



WAVE AQM Program Guideline

(Program Code : WAVE VOE, WAVE PNL)

Eligibility Matrix

P&L Only		Maximum LTV/CLTVs		
Credit Score	Loan Amount	Purchase	R/T Refinance	Cash-Out Refinance
720+	<= \$1,000,000	80	75	70
	\$1,000,001 - \$1,500,000	80	75	70
	\$1,500,001 - \$2,000,000	80	75	70
	\$2,000,001 - \$2,500,000	80	75	70
	\$2,500,001 - \$3,000,000	75	75	60
700 - 719	<= \$1,000,000	80	75	70
	\$1,000,001 - \$1,500,000	80	75	70
	\$1,500,001 - \$2,000,000	80	75	70
	\$2,000,001 - \$2,500,000	75	70	65
	\$2,500,001 - \$3,000,000	70	70	60
680 - 699	<= \$1,000,000	80	75	70
	\$1,000,001 - \$1,500,000	80	75	70
	\$1,500,001 - \$2,000,000	80	75	70
	\$2,000,001 - \$2,500,000	75	70	65
660 - 679	<= \$1,000,000	80	75	70
	\$1,000,001 - \$1,500,000	75	75	70
	\$1,500,001 - \$2,000,000	70	70	60
	\$2,000,001 - \$2,500,000	65	65	NA
Housing History Restrictions (*Only Manual Pricing/Lock available. Please contact Lock Desk)			Cash Out Requirements (Loan amount >\$2,500,000 or FICO <680)	
Housing history:	1x30x12	0x60x24		
Max LTV/CLTV: Purchase	80	75	LTV > 60%	\$750K (Max Cash out)
Max LTV/CLTV: Refinance	75	65	LTV ≤ 60%	Unlimited Cash Out
Max Loan Amt:	\$2,500,000	\$1,500,000	Decline Market Value	
Min FICO:	680	680		
Housing Event Seasoning Restrictions		Occupancy Restrictions - Second Home & Investment	5% LTV Reduction, Max Loan Amount \$2MM	
BK/FC/SS/DIL/Mod:	≥36 Mo	Max Loan Amount	Eligible States (New Wave Licensed States)	
Max LTV/CLTV: Purchase	80	\$2,500,000	AZ, CA, CO, FL, GA, HI, IL, MD, NV, NJ, NC, OH, OR, PA, SC, TN, TX, UT, VA, WA, and DC	
Max LTV/CLTV: Refinance	75			
Max Loan Amount:	\$2,500,000			

WVOE Only			Maximum LTV/CLTVs		
Credit Score	Loan Amount		Purchase	R/T Refinance	Cash-Out Refinance
720+	<= \$1,000,000		80	75	70
	\$1,000,001 - \$1,500,000		80	75	70
	\$1,500,001 - \$2,000,000		80	75	70
	\$2,000,001 - \$2,500,000		80	75	70
700 - 719	<= \$1,000,000		80	75	70
	\$1,000,001 - \$1,500,000		80	75	70
	\$1,500,001 - \$2,000,000		80	75	70
	\$2,000,001 - \$2,500,000		75	70	65
680 - 699	<= \$1,000,000		80	75	70
	\$1,000,001 - \$1,500,000		80	75	70
	\$1,500,001 - \$2,000,000		80	75	70
	\$2,000,001 - \$2,500,000		75	70	65
660 - 679	<= \$1,000,000		80	75	70
	\$1,000,001 - \$1,500,000		75	75	70
	\$1,500,001 - \$2,000,000		70	70	60
	\$2,000,001 - \$2,500,000		65	65	NA
Housing History Restrictions (*Only Manual Pricing/Lock available. Please contact Lock Desk)				Cash Out Requirements (FICO <680)	
Housing history:	1x30x12	0x60x12	0x90x12	LTV > 60%	\$750K (Max Cash Out)
Max LTV/CLTV: Purchase	80	80	70	LTV ≤ 60%	Unlimited Cash Out
Max LTV/CLTV: Refinance	75	75	NA	Occupancy Restrictions - Second Home & Investment	
Max Loan Amt:	\$2,500,000	\$1,500,000	\$1,000,000		



