



CREDIT OVERLAY MATRIX GOVERNMENT (FHA/VA) LOANS

| TOPIC | OVERLAY | FHA | VA |
|---------------------------------|--|-----|----|
| BASIC GUIDELINES | Overlays in this matrix apply to Federal Housing Administration (FHA) and U.S. Department of Veterans Affairs (VA) conforming guidelines. Refer to the FHA Single Family Housing Policy Handbook 4000.1 or VA Lenders Handbook 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 |
| Credit Score Requirements - FHA | 550—579: DTI cannot exceed 43%; \$100 Down or ARM products not allowed. High-Balance Loan Amount Minimum Credit Score <ul style="list-style-type: none"> • Purchase <ul style="list-style-type: none"> ○ AUS Approved: 580 ○ Manual Underwrite: 600 • Refinance <ul style="list-style-type: none"> ○ Rate/Term and Simple Refi: <ul style="list-style-type: none"> ▪ AUS Approved: 580 ▪ Manual Underwrite: 600 ○ Cash-out Refi: <ul style="list-style-type: none"> ▪ AUS Approved: 580 ▪ Manual Underwrite: 600 | X | |

Continued



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| Credit Score Requirements - FHA (Continued) | <ul style="list-style-type: none"> ○ Streamline Refi: <ul style="list-style-type: none"> ▪ AUS Approved: 580 ▪ Manual Underwrite: 600 Standard Loan Amount Minimum Credit Score ● Purchase <ul style="list-style-type: none"> ○ AUS Approved: 550 ○ Manual Underwrite: 580 ● Refinance <ul style="list-style-type: none"> ○ Rate/Term and Simple Refi: <ul style="list-style-type: none"> ▪ AUS Approved: 550 ▪ Manual Underwrite: 580 ○ Cash-out Refi: <ul style="list-style-type: none"> ▪ AUS Approved: 580 ▪ Manual Underwrite: 600 ○ Streamline Refi: <ul style="list-style-type: none"> ▪ AUS Approved: 580 ▪ Manual Underwrite: 600 | X | | | | | | | | | |
| Credit Score Requirements - VA | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Loan Amount</th> <th style="text-align: left;">Minimum Credit Score</th> </tr> </thead> <tbody> <tr> <td>≤ \$1,000,000</td> <td>580</td> </tr> <tr> <td>> \$1,000,000 to ≤ \$1,250,000</td> <td>640</td> </tr> <tr> <td>> \$1,250,000 to ≤ \$1,500,000</td> <td>680</td> </tr> </tbody> </table> | Loan Amount | Minimum Credit Score | ≤ \$1,000,000 | 580 | > \$1,000,000 to ≤ \$1,250,000 | 640 | > \$1,250,000 to ≤ \$1,500,000 | 680 | | X |
| Loan Amount | Minimum Credit Score | | | | | | | | | | |
| ≤ \$1,000,000 | 580 | | | | | | | | | | |
| > \$1,000,000 to ≤ \$1,250,000 | 640 | | | | | | | | | | |
| > \$1,250,000 to ≤ \$1,500,000 | 680 | | | | | | | | | | |
| 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 | | | | | | | | |
| Debt-to-Income Ratio (DTI) - FHA | <ul style="list-style-type: none"> ● Credit Score 550—579: DTI cannot exceed 43% | X | | | | | | | | | |
| Debt-to-Income Ratio (DTI) - VA | Maximum DTI <ul style="list-style-type: none"> ● AUS Approved: 60% ● Manual Underwrite: 50% | | 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 |
| Escrow Account | Escrow Account required; no escrow waiver allowed. | X | X |
| Family Owned Business | Two years tax returns are required regardless of AUS recommendation. | X | X |
| FHA Streamline Refinance | <p>In addition to other FHA overlays listed in this matrix, the following apply to FHA Streamline Refinances:</p> <ul style="list-style-type: none"> • Asset section of loan application must be completed if funds needed to close (Sources of Funds guideline in the Handbook must be followed) • Bank statements required (most recent 2 months) • Credit Report (mortgage only) required with all credit scores listed • Income amount is <u>not</u> required on the application • Income source must be indicated on the loan application • Power of Attorney (POA) not allowed for properties held in trust • Verification of employment is required | X | |
| Ineligible Programs - FHA | <ul style="list-style-type: none"> • 203(h) • 203(k) • Energy Efficient Mortgages (EEM) • FHA Back to Work • FHA Negative Equity Refinance • Section 184 - Indian Home Loan Guarantee Program • Section 223(e) - Declining Neighborhoods • Section 247 - Hawaiian Homelands • Section 248 - Indian Reservations • Temporary Buydown | X | |



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| Ineligible Programs - VA | <ul style="list-style-type: none"> Energy Efficient Mortgages (EEM) Native American Direct Loan Temporary Buydown | | 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 |
| Joint Loans | Ineligible | | X |
| Manufactured Housing | <ul style="list-style-type: none"> Fixed Rate programs only Single-wide homes not allowed. Cannot be located in a federally declared flood zone Must meet all other FHA/VA guidelines (if not specified in VA guidelines, follow FHA) | X | X |
| Minimum Loan Amount | \$75,000 | X | X |
| Mortgage Credit Certificate (MCC) | Not permitted | 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-Occupant Co-Borrower | Ineligible; all borrowers must occupy the subject property. | | X |
| Non-Permanent Resident Aliens | <p>These borrowers accepted under the following conditions:</p> <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, DACA borrowers ineligible Diplomatic Immunity: Borrowers with Diplomatic Immunity ineligible | X | X |
| Power of Attorney (POA) | <p>A POA may not be eSigned and must be specific to the transaction. (See also: Power of Attorney note under FHA Streamline Refinance)</p> | X | X |



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| Recently Listed Properties | Property must be off the market at least one day prior to mortgage application date. | X | X |
| Renegotiated Purchase Contract | <ul style="list-style-type: none"> Not allowed; however, minor adjustments due to condition or other relevant factors are permitted. Increase of sales price after appraisal completed is not permitted. | X | X |
| Social Security Number (SSN) | All borrower must have a valid SSN. | X | X |
| Tax Transcripts | Required when tax returns are used to qualify borrower income | 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 |
| VA IRRRL | In addition to other VA overlays listed in this matrix, the following apply to VA IRRRLs: <ul style="list-style-type: none"> AVM Requirement: CoreLogic Geo AVM with standard deviation of 14 or less <i>or</i> LPS Cascading AVM with confidence score of 75 or greater is required (if these requirements not met, a 2055 appraisal is required) Credit Report (mortgage only) required with all credit scores listed High Balance Loan Amount: Max LTV 100% of AVM value (calculated from Total Loan Amount, including Funding Fee) Income amount is required on the application Income documentation: standard documentation required when P&I payment increases 20% or more Standard Conforming Loan Amount: Max LTV 115% of AVM value (calculated from Total Loan Amount, including Funding Fee) Subordinate Financing exists: Max CLTV 125% | | X |