



A Guide to World Mortgage

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World Mortgage at a Glance

Hello, my name is Marty McLaughlin, your World Mortgage Account Executive. I have put together this packet to help you understand a little more about World and our lending philosophies. Some of my brokers submit loans to me on the Internet; and some prefer hard files, but whichever you elect, you will always be provided with a team of specialists who can assist you with all of your loan needs. In addition, my team has a specific underwriter who is available for instant underwriting days in your office, and will consider underwriting training for new loan officers.

World Mortgage is a portfolio lender, which means we do not sell our loans, thus enabling us to “make our own rules.” Since we are retaining the servicing of our loans, our underwriting guidelines are more aggressive than those of other lenders.

Benefits of Partnering with World Mortgage

Your borrowers benefit with the best possible loans for them:

- Stated income loans to 90% CLTV;
- 33/45 qualifying ratios up to 90% CLTV; and 33/40 qualifying ratios between 90.01% and 95% CLTV – allowing them to qualify for the house they really want;
- ELOC (equity line of credit) is available on QQ (Quick Qualifier) or full doc loans based on credit score – these lines of credit are reusable and available as they are paid down;
- Equity Builder Program (bi-weekly payment) – pay off the loan early and build equity fast;
- Pick-a-Pay Program – 1.95% payment rate (1.50% with appropriate FICO score and LTV) where your borrowers may choose how much they want to pay each month;
- Monthly statement – borrowers may use this as a financial tool so they may pay either 1) the minimum amount due, 2) a full interest payment, 3) a full principle and interest payment, or 4) a 15-year payment; and 5) they can pay significantly more toward their principle in any given month without incurring a pre-payment penalty;
- Portfolio Lender – we have loans that make sense; we don’t sell our loans; we keep them, service them and we are available at any time to answer customer questions.

Brokers benefit from working with World:

- Stop losing loans to fixed rate competitors – offer loans that are unique and provide greater value to your customers;
- You can get up to a maximum of 4 points + \$350 on each loan (up to 2 points rebated to you from us, plus you can charge your borrower up to 2 points + \$350);
- Easier qualifying with:
 - Higher ratios – 33/45 up to 90% CLTV; and 33/40 between 90.01% and 95% CLTV;
 - Stated Income on programs up to 90% CLTV;
- Get more business – offer unique World loan programs to your clients and increase your referrals;
- Open up a whole new market of borrowers who will qualify with QQ (Quick Qualifier – Stated Income Programs); and, give them the same great rates as they would get with our full doc loans.

General Guidelines & Information

Turn around time is typically 3 weeks for a purchase and 30 days for a refinance; however, at the beginning of each month we may be able to accommodate rush purchase transactions.

QQ = Quick Qualifier (Stated Income Programs).

Only 1 QQ transaction is allowed for any one borrower. However, World will consider 2 QQ transactions on a case by case basis, but this usually requires the second transaction to be 5% below guidelines or verification of substantial cash savings.

World will hold up to 4 loans equaling \$1 million for any one borrower in the event he or she can verify qualifying income and assets. World will typically only allow one loan with owner occupied rates. There is no limit to the number of properties any one borrower may own.

We charge an up-front processing fee of \$310.00; **OR**, if you already have a fee appraisal completed, we will only require **\$100.00 up-front** and conduct a review of the appraisal, which generally requires an interior inspection from a World appraiser.

Maximum cash out of \$125,000 – additional cash out requires an exception.

Judgments showing on credit report must be satisfied prior to closing.

Bankruptcy Guideline: World requires a minimum of 2 years since the bankruptcy has been discharged; and borrower must have re-established perfect credit since the discharge, consisting of at least 3 open and rated credit lines of 12 months or more.

We must have an application signed by the borrower and the Broker Demand must be signed by the Broker.

Rule of thumb for QQ (Quick Qualifier) transactions...

Up to 90% CLTV may qualify for QQ
Reasonable stated income
Lower revolving debt (excessive would be considered more than 3x monthly salary)
Isolated credit derogatory history
OR
No more than 2 x 30, 1 x 60, and 1 medical collection within the past 24 months
(Not a written rule, just a guideline!)

CREDIT – based on last 24 months

- Pull from 3 sources and use the middle score.

If above an 80% LTV:

- 695+ score = QQ – Stated Income
- 650-694 = Full Doc
- below 640 = by exception

If 80% or lower LTV:

- Stated Income – no credit score required

DEBT

- Up to 80% LTV – any installment debt that is paid off will not be counted against the borrower when qualifying. Minimum payment will be used or 5% of balance.
- Over 80% LTV – all revolving debt will be counted to calculate qualifying ratios, even if it is paid off. Minimum payment will be used or 3% of balance.

Important Qualifying Note: The borrower must qualify based on the fully indexed interest rate, which is equal to the index + the margin. **Qualification is NOT** based on the low-start payment rate!

Credit – No Score Requirements up to 80% LTV

Will World Mortgage lend on a middle score of 590? Often times, yes.

80% LTV or lower: World doesn't have credit score requirements, we just need good credit. Yes, World is an A or A- credit lender, but credit scores simply don't tell the whole story. Often, lower scores have nothing to do with current late payments, rather, they have more to do with the number of credit lines open and how much of this credit is being used. World is more concerned about borrowers' ability and willingness to repay debt (shown by payment history) than simply their credit score.

