BOFI Federal Bank

- NASDAQ: BOFI member FDIC
- $3.0+ Billion Total Asset size
- Balance sheet lender
- Nationwide bank
- HQ San Diego, California
Active participant in the non-qualified mortgage lending space

**Prepayment Penalties** - Prepayment penalties will be eliminated on all loans registered/uploaded on or after January 10th, 2014.

**Interest Only Loans** – Bofi will continue to offer Interest Only Loans on its Portfolio products.
Wholesale- Arm Information

<table>
<thead>
<tr>
<th>5/1 LIBOR (NO PREPAY)</th>
<th>7/1 LIBOR (NO PREPAY)</th>
<th>10/1 LIBOR (NO PREPAY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Code: JP51IO</td>
<td>Interest Only N/A</td>
<td>Interest Only N/A</td>
</tr>
<tr>
<td>(interest only)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Manual, exception-based underwriting – no DU/LP

Loan Amounts from $300,000 to $10,000,000!

Interest Only is optional up to 60% LTV for 0.250 to price on the 5/1 arm only.

Index = 1-year Libor

Margin = 2.75

Rate cap adjustments:

- Initial Cap 6% (first change 60 months if 5/1, 84 on a 7/1, 120 on a 10/1)
- Periodic Cap 2% (Adjustment period 12 months)
- Life Cap 6%

30 Year amortization on all Products
COMPENSATION

**Lender paid** - 1 point lender paid compensation for all our clients nationwide...you cannot charge any other fees...

**Borrower paid** – you can make up to 2 points(including origination and your fees ....) nothing from Bofi..

<table>
<thead>
<tr>
<th>Lender-Paid Comp</th>
<th>Borrower-Paid Comp up to 2%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>21-Day Lock</td>
</tr>
<tr>
<td>5.750</td>
<td>100.750</td>
</tr>
<tr>
<td>5.625</td>
<td>100.625</td>
</tr>
<tr>
<td>5.500</td>
<td>100.469</td>
</tr>
<tr>
<td>5.375</td>
<td>100.313</td>
</tr>
<tr>
<td>5.250</td>
<td>100.157</td>
</tr>
<tr>
<td>5.125</td>
<td>100.000</td>
</tr>
<tr>
<td>5.000</td>
<td>99.844</td>
</tr>
<tr>
<td>4.875</td>
<td>99.688</td>
</tr>
<tr>
<td>4.750</td>
<td>99.469</td>
</tr>
<tr>
<td>4.625</td>
<td>99.250</td>
</tr>
<tr>
<td>4.500</td>
<td>99.000</td>
</tr>
</tbody>
</table>
Refinance LTV's includes cash out loans
All Cash out Loans okay on an exception basis
Fill this out when you have a minute (just hit reply and the scroll down and answer the questions)…and I will run it by my portfolio underwriting manager…..to get you a pre-qual…

I have priced the loan on BOFI’s Portfolio arm Rate sheet (see attached top half of rate sheet)?
I have checked the attached matrix to see if the loan fits LTV wise (see attached bottom half of rate sheet)?
Primary, second home, or investment?
Property type?
Property address?
Primary wage earners middle Credit score (if lower than 700 no problem just send back credit report and LOE)?
Loan amount (reminder we have a $300,000 minimum loan amount)?
Purchase, rate and term or cash out?
( If Cash out, what’s the existing lien and how much cash out?)
Appraised Value or Purchase price?
LTV/CLTV?
How much liquid reserves will they have after close (and down payment for purchase transactions)…remember we are an asset based lender. The more $ the better…..?
Do they need to use assets to help them with DTI (asset depletion)?
Do they need to use assets help with LTV constraints (pledge assets)?
Foreign national borrower or Borrower needs foreign income to qualify that is not claimed on US taxes?
What is the reason the loan is coming to BofI Federal Bank (take your time this question. Give my underwriter enough information for her to make a decision so you don’t have a problems when the file gets here J)?
Compensating factors?