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Min FICO:	680	680	680	Max Loan Amount	\$2,500,000
Housing Event Seasoning Restrictions				Decline Market Value	
BK/FC/SS/DIL/Mod:	>=36 Mo	>=24 Mo	>=12 Mo		
Max LTV/CLTV: Purchase	80	80	70	5% LTV Reduction, Max Loan Amount \$2MM	
Max LTV/CLTV: Refinance	75	75	NA	Eligible States (New Wave Licensed States)	
Max Loan Amount:	\$2,500,000	\$1,500,000	\$1,000,000	AZ, CA, CO, FL, GA, HI, IL, MD, NV, NJ, NC, OH, OR, PA, SC, TN, TX, UT, VA, WA, and DC	
Min FICO	680	680	680		

Program Guidelines

Loan Terms	<ul style="list-style-type: none">Fixed: 30 years, 15 yearsARM: 5/6, 7/6 and 10/6 SOFR (Index: 30 day average SOFR, Margin: 5%, Caps: 2/1/5 for 5/6 ARM, 5/1/5 for 7/6 ARM & 10/6 ARM)Interest Only: Min FICO 680, see below Interest Only section.Qualifying at greater of note rate or fully indexed rate with amortizing payment for 30 years (ARMs), or over the amortization term (Interest Only)				
Interest Only	Product	Term	I/O Term	Amortization Term	
	5/6 ARM I/O	360	120	240	
	5/6 ARM I/O	480	120	360	
	7/6 ARM I/O	360	120	240	
	7/6 ARM I/O	480	120	360	
	10/6 ARM I/O	360	120	240	
	10/6 ARM I/O	480	120	360	
	30 yr FIXED I/O	360	120	240	
	40 yr FIXED I/O	480	120	360	
Loan Amount	<ul style="list-style-type: none">Minimum: \$100,000Maximum: \$3,000,000 (see above matrix for restrictions)				
Underwriting Method	Manual underwriting only. For topics not addressed in this guideline, follow Fannie Mae’s current single family guideline				
Income Type	<ul style="list-style-type: none">WAVE VOE (for wage earner) : WVOE with previous two (2) years and YTD earningWAVE P&L (for self-employed) : 3rd party prepared P&L				
Maximum DTI	50.00%				
Eligible Borrowers	<ul style="list-style-type: none">US Citizens and Permanent resident aliens with social security numberNon-permanent residency borrower must be eligible to work in US.<ul style="list-style-type: none">Borrower’s most recent 1 year immigration status must be documented, including renewalProvided one of the following:<ul style="list-style-type: none">Valid EAD with minimum 90 days remaining until expiration at the time of fundingAn acceptable visa type (E, G, H, L, NATO, O, TN-1, TN-2)Evidence of being granted refugee or asylee status by the USCIS (EAD ori-94)Non-Occupant Co-borrower is not permittedITIN not permitted				
First Time Home Buyer	No additional restrictions or requirements apply				
Occupancy	<ul style="list-style-type: none">Primary Residence<ul style="list-style-type: none">At least one borrower must occupy property as their principal residence; orUp to loan amount \$700,000, borrower can provide housing to their parents who is unable to work or does not have sufficient income to qualify. Parents’ age must be over 65, ID is requiredSecond Home<ul style="list-style-type: none">Must not be located within the same neighborhood or city of primary residenceIs restricted to one-unit dwellingsMust not be rental property or a timeshare arrangementInvestment Property				
Properties	<ul style="list-style-type: none">Eligible: Single family, PUD, Condo, 2-4 unitsIneligible: C5/C6 rating, Mixed Use, Manufactured, Co-Op, Rural Property (where appraiser indicates rural neighborhood, located on a gravel road, or 2 of 3 comps are more than 5 miles from subject), Property with PACE, Non-conforming zoning, Commercial, Dome or geodesic homes, etc.Acreage limit: Maximum 20 acres, not meeting the rural definition above				



