

Overlay Guide

FGMC Wholesale

www.fgmc.com/wholesale

| Guideline | Product/Agency | Overlay |
|---|-----------------------------------|---|
| Appraisal Flexibilities Due to COVID-19 | FHLMC, FNMA, FHA, USDA, VA | In all situations where a desktop or exterior-only inspection appraisal is performed, the appraiser must include a comment that the interior inspection is not feasible due to COVID-19 concerns. |
| AUS Requirements | FHA, VA | The following AUS Recommendations are acceptable for FHA/VA loans: DU Approve/Eligible, DU Refer/Eligible, LP Accept, and LP Refer |
| | | The following AUS Recommendations are unacceptable for FHA/VA loans: DU Approve/Ineligible, DU Refer Ineligible |
| | | A DU Approve/Ineligible may be acceptable on an FHA or VA loan—the underwriter must analyze the file and determine whether or not the ineligibility is within the FHA or VA allowable parameters |
| | FNMA, FHLMC | The following AUS Recommendations are acceptable for Conventional loans: DU Approve/Eligible and LP Accept |
| | | The following AUS Recommendations are unacceptable for Conventional loans: DU Approve/Ineligible, DU Refer with Caution, DU Out of Scope, LP Caution with A-minus, LP Caution without A-minus |
| | USDA | The following AUS Recommendations are acceptable for USDA loans: GUS Accept/Eligible, GUS Refer, and GUS Refer with Caution |
| The following AUS Recommendation is unacceptable for USDA loans: GUS Ineligible | | |
| Certificate of Eligibility | VA | When the COE does not indicate a funding fee exemption, the file must contain a LOE from the Veteran or Processor’s Cert confirming the Veteran has no outstanding claim for compensation or pre-discharge claim |
| Cando Project Approval | FHA | Direct Endorsement Lender Review and Approval Process (DELRAP) is ineligible for condominium project approval |
| Conflicts of Interest/Dual Compensation (all states excluding CA) | FHLMC, FNMA, USDA, VA, NQM | A mortgage transaction in which an employee of an FGMC-approved mortgage lender has a prohibited conflict of interest is not acceptable. A prohibited conflict of interest exists when employees have multiple roles in a single mortgage transaction. Employees of FGMC-approved mortgage lenders are prohibited from having multiple sources of compensation, either directly or indirectly, from a single mortgage transaction. |
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| Conflicts of Interest/Dual Compensation (CA) | NQM | A mortgage transaction in which an employee of an FGMC-approved mortgage lender has a prohibited conflict of interest is not acceptable. A prohibited conflict of interest exists when employees have multiple roles in a single mortgage transaction. Employees of FGMC-approved mortgage lenders are prohibited from having multiple sources of compensation, either directly or indirectly, from a single mortgage transaction. |
| | FHLMC, FNMA, USDA, VA | When there is dual compensation, the Mortgage Loan Originator must provide a written disclosure of his/her dual roles in the transaction to all parties within 24 hours of the contractual agreement. FGMC will require that the seller pay the real estate commission and that broker compensation is paid by the mortgage lender. |
| Credit Document Expiration | FNMA | Credit documents including credit reports, income, and asset documentation must be no more than 120 days old on the note date |
| | | Reference Fannie Mae LL 2020-03 and Freddie Mac Bulletin 2020-8 for temporary measures due to COVID-19 |

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| Credit Requirements | FNMA, FHLMC | Minimum 620 FICO |
| | FHA, USDA, VA | Minimum 620 FICO for all credit qualifying products |
| | VA | Purchase and Cash-Out Refinance with loan amount > \$1,000,000 require minimum 720 FICO |
| | FHLMC, FNMA, FHA, USDA, VA | <ul style="list-style-type: none"> Each borrower must have a credit score Non-traditional credit is not an acceptable alternate for a no credit score borrower |
| | FHA Streamline, USDA Streamlined Assist, VA IRRRL | Minimum 620 FICO |
| | FHA Streamline, USDA Streamlined Assist, VA IRRRL | Mortgage only tri-merge credit report w/scores |
| Deferred Action for Childhood Arrivals (DACA) | FHLMC, FNMA, FHA, USDA, VA | Deferred Action for Childhood Arrivals (DACA) recipients are not eligible |
| Down Payment Assistance (DPA) | FHLMC, FNMA, FHA, USDA, VA | DPA programs that require lender approval and/or a designated servicer are ineligible |
| Debt to Income (DTI) | FHA, VA | Maximum 55% DTI with Approve/Eligible AUS findings; maximum 50% DTI for manual underwrites |
| | USDA | Maximum 50% DTI, including manual underwrites |
| Escrow Holdbacks | FHLMC, FNMA, FHA, USDA, VA | Repair(s) must be completed within 120 days of the note date |
| | FNMA | The Escrow account must be established with the greater of \$500 or 150% of the estimated cost to complete the improvement(s)/repair(s). |
| | FHA | The maximum cost to cure is \$10,000 (excluding 10% contingency) |
| Gift Funds | FHA | Donor's ability to provide a gift must be documented with a complete 30 day bank statement including all transaction history and start/ending balances. If large deposits (defined the same way as a large deposit on a borrower's bank statement) are identified, they must be sourced and documented to ensure they did not come from an unacceptable source. |
| High Cost Loans | FHLMC, FNMA, FHA, USDA, VA | High Cost loans are not eligible |
| Identity of Interest | FHA | Identity of Interest Certification is required for FHA purchase transactions |
| Income | FHLMC, FNMA, FHA, USDA, VA | For all income sources: <ul style="list-style-type: none"> The borrower(s) must be actively employed; a future return to work date is not sufficient Employment contracts for future/proposed income are unacceptable |

