

Fannie Mae Premium (Wholesale and Non-Delegated Correspondent eligible)	Fixed 10030—30 year 10025—25 year 10020—20 year 10015—15 Year 10010—10 Year	ARM 1003/1 — 3/1 ARM 1005/1 — 5/1 ARM 1007/1 — 7/1 ARM 10010/1—10/1 ARM	LPMI 10030LPMI 10015LPMI	Multiple Financed Properties 100300MFP 10015MFP
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When a topic is silent in this document, Western Bancorp will defer to the Fannie Mae Selling Guide [Click Here](#)

DU Approve/Eligible Version 10.0
Eligibility Matrix – Fixed Rate and Fixed Period ARMs

Owner Occupied

Purchase and Rate and Term			Cash-Out (3)(4)		
Property Type	LTV, CLTV, HCLTV	Min Fico	Property Type	LTV, CLTV, HCLTV	Min Fico
1 Unit	FRM—97(1)(2) ARM—90	620	1 Unit	FRM—80 ARM—75	620
2 Unit	FRM—85 ARM—75	620	3-4 Unit	FRM—75 ARM—65	620
3-4 Unit	FRM—75 ARM—65	620			

Second Home

Purchase and Rate and Term			Cash-Out		
Property Type	LTV, CLTV, HCLTV	Min Fico	Property Type	LTV, CLTV, HCLTV	Min Fico
1 Unit	FRM—90 ARM—80	620	1 Unit	FRM—75 ARM—65	620

Investment Property

Purchase and Rate and Term			Cash-Out		
Property Type	LTV, CLTV, HCLTV	Min Fico	Property Type	LTV, CLTV, HCLTV	Min Fico
1 Unit Purchase	FRM—85 ARM—75	620	1 Unit	FRM—75 ARM—65	620
1 Unit Rate and Term	FRM—75 ARM—65	620			
2-4 Unit	FRM—75 ARM—65	620	2-4 Unit	FRM—70 ARM—60	620

- (1) 1 Unit, owner occupied, Fixed Rate only (see 97% LTV Product Requirements topic for additional underwriting guidelines)
- (2) High Balance-Not Eligible
- (3) Cash-Out: If subject property was purchased within 6 months of application the loan is ineligible, unless delayed financing exception maximum
- (4) Cash-Out: If subject property was listed for sale in within 6 months of the application, the max LTV/CLTV/HCLTV if limited to 70% or the maximum allowed per the matrices

97% LTV	<ul style="list-style-type: none"> • 1 Unit, Owner occupied only • No income limits and no pre-purchase homebuyer education requirements • Reserves required, per DU and can be from a gift • Fixed Rate Only • Purchase Transactions: <ul style="list-style-type: none"> ▪ at least one borrower (buyer) must be a first time homebuyer ▪ Limited Cash-Out Transactions: <ul style="list-style-type: none"> ▪ Standard limited cash-out refinancing of loans currently owned or securitized by Fannie Mae only ▪ 35% MI Coverage, no reduced MI
Age of Documents	<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 60 days of underwriting. • 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
Annuitization of Assets	Employment Related Assets Only— Refer to Fannie Mae B3-3.1-09: Other Sources of Income
Assets	<p>When a bank account or asset statement indicates FBO (for the betterment of) or ITF (Trust Account) confirmation that the client of record has access to the account (is either the beneficiary or the trustee) is required. This can be satisfied by the following:</p> <ul style="list-style-type: none"> ▪ Copy of the trust or trust certificate indicating they are the beneficiary or trustee ▪ Their name matches the FBO account • VOD as a standalone document is not allowed, regardless of DU Findings • 1031 Tax Deferred Exchanges-Allowed-Non-owner occupied properties ONLY • 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
Appraisals	<ul style="list-style-type: none"> • Transferred appraisals are not eligible (exception may be requested) • Field Review is required for properties > 10 acres (when allowed by Management) • Re-use of an unexpired appraisal from previous transaction is not acceptable • Field Review (Form 1032) is required when appraised value ≥ \$1,000,000 and LTV/(h)CLTV > 75% • PIW Allowed-Per DU <ul style="list-style-type: none"> ▪ Borrower certification stating number of years of ownership of subject property and not currently listed for sale