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Appraisal Requirements	<ul style="list-style-type: none">• Age of report: 120 days from closing. 1004D is required between 90-120 days of appraisal completion• 2 full appraisals are required for loan amounts > \$2MM or flip transaction. LTV is based on lower of two• UCDP score 2.5 or less is required. If score is above 2.5, Desk review, Field review, or Second appraisal report is needed.• Transfer appraisal is permitted if provided with executed appraisal transfer letter, AIR Cert, invoice submitted to original lender, and proof that borrower received original report
Condominiums	<ul style="list-style-type: none">• HOA Cert: Full review form• Commercial space allowed up to 50% of project• No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees• Investor concentration allowed up to 60%• Single entity ownership allowed up to 20%• Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense• Condo projects identified by Fannie Mae CPM as ‘Unavailable’ is not eligible• Projects with significant deferred maintenance regarding safety is not eligible• New Projects: Follow Fannie Mae full review guidelines and requirements• Florida Condominiums (This statute applies to projects 5 stories or higher)<ul style="list-style-type: none">- A structural inspection is required if the project is over 30 years old (or 25 years old if within 3 miles of the coast). The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899- Inspection must confirm there are not conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements- Projects with an unacceptable or no inspection are ineligible
Number of Financed Properties	No limit, but aggregated amount cannot exceed \$5MM
Age of Documents	<ul style="list-style-type: none">• Credit report must be dated within 120 days from the closing• Income & Asset must be dated within 60 days from Note date
Housing Payment History	<p>Late payment history is permitted as per matrix.</p> <ul style="list-style-type: none">• VOM/VOR completed by private party or non-institutional lender must be supported by 6 months cancelled check or bank statements. Venmo/Zelle or other cash exchange apps are also acceptable if it clearly evidences lender/landlord information• In case current primary housing payment history is less than 12 months, additional payment history from previous mortgage/rent must be supplemented to satisfy full 12 months history• Living rent free is okay for purchase of primary only. LOE must be provided by the individual or entity they are residing with confirming that there is/was no monthly obligation.
Credit Requirements	<ul style="list-style-type: none">• Must have at least 2 credit scores for each borrower. All 3 bureaus must be unfrozen <p><u>Minimum tradelines requirements</u></p> <ul style="list-style-type: none">• If the primary borrower has 3 credit scores, the minimum tradeline requirement is waived• If the primary borrower has 2 credit scores, each borrower must meet the minimum requirements as below<ul style="list-style-type: none">- At least three (3) tradelines reporting for a minimum of 12 months, at least one (1) must have activity in the last 12 months; or- At least two (2) tradelines reporting for a minimum 24-months, at least one (1) must have activity in the last 12 months.- Authorized user accounts or non-traditional tradelines do not count. No exceptions for minimum tradeline requirements• All judgments, tax lien, past-due must be paid in full on or before closing• Collection and charge-off individually greater than \$250, and total more than \$2,000 must be paid off.<ul style="list-style-type: none">- Exceptions: Medical collections can remain open. Collections and charge-offs that have surpassed the state statute of limitation on debts may be omitted from the DTI. Documentation verifying expiration must be provided.• Collection and charge-off may stay open if payments for open charge-offs or collections are included in the DTI. If a specific payment amount is not determined, 5% of the balance may be utilized as the payment and reserves covering the balance.
Derogatory Credit Event	<ul style="list-style-type: none">• Credit event seasoning requirement is as per Matrix• Multiple bankruptcies NOT allowed• Loan modification/forbearance: No late payments in the last 24 months, and minimum 3 consecutive on time payments following by modification or loss mitigation
Employment and Income	<p>4506-C is not required</p> <ul style="list-style-type: none">• Wave VOE<ul style="list-style-type: none">- Borrowers must be Wage Earner for at least 2 years at the same employment- Fannie Mae 1005 or similar form to be fully completed by employer to reflect base hourly/salary, overtime, bonus and commission- WVOE form cannot be pre-filled nor electronically filled for Part II and Part IV #26- Form must be prepared/signed by HR representative, Managers, or Company Owners/Officers, Accounting- Printed name and contact number for the signer to be included