For example, if your borrower has a 590 middle score, but in the past 24 months has only 2 or 3x30 and 1x60 (on credit cards) and maybe a few small medical collections, at 80% LTV or less, World probably can approve the loan, and usually as a stated income loan. World doesn't necessarily consider these few minor late payments as bad credit. If, however, the 590 score is due to a poor credit repayment history in the past 24 months (i.e., 5x30, 3x60, 2x90), then World will probably not approve the loan.

Above 80% LTV – World requires a minimum middle credit score of 640 to approve a full doc loan and at least a 695 credit score for a stated income loan (up to 90% CLTV).

What does World consider good credit? World generally looks at the last 24 months of a borrower's credit (all credit accounts). Up to 3x30 and 1x60 on credit cards in the past 24 months plus maybe a few minor medical collections is still considered good credit (regardless of the credit score). OR, if a borrower has an isolated period of late payments due to a specific reason (i.e., divorce, layoff, etc.) in the past 24 months with good credit before and after this period, this also may be acceptable. *Call me to discuss your borrowers' specific scenario to see if they qualify.*

World views each borrower as unique and looks at each loan as an individual situation. Compensating factors to strengthen a loan may be: 1) a lower LTV, 2) showing good stated assets or 3) good job history.

Stated Income Loans (gives your borrower the same great rate and term as that of a full doc loan): World will give cash-out (C/O) up to 75% LTV with no credit score requirements (R&T up to 80% LTV is fine) or C/O up to 80% LTV with a minimum credit score of only 675.

Credit scores only really become important with loans above 80% LTV. A purchase or refinance (C/O or R&T) between 80% and 90% LTV requires a 640 middle score as full doc or a 695 score as a stated income loan. Stated income loans are available for any source of income, including salary, commission, retirement, disability, seasonal, etc. Whatever is on the 1003 is what is used to qualify the borrower. Full doc loans to 95% LTV require a 650 middle score.

Example: If one borrower has 2x30 and 1x60 on a credit card in the past 24 months with a 695 middle score and a second borrower has the same credit but only has a 620 score, both borrowers can probably get the same stated income loan up to 80% LTV! Of course, the borrower with a 695 middle score can also qualify for a stated income loan of up to 90% LTV (purchase or refi).

What about a bankruptcy? As long as the bankruptcy has been discharged for at least 24 months and the borrower has excellent credit since the discharge, World will probably approve the loan. Excellent credit since the bankruptcy is important because World is giving your borrower a second chance after his or her bankruptcy. And, this loan can still usually be done as a stated income loan.

WORLD MORTGAGE GUIDELINES
CHEAT SHEET FOR REFINANCE TRANSACTIONS

OWNER OCCUPIED**75% from \$25,000 to \$600,000**

- QQ – Stated Income/Stated Assets
- Cash-out on rate & term
- 33/45 Ratios based on fully indexed rate

Need to see 12-month clean mortgage history & overall clean credit. No minimum score requirement. No reserve requirement.

80% from \$25,000 to \$600,000

- Full Doc Income
- Cash out allowed to 80% - QQ
- 33/45 Ratios based on fully indexed rate

Same Criteria as above. There is a minimum FICO score of 675 on 80% QQ cash out.

90% – 75/15/10 Combined Loans to \$500,000

- Stated Income or full doc depending on score
- Cash out or rate & term
- 33/45 Ratios based on fully indexed rate
- No verification of assets needed
- 75% 1st & 15% ELOC

Can do stated income if middle score is 695 and three trade lines are open & currently rated 12 months for primary wage earner. Must go full doc if score is between 650 and 694. 15% second is Equity Line of Credit.

80% – Loans from \$600,001 to \$750,000

- Full Doc
- 33/45 Ratios based on fully indexed rate
- Cash out or rate & term

70% – Loans from \$750,001 to \$1,150,000

- Full Doc – Cash Out or Rate & Term
- 33/40 Ratios based on fully indexed rate
- Purchase or cash out refinance

NON-OWNER OCCUPIED**75% from \$25,000 to \$300,000**

- Full Doc Income
- No Cash Out

Need 2 years' taxes to prove income & schedule E's to show rentals. No limit on the number of properties owned.

70% from \$25,000 to \$300,000

- QQ - Stated Income/Stated Assets
- No Cash Out

Use stated income & 100% of stated rental income to qualify.

65% from \$25,000 to \$300,000

- QQ - Stated Income
- Cash out allowed

Same criteria as stated above.

WORLD MORTGAGE GUIDELINES
CHEAT SHEET FOR PURCHASE TRANSACTIONS

OWNER OCCUPIED**90% – 75/15 Combined Loans of \$500,000**

- **QQ** – Stated Income
- 10% own funds w/4 mo. PITI reserves
- 33/40 Ratios based on fully indexed rate
- 75% 1st & 15% ELOC

90% – 80/10 Combined Loans of \$500,000

- **Full Doc** – Verify income & assets
- 5% own funds, 5% can be a gift
- 33/45 Ratios based on fully indexed rate
- No reserves required
- 80% 1st & 10% ELOC

95% – One Loan with M.I. up to \$400,000

- **Full Doc** – Verify income & assets
- No gifts allowed
- 33/40 Ratios based on fully indexed rate
- No reserves required
- Interest only for 5 years

80% from \$25,000 to \$600,000

- **QQ** – Stated Income
- If QQ – 100% of down payment can be gift
- If full doc – 10% own funds/10% can be gift
- 33/40 Ratios based on fully indexed rate