Continuity of Obligation	Western Bancorp will require evidence that the borrower(s) are on the title prior to loan application
Credit and Score Requirements	<ul style="list-style-type: none"> • Minimum Credit Score—refer to Eligibility Matrix on page of 1 of this document.
Debt-to-Income (DTI)	<ul style="list-style-type: none"> • Per DU-Approve/Eligible • Payoff of revolving debts is allowed refer to— FNMA B3-6-07: Debts Paid Off At or Prior to Closing • Business Debt—ok to exclude if: <ul style="list-style-type: none"> ▪ The borrower provides 12 months canceled checks drawn against the business account and ▪ The account in question does not have a history of delinquency, and ▪ The business tax return(s) and/or Schedule “C” evidence that the business expenses associated with the debt support that the debt has been paid by the business and ▪ The underwriter's cash flow analysis of the business took into consideration the payment of the obligation (included interest expenses, and taxes and insurance, if applicable, that one would reasonably expect to see based on the loan balance and age of the loan)
Documentation Requirements	Follow DU with <i>the exception</i> of a written VOD, VOM or VOR is not acceptable by itself as a standalone document
Eligible Borrowers	<ul style="list-style-type: none"> • US Citizens • Permanent Resident Aliens/Non-Perm, with eligible visa type (see Eligible Visa Types below) <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 Underwriting Department.
Eligible Visa Types	<ul style="list-style-type: none"> • A Series (A-1, A-2, A-3) • E-1 Treaty Trader and E-2 Treaty Investor • G Series: (G-1, G-2, G-3, G-4, and G-5) • H-1 (includes H-1B and H-1C), Temporary Worker • L-1, Intra-Company Transferee • O-1A; O-1B; O-2 • TN, NAFTA Visa or TC, NAFTA Visa <p>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.</p>

Escrow Waivers (Impound Requirements)	<ul style="list-style-type: none"> • Escrow accounts are required if LTV > 80%, except where prohibited by state law • Regardless of state requirements, if subject property is located in a flood zone, flood insurance impounds will be required • Mortgage Insurance—regardless of LTV • HO6 (if applicable)
First Time Homebuyers	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.
Escrow Holdbacks	Not Allowed
Flip Properties	<p>Acceptable if the property was acquired by a relocation agency in connection with the relocation of an employee, and then resold to someone who is not an employee or affiliate of the original employee's company, or</p> <ul style="list-style-type: none"> ▪ Resale by a lender when property is obtained through foreclosure or deed in lieu of foreclosure, or ▪ Resale of a property obtained through an inheritance or as part of the property settlement in a divorce agreement <p>A second appraisal may be required with any increase over 50%, regardless of the improvements or documented upgrades</p> <ul style="list-style-type: none"> ▪ All improvements must be evidenced by receipts, contractor invoices, and/or building permits ▪ Loan file must document all improvements were completed after seller acquired property ▪ Appraisal must justify and adequately support any increase in value over seller's acquisition costs <p>When the seller has owned the property for less than or equal to 180 days or when the property has transferred more than two times within the most recent 12-month period</p> <ul style="list-style-type: none"> ▪ Desk Review or CDA is required and must represent the appraised value within a tolerance not to exceed 10%. ▪ Increases in property value, in whole or part, must be supported by the appraisal, explained, documented, and analyzed as follows: ▪ The appraisal must identify, in detail, any changes made and include photographs of the rehabilitation or renovation. Improvements and renovations must be documented and substantiated with receipts, contractor invoices, and building permits
General Credit Requirements	<ul style="list-style-type: none"> • All borrowers must have a valid SSN—TINs are not acceptable • All borrower must have at least TWO valid credit score • All judgments, garnishments, and liens must be paid in full and released • Non-traditional trade lines are not eligible • Private party VOM/VOR (when applicable) as a standalone document is not permitted • Significant Derogatory Credit Refer to Fannie Mae B3-5.3-07: Significant Derogatory Credit Events — Waiting Periods and Re-establishing Credit
Hobby Farms	<ul style="list-style-type: none"> • No more than 15% of land can be "income producing" per the appraisal – appraiser must comment • Cannot be reflected on 1040s Schedule F or C • Cannot have significant farming or ranching activity • Appraisal must reflect highest and best use is SFR and comment on marketability • Maximum 10 Acres
Income	<p><u>Teachers</u></p> <p>A current year-to-date pay stub dated within 30 days of application may not be available. Income structure must be determined before calculating qualifying income.</p>