****reminder we no longer have prepays
**** reminder Interest only available on the 5/1 arm at 60ltv and below
Qualifying for Portfolio Arms

**Rate** – qualify at the Note rate fully indexed meaning principal and interest – do **NOT** qualify at the interest only payment.

**Income/DTI** – the target DTI is 45% but there is flexibility here depending on the scenario. If >45% more compensating factors should be present, i.e., low LTV and excellent reserves. Debt may be paid off to qualify but revolving accounts must be closed.

**Credit** – Owner Occupied/Second Homes = 680 Fico; NOO=700 FICO. However, there is flexibility with scores depending on the scenario.

**Reserves** – a minimum 12-months full debt service meaning all mortgage payments + all credit card payments + all auto payments multiplied 12. Retirement accounts may be used for 6-months of the required reserves with up to 70% of the fully vested amount in the retirement account. Business accounts are an acceptable source of funds with limitations…let me know if you need details….
PORTFOLIO NICHE UNDERWRITING FEATURES
- We make exceptions for borrowers with prior short-sales, foreclosures and BK (need credit report, LOE and my prequal form)
- Asset Depletion underwriting for DTI relief
- Pledged Assets for LTV relief
- Exclude K1 losses (case by case) and loss carry forwards (NOL)
- Credit Back Depreciation & 100%
- Allow Capital Gain Income
- 100% Gift Funds for Down Payment
- Business Funds for Down Payment and Reserves
- Can use Rental income without 30% Equity rule
- Deferred Student Loans excluded from DTI
- Alimony and Child Support Relief (can be taken as income reduction instead of used as a debt)
- Cash Recapture with no waiting period (with no cash out hit to rate)
- No limit to # of Financed Properties
- Rate & Term Refinance for Seconds/HELOCS
- No Max Cash Out (but must fit LTV max guidelines)

PORTFOLIO NICHE BORROWERS
- Foreign Nationals
- Non-Permanent Resident Aliens
- Self-Employed for less than 2 Years
- Title in LLC, Corporation, Partnership, Trust (Revocable, Irrevocable and Blind)
- One Time Credit Blip i.e. Foreclosure, Short Sale, etc.
- Non-Occupant Co-Borrowers on Purchase Loans

PORTFOLIO NICHE PROPERTIES
- Non Warrantable Condos (including condos with pending litigation)
- Condo-tels
- Investment Properties
- Excess Acreage properties
- Hobby Farms
- Recently Listed/For Sale Properties
Asset Depletion (ie: assets for income) is a simple underwriting tool that can be used on any Portfolio ARM scenario, at any LTV, and with any product…

• Borrowers assets used in addition to Full Doc Income (if needed) for help in DTI qualification

• Assets do not need to be withdrawn or pledged to use the income (only 2 months bank statements required)

• there is a pricing adjustment of .25pt to fee applied to the lock.
Liquid Assets can be used to qualify

EXAMPLE: 73-YEAR OLD BORROWER:

Income: Borrower’s Full Income Documentation income is $5,000/month but DTI is too high to qualify.

Assets: $1,000,000 in liquid assets (including checking, stocks and a retirement account (since borrower over 65)). After deducting down payment and 12-months total debt service.

Borrowers Age: Borrower is 73 years old (If there is more than one borrower, then use the borrower whose name appears on the asset account. If both borrowers’ names are on the asset account, then use the younger borrower)

Rate: always use 5% rate of interest

Term: subtract the borrower’s age from 85 and use that as the amortization period but no more than 30 years and no less than 10 years. (85-73=12)

Calculation: $1,000,000 at 5% over a 12-year amortization = $9,249/month

Result: $9,249/month additional income for qualifying purposes...goes on the 1003 under “Other Income”. This amount is added to his existing $5,000 income so now he has $14,249/month for qualifying purposes.
Pledged Asset Program

Using our Pledge Asset Feature you can reduce the cash down payment to 10% on any of our portfolio arms and the remainder of the down payment can be pledged or crossed.

Anyone may pledge assets on behalf of a borrower.