Full Doc can go to \$750,000**75% from \$25,000 to \$600,000**

- **QQ** - Stated Income/Stated Assets
- 33/40 Ratios based on fully indexed rate
- Stated Income can go to \$750,000 by exception

Full Doc can go from \$750,001–\$900,000**70% from \$25,000 to \$600,000**

- **QQ** - Stated Income/Stated Assets
- Foreign Nationals Allowed
- Family Gift of Equities Allowed
- **Full Doc can go from \$900,001–\$1,150,000**

NON-OWNER OCCUPIED**75% from \$25,000 to \$300,000**

- **Full Doc** (2 yrs income & verify assets)
- 33/45 Ratios based on fully indexed rate
- No Reserve Requirements

70% from \$25,000 to \$300,000

- **QQ** - Stated Income/Stated Assets

Must have middle score of 695 and 3 trade lines open & currently rated 12 months for primary wage earners. No gifts allowed. Must be on current job 1 year. 15% second is an Equity Line of Credit. 10% second is an Equity Line of Credit. Must have middle score of 640 and 3 trade lines open & currently rated 12 months. Need 2 months of seasoned assets. Exception when renting out existing home.

Must have middle score of 650 and 3 trade lines open & currently rated 12 months. Need 2 months of seasoned assets. Exception when renting out existing home.

No credit scoring, but looking for two years of clean credit. Will consider limited credit with a lower loan amount, 10% own funds seasoned for 2 months if full doc & VOR.

Same criteria as stated above. Stated assets need to cover down payment and closing costs.

Basically a collateral loan. Good for persons not living or working in U.S. No social security number is required. Will consider if non arms length. No established credit required. O/O or N/O/O.

Will consider a slightly higher loan amount by exception. Can use 100% of rental income to qualify with leases. No limit to # of properties owned. Same criteria as stated above. 33/40 ratios used based on fully indexed R&T.

Examples of how World Mortgage can help your customers:

1) **Borrower wants up to 80% LTV purchase or refinance**

Loan to offer: 80% QQ (Quick Qualifier – Stated Income), Pick-a-Pay loan with 1.95% starting payment, Equity Builder, and an optional 10% ELOC (equity line of credit).

Result: Superior cash flow, Equity Builder allows loan to pay off approximately 5-8 years earlier, ELOC allows future purchases to be made with tax deductible interest, which is at a lower rate than credit cards and reusable as the balance is paid down, and the monthly statement creates payment options each month that helps the mortgage to become a financial planning tool.

2) **Same as above – but borrower is concerned about an ARM.**

Loan to offer: Same as above. ADD the fixed rate conversion option so that between years 4 and 7 the borrower will have the option to convert his or her ARM to a fixed rate loan.

Result: Same as above. PLUS, the borrower will still benefit from significant cash flow in the next 3 years, will still have the use of the ELOC (as the ELOC is paid down it can be used again for additional purchases by borrower), and if after 3 years the borrower wants to convert to a fixed rate, he or she will be able to – but we both know that the borrower will love the ARM and will not convert to a fixed rate!

3) **Foreign National with no proof of income or proof of assets and no established credit**

Loan to offer: 70% LTV loan as a QQ (Quick Qualifier – Stated Income and Stated Assets), Pick-a-Pay loan with 1.95% starting payment, and Equity Builder.

Result: After credit is established, the borrower may be permitted to refinance up to a 90% CLTV plus benefit from the loan with superior cash flow. Equity Builder allows loan to pay off approximately 5-8 years earlier, and the monthly statement creates payment options each month that helps the mortgage to become a financial planning tool.

4) **Borrower wants an 80.01% - 90% CLTV Refinance or Purchase**

Loan to offer: 90% CLTV: 75/15/10 = 75% QQ (Quick Qualifier – Stated Income), Pick-a-Pay loan with 1.95% starting payment on 75% 1st trust, and 15% ELOC (equity line of credit) with minimum score of 695, with Equity Builder. If score is between 640 and 694, then loan must be full doc.

Result: Superior cash flow, Equity Builder allows loan to pay off approximately 5-8 years earlier, ELOC may allow loan to be QQ with minimum credit score of 695 (otherwise full doc) and as it is paid down it may be used again for additional purchases by borrower, and the monthly statement creates payment options each month that helps the mortgage become a financial planning tool.

5) **Borrower wants Fixed Rate Loan, but needs it as a Stated Income – Refinance or Purchase**

Loan to offer: 80% LTV QQ (Quick Qualifier – Stated Income): either a 30-Year Fixed Rate loan, or a 36-month Fixed Rate COSI Loan (with an Equity Builder). And, if credit score is 695+, add an optional ELOC (equity line of credit).

Result: Qualify with Stated Income, ELOC allows future purchases to be made with tax deductible interest that is at a lower rate than that of typical credit cards, it's reusable as the balance is paid down, and Equity Builder allows loan to pay off approximately 5-8 years earlier.

What is COSI

The COSI (Cost of Savings Index) is composed primarily of fixed-rate deposits of varying maturities. These deposits include what World Savings pays to customers on their checking accounts, savings accounts, money market accounts and certificate of deposit (CD) accounts. Since rates on these deposits are not affected by changes in market interest rates until deposits mature, the average interest rate on deposits in a particular month reflects, to a significant degree, interest rates that were in effect in previous months. Thus, when market interest rates for deposits move up or down, COSI will lag, and generally not move as rapidly or to the same extent.