<p>Income (Cont.)</p>	<p>If the borrower is on a pay schedule of less than 12 months, a copy of their employment contract with the school district may be used in lieu of a current pay stub. Contract must be valid and non-expired.</p> <p>Required Documentation:</p> <ul style="list-style-type: none"> • Most recent YTD pay stub documenting at least 30 days of income (if not available provide all the following): <ul style="list-style-type: none"> ▪ copy of Employment contract with the School District AND 2 years most recent W-2s (regardless of DU) ▪ Verbal Verification of Employment performed no more than 10 business days prior to the loan closing <p><u>Self-Employed Borrower</u> A copy of business/occupational license or other proof that applicant has operated this business for two or more years is required. A verbal verification of employment must be performed within 30 calendar days prior to the note</p> <p><u>Contract Employees</u> Must be treated as self-employed and must have a 2-year history of earning this type of income. Because the individual may be released from employment at any time, or as specified in their contract, employment history is key in establishing income stability and the likelihood that it will continue.</p> <p><i>Required Documentation:</i></p> <ul style="list-style-type: none"> ▪ 2 years most recent personal tax returns with all W-2s or 1099's; and ▪ Verification that borrower's business remains open and in existence performed no more than 30 calendar days prior to the loan closing <p><u>Clergy Income</u> 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.</p>
<p>Ineligible Transactions Types</p>	<ul style="list-style-type: none"> • Homestyle Renovation • HomePath • Community Solutions and HomeChoice • HomeReady® • Refinance transaction that includes the subordination of a PACE/HERO Lien <p>DU Refi Plus Student Loan Solutions (Student Loan Cash-Out Refinance)</p>

Ineligible Property Types	<ul style="list-style-type: none"> • Mobile Homes • Manufactured Homes • Cooperatives • Condotels • Condo projects with any units less than 400 sq ft • Subject Condo w/unit size less than 650 sq ft • Leasehold Estates • Resale Restrictions excluding “Age Restrictions” • >10 acre parcels • Mixed Use Properties 	<ul style="list-style-type: none"> • Timeshares • Unimproved land • Property currently in litigation • Non-warrantable Condos • Working farms/ranches • Tenancy in Common Agreement (TIC) • Unique Properties (i.e., geodesic domes, log cabins) • Unapproved non-conforming use property (does not include grand fathered use) • Properties with PACE/Hero Assessments 		
Investment Property (Subject Property Purchase)	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.			
Manual Underwriting	Not Eligible—Approve/Eligible Only			
Mortgage Insurance	Eligible Providers: National MI, UGI, Arch MI, MGIC or Radian. LPMI Policies must be provided by National MI Only <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> Eligible MI Types: <ul style="list-style-type: none"> ▪ Borrower Paid Monthly ▪ Borrower Paid Single Premium ▪ Financed – Gross LTV cannot exceed program maximum ▪ Split Premium ▪ Lender Paid Single Premium </td> <td style="width: 50%; border: none;"> Ineligible MI Types: <ul style="list-style-type: none"> ▪ Reduced coverage ▪ Lender Paid Monthly ▪ Lender Paid Annually ▪ Borrower Paid Annually </td> </tr> </table>		Eligible MI Types: <ul style="list-style-type: none"> ▪ Borrower Paid Monthly ▪ Borrower Paid Single Premium ▪ Financed – Gross LTV cannot exceed program maximum ▪ Split Premium ▪ Lender Paid Single Premium 	Ineligible MI Types: <ul style="list-style-type: none"> ▪ Reduced coverage ▪ Lender Paid Monthly ▪ Lender Paid Annually ▪ Borrower Paid Annually
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Multiple Financed Properties	Refer to Fannie Mae Single-Family Seller Guide B2-2-03: Multiple Financed Properties for the Same Borrower (03/29/2016) B3-4.1-01: Minimum Reserve Requirements (03/29/2016)			
Non-Arm’s Length Transaction	Full documentation for assets and income, and appraisal regardless of DU findings <ul style="list-style-type: none"> ▪ Primary residences only, no-bail outs allowed ▪ Delayed financing not allowed ▪ Existing properties only, no new construction ▪ Not allowed for property being sold is a pre-foreclosure or short sale ▪ Verification of seller’s mortgage to show that the loan is current and no delinquency in the last 12 months ▪ Verification that the borrower has not been on title of subject property within the last 24 months ▪ Written explanation from borrower stating the relationship with seller and reason for purchase ▪ Copy of the canceled earnest money check to verify payment to the seller ▪ Non-Arm’s Length transactions are not eligible if property had a prior sales within 180 days 			
Occupancy	<ul style="list-style-type: none"> • Primary residence – 1-4 units • Second home – 1 unit only • Investment Property – 1-4 units 			

