

TWSB Conforming Fixed-Period ARM

Program Description

TWSB offers two fixed-period ARM programs:

- Fixed-Period ARM
- InterestOnly Fixed-Period ARM

Fixed-Period ARM: This program provides an initial fixed-period term of 3, 5, 7, or 10 years. At the end of the fixed period, the loan is fully amortized over the remaining term as an adjustable-rate mortgage.

InterestOnly Fixed-Period ARM: Under this program, the borrower pays interest only during the first 10 years of the loan term. The loan is then fully amortized over the remaining 30 year term as an adjustable-rate mortgage.

The information below applies to both programs. Any differences are noted in the footnotes, covered on the next page. Guidelines specific to each program are included in this section.

<p>Loan Purpose</p> <ul style="list-style-type: none"> • Purchase • Rate and term refinance • Cash-out refinance <p>Loan Term</p> <p>30 or 40 years. InterestOnly: 30-year term only.</p> <p>Occupancy</p> <ul style="list-style-type: none"> • Owner-occupied primary residences • Second homes • Investment properties <p>Eligible Borrowers¹</p> <ul style="list-style-type: none"> • U. S. Citizens • Permanent resident aliens • Non-permanent resident aliens • Inter vivos revocable trusts • Non-occupant co-borrowers² 	<p>Max Loan Amount</p> <p>Ask Underwriting/Secondary</p> <hr/> <p>Secondary Financing</p> <p>Ask Underwriting</p> <p>Temporary Buydowns</p> <p>Allowed. _____</p> <p>Interested Parties' Contributions</p> <p>Allowed. _____</p> <p>Ineligible Borrowers</p> <ul style="list-style-type: none"> • Partnerships • Corporations • Non-Revocable Inter Vivos Trusts 	<p>Eligible Properties</p> <ul style="list-style-type: none"> • Attached SFRs • Detached SFRs³ • Attached PUDs • Detached PUDs³ • Low-Rise Condos • High-Rise Condos • 2-4 Units⁴ • Cooperatives⁵ <p>Ineligible Properties</p> <p>Manufactured housing</p> <p>Prepayment Penalty</p> <p>Ask Underwriting</p> <p>Assumability</p> <p>Ask Underwriting/Secondary</p>
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TWSB Conforming Fixed-Period ARM

Program Description, Continued

Footnotes

Eligible Borrowers

¹Allowed with valid Social Security number.

²Non-occupant co-borrowers are allowed with restrictions under the Conforming Fixed-Period ARM program. Non-occupant co-borrowers are ineligible under the InterestOnly Fixed-Period ARM program.

Eligible Properties

³Includes modular, panelized, and prefabricated classifications of factory-built housing.

⁴2-4 units not allowed for second homes.

⁵Cooperatives are ineligible for InterestOnly loans.

Note:

All 3-4 unit properties are considered investment properties for both purchase and refinance purposes unless the loan has received an AUS approval.

TWSB Conforming Fixed-Period ARM

Program Restrictions

Special Requirements

InterestOnly Fixed-Period ARM

The Note must provide for the change in payments, since the payment during the defined interest-only period is based on interest only and the payment for the remaining months is based on principal and interest. Loans must be originated using the following forms, which are available through Fannie Mae:

ARM Term	10-Year InterestOnly Term
3/1 ARM	<ul style="list-style-type: none">• Note: InterestOnly LIBOR Fixed/Adjustable-Rate Note (Multistate – Fannie Mae #3537)• Rider: InterestOnly LIBOR Fixed/Adjustable-Rate Rider (Multistate – Fannie Mae #3155)
5/1, 7/1 and 10/1 ARM	Required for 5/1 and 7/1 only: <ul style="list-style-type: none">• Note: InterestOnly LIBOR Fixed/Adjustable-Rate Note (Multistate – Fannie Mae #3535)• Rider: InterestOnly LIBOR Fixed/Adjustable-Rate Rider (Multistate – Fannie Mae #3153)

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TWSB Conforming Fixed-Period ARM

Program Restrictions, Continued

Underwriting Method

Loans may be underwritten by the methods noted as eligible in the table. To be eligible for purchase by Countrywide, loans that are submitted through an automated-underwriting system (AUS) must receive the indicated AUS result.

Underwriting Method	Eligible	Acceptable AUS Result
Manual	No	N/A
AUS	Yes	Approval

Occupancy

Owner-occupied primary residences, second homes, and investment properties.

All 3-4 unit properties are considered investment properties for both purchase and refinance purposes unless the loan has received an AUS approval.

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TWSB Conforming Fixed-Period ARM

Program Restrictions, Continued

Conversion Option

Not offered.

Energy Efficient Mortgages

InterestOnly Fixed-Period ARM

Not allowed.