A less volatile index means that rates and payments on mortgage loans change less rapidly, allowing borrowers greater ability to plan financially. Historically, the COSI has moved up and down much less rapidly than indexes based on the prime rate, the Federal Reserve discount rate or Treasury Bill rates.

Banks do not want to increase the amount they pay on deposits because this costs the bank more money. Therefore, banks try to keep the interest rates they pay to depositors as low as possible; and with much less competition these days among savings and loan institutions, this is certainly sustainable. This has helped keep the COSI a more stable index, which in turn helps our mortgage customers.

How does COSI affect my mortgage payment: While the COSI changes monthly, your COSI loan payment changes only once a year, on its anniversary date. This helps you plan your cash flow since your monthly payment is stable for 12 months. You may, at any time, make additional payments to your loan to help pay off the loan more quickly.

What is CODI

The CODI (Certificate of Deposit Index) is a 12-month rolling average of the monthly yields on 3-month certificates of deposit (secondary market), as published by the Federal Reserve Board. World's CODI loan interest rate is calculated using this index.

Historically, CODI does not move up or down as rapidly as market interest rates such as the prime rate, the Federal Funds Rate or Treasury Bill rates, because of the method World uses to calculate this index. World's CODI is arrived at by using a 12-month rolling average of certificates of deposit rates, thereby reducing the impact of one month's change. So, CODI's stability means our customers are better able to plan financially.

How does CODI affect my mortgage payment: While CODI changes monthly, your CODI loan payment changes only once a year, on its anniversary date. This helps you plan your cash flow since your monthly payment is stable for 12 months. You may, at any time, make additional payments to your loan to help pay off the loan more quickly.

IMPORTANT SELLING POINTS – NOTES FOR BROKERS

Selling an ARM & the Pick-a-Pay

- What is COSI – a very stable index based on what World Savings pays depositors on savings checking, money market and CD accounts. The index lags behind market interest rates, thereby likely to fluctuate. “The Most STABLE index in America.”
- Does a bank want to pay out MORE or LESS on checking/savings/money markets and CD’s? **LESS!** Banks make more money because they pay depositors less.
- The payment is fixed for 12 months and can only be increased a maximum of 7.5% per year (i.e., a \$1,000 payment can only go up to \$1,075 after 12 months).
- No limit on annual payment decreases.
- Higher qualifying ratios – up to 33/45. This gives borrowers Greater Buying Power!
- No Doc loans up to 90% CLTV.
- No PMI.
- Note Rates to \$600,000 at the same low interest rates.
- No escrows, no FICO scoring, stated income/assets, “No Credit”, and foreign borrowers – **NO EXTRA CHARGE!**

The Pick-a-Pay

- Starting payment rates at 1.95%, or as low as 1.50% contingent upon FICO and LTV.
- No teaser rate or intro rate.
- Customized monthly payments.
- No limit to payment decreases.
- Creates cash flow for the borrower.
- Customer has complete control each month.
- Annual PAYMENT cap of 7.5% (not RATE cap) protects borrower.

What About Neg-Am? We’ve got Rapid Am! The EQUITY BUILDER.

- Bi-weekly payments that re-amortize every 14 days.
- Pays off your loan 5-8 years early!
- Only “True Bi-Weekly” available today!

Still Concerned about an ARM? Use the Fixed Rate Conversion Option! (Take cash flow today and lock in a low fixed rate tomorrow – the best of both worlds).

- Convert in years 4 through 7.
- FNMA 60 day rate + 55 bps; and pay only 5 bps more on your margin today.

World Mortgage’s Options give brokers true differentiation in the market place! Turn your mortgage into a Financial Planning Tool to give you choices – pay off other debts first and give yourself dramatically increased cash flow with the Pick-a-Pay Loan. Pay off your loan 5-8 years faster with the Equity Builder. Give your borrowers more options to pay off their other debt and control their finances with the ELOC (equity line of credit).

IMPORTANT SELLING POINTS – NOTES FOR BROKERS (cont'd)**Aren't these "Neg Am" products?**

- No Neg Am...unless you WANT Neg Am.
- Your monthly statement gives you the option to pay: 1) the minimum amount due, 2) a full interest payment, 3) a full principle and interest payment, or 4) a 15-year payment plan. And, you can pay additional toward your principle in any month – it's up to you, the borrower!

Why would anybody want Neg Am?

- Eliminate credit card debt (15-24% non tax deductible);
- Save MORE for retirement (max out 401K);
- Save MORE for kid's college tuition;
- Ease into a larger home, keep payment LOW!
- Be prepared for unexpected events (i.e., job lay-off, family illness, unexpected expense, etc.)

Why be scared of Neg AM when it actually benefits you?

- Basically a non-issue when historically, appreciation rates far outweigh minimal effects of neg am!
- Significant equity gain in your house is achieved through appreciation; and not necessarily through paying down small amounts of principle, which typically occurs in the first half of the loan period!
- Don't fork out your hard-earned money unnecessarily on higher fixed-rate-interest payments; that's money you'll never get back!
- And, if that's not enough, don't forget about Equity Builder and the Fixed-Rate Conversion Option.

