their employer indicating they will continue to sponsor their employment. |

Fannie Mae Overlay and Fact Sheet UPDATES (Continued)

| NEW TOPIC ADDED TO FANNIE MAE OVERLAYS AND FACT SHEET | | |
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| First Time Homebuyers | Previously addressed under “Investment Property” Topic. | First time homebuyers (borrowers who have had no previous home ownership in the previous 3 years from the date of the initial 1003) are not eligible for investment property purchases. |
| Investment Property (Subject Property Purchase) | <p>Borrowers purchasing an investment property must demonstrate a 12 month primary housing history. Borrower(s) will need to represent primary ownership through mortgage history or property records/tax and HOI payments; or Borrower(s) must demonstrate that they have handled a primary housing payment. This can be documented through 12 months cancelled checks or VOR from a property management company.</p> <p>First time homebuyers (borrowers who have had no previous home ownership) are not eligible for investment property purchases.</p> | First time homebuyers (borrowers who have had no previous home ownership in the previous 3 years from the date of the initial 1003) are not eligible for investment property purchases. |
| Income | Not Previously Addressed—Clergy | Income must be reported as wage, parsonage, or honorarium income on filed returns to be considered for qualification. Income cannot be documented solely with a VOE. If the parsonage or honorarium income is not reported on the filed returns, but is reflected in box 14 of the W2 or box 3 of the 1099, the income can be used for qualifying purposes if the borrower provides the IRS Form 4361, Application for Exemption from Self-Employed Tax for Use by Ministers, Members of Religious Orders, and Christian Science Practitioners that is marked approved and is signed by a director with the IRS. |

Pipeline Impact

- ◆ Approved and Locked Loans—Updated guidelines will not apply
- ◆ Approved and not locked—Updated guidelines will apply
- ◆ Locked and not underwritten as of 1.12.2017—Updated guidelines will apply

Please Contact your Account Executive regarding any questions or ask@westernbancorp.com