



CREDIT OVERLAY MATRIX CONFORMING LOANS

TOPIC	OVERLAY	FNMA	FHLMC
BASIC GUIDELINES	Overlays in this matrix apply to FNMA (Fannie Mae) and FHLMC (Freddie Mac) conforming guidelines. Refer to FNMA Selling Guide or FHLMC Single Family Seller/ Servicer Guide for additional guidance. Information in this matrix is subject to change without notice.	X	X
1031 Exchange	Not permitted.	X	X
Amended Tax Returns	Accepted for the following amendment reasons: <ul style="list-style-type: none"> • Amended for clerical items only (i.e. modifying a prior ITIN number to a newly issued SSN) • Amended for income-related items, under the following conditions: <ul style="list-style-type: none"> ○ Amended at least sixty (60) days before mortgage application taken ○ Amendment shows on transcripts (stamped returns not acceptable) ○ Documentation supplied to support the increase, including but not limited to: <ul style="list-style-type: none"> ▪ 1099 or W2 showing missed/updated income ▪ Canceled Checks or Bank Statements showing missed/updated rental income 	X	X
Assets	<ul style="list-style-type: none"> • Bank Statements must show account activity for a full two (2) month period. • Internet Statements, obtained from financial institution’s website, must contain same information found on a standard bank statement. • VOD as stand-alone document not permitted unless obtained from a Third-Party Vendor. 	X	X
Condominiums	<ul style="list-style-type: none"> • FHLMC Condo Project Advisor not allowed. • FNMA PERS Approved condos are eligible • Leasehold not permitted. • Minimum square footage: 600 Sq Ft 	X	X
Credit	All borrowers must have at least one (1) valid credit score to be eligible for an ‘Approved’ recommendation (by DU or LPA). Extenuating circumstances are not allowed for Bankruptcy or Foreclosure.	X	X
Custodial Account	An account in a minor’s name where the borrower is named only as custodian of the funds is not eligible for use as closing costs, down payment, or reserves.	X	X



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Electronic Signatures/eSigning	<ul style="list-style-type: none"> • eSigning is allowed for most documents. • eSigning is <u>not</u> allowed for: <ul style="list-style-type: none"> ○ Note ○ Note Rider(s) ○ Notice of Right to Cancel ○ Security Instrument ○ Security Instrument Rider(s) 	X	X
Family Owned Business	Two years tax returns are required regardless of AUS (DU or LPA) recommendation.	X	X
Ineligible Programs - FNMA	<ul style="list-style-type: none"> • Community Land Trusts • High-LTV Refinance • HomePath, HomeStyle • Land Trusts • Native American lands • PACE Obligations attached to property 	X	
Ineligible Programs - FHLMC	<ul style="list-style-type: none"> • A- Risk Grad • Enhanced Relief Refinance • HomeOne Program • Manufactured Homes • Native American lands • PACE Obligations attached to property • Renovation Mortgages 		X
Ineligible Properties	<ul style="list-style-type: none"> • Co-Ops • Indian Leased Land • Property Flip of Non-Arm's Length Transaction • Solar Panels that affect first lien position 	X	X
Manufactured Housing	<ul style="list-style-type: none"> • Fixed Rate programs only • Single-wide homes not allowed • Must meet all other FNMA guidelines 	X	



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Minimum Loan Amount	\$75,000	X	X
Mortgage Credit Certificate (MCC)	Not permitted	X	X
Mortgage Insurance (MI): Reduced	Reduced MI coverage amounts provided by agency AUS decision or standard guidelines are ineligible.	X	X
Multiple Loans to One Borrower	<ul style="list-style-type: none"> • LSM allows up to eight (8) properties for one borrower, including the subject property, or a total of \$2M in financing, whichever is less. • Maximum of 20% ownership concentration in any one project or subdivision. 	X	X
Non-Arm's Length Transaction	Property Inspection Waiver (PIW) is not allowed.	X	X
Non-Permanent Resident Aliens	These borrowers accepted under the following conditions: <ul style="list-style-type: none"> • Acceptable Visa evidence (such as E-1, H-1B, H-2B, H-3, L-1G Series, O-1) provided • Borrower eligible to work in the U.S., as evidenced by EAD issued by the USCIS • Borrower has valid Social Security Number (SSN) • Borrower satisfies the same requirements, terms, and conditions as those for U.S. citizen • DACA: With Category C33 work status under deferred action are eligible • Diplomatic Immunity: Borrowers with Diplomatic Immunity ineligible 	X	X
Power of Attorney (POA)	A POA may not be eSigned and must be specific to the transaction.	X	X
Property Inspection Waiver (PIW)	Not allowed with Non-Arm's Length Transactions.	X	X
Social Security Number (SSN)	All borrowers must have a valid SSN.	X	X
Tax Transcripts	Required when tax returns are used to qualify borrower income	X	X
Underwriting Method	Manual Underwriting not allowed. All loans must receive AUS approval: FNMA: DU Approve/Eligible or FHLMC: LPA Accept/Eligible	X	X
Unpaid Federal Tax Debt	<ul style="list-style-type: none"> • LSM considers all unpaid tax debt from prior years as delinquent, even if lien has not been filed; one month payment is required • Borrower with delinquent Federal Tax Debt is ineligible NOTE: Record of Account can be used in lieu of canceled check or proof of electronic payment.	X	X