ELOC (Equity Line of Credit) - Referrals = Commissions

- Separate yourself from your competition
- Add value for your customers
- If you don't, your competitors will
- Meets the customers current & future needs
- Simplify transactions
- Reusable line of credit

QQ (Quick Qualifier – Stated Income Programs)

- 75-15-10 in-house 2nd
- 80% Owner occupied
- 70% Investor or Non resident alien
- 10% Gifts allowed
- \$600K Loan amount
- \$750K Loan amount with exception
- Salaried and self-employed
- No rate bump
- No credit scoring to 80%
- No credit is good credit
- Conforming/non-conforming = same rate
- ELOC's
- Jumbo loans to \$1.15 million
- 80-10-10 & 80-15-5's = NO PMI

IMPORTANT: Two Main Reasons Loans Get Turned Down

- You must qualify using the **fully indexed rate**, NOT the start rate or low payment rate.
- You must qualify using World's debt calculation: actual installment payments (if less than 10 months, these payments will not count against the borrower) **PLUS** the minimum payment for revolving debt as shown on the credit report (or 3% of the outstanding balance if the minimum payment is not shown, 5% of the outstanding balance if LTV is 80% or lower). Also, if 80% LTV or lower, any debt that is paid off will not be counted against the borrower towards qualification (if above 80% LTV, debt paid off is still counted for qualification purposes).

Packaging Your Loans

Packaging your loan means understanding your transaction, and organizing and presenting your file in order to ensure a smooth approval process.

What is Required in Packaging?

- It starts at the time of the appointment when questions are asked during the application phase.
- What are the main issues?
- Compensating factors – factors that make the borrower stronger (i.e., verified assets).
- Addressing major concerns – if there are credit issues, tell the underwriter why up-front.
- What are the options, alternatives?
- Convey this information to your World underwriter and processor.
- Package the loan for the underwriter so that all questions/concerns are answered when it is initially submitted.

Issues at Application:

- Commute distance – is their house in a different county/state than their job?
- Number in family vs. # of bedrooms – is there a 7 bedroom house for a single borrower?
- Borrowers age/job title vs. income – is someone 2 years out of college as a secretary stating that they earn \$10,000 per month?
- Same phone # for home and business.
- Significant increase in housing expense.
- Income and assets are not congruent (i.e., \$12,000/mo income and only \$3,000 in assets).
- Dates don't line up.
- Ratios don't make sense.
- Insufficient assets to close the loan.

Issues About the Application:

- Seller is a realtor, employer or relative.
- Borrower is not on sales contract.
- Earnest money is for an odd amount.
- Seller is not on title.
- Refi after recent refi or recent purchase.
- Refi property value much different than purchase amount.

Issues About Income:

- Unusually high or low tax deductions.
- Social security numbers don't match.
- Tax return incomplete.
- Stated income does not match tenure.
- Bonus income history.

Asset Issues:

- Insufficient assets to close loan.
- New bank account.
- Large deposits.
- Direct deposit doesn't match with stated income.
- NSF on bank statements.
- Names and addresses on account don't make sense.
- Gifts.

Bottom line - address all concerns before the underwriter asks you about them.

World's Lending Philosophy

There are three parts that make up a loan:

- 1) the **borrower** (credit, income and assets);
- 2) the **property** (is it normal for the area - are there any potential marketability issues – is this a house that would sell in a down market?);
- 3) the **transaction** itself (LTV or CLTV, stated income or full doc).

World will probably approve the loan if at least 2 out of 3 of these parts of the loan are strong. Think of it this way, would you lend the borrower your own money based on what you know from the application and the credit? If you would lend your money, then we probably will too.

For example, if the **borrower's** credit shows several recent late payments (not "A" credit) and the application shows very few assets, the **property** is normal for the area, and the **transaction** comes in as a stated income loan (we haven't verified the income or the assets) and at maximum LTV based on our guidelines, then World may counter it to a full doc transaction (to strengthen the file) or may allow stated income but lower the LTV from 80% down to maybe 75% or 70%.

If the loan makes sense and the underwriter understands the loan, then it will most likely be approved!

Up-Front Fees and Appraisals

When submitting a loan to World Mortgage, your borrower will need to pay an up-front fee by check or credit card (Visa or Master Card accepted). This up-front fee will be either:

1) **\$310** – when you submit a completed application **without** a fee appraisal. (Total World closing costs are \$955, of which this \$310 processing fee is paid up-front).

OR

2) **\$100** – when you submit a completed application **with** a fee appraisal. (Total World closing costs are \$730, of which this \$100 processing fee is paid up-front). ***Total World closing costs are \$225 lower when you submit a fee appraisal with your borrower's completed application.***

We at World Mortgage will do our own in-house appraisal on every loan we do, whether or not a fee appraisal is submitted with the loan. Remember, in-house appraisals that are completed by World Mortgage are not assignable after they are completed.

How to decide whether to submit a loan with or without a fee appraisal: For refinances, if you are unsure about the value of a property then it may make sense to order and submit a fee appraisal with your loan application so you know the value is there to make the transaction work. For purchases, the process is usually faster without a fee appraisal (since purchases are time sensitive, the extra time it takes to get a fee appraisal may delay the settlement). Properties with adverse factors could affect our loan decisions.

Process of a Loan

There are two ways you may submit your loan package: 1) Hard file via fax, mail, hand-delivery or 2) via the internet.