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	<ul style="list-style-type: none">- Independent third-party verification is required to support the existence of business (e.g. internet/online verification, Secretary of State business search, local licensing records, etc.) <p><u><i>*Employed by family member/relative is not eligible for this program</i></u></p> <ul style="list-style-type: none">• Wave P&L<ul style="list-style-type: none">- Borrowers must be self-employed for at least 2 years (25% or greater ownership)- Business license for the past 2 years must be provided. If nature of business does not require government issued license, borrower’s letter is required to explain the details of business nature- A letter signed by the CPA, CTEC (California Tax Education Council) or EA (Enrolled Agent) on their business letterhead showing: - Name, address, phone number, and license number for CPA / CTEC / EA - Confirmation they prepared the most recent 2 years of business tax return filing; and - The business name, borrower’s name, and percentage of business ownership by the borrower- Most recent Calendar Year end P&L and current Year-to-date P&L through most recent month end, prior to application (For example, application date 8/20 requires last year’s Jan – Dec P&L, and Jan – July this year), must be prepared/signed by CPA/EA/CTEC.- Borrower will be qualified based on the net income shown on the P&L. In case two year’s P&L are required (current and last calendar year), the lower of 1) Average prior year plus YTD, or 2) the YTD income• Multiple borrowers on the loan: Each borrower can qualify with different income doc type. Program must be P&L if any of borrower is qualified using P&L as income• Verbal VOE: Must be obtained within 10 days from closing• Rental Income:<ul style="list-style-type: none">- Fully executed lease agreement is required for each property that is being rented. Appraisal 1007 or 2 months rental income receipt proof required.- If subject property is investment purchase, rental income will be determined by Appraisal 1007 or lease agreement, whichever is less.- Rental income (75% of gross rent) can be used only up to offset amount for subject property, positive income will not be considered. For properties other than subject, positive income can be used.
Asset & Reserves	<ul style="list-style-type: none">• Most recent one (1) month bank statement or VOD required; source of large deposit is not required to be documented• Gift is permitted for down payment, closing cost, and reserves• Stocks/Bonds/Mutual Fund/Retirement account: 100% of value considered. Funds must be liquidated if used for closing• Life insurance: Proof of liquidation is required if used for closing. Net cash/surrender value must be used for reserves• No minimum borrower contribution for down payment and closing cost required for all occupancies, 100% gift is permitted• Reserves<ul style="list-style-type: none">- Primary/Second Home: Loan amount up to \$1MM, with LTV 75 or less – No reserves, Up to \$1MM with LTV greater than 75% - 4 months, Over \$1MM – 6 months- Investment: Loan amount up to \$1MM – 6 months, Up to \$2MM – 9 months, Over \$2MM – 12 months- For Adjustable-Rate Mortgages (ARM), the reserves are based upon the initial PITIA, not the qualifying payment.- For Interest Only loan, the reserves are based upon the initial Interest Only payment (ITIA)- Reserves are required for subject property only (No additional reserved required for REO)- Cash-out net proceeds are eligible to satisfy reserve requirement- Gift funds can be used for reserve requirement for all transaction
Debts	<p>Follow Fannie Mae except below</p> <ul style="list-style-type: none">• Debts paid by others: Evidence that the borrower is not making the payments for the last 12 months, documented with copies of 12 months canceled checks to show timely payments by the others, is required to remove liability from the borrower. Payor cannot be an interested party to the subject transaction• Properties owned other than subject: PITI must be included in DTI. Taxes & Insurance and/or HOA fee must be documented with most recent statement (issued within 60 days from funding)
Title Ownership	<ul style="list-style-type: none">• Individual, Joint Tenants, Tenants in Common, Inter-vivos revocable trust• Only an occupant co-signor is permitted
Power of Attorney	Permitted under Fannie Mae guideline
Impound	Escrow impound is required for taxes and insurance when loan falls under HPML
Prepayment Penalty/ Compliance	<ul style="list-style-type: none">• Prepayment penalty applies to Investment property only. 6 months of interest will be charged if payment exceeds 20% of original principal balance. Borrower can choose the PPP period from 0 to 3 years from note date• Total borrower paid points and fees must be less than 5% of the loan amount• Loan must not be section 32 or state high cost
Purchase	<ul style="list-style-type: none">• Non-Arm’s Length Transaction is allowed with following restriction:<ul style="list-style-type: none">- Primary Residences only- Borrower to provide cancelled check verifying the earnest money deposit- For-Sale-By-Owner (FSBO) transactions must be arms-length. No Flip (seller must have owned the property for no less than 180 days after the recorded deed date)- Employer to employee sales or transfers not allowed- Appraisal must comment contract is ‘Non-Arm’s Length’