Available on all our Portfolio Arm Products all products, occupancy types, property types, Interest Only, etc., and may be used in conjunction with Asset Depletion.

Pledge can be in 3 Forms:
* Deposited with Bofi
* Funds in a different bank
* Crossed with another property

BOFI and Non BOFI Pledge - Savings, Money Market Bank (1:1)

Non BOFI Pledge - Stocks, Bonds, Mutual Funds (2:1)

$250 one time review fee (no pricing hit)
Pledged Asset Program

Below is an example of our Pledged Asset Program based on a $1mm purchase price…(we go up to $10mm with 10% down on an exception basis)

**PURCHASE CALCULATION** - enter the purchase price, required LTV, and desired cash down-payment below

<table>
<thead>
<tr>
<th>Purchase Price</th>
<th>LTV required by Lending Matrix - (check our matrix)</th>
<th>Required Down-Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000,000</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Desired Cash Down Payment</th>
<th>Pledge Amount using any of three forms mentioned above</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,000</td>
<td>10%</td>
</tr>
<tr>
<td>200,000</td>
<td>20%</td>
</tr>
</tbody>
</table>

900,000 90% Actual Loan Amount on the Note and LTV (DTI is based on this loan amount) (no MI required)

**AMOUNT OF ASSETS REQUIRED TO PLEDGE(at least 1 of the 3 below):**

- 200,000 100% 1:1 pledge from **non-volatile assets** - checking, savings, and money-market accounts, CDs, etc.
- 400,000 200% 2:1 pledge from **volatile assets** - stocks, bonds, mutual funds, etc.
- 200,000 100% 1:1 **Cross collateral** with another free and clear property that has enough equity at 70% LTV to cover this sum

900,000 Actual Loan Amount used for rate sheet pricing

70% Effective LTV used for rate sheet pricing
<table>
<thead>
<tr>
<th><strong>Asset Depletion</strong></th>
<th><strong>Pledge Assets</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(to help with DTI issues)</em></td>
<td><em>(to help with LTV issues)</em></td>
</tr>
<tr>
<td>- Borrowers Assets used in Addition to Full Doc Income for help in DTI qualification</td>
<td>- Borrowers Assets used as collateral for the loan allowing 10% down on all our programs</td>
</tr>
<tr>
<td>- Assets do not need to be withdrawn or pledged to use the income (only 2 months bank statements required)</td>
<td>- Assets need to be pledge to Bofi Federal Bank. This can be done by depositing the money into our bank or by keeping the funds where they are and signing a control agreement</td>
</tr>
<tr>
<td>- Full Income Documentation Required</td>
<td>- Full Income Documentation Required</td>
</tr>
<tr>
<td>- Underwriting tool to help borrower qualify</td>
<td>- Underwriting tool to help borrower come in with less cash</td>
</tr>
<tr>
<td>- Minimum loan amount of $300,000</td>
<td>- Minimum loan amount of $300,000</td>
</tr>
<tr>
<td>- Adjustable Programs Only (5/1, 7/1, 10/1) and 5 I/O</td>
<td>- Adjustable Programs Only (5/1, 7/1, 10/1) and 5 I/O</td>
</tr>
<tr>
<td>- Self Employed and W2 borrowers Okay</td>
<td>- Self Employed and W2 borrowers Okay</td>
</tr>
</tbody>
</table>
Can’t qualify with TWO mortgage payments?
Can’t get a contingent offer accepted?