Hard File Submissions

- 1) Prepare the Loan Submission Package:
 - a. Signed Broker Demand Statement (Fee Statement);
 - b. Completed & signed 1003 – Qualify at fully indexed rate, NOT the start rate;
 - c. Completed 1008 (Underwriting Worksheet);
 - d. In-file tri-merge credit report;
 - e. Purchase contract (if applicable);
 - f. Check or Credit Card (Master/Visa) payment for \$310 (or only \$100 w/ fee appraisal);
 - g. Verification of income (if full doc);
 - h. Verification of assets (if full doc OR on Stated Income with asset QQ transaction)
 - i. Other supporting documents as required.
- 2) Fax or mail your package to me, your designated account representative, and discuss details with me if necessary, making sure all concerns are addressed.
- 3) Once a full package (and payment) is received, loan will be entered on the system and sent to Underwriting; and the appraisal will be ordered.
- 4) Underwriter will review the file and issue a Conditional Loan Approval (CLA), a Counter Offer, or a Denial.
- 5) Once you receive your CLA, submit the required conditions, including your closing confirmation information, to me or your assigned processor.
- 6) After the appraisal has been completed and all conditions from the CLA have been received from you, the broker (72+ work hours before closing), the loan can generally settle 3-5 days later.
- 7) Please be sure to work with me or your assigned processor until the loan closes.

Internet Submissions

- 1) Submit your loan via www.worldmortgage.com with your user ID and password. *(Please check World's Lending territory Sheet to make sure we lend in the specific county).*
- 2) Please ensure you select me, Marty McLaughlin, as your preferred account representative so I will be notified via e-mail that your loan is on the system. That way I can track it to ensure it is processed in a smooth and timely manner.
- 3) The Quality Assurance Manager (QAM) reviews the loan for completeness and correctness. The QAM has up to 48 hours to process the loan. If the up-front fee does not come in when the loan is submitted, then the loan will not go to the underwriter until the fee has been received – this will delay the loan. Once the up-front fee has been received, the loan is forwarded to an underwriter.
- 4) The underwriter has up to 48 hours to underwrite the loan and either approve the loan with a Conditional Loan Approval (CLA), or submit a counter offer or denial.
- 5) The underwriter also orders a World appraisal when the CLA is issued. **The appraisal generally takes up to 2-3 weeks to complete.**
- 6) After the appraisal has been completed and all stipulations from the CLA have been received from the broker (72+ work hours before closing), the loan can generally settle 3-5 days later.

*** From loan submission to settlement (minimum expectations): Purchases take approximately 3 weeks and Refinances take approximately 30 days. If you need a rush, call me ahead of time. ***

Direct Underwriting – In order to give you the best possible customer service, you (the loan officer) have direct access to both the QAM and the underwriter. You should call them directly with all questions about the loan and fax all loan documents directly to them. Please contact me if there is a problem or a concern with a loan that has already been submitted. The only thing you will need to overnight to your QAM is the \$100 or \$310 check for up-front fees (credit card payments can be faxed). **Also, remember to visit www.worldmortgage.com 24/7 to check on your loan's status.**

General Comments about working with World Mortgage

As a portfolio lender, we have more aggressive underwriting guidelines than most other lenders, such as our 33/45 qualifying ratios and our QQ (Stated Income) loans at 33/40 ratios. Since we portfolio our loans and do not sell them, the marketability of the properties we lend on is important to us.

Here are a few things to think about when sending your transactions to World Mortgage:

- 1) Please inform all of your borrowers that a World appraiser will contact them soon to set up an appointment for an appraisal so there are not extra delays (even if an outside fee appraisal has recently been done).
- 2) If a property has a well and septic system, World will require a well and septic test
- 3) If the property is a condo, your processor will need to receive condo documents
- 4) If the property is in Florida, a termite report will be required prior to closing
- 5) World does not lend on commercial properties (or houses zoned as commercial/mixed use or agricultural) or properties with a commercial influence (i.e., a condo on top of a retail level) and does not generally lend on properties over 5 acres.

Marketability: Houses with substantial marketability issues (i.e., located or backing to a busy road, a “white elephant” house – issues that would cause a property to be less marketable than other homes in the area) **will be limited to 75% CLTV** for purchases and refinances. No secondary financing will be allowed on these types of properties. Think of this; is your borrower’s house normal for the area? For example, is your borrower’s house in a subdivision, or is it one of the few houses located outside the subdivision? Which house would most likely be purchased and which house would take longer to sell in a down market?

When homes have any of these issues it does not automatically mean we will not lend on them, but we will be looking for compensating factors from the borrowers to make up for the adverse factors of the properties. We may ask you to fully document the income and/or assets of your borrowers. Just be aware of the type of properties your borrowers have selected when sending the loans to World, and that could help prevent any last minute surprises for everyone. But, if you are just not sure, you can call us to do a drive by of the property.

If a house is being **renovated**, World generally will not lend on it until the work has been completed (i.e., siding, reinstalling a shower stall, etc.) If the repairs are minor in nature, a holdback of funds may be permitted (150% of estimated cost to complete) so that we may close earlier and then provide the holdback funds upon completion of the work. A holdback may take up to an extra week to process. World also will not lend on a property if there are health or hazard issues (i.e., mold, leaky roof, exposed wires, etc.)

Additions: If a subject property has put on an addition, a 2nd kitchen, etc... World requires obtaining copies of the permits for these additions. World will not lend on a property if there are illegal additions (additions without permits).

