

# Government Loan Policy Overlay Fact Sheet

Last updated: March 16, 2015

This document is a summary of key Wells Fargo Funding overlays to Agency/GSE requirements<sup>1</sup>.

- The summary is ordered alphabetically by subject.
- The primary source (Seller Guide section number) is provided for easy reference; however, Sellers should be aware that the references are not all-inclusive.

## Legend

The most recent changes are identified as follows:

- Updated content
- Deleted content
- Clarified content

This document should be used as a reference tool in conjunction with the *Wells Fargo Funding Seller Guide* and is not meant to be used as a replacement to the published guidelines. Refer to the *Wells Fargo Funding Seller Guide* for complete details.

Subject	Wells Fargo Policy Overlay	FHA	VA	GRH
<b>4506-T and Tax Return Transcripts</b>	<ul style="list-style-type: none"> <li>▪ 4506-T is required for each borrower on the Loan, with the exception of non-credit qualifying FHA Streamline refinances and VA IRRRLs.</li> <li>▪ Tax Return Transcripts are required for borrowers with non-W-2 income used to qualify, with the exception of non-credit qualifying FHA Streamline refinances and VA IRRRLs.</li> </ul> <b>(505.04, 600.02(b), 600.03)</b>	x	x	x
<b>Anti-Steering Disclosure</b>	Must be included in the Closed Loan Package for Third Party Originated Loans. <b>(505.04, Exhibit 5)</b>	x	x	x
<b>Appraisal Acknowledgment Form</b>	Must be in the Closed Loan Package for all Loans with an appraisal. <b>(505.04, Exhibit 1)</b>	x	x	x
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>▪ An Environment Property Inspection must be in the Closed Loan Package when the property is exposed to the environmental hazard of sulfur-containing drywall.</li> <li>▪ A Right to Receive a Copy of Appraisals Disclosure must be in the Closed Loan Package.</li> </ul> <b>(505.04)</b>	x	x	x
<b>Appraiser Policy</b>	If the appraiser is on the Wells Fargo Appraiser List (available on wellsfgofunding.com), a second appraisal is required. <b>(600.02(b), 750.08)</b>	x		x
<b>Borrower Discount Point/Fee Disclosure</b>	<ul style="list-style-type: none"> <li>▪ Must be in the Closed Loan Package for all Loans when discount points are paid by the borrower to reduce the interest rate.</li> <li>▪ Required whether or not bona fide discount points are being excluded for purposes of points/fees testing.</li> </ul> <b>(505.04, Exhibit 10)</b>	x	x	x
<b>Condo/PUD Insurance</b>	Wells Fargo Funding-specific requirements apply for interior walls in (H0-6) coverage and HOA insurance for 2- to 4-unit projects. <b>(600.13)</b>	x	x	
<b>Fee Details Form/Itemization of Points and Fees</b>	<ul style="list-style-type: none"> <li>▪ A complete itemization of all points and fees from the final HUD-1, as well as key fee totals and certain summary data, must be in the Closed Loan Package for all Loans. <ul style="list-style-type: none"> <li>– If affiliate relationships are documented or if there is acceptable alternative documentation indicating there are no affiliated relationships, a fee details form may not be required. Refer to Newsflash C14-022FR dated March 6, 2014, for additional details.</li> </ul> </li> <li>▪ Wells Fargo Funding's Fee Details Form is highly recommended to meet this requirement.</li> <li>▪ Refer also to the <i>Helpful tips for completing the Fee Details Form</i>, available on wellsfgofunding.com.</li> </ul> <b>(505.04, Form 37)</b>	x	x	x
<b>FHA Property Flips</b>	When the property is selling for a 20% or greater increase, a second full FHA appraisal must be obtained from a Wells Fargo-authorized AMC. <b>(600.02(b))</b>	x		

<sup>1</sup> This fact sheet does not include discrepancies in Agency loan level price adjusters.