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| Ineligible Products | FHLMC, FNMA, FHA, USDA, VA | Reference Product Option Guides for all eligible loan products |
| | FHLMC, FNMA, FHA, USDA, VA | 1X Close |
| | FHLMC, FNMA, FHA, USDA, VA | Stand-alone Second Mortgages |
| | FHA, USDA, VA | FGMC-originated Simultaneous Second Mortgage |
| | FHA, USDA, VA | Home Equity Line of Credit (HELOC) |
| | FHA, USDA, VA | TX50(a)(6) and TX50(a)(4) |
| | FHA | <ul style="list-style-type: none"> Hawaiian Homeland Section 247 HUD Short Refinance Program Indian Land Loan Section 248 FHA 203(H) FHA 203(K) |
| | FHLMC, FNMA | QM HPML loans are ineligible when one or more of the following applies: <ul style="list-style-type: none"> Documentation = Not Full Doc ARM Interest Only Escrows Waived DTI ≥ 40% |
| | FHLMC, FNMA | Conventional Manual Underwrite |
| | FHLMC | <ul style="list-style-type: none"> Enhanced Relief Refinance HomeOne GreenChoice Mortgage |
| FNMA | <ul style="list-style-type: none"> High LTV Refinance Option HomeStyle Reno MH Advantage | |
| Radian | Medical Professional Program | |

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| Ineligible Properties | FHLMC, FNMA, FHA, USDA, VA | <ul style="list-style-type: none"> • >4 unit dwellings • Bed and breakfast establishments • Boarding houses • Commercial enterprises • Condo hotel / Condotels • Cooperative (Co-op) Properties • Group homes • Hotels, motels and condotels • Manufactured homes in the state of NY are not eligible • Methamphetamine Homes (unless certified safe for habitation) • Private clubs • Properties on an Indian Reservation • Properties with individual water purification systems required to make the water safe and potable • Single-wide manufactured homes • Sinkhole Homes • Time shares • Transient housing • Working farms, ranches, orchards and/or properties with commercial operations |
| Ineligible States | FHLMC, FNMA, FHA, USDA, VA | Properties located in the State of NY with APR-driven "sub-prime" classification are not eligible |
| | FHLMC, FNMA, FHA, USDA, VA | Properties located in these states are not eligible: HI, NY |
| | FHLMC, FNMA, FHA, USDA, VA | Properties located in the Territories of American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the Virgin Islands are not eligible |
| Loan Amount | FHLMC, FNMA, USDA, VA | Minimum loan amount is \$50,000 for Primary and Second Home properties; \$58,300 for Investment property |
| Loan to Value (LTV)/Combined Loan to Value (CLTV) | VA | Cash-Out Refinance: Maximum 90.00% LTV (including VA Funding Fee, when applicable) |
| Mortgage Credit Certificate | FHLMC, FNMA, FHA, USDA, VA | Mortgage Credit Certificates not permitted |
| Mortgage Insurance | FHLMC, FNMA | Loan-Level Price Adjustments (LLPA) are not offered for a reduction in MI |
| New York CEMA | FHLMC, FNMA, FHA, USDA, VA | New York CEMA not permitted |
| Property Assessed Clean Energy (PACE) | FHLMC, FNMA, FHA, USDA, VA | PACE is not eligible |

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| Property Inspections | VA | When the property is subject to Notice of Value (NOV) repair item, the repair and repair inspection must be completed prior to closing |
| | | If there is known or visible evidence of termite infestation, a clear termite inspection (with evidence of repairs, as applicable) must be obtained prior to closing |
| Social Security Number | FHLMC, FNMA, FHA, USDA, VA | An Individual Taxpayer Identification Number (ITIN) in lieu of a Social Security Number is not permitted |
| Super Lien States | FHLMC, FNMA, FHA, USDA, VA | <ul style="list-style-type: none"> CT: Need CCR's: Max 6 months for FHLMC, FNMA and USDA NV: Need CCR's: Max 6 months for FHLMC, FNMA and USDA OR: Need CCR's: Max 6 months for FHA, FHLMC, FNMA, USDA and VA |
| Verification of Employment – Self-Employment | FHLMC, FNMA, USDA, VA | For applications dated on or before 08/31/2020, FGMC will require evidence that the borrower(s) business is operational within 20 calendar days of the Note Date For applications dated on or after 09/01/2020, FGMC will require evidence that the borrower(s) business is operational within 30 calendar days of the Note Date |
| | FHA | Per FHA ML 2020-24, self-employed verification must be obtained within 10 days of the Note Date for Case Numbers assigned 08/12/2020 – 11/30/2020 |
| | | |
| Verification of Rent | FHA, VA | A private Verification of Rent (VOR) will not be accepted for manually underwritten loans ¹ |

¹Eligible Exception: Private Verifications of Rent (VOR) for manually underwritten loans are eligible for exception consideration