Loans with subordinate financing will be underwritten with specific guidelines. This would include 80/15, 70/20, or 75/15 transactions. In order for World to offer financing at higher LTVs, we have the second trusts insured through our MI Company. This does not cost your borrower any additional money because the cost is already built into the rate. For this reason we must follow specific guidelines set forth by our MI Company in order for these transactions to be insured. When we underwrite these loans, we will look at trade lines, credit scores, and ratios. When the loan does not meet any one of these guidelines, we may not be able to offer you the terms & conditions you requested. However, we may provide you with several options. We could counter the LTV to a qualifying program, send the loan to our arm center (a sub prime department of World Savings), or possibly counter the loan to allow an outside 2nd trust.

World’s most aggressive underwriting guidelines apply when a loan fits into our “Portfolio Programs.” This means that the CLTV would be at 80% or less. We underwrite these loans locally and do not have minimum score requirements. We do consider ourselves an “A” lender so we are looking for clean credit, or at least credit that “makes sense.” These loans do have general underwriting guidelines, but with compensating factors they can be looked at more aggressively, and without the traditional requirements that other lenders may have.

WORLD SAVINGS' PROPERTY GUIDELINES

World Mortgage is portfolio lender. Because we don't sell our mortgages, we are more concerned about the marketability of a property than other lenders might be. World will always require a well and/or septic certification when applicable. The following list is not all inclusive but includes many of the more common property concerns.

- Nearby high tension power lines or railroad tracks;
- High traffic road;
- Commercial influences such as a gas station next door;
- House in only fair condition or deferred maintenance issues;
- Houses that don't conform in size or design to other houses in area;
- Commercial zoning or mixed use (we only do residential zoning);
- Condo projects less than 50% owner occupied;
- Home has only 1 bedroom when the norm for the area is 2 or 3;
- Indoor pools (swimming pools located within the home).

If your property has one of these concerns, depending on the seriousness, it could result in the loan being countered to a lower LTV or the loan having to go from a No Doc (QQ) to a Full Doc or in a rare situation, the loan might be denied. When your loan has a property issue, it is always a good idea to provide compensating factors such as verifiable assets, even though the LTV wouldn't normally require assets. If you know of a property issue upfront, please call me to discuss the file prior to submission.

WORLD SAVINGS' WELL & SEPTIC REQUIREMENTS

Septic Reports

It is recommended that septic certifications be performed per PSMA guidelines. PSMA is a statewide organization with voluntary membership that establishes guidelines for performing septic inspections.

A statement that the inspection was performed in accordance with PSMA would insure that a thorough and proper inspection was conducted. This must include a minimum of the following:

- Locate and identify the configuration of the system.
- Locate an opening to the holding tank.
- Visually inspect the baffles and state their condition.
- Perform at least one probe of the drain field.
- Provide a statement of satisfactory operation.

Well Reports

The standard is as follows: Perform a standard well potability test. This is generally coliform testing, but includes Ph and Iron testing. A test out of compliance on any of its components must have clarification. Each component will require a statement with respect to health and safety issues.

If a subject property is located adjacent to a gas station or other environmentally significant site, more specific water testing may be required.

World's Equity Line of Credit (ELOC) Facts

There are two basic types of ELOCs

- 1) **Concurrent:** Used concurrently when the funds are a necessary part of the transaction.
- 2) **Optional:** Used when the funds are not a necessary part of the transaction.

Rates are based on margin + Prime Rate.

- 10-year draw period with interest only payments for the first 10 years;
- 30 year line;
- \$200 origination fee – if optional; \$400 origination fee – if concurrent;
- \$50 annual fee years 2-10;
- \$500 early closure fee (first 3 years only) - ELOC can be paid down to zero at any time;
- Rate locked at commitment based on prime rate;
- 3 day right of rescission applies (not on purchases);
- \$250 minimum draw amount.

ELOC Benefits

- Frees up equity;
- Affordable payments – interest only for the 1st 10 years;
- Tax deductible (consult tax advisor);
- No balloon payment means no payment shock;
- Streamline 1st and ELOC at same closing;
- Provides self-employed borrowers with flexibility;
- Rates below traditional line of credit;
- Free checks means easy access to funds;
- Separate billing statement is clear.

Use Funds to:

- Pay Down higher interest rate credit cards;
- Buy new car;
- Pay for wedding;
- Invest in another property;
- Remodel;
- Take a vacation;
- Pay for education/college, medical expenses/emergencies...

Tax Escrows

- Tax escrows are optional as long as the loan is @ 80% LTV or lower.
- Hazard insurance Escrows not required at or below 80% LTV.
- No fee to waive on owner occupied at or below 80% LTV.
- 75/15/10, 80/10/10, and 85/15/5 – Escrows are required.

About Prepayment Penalties

If the loan has a prepayment penalty – it is equal to 2% of the remaining balance of the loan amount. If you receive a yield spread (points from World) then the loan you give your borrower will have a prepayment penalty. Your borrower may pay additional into the loan without paying the prepayment penalty. The borrower is permitted to pay up to \$5,000 per month above and beyond the 30-year amortized payment at any time without incurring the prepayment penalty.