Geographic Restrictions

[Ask Underwriting](#)

Credit Score

The minimum representative credit score should not be lower than 580.

The following items, however, are subject to individual evaluation, no matter how high the credit score:

- Bankruptcy, foreclosure, deed-in-lieu, short sale.
 - Judgments, collections, charge-offs, tax liens.
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TWSB Conforming Fixed-Period ARM

Program Guidelines

Minimum Loan Amount

None.

Maximum LTV/CLTV

Fixed-Period ARM

(InterestOnly Loans: Ask [Underwriting](#))

The following maximum LTV/CLTV guidelines apply for loans submitted through an AUS system that receive an acceptable recommendation. Price add-ons may apply. Ask Secondary.

Fixed-Period ARM						
Purchase and Rate-and-Term Refinance						
Primary Residences			Second Homes		Investments	
Type	Max. LTV ¹ /CLTV	Min. Credit Score	Max. LTV/CLTV	Min. Credit Score	Max. LTV/CLTV	Min. Credit Score
1 Unit	95/95% ^{1,2}	Determined by the AUS ⁵	95/95% ^{1,2}	Determined by the AUS ⁵	90/90% ^{1,2,4}	Determined by the AUS ⁵
2 Units	95/95% ^{1,2}	Determined by the AUS ⁵	N/A	N/A	90/90% ^{1,2,4}	Determined by the AUS ⁵
3-4 Units	80/80% ^{2,3}	Determined by the AUS ⁵			75/75% ^{1,2,4}	Determined by the AUS ⁵
Cash-Out Refinance						
Primary Residences			Second Homes		Investments	
Type	Max. LTV/CLTV	Min. Credit Score	Max. LTV/CLTV	Min. Credit Score	Max. LTV/CLTV	Min. Credit Score
1 Unit	90/90% ^{1,2}	Determined by the AUS ⁶	90/90% ^{1,2}	Determined by the AUS ⁶	85/85% ^{1,2,4}	Determined by the AUS ⁵
2 Units	90/90% ^{1,2}	Determined by the AUS ⁵	N/A	N/A	85/85% ^{1,2,4}	Determined by the AUS ⁵
3-4 Units	75/75% ^{2,3}	Determined by the AUS ⁵			70/70% ^{1,2}	Determined by the AUS ⁵

Footnotes begin on next page.

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TWSB Conforming Fixed-Period ARM

Program Guidelines, Continued

Maximum LTV/CLTV, Continued

Fixed-Period ARM

Purchase and Rate and Term Refinance, *Footnotes*

¹Cooperatives are subject to the following occupancy, LTV, and underwriting restrictions. Secondary financing is not allowed.

- Owner-Occupied Primary Residence: Maximum 90% LTV. Loans underwritten through an AUS system may be approved for higher LTVs.
- Second Home: Maximum LTV determined by AUS; generally 90% LTV for purchase and 80% LTV for rate & term refinance.
- Investment: Not allowed.

²AUS Loans: For loans with secondary financing submitted to AUS, the LTV must be reduced by 5%. For example, maximum 90% LTV allowed with maximum 95% CLTV.

³Eligible only with an AUS approval and executed Occupancy Declaration.

⁴2-4 unit investment properties held in an inter vivos trust are limited to maximum 70% LTV.

⁵The minimum credit score is determined by the AUS but must not be less than 580.

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TWSB Conforming Fixed-Period ARM

Program Guidelines, Continued

Maximum LTV/CLTV, Continued

InterestOnly Fixed-Period ARM

InterestOnly Fixed-Period ARM						
Purchase and Rate-and-Term Refinance						
Primary Residences			Second Homes		Investments	
Type	Max. LTV/CLTV	Min. Credit Score	Max. LTV/CLTV	Min. Credit Score	Max. LTV/CLTV	Min. Credit Score
1 Unit	95/95%	Determined by the AUS ¹	95/95%	Determined by the AUS ¹	90/90%	Determined by the AUS ¹
2 Units	90/90%	Determined by the AUS ¹	N/A	N/A	90/90%	Determined by the AUS ¹
3-4 Units	80/80%	Determined by the AUS ¹	N/A	N/A	N/A	N/A
Cash-Out Refinance						
Primary Residences			Second Homes		Investments	
Type	Max. LTV/CLTV	Min. Credit Score	Max. LTV/CLTV	Min. Credit Score	Max. LTV/CLTV	Min. Credit Score
1 Unit	90/90%	Determined by the AUS ¹	90/90%	Determined by the AUS ¹	70/70%	Determined by the AUS ¹
2 Units	90/90%	Determined by the AUS ¹	N/A	N/A	70/70%	Determined by the AUS ¹
3-4 Units	75/75%	Determined by the AUS ¹	N/A	N/A	N/A	N/A

¹The minimum credit score is determined by the AUS but must not be less than 580.