Occupancy (Cont.)	<p>Borrower Financing a Home For a Disabled Child or Elderly Parent Borrowers looking to finance a home for a physically handicapped or developmentally disabled adult child or an elderly parent who is unable to work or who may not have sufficient income to qualify for a mortgage on their own are acceptable.</p> <ul style="list-style-type: none"> ▪ If the parent is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the child is considered the owner/occupant. The child does not have to occupy the property. ▪ If the child is unable to work or does not have sufficient income to qualify on his/her own, the parent is considered the owner/occupant. The parent does not have to occupy the property. ▪ the disabled child or elderly parents are not required to be on title or on the mortgage loan, “elderly parents” are defined as parents who are not able to work or have insufficient income to afford a home on their own (no minimum age requirement), the loans are eligible as purchases, limited cash-out refinances and cash-out refinances, and acceptable documentation must be included in the loan file to support the transaction.
Projected Income (Future Income)	<ul style="list-style-type: none"> • Primary residence, Fixed Rate Only • Contract for future employment must be included in file and documented history of employment in the same field <ul style="list-style-type: none"> ▪ (Correspondent) A paystub is not required at time of delivery, however WBC will not purchase the loan until the paystub is received and incorporated into the file. Income and employment history must be documented per DU findings; therefore, if DU requires a paystub evidencing 30 days of income, then that documentation must be obtained before the loan can be purchased. ▪ (Broker) A paystub will be required at the time of funding, , if DU requires a paystub evidencing 30 days of income, then that documentation must be obtained before the loan can be funded
Property Flipping	<ul style="list-style-type: none"> • Prior sale within 90 days <ul style="list-style-type: none"> ▪ Acceptable if the property was acquired by a relocation agency in connection with the relocation of an employee, and then resold to someone who is not an employee or affiliate of the original employee’s company, or ▪ Resale by a lender when property is obtained through foreclosure or deed in lieu of foreclosure, or ▪ Resale of a property obtained through an inheritance or as part of the property settlement in a divorce agreement • A second appraisal may be required with any increase over 50%, regardless of the improvements or documented upgrades <ul style="list-style-type: none"> ▪ All improvements must be evidenced by receipts, contractor invoices, and/or building permits ▪ Loan file must document all improvements were completed after seller acquired property <p>Appraisal must justify and adequately support any increase in value over seller’s acquisition costs</p> <ul style="list-style-type: none"> • Must be an “arm’s length transaction”