# Government Loan Policy Overlay Fact Sheet

Last updated: March 16, 2015

Subject	Wells Fargo Policy Overlay	FHA	VA	GRH
<b>FHA Loans, including Streamline Refinances</b>	<ul style="list-style-type: none"> <li>640 minimum Loan score.               <ul style="list-style-type: none"> <li>Non-credit qualifying Streamline refinances are included in this Loan Score requirement. A tri-merge credit report is required to solely validate the Loan Score.</li> </ul> </li> <li>203(b) and 203(h) only.</li> <li>97.75% max CLTV for rate/term refinances.</li> <li>85% max CLTV for cash-out refinances.</li> <li>Refinance Authorization Results must be included in the Closed Loan Package for refinances.</li> <li>A termite/pest inspection must be included in the Closed Loan Package if evidence exists that one was performed or should have been performed.</li> <li>The following are not permitted:               <ul style="list-style-type: none"> <li>Back to Work – Extenuating Circumstances provisions</li> <li>2- to 4-unit properties in New Jersey</li> </ul> </li> <li>Additional Wells Fargo Funding-specific guidelines apply for the following (refer to the Seller Guide for details):               <ul style="list-style-type: none"> <li>Condo project flood insurance</li> <li>Flood zone disputes</li> <li>Payment of premiums due within 45 days of Wells Fargo Funding purchasing the Loan</li> </ul> </li> <li>The following additional requirements apply to <b>FHA Streamline refinances</b>:               <ul style="list-style-type: none"> <li>For streamline refinances of loans not serviced by Wells Fargo, Partial Claim Notes must be included in the CLTV calculation and CLTV is limited to 100%.</li> </ul> </li> </ul> <p><b>(600.02 (b), 600.03, 505.06)</b></p>	x		
<b>Flood Insurance</b>	<p>The following apply when flood insurance is required:</p> <ul style="list-style-type: none"> <li>A flood insurance policy or the signed application, and a paid receipt are required.</li> <li>The minimum amount of flood insurance coverage for individual insurance must be equal to the lesser of:               <ul style="list-style-type: none"> <li>100% of the insurable value of the improvements (with losses to be paid at replacement cost) as determined by the hazard insurance provider, or</li> <li>National Flood Insurance Program (NFIP) maximum for the particular type of building, or</li> <li>The maximum that may be required under applicable state law.</li> </ul> </li> </ul> <p><b>(505.04, 515.04, 545.06)</b></p>	x	x	x
<b>Good Faith Estimate (GFE)</b>	<ul style="list-style-type: none"> <li>Initial GFE and any subsequent GFEs issued due to a valid changed circumstance must be included in the Closed Loan Package.</li> <li>"Same day" GFEs are not permitted. A minimum of 24 hours is required between the final GFE and closing date.</li> </ul> <p><b>(505.04)</b></p>	x	x	x

<sup>1</sup> This fact sheet does not include discrepancies in Agency loan level price adjusters.

# Government Loan Policy Overlay Fact Sheet

Last updated: March 16, 2015

Subject	Wells Fargo Policy Overlay	FHA	VA	GRH
<b>Guaranteed Rural Housing (GRH) Loans</b>	<ul style="list-style-type: none"> <li>Conforming Loan amounts only.</li> <li>640 minimum Loan Score.</li> <li>A full Uniform Residential Appraisal Report (URAR) with Market Conditions Addendum is required. Alternative appraisal products such as an Appraisal Form 2055 or a Generic VECTOR™ Automated Valuation Model (AVM) are not eligible for use with this program.</li> <li>1/12 of the total annual fee amount must be collected as part of each monthly payment and placed in an escrow account; one month's annual fee monthly payment must be collected at closing.</li> <li>A copy of the appraiser's license/certification must be in the Closed Loan Package.</li> <li>The following are not permitted: <ul style="list-style-type: none"> <li>Interest-only</li> <li>Flip transactions</li> <li>Appraisal transfers</li> <li>Rural Development Streamline Refinances, Rural Refinance Pilot loans, and Single-Close Combination Construction Permanent Financing</li> <li>Resale-deed restrictions</li> </ul> </li> <li>Wells Fargo Funding-specific requirements apply for the following (refer to the Seller Guide for details): <ul style="list-style-type: none"> <li>Use of VA approval for condo projects</li> <li>Use of DAPs, UCAPs, and HAPs</li> <li>Disasters</li> </ul> </li> </ul> <b>(515.04, 750)</b>			x
<b>High Balance FHA Loans</b>	<ul style="list-style-type: none"> <li>15- and 30-year fixed rate, 5/1, 7/1, and 10/1 ARMs (ARMs may have a margin of 1.75%, 2.00%, or 2.25%).</li> <li>Seller-funded DAPs are not permitted.</li> <li>Wells Fargo Funding-specific requirements apply for the following (refer to the Seller Guide for details): <ul style="list-style-type: none"> <li>Loan amount</li> <li>Receipt of MIC</li> <li>Qualifying ratios</li> <li>Appraisal requirements</li> <li>Authorized AMCs</li> <li>High Dollar Residence Appraisal Addendum</li> <li>Combination of High Balance and FHA Streamline refinance</li> </ul> </li> </ul> <b>(600.12, Exhibit 13)</b>	x		
<b>High Balance VA Loans</b>	<ul style="list-style-type: none"> <li>15- and 30-year fixed rate, 5/1, 7/1, and 10/1 ARMs (ARMs may have a margin of 1.75%, 2.00%, or 2.25%).</li> <li>Regardless of Loan amount, the VA guaranty plus cash/equity must be equal to at least 25% of the purchase price or NOV, whichever is less, on purchases and non-IRRRLs.</li> <li>The following are not permitted: <ul style="list-style-type: none"> <li>Housing payments 30 days or more past due in the last 12 months</li> <li>Foreclosure or bankruptcy in the last seven years (except for VA IRRRLs)</li> <li>Seller-funded DAPs</li> </ul> </li> <li>Wells Fargo Funding-specific requirements apply for the following (refer to the Seller Guide for details): <ul style="list-style-type: none"> <li>Loan amount</li> <li>Secondary financing</li> <li>Minimum Loan Score</li> <li>Receipt of LGC</li> <li>Qualifying ratios</li> <li>Appraisal requirements</li> <li>Combination of High Balance and VA IRRRL</li> </ul> </li> </ul> <b>(600.12, Exhibit 13)</b>		x	

<sup>1</sup> This fact sheet does not include discrepancies in Agency loan level price adjusters.