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	<ul style="list-style-type: none">- Property trades between buyer and seller not allowed• Flip transaction: Seller acquisition date is within 180 days from date of borrower’s sale contract, and price increased > 10%<ul style="list-style-type: none">- Must be arm’s length- No pattern of previous flipping activity may exist within the last 12 month- The property is marketed openly and fairly (through online listing, auction, FSBO)- No assignment of contract to another buyer- If sale price is more than 5% of appraised value, a signed letter of acknowledgement from borrower required- CDA ordered
Interested Party Contribution (IPC)	<ul style="list-style-type: none">• Can only be used for closing costs and prepaid expenses, not down payment or reserves• Maximum 6% for primary residence and second home• Maximum 3% for investment property• Exceeding IPC after above use is considered as sales concessions, will be deducted from sale price to determine LTV
Rate/Term	<ul style="list-style-type: none">• Max cash back to borrower is limited to \$2,000 or 1% of new loan amount whichever is greater• Continuity of ownership is required<ul style="list-style-type: none">- At least one borrower on the new loan must be listed as owner on title; or- At least one borrower on the new loan must have inherited the property or legally awarded the property through divorce, separation, or dissolution of a domestic partnership• The borrower may not have taken cash-out (similarly defined) within the last 6 months of the new loan closing date (via either a first or subordinate lien)• A new loan proceeds may only be used for one or more of the following reasons:<ul style="list-style-type: none">- Paying off the existing first lien- Paying off subordinate liens used entirely to purchase the property- Paying off non-purchase-money subordinate liens seasoned for at least 12 months prior to the loan application date and for HELOC with total draws during the 12 months preceding the application date not in excess of \$3,000- Paying an individual who has been a joint owner for at least 12 months prior to the application date for their interest in the property pursuant to a written agreement such as divorce, separation, dissolution, of domestic partnership, and etc. (12-month requirement does not apply in the case of inheritance)- Paying reasonable and customary financing costs/closing costs/prepays (consistent with the GSE’s definition of permissible expenses)
Cash Out	<ul style="list-style-type: none">• Max cash-in-hand: Unlimited• A letter explaining the use of loan proceeds and borrower’s indicating their intent to retain the property is required• Payoff delinquent real estate taxes (60 days+) is considered cash-out• If cash-out is for personal, family, household use, loan must meet all applicable federal & state requirements of a consumer loan transaction even if the borrower is a company or the loan was initially intended for business purpose. Including but not limited to the requirements of the TILA (5 U.S.C. 1601 et seq) , RESPA (12 U.S.C 2601 et seq) , GLBA (15 U.S.C. 6802-6809), SAFE (12 U.S.C 5601 et seq), and HOPA (12 U.S.C 4901 et seq).• Loans not eligible for cash-out<ul style="list-style-type: none">- Listed for sale in the past 6 months- Has been a prior cash-out transaction within the past 6 months (measured from recording date to the app date)- Payoff of a Land Contract / Contract for Deed / Texas 50(a)6)• Cash-Out Seasoning is defined as the time difference between application date of the new loan and the property acquisition date.<ul style="list-style-type: none">- 6 months Title seasoning is required for a transaction to be eligible for cash-out- For properties owned 12 months or longer, the LTV/CLTV is based upon the appraisal value- If the subject property was purchased within 6-12 months prior to application date, The LTV will be based on the lesser of the sales price (+any documented improvements) or the current appraised value- Cash-out seasoning of 6 months or less is allowed with the following restriction: Delayed financing, borrower acquired the property through an inheritance, or was legally award the property through divorce, separation, or dissolution of domestic partnership• Delayed Financing: Property was purchased by a borrower for cash within 180 days of the loan application<ul style="list-style-type: none">- Original purchase transaction was an arm-length transaction- Source of funds for the purchase transaction are documented- Max LTV/CLTV ratio is based upon the lower of the current appraised value or the property’s purchase price (+ any documented improvements)
Fraud Prevention	<ul style="list-style-type: none">• Employment Fraud<ul style="list-style-type: none">- State or other 3rd party Business search must not show borrower as CEO, President or Partner of his/her employment- Credit report must not show employer’s name other than current employment. If other name appears, LOE from borrower with start/termination date is required- Bank statement must not show employer’s name other than current employment with direct deposit. If other name appears, LOE from borrower with start/termination date is required• Occupancy Fraud: Underwriter must carefully review for correct occupancy and obtain LOE when it is questionable<ul style="list-style-type: none">- For primary residence, commute to work is more than 50 miles or more than 1.5 hour- Purchasing primary residence that is smaller/older than current primary residence (owned) in the same neighborhood



	<ul style="list-style-type: none">- Purchasing second home in the same neighborhood where primary residence is located- Purchasing/refinancing investment property which is bigger or has higher value than primary residence in the same neighborhood to use rental income
Subordinate Financing	Not permitted