Purchase Contract	<p>WBC will not accept re-negotiated purchase agreements that increase the sales price after the original appraisal has been completed if the appraised value is higher than the contracted sales prices provided to the appraiser, and the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and the only change to the purchase agreement is an increase in sale price.</p> <p>If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the LTV will be based on the lower of the original purchase price or the appraised value, unless:</p> <ul style="list-style-type: none"> ▪ Re-negotiation of only seller paid closing costs and/or pre-pays when seller paid closing costs/pre-pays are common and customary of the market and supported by the comparable sales. or ▪ An amended purchase agreement for new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal ▪ must be obtained to verify the value of the modification/changes
Recently Listed Subject	<p>Rate and Term Refinance</p> <ul style="list-style-type: none"> • The listing must have been cancelled at least one day prior to the initial application date of the new loan AND a copy of the MLS cancellation will be required • A signed letter of explanation from the borrower explaining why property was listed for sale and removed, and if Primary Residence, statement of intent to continue to occupy the property. • A final appraised value lower than lowest previously listed sale price. <p>Cash-Out Transaction</p> <ul style="list-style-type: none"> • Properties that were listed for sale must be taken off the market on or before the application date.
Rent Back	Maximum 45 days
Rental Income	<ul style="list-style-type: none"> • Second Home-Ok, income cannot be used to qualify • All other uses of rental income refer to Fannie Mae B3-3.1-08: Rental Income with the exception of the following: <p>Conversion Of a Current Principal Residence, All of the following will apply:</p> <ul style="list-style-type: none"> ▪ Fully executed lease agreement, covering 12 months and FNMA Form 1007 (the lower of the two will be used to qualify, regardless of marketplace or tenant explanation) ▪ Copy of cancelled checks from the tenant to support the terms of the lease. (money order, cashier's checks or any other form of payment will not be accepted) ▪ 3rd party verification to confirm property is not currently listed for sale ▪ WBC LexisNexis Report (provided by WBC-at Final Approval Only) <p>Partial or No Rental History on Tax Returns, All of the following will apply</p> <ul style="list-style-type: none"> ▪ Fully executed lease agreement, covering 12 months

Rental Income (Cont.)	<ul style="list-style-type: none"> ▪ Copy of cancelled checks from the tenant to support the terms of the lease (money order, cashier’s checks or any other form may be acceptable, if the underwriter is able to determine the purchaser is the same individual as the tenant) <p>Refer to “Reserves” Topic in this document for reserves requirements when rental income is being used to qualify</p>
Reserves	<p>Refer to Fannie Mae B3-4.1-01: Minimum Reserve Requirements</p>
Seasoning	<p>Purchase—purchase money liens paid off at closing must be at least 120 days old</p>
Secondary Financing	<ul style="list-style-type: none"> • Must meet FNMA guidelines • Down Payment Assistance Programs (DPA) or Community Seconds allowed—case-by-case • Payment calculation required for subordinate financing (existing or new financing); includes all types of subordinate financing). <ul style="list-style-type: none"> ▪ HELOC - Qualifying payment should be calculated using the fully amortizing principal and interest payment based on Prime + Margin (or 2% if margin is unavailable) + 2%, for the remaining term after the Interest Only period on the maximum line amount. (Does not apply to DU or LP. In these instances, the payment from the credit report or the interest only payment from the new subordinate lien, if a draw is being made at closing, will be used.) • Refinance transaction that includes the subordination of a PACE/HERO Lien is not eligible
Significant Derogatory Credit	<ul style="list-style-type: none"> • All transactions require a DU Approve/Eligible decision regardless of which timeframe for derogatory credit is met; standard or extenuating circumstance • The underwriter is not allowed to instruct DU to disregard significant derogatory credit event information on the credit report in the eligibility assessment. (i.e. “Confirmed CR DIL” or “Confirmed CR PFS”)
Tax Transcripts (Income Validation)	<ul style="list-style-type: none"> • Tax return transcripts are required for all loans borrowers, whose income is used to qualify; the number of years required is based on number of years of income verified. W2 and 1099 Transcripts may be provided in lieu of Tax Return Transcripts when income to qualify is derived from wages or benefit only.