**Departing Residence Listed/Not Sold** – Will not count departing residence’s PITI in debt ratio!

- Need listing agreement (property on MLS not req’d)
- Borrower must have an additional 6 mos liquid PITI reserves on the departing residence IN ADDITION to our general ARM reserve requirement which is 12 mos on total monthly outflow (new property PITI plus all other monthly debts on 1003)
- Gifts allowed on O/O for DP only (reserves must be seasoned however)
- DP from proceeds of HELOC or bridge loan on departing residence okay (but payment must be considered in the 6 mos reserve requirement above)

**Departing Residence Retained For Rental** – Offset departing residence’s PITI with 75% of lease!

- We do not require a minimum 30% equity to offset PITI with rental income. However, property must not be underwater.
- Use 75% of market rents: need rental survey ordered from approved AMC
- Deal must make sense: reason for moving must be documented (ie: moving up or relocating for work etc.)
- Gifts allowed on O/O for DP only (reserves must be seasoned however)
Non-Warrantable Condo (as defined by FNMA)

- Minimum loan amount $300,000. Condos on an exception basis in AZ, FL and NV. Max LTV 65% unless limited further, i.e., investment property is 55%. Interest Only is optional.

- Virtually all reasons for condo to be defined as non-warrantable are permitted:
  - Investment occupancy percentage greater than 51% - regardless of subject property occupancy
  - No Pre-Sale requirement as long as project is selling well
  - HOA not turned over to unit owners
  - HOA dues of greater than 6 months to be paid by lender if foreclosed
  - Pending litigation (not including structural or health & safety)
  - Budget and or reserves don’t meet FNMA requirements (considered case by case)
  - Condo-tels with full kitchens
  - Large percentage of commercial space
  - If it’s a conversion in NY and the units are rent controlled we allow the sponsor to own the majority as long as they are selling them as the units vacate
  - Leaseholds allowed (if the remaining term is less than 30 years – exceptions are case by case)
Client just paid all cash and wants to recoup some of their investment

- This is an excellent alternative for all cash buyers who want to avoid a financing contingency etc.
- We have no waiting period
- We will waive the cash out fee hit in the first 180 days after initial purchase COE!
- Need to use asset depletion to qualify? We can use the recaptured capital in the asset depletion formula!
- Source of initial purchase funds must be sourced/seasoned.
Borrowers typically fit in 1 of the following 4 situations...

- **True Foreign National** Borrower (No Green Card or VISA) (2\textsuperscript{nd} home or N/O/O only)  
  60% max ltv with Foreign national adjustment

- **Non-Permanent Resident Alien** (Borrower lives and works in the U.S. and is here on a VISA(L1, H1, E3, B1, etc. – we don’t accept all VISA statuses so check with me if not one of these)  
  70% max ltv with NO Foreign national adjustment

- **Permanent Resident Alien** (Borrower lives and works in the U.S. and has a Green Card)  
  70% max ltv with NO Foreign national adjustment

- **US CITIZEN**- Borrower needs foreign income to qualify that is not claimed on US taxes  
  60% max ltv with Foreign national adjustment

************foreign assets don’t effect LTV’s or Pricing************
Foreign National & Non Permanent Resident Alien Loans

Credit: In Lieu of Fico or Credit Report; please provide 4 credit references for 12 months alternate credit references (they can be either foreign or US. If they are foreign they need to be translated into English if applicable). Letters are sufficient - we don’t need them on a credit report.

Income:
We require 2-years income verification history. Tax documents from country of origin is okay. If the country of origin does not require the borrower to file the equivalent of tax returns, then we need paystubs, bank, statements, an employment letter on company letter head explaining compensation, etc. (if in foreign language we need these translated)

Assets:
2 months bank statements or equivalent
Must be source seasoned assets in a known verifiable worldwide financial institution (i.e., Credit Suisse, HSBC, UBS, Bank of Tokyo)…the funds cannot be in an institution which cannot be verified.
If not in US Dollars…your processor must Google conversion rate and provide that with submission…
True Foreign National Loan Q and A

QUESTION: I have a lot of people asking for foreign nationals. One of the clients is asking about foreign nationals from China. Have you done any of these transactions? I talked to a lot of clients and China is a little different. They are not required to file tax returns unless they make over a certain dollar amount. It's also hard to get other alternative trade lines. Thoughts?

ANSWER: We have lent to a lot of Chinese foreign nationals – we know they don’t have to file tax returns and we accept letters of employment translated into English by certified translators. As for alt credit they have been able to provide letters from banks or companies they rent from but we can certainly be flexible on this as well.
Questions?