TWSB Conforming Fixed-Period ARM

Program Guidelines, Continued

Secondary Financing

Allowed up to the maximum CLTV noted in the [Maximum LTV/CLTV](#) tables.

Additional restrictions include:

- Add-ons may apply. Ask Secondary.
- Community Seconds are not allowed. r _____

Qualifying Ratios

Fixed-Period ARM

Maximum qualifying ratios are: 28/36%.

Ratios may be exceeded with an acceptable AUS certificate or if there are compensating factors such as:

- The borrower's reserves significantly exceed program guidelines.
- The LTV is lower than the maximum allowable.
- The borrower's credit score exceeds minimum requirements.

When non-occupant co-borrowers are used to qualify on owner-occupied properties, the following additional restrictions apply:

- Occupant borrower ratios cannot exceed 35/43%.
- Maximum 90% LTV.

Exception: The occupying borrower's total debt ratio does not need to be calculated provided:

- The occupant and non-occupant are parent and child.
- The non-occupant co-borrower must be a co-owner of the property but otherwise must not have an interested-party relationship to the transaction (broker, seller, and so on).
- Purchase and rate-and-term only.
- One unit SFR, PUD, or condo (manufactured housing is not allowed).
- A letter from the borrowers establishing the relationship between the occupants and non-occupants is required.

InterestOnly Fixed-Period ARM

As determined by the AUS. These ratios may be exceeded if there are compensating factors such as:

- The borrower's reserves exceed the program guidelines.
- The LTV is lower than the maximum allowed for the loan amount.
- The borrower's credit score exceeds the minimum requirements.

TWSB Conforming Fixed-Period ARM

Program Guidelines, Continued

Cash Reserves

As determined by the AUS.

Mortgage Insurance

Financed single premium MI (FSPMI) is allowed for LTVs less than or equal to 95%, but may not be available for all program options, including occupancy and property types.

Mortgage insurance coverage requirements are listed in the table below. The following additional restrictions apply:

- 3/1 ARMs: Insure as ARM loans.
- 5/1, 7/1 and 10/1 ARMs: Insure as fixed-rate loans.
- Loans with Buydowns (all fixed-period terms): Insure as ARM loans.
- Alaska Cash-Out:
 - MI must be obtained from GE, PMI, RMIC, or Radian.
 - FSPMI is not allowed.

LTV	MI Coverage
90.01% – 95.00%	30%
85.01% – 90.00%	25%
80.01% – 85.00%	12%

Note: A—minus pricing may be charged by the mortgage insurance company based on the AUS decision.

TWSB Conforming Fixed-Period ARM

Program Guidelines, Continued

Down Payment/ Source of Funds

Gift Funds			
Criteria	Owner-Occupied	Second Home	Investment ¹
Source	<ul style="list-style-type: none"> • Relatives • Domestic partner • Fiancé/Fiancée • Church • Municipality • Non-profit organizations 	Relatives only	Relatives only
Percentage of Borrower's Own Funds	Minimum 5% down payment must come from borrower's own funds ²	Minimum 5% down payment must come from borrower's own funds ²	Minimum 30% down payment required, of which at least 20% must come from borrower's own funds.

¹Gift funds are allowed with the following restrictions:

- 1-Unit SFR/Condo/PUD.
- Maximum LTV of 70%.

²If the LTV/CLTV is 80% or less, the entire down payment may be a gift.

Conforming Fixed-Period ARM

Program Guidelines, Continued

Margin

LIBOR Index: 2.25%

Life Floor

The life floor will never be lower than the margin.

Life Cap

The life caps are outlined in the following table:

Fixed-Period Term	Index	Life Cap
3/1	LIBOR only	6% over the Note rate
5/1	LIBOR only	5% over the Note rate ¹ Or 6% over the Note rate ²
7/1 and 10/1	LIBOR only	5% over the Note rate

¹The 5% life cap is eligible only with the 5-2-5 cap structure.

²The 6% life cap is eligible only with the 2-2-6 cap structure.