Selling to Today's Borrowers:

- 1) **Homebuyers** are concerned about their current financial situation – everything from the amount of their debt load to job security. In the back of their minds, they are also thinking about their retirement. So, how can you incorporate these concerns into a sales strategy and create a competitive edge for yourself? EASY! Ask your borrower if you can show them the benefits of incorporating their loan as part of their retirement strategy.
- 2) **Borrowers** will end up paying a monthly mortgage payment over the course of 30-50 years and yet still might not own their home outright. They will have refinanced, transferred, moved-up, moved-down, and refinanced again, on average, every 3-5 years. Every time that a change is made, they go back to year zero on their amortization schedule. At this rate, no one will own their home outright by retirement. Is it any wonder that the 30-year amortizing curve is nicknamed “**The Bankers Secret**”? That occurs when people have been paying on their fixed-rate mortgages for 22 years before they even reach the half-way point of what they owe.
- 3) **The Solution** is to show your borrowers how to double their rate of return on each mortgage dollar they spend in the early years of their loans. By cutting their monthly payments approximately in half and applying them directly to their loan every two weeks, they can accomplish two things: first, they reduce the total payoff of their loans and pay them off 5-8 years early; and second, they double their rate of return on each mortgage dollar in the critical, early years of a mortgage. At the same time, they can minimize their payments in the early years freeing up significant cash reserves that they can invest in their 401K plans, or other interest bearing accounts, putting them in the optimum situation by the time they are ready to retire.

Showing your borrower this information will do two things for you: 1) you have introduced a topic of conversation that any potential buyer would be interested to learn more about; and 2) you have shown more interest in your borrower than your competition has.

Guarantee: There will be more of an interest in this plan versus your fixed-rate plans, where a slight difference in rate or fee may make or break the deal.

You Now Have the Competitive Edge!

Too Good to be True?

Borrowers may ask:

- Why doesn't everyone know about this type of loan?
- Why doesn't everyone get this loan if it's so great?

I tell all of my borrowers: “I can give you a fixed-rate loan, but let me tell you about the loan that I truly believe is the best one available. However, not everyone qualifies for it unless he or she has at least as good a credit rating as you have. It's more than just a loan, it's a financial tool that will help you maximize your cash flow each month with monthly payment options so you can use your money in the best way for you.” *This lets your borrower know they are in a privileged class!*

What's so different about working with World Mortgage – what do you tell your borrowers?

- 1) **Not all borrowers qualify** – the World loan is only available to people with good credit within certain LTVs (at least 5% down on a purchase and at least 10% equity for refinances);
- 2) Very few brokers have access to this investor since they are very selective about who they work with – out of thousands of brokers in this area, **less than 100 are approved World Mortgage lenders**;
- 3) Just fewer than **2 million homeowners each year** get a World Mortgage loan (nationwide). Over 90% of these loans are Pick-A-Payment loans (like the one I told you about) and over \$38 Billion in loans were made in 2003 alone;
- 4) Not every broker who is approved to sell this type of loan truly understands how to explain the options this loan provides you – **real financial control**;
- 5) The Pick-A-Payment loan provides the borrower **guaranteed cash flow** where a fixed rate loan does not. Since the payment is fixed for 12 months and there is a 7.5% payment cap each 12 months, a \$1,000 per month P&I payment this year can only be increased to \$1,075 in year two (a 7.5% increase), and this is true for each 12 month period. This means your borrowers can count on an exact minimum payment schedule and will get a guaranteed cash flow;
- 6) The majority of people who get a World Mortgage loan keep getting it each time they buy a new home or need a new mortgage – **built-in repeat business** for you the broker!

The next 5-7 years are important since your borrowers will most likely either move or refinance during this time frame. (Ask your borrowers how many times they've moved or refinanced in the past 10 years to prove the point). The COSI Pick-A-Payment loan is the most stable loan in America and gives your borrowers guaranteed cash flow for the next 5-7 years.

The World Mortgage loan gives you a proprietary product that very few brokers have access to.

This gives you a real selling advantage in the market. Don't sell fixed rate loans where you have to compete against every broker in the country and may lose a loan over 1/8th of a point or over a \$50 higher closing fee. **Differentiate yourself with World Mortgage!**

Instead of low commissions on a 30-year fixed, you will get up to 2 points on the back-end with World Mortgage. Your borrower gets the best loan available and you earn a higher commission!

While everyone qualifies for some type of 30-year fixed rate loan, this is not the type of loan that gives borrowers any financial control – the bank makes its interest up-front and in the long run borrowers pay more on the loan. Only selected borrowers with good credit are even qualified to benefit with the World Mortgage Pick-A-Payment loan – with all of the options they get each month to pay as they wish, they **keep financial control over their lives.**

World Mortgage's Closing Costs:

Standard

Processing (Up-Front)	\$310.00
Appraisal (Closing)	\$325.00
Tax Service (Closing)	\$ 61.00
Flood (Closing)	\$ 9.00
Wiring (Closing)	\$ 50.00
Doc Prep (Closing)	\$ 50.00
Equity Builder (Closing)	<u>\$150.00</u>
TOTAL	\$955.00

Provide your own Appraisal

Processing (Up-Front)	\$100.00
Processing (Closing)	\$210.00
Appraisal (Closing)	\$100.00
Tax Service (Closing)	\$ 61.00
Flood (Closing)	\$ 9.00
Wiring (Closing)	\$ 50.00
Doc Prep (Closing)	\$ 50.00
Equity Builder (Closing)	<u>\$150.00</u>
TOTAL	\$730.00

ELOC's – borrowers will pay \$200 at closing if optional OR \$400 if a necessary part of the loan.