# Government Loan Policy Overlay Fact Sheet

Last updated: March 16, 2015

Subject	Wells Fargo Policy Overlay	FHA	VA	GRH
<b>Homeownership Counseling Disclosure</b>	A CFPB-compliant list of homeownership counseling agencies (aka, Homeownership Counseling Disclosure) must be included in all Closed Loan Packages. <b>(505.04)</b>	x	x	x
<b>Loan Submission Summary (LSS)</b>	<ul style="list-style-type: none"> <li>Must be included in all Closed Loan Packages.</li> <li>Refer also to the <i>Helpful tips for completing the Loan Submission Summary</i>, available on wells Fargo Funding.com.</li> </ul> <b>(505.04, Form 1)</b>	x	x	x
<b>Manufactured Homes</b>	Not permitted. <b>(300.02, 25, 600.10)</b>	x	x	x
<b>Non-traditional Credit</b>	Wells Fargo will not accept loans approved based on non-traditional credit history, a traditional credit report with Loan Scores is required. <b>(600.02(b), 600.12, 750)</b>	x		x
<b>Resale-Deed Restrictions</b>	Resale-deed restrictions are not permitted. <b>(600.02(b))</b>	x	x	x
<b>Residual Income Evaluation</b>	<ul style="list-style-type: none"> <li>Minimum residual income requirements apply.</li> <li>Minimum reserve requirements apply based on residual income.</li> <li>Residual income evaluation worksheet or other documentation must be in the Closed Loan Package.</li> </ul> <b>(300.02, 84, 600.02(b), 750.08)</b>		x	x
<b>Sales Contract Changes/ Renegotiated Purchase Agreements</b>	Restrictions apply for renegotiated purchase agreements that increase the sales price <i>after</i> the original appraisal has been completed. <b>(600.02(d), 750.01(c))</b>	x	x	x
<b>Settlement Agent</b>	<ul style="list-style-type: none"> <li>Loans with title insurance and/or closed by a settlement agents appearing on the Wells Fargo Settlement Agent List are not eligible for purchase.</li> <li>The Settlement Agent List is available on wells Fargo Funding.com.</li> </ul> <b>(515.01)</b>	x	x	x
<b>Temporary Buydowns</b>	Not permitted. <b>(750.05)</b>	x	x	x
<b>Texas Cash Out Refinances</b>	Not permitted. <b>(600.02(b), 750.04)</b>	x	x	x
<b>Third Party Originator (TPO) List</b>	Loans originated by parties on the Third Party Originator List (available on wells Fargo Funding.com) are not eligible for purchase. <b>(300.02, 31)</b>	x	x	x
<b>VA Loans, including IRRRLs</b>	<ul style="list-style-type: none"> <li>620 minimum Loan Score. <ul style="list-style-type: none"> <li>IRRRLs are included in this Loan Score requirement. A tri-merge credit report is required to solely validate the Loan Score.</li> </ul> </li> <li>100% max CLTV for purchases.</li> <li>100% max CLTV for rate/term refinances. <ul style="list-style-type: none"> <li>Rate/term refinances &gt;90% CLTV may not have any 30-day or greater mortgage lates on the subject property in the most recent six months.</li> </ul> </li> <li>90% max LTV/CLTV for cash-out refinances.</li> <li>The following are not permitted: <ul style="list-style-type: none"> <li>VA Indian Leaseholds</li> </ul> </li> <li>The following additional requirements apply to <b>VA IRRRLs</b>: <ul style="list-style-type: none"> <li>Must be current with no 30-day or greater first mortgage lates in the six months preceding the new IRRRL's Closing date.</li> <li>Loan being paid off must be seasoned, or originated, at least six months prior to the new IRRRL's Closing date.</li> <li>High Priced Mortgages are not permitted.</li> </ul> </li> </ul> <b>(600.02(b), 600.03)</b>		x	
<b>Verbal Verification of Employment (VVOE)</b>	A Verbal Verification of Employment (VVOE) is required prior to closing. <b>(Section 600.02)</b>	x	x	
<b>Water Purification Systems</b>	Generally, properties with individual water purification systems required to make the water safe for human consumption are not permitted (does not include systems installed to improve the taste or softness of the water). Refer to the Seller Guide for details. <b>(600.02(b), 750.06)</b>	x	x	x

<sup>1</sup> This fact sheet does not include discrepancies in Agency loan level price adjusters.