Conforming Fixed-Period ARM

Program Guidelines, Continued

Interest Rate Adjustment Cap and Date

Term	Index	Interest Rate Adjustment Cap and Date
3/1	LIBOR only	The interest rate is fixed for the first 36 months. The maximum interest-rate adjustment at the first adjustment date is 2%. Thereafter, the interest rate adjusts annually. With a maximum interest-rate change at any one adjustment date of 2%.
5/1	LIBOR only	The interest rate is fixed for the first 60 months. The maximum interest-rate adjustment at the first adjustment date may be one of the following: <ul style="list-style-type: none"> • 5% maximum first-time adjustment. Thereafter the interest rate adjusts annually with a maximum interest-rate change of 2%, which will not cause deferred interest, and a life cap of 5%. <p style="text-align: center;">Or</p> <ul style="list-style-type: none"> • 2% maximum first-time adjustment. Thereafter the interest rate adjusts annually with a maximum interest-rate change of 2%, which will not cause deferred interest, and a life cap of 6%.
7/1	LIBOR only	The interest rate is fixed for the first 84 months. The maximum interest-rate adjustment at the first adjustment date is 5%. Thereafter, the interest rate adjusts annually with a maximum interest-rate change at any one- adjustment date of 2%, which will not cause deferred interest.
10/1	LIBOR only	The interest rate is fixed for the first 120 months. The maximum interest-rate adjustment at the first adjustment date is 5%. Thereafter, the interest rate adjusts annually with a maximum interest-rate change at any one-adjustment date of 2%, which will not cause deferred interest.

Notes: The interest rate must always be rounded to the nearest 1/8th of 1% (0.125%).

LIBOR Index: The average of interbank offered rates for one (1) year in U.S. dollar-denominated deposits in the London market (LIBOR) as published in *The Wall Street Journal*.

Payment Adjustment Date

Fixed-Period ARM Loan

The first payment change date will be the first of the month following the interest-rate adjustment, and every 12 months thereafter.

TWSB Conforming Fixed-Period ARM

Program Guidelines, Continued

Borrower Qualification

Fixed-Period ARM

3/1 Fixed Period ARM: Qualify at the greater of fully indexed rate or the Note Rate.

5/1, 7/1 or 10/1 Fixed Period ARMs: Qualify at the Note Rate.

InterestOnly Fixed-Period ARM

As determined by the AUS. The borrower must be qualified based on the higher of the Note rate or the fully indexed and fully amortized rate.

Temporary Buydowns

Fixed-Period ARM

Temporary Buydowns are allowed subject to the following additional requirements.

Buydowns					
Fixed-Period Term	Occupancy	Eligible Finance Type	Eligible Plans	Credit Score	Qualifying Rate ⁴
5/1, 7/1, and 10/1	Owner-Occupied 1-4 Units	Purchase and rate-and-term	3-2-1, 2-2-1, 2-1, 1-1-1, 1-1, 1 or 2.0-1. 5-1.0-0.5	≥ 660 ¹	Bought - down rate ²
				< 660 ¹	Note rate ²
	Second Home 1 Unit	Purchase and rate-and-term	3-2-1, 2-2-1, 2-1, 1-1-1, 1-1, 1 or 2.0-1.5-1.0-.5	620 (generally)	Note rate ²
3/1 and Interest Only	Owner Occupied 1-2 Units ³	Purchase and rate-and-term	2-1	≥ 660 ¹	The greater of fully indexed rate or Note Rate
				< 660	
	Second Home 1 Unit	Purchase and rate-and-term	2-1	Determined by the AUS.	The greater of fully indexed rate or Note Rate

¹Self-employed borrowers require a minimum credit score of 680.

²Loans submitted through AUS may be qualified at a different rate.

³Buydowns are not allowed on 3-4 units.

TWSB Conforming Fixed-Period ARM

Program Guidelines, Continued

Interested Parties' Contributions

Allowed. _____

Prepayment Penalty

Fixed-Period ARM

Allowed on 30-year terms only. _____

InterestOnly Fixed-Period ARM

Not allowed.

Assumability

3/1 ARM: Assumable at any time, subject to credit approval.

5/1, 7/1 and 10/1 ARM: Not assumable during the fixed-rate period. At the end of the fixed-rate period, assumable subject to credit approval.

Documentation Type

Full and Alternative documentation are allowed. _____

Spot Relocation Mortgages

Fixed-Period ARM

Allowed for owner-occupied primary residences only. _____

InterestOnly Fixed-Period ARM

Not allowed.

Project Warranty

Standard. Ask Underwriting.

Seasoning Requirements

Subordinate liens are subject to the following seasoning requirements.

- Rate-and-Term Refinances: The amount refinanced may not include subordinate liens seasoned less than one year.
- Cash-Out Refinances: Subordinate liens may be paid off regardless of their age.

**Oftentimes, TWSB is asked to meet the needs of borrowers outside of the products we offer.

In this case, we refer to each of our investor's niche products - and underwrite according to that investor's guidelines, while ~~applying our standard layering of risk considerations, such as:~~

- The capacity of the borrower, or income from the underlying property, to adequately service the debt.
- The value of the mortgaged property.
- The overall creditworthiness of the borrower.
- The level of equity invested in the property.
- Any secondary sources of repayment.
- Any additional collateral or credit enhancements (such as guarantees, mortgage insurance or takeout commitments).