

CMG Correspondent Lending Credit Overlays

Updated 2/4/2019

This document is a summary of most of CMG guideline overlays to Fannie Mae, Freddie Mac, FHA, VA & USDA requirements. It should be used as a reference tool in conjunction with the CMG Program Guidelines and the appropriate Agency guidelines/handbooks. All attempts will be made to keep this tool updated; however, it is not intended to replace written guidelines. CMG Guidelines supersede in the case of discrepancy.

Topic	All Transactions
4506-T / Transcripts	Transcripts required when tax returns are used to qualify. Refer to CMG's Income Validation Policy for full details: Income Validation Policy .
Aged Notes	Note date must be equal to or less than 45 days at time of submission. Note dates older will be considered aged notes and are subject pricing adjustments. Refer to Seller's Guide for details.
Appraisal Re-Use	Re-Use of an appraisal from a previously closed transaction not permitted, regardless of Agency/USDA/FHA/VA acceptance.
CMG Exposure to One Borrower	Four properties to one borrower with a maximum exposure limit to one borrower at \$1,000,000 (\$1,200,000 for VA). Maximum of 2 financed units in a single condo project or PUD.
Compliance / QM	Rebuttable Presumption loans not permitted unless specifically allowed per policy/guidelines/loan matrices.
Correspondent Seller Employee Loan	Correspondent Seller employee loans require second signature by CMG Management.
Disaster Policy	CMG Disaster Policy applies to all financing types. Refer to full Policy: Disaster Area
Escrows/Impounds	Effective on loans closed on or after January 1, 2016 that require flood insurance: the premiums related to the flood insurance must be escrowed. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required. CMG does not permit escrow for earthquake insurance.
Escrow Holdback / Completion Escrows	Per Escrow Holdback Guideline Addendum. See Escrow Holdback Guideline Addendum for details.
FHA Specific	Non-credit qualifying Streamline Refinance permitted; however, minimum credit score applies and a VVOE must be completed by the Seller within ten (10) days of the date of the note.
Income	<p>Annuity/Retirement: Any distribution that is being used to qualify must be established prior to the application date. Mortgage Credit Certificates are not eligible to be used as income or reduction of a housing payment for purposes of qualifying the borrower unless all FHA/VA/USDA/agency requirements are adhered to (as applicable) in addition to the below:</p> <ul style="list-style-type: none"> • Minimum fico to use MCC to qualify: 640 • 2 months reserves post-closing from borrower's own funds unless downpayment is coming from borrower's own funds • In addition, originating lender to be fully responsible for the annual IRS reporting associated with the MCC issuance; CMG will not complete any required IRS reporting. <p>All other income: Refer to full guidelines for qualifying income standards, supporting documentation requirements, & VVOE requirements.</p>
Ineligible Transactions for All Program Types	Interest Only. Rebuttable Presumption (unless specifically permitted). Temporary Buydowns. Land Trusts, including Illinois Land Trusts, Leaseholds secured by Indian/Tribal lands, Homestyle Renovation Mortgages, Energy Efficient Mortgage programs, FHA 203k/Streamline 203k, FHA's Back to Work, FHA's Short Refinance. Texas transactions when converting a home equity loan (A6) to a non-home equity loans are not eligible.
Loan Amount - Minimum	\$40,000.00
Power of Attorney (POA)	Specific POA required; cash out not permitted.
Property Condition	Property condition of C5 or C6 are not eligible. All repairs affecting safety, livability, or habitability must be completed prior to delivery.
Sales Incentive	Max is 8% of sales price.
VVOE	The VVOE must be obtained within 10 business days prior to the Signing date for salaried income, and within 30 calendar days prior to the Signing date for self-employment income.

CMG Correspondent Lending Credit Overlays

Updated 2/4/2019

This document is a summary of most of CMG guideline overlays to Fannie Mae, Freddie Mac, FHA, VA & USDA requirements. It should be used as a reference tool in conjunction with the CMG Program Guidelines and the appropriate Agency guidelines/handbooks. All attempts will be made to keep this tool updated; however, it is not intended to replace written guidelines. CMG Guidelines supersede in the case of discrepancy.

Topic	Conventional	FHA	VA	USDA
At Interest Transactions	Transactions where builder is acting as realtor/broker are permitted on primary residence only. Realtor/Broker is selling their own property permitted on primary residence only. Loan Originator cannot have another real estate related position on any loan.	No applicable overlay.	No applicable overlay.	No applicable overlay.
AUS, Credit Score & Underwriting Method	Valid AUS approval required. No manual underwrites. Excessive DU/LP runs must have a written explanation included in file. Minimum 620 required by both Freddie Mac & Fannie Mae. All borrowers must have a valid credit score. Refer to current matrix for details >95% LTV.	Standard Loan Amounts: <ul style="list-style-type: none"> 620+ Fico: Refer/Eligible allowed. Manual downgrades due to FHA / TOTAL Scorecard requirements are eligible. 600-619 Fico: AUS approval required. "Refer" not permitted regardless of reason. In addition, the following loans must be sent to CMG Correspondent Management for Second Signature if any of the following apply: <ul style="list-style-type: none"> Borrower has late payments in the last 12 months (installment/mortgage) Borrower is using all or a majority (75%) Gift Funds for closing Borrower has less than 2 years on current job prior to application date Very little or no recent tradelines rated in the last 12 months Borrower has new collections in the last 12 months that are non-medical DTI is over 29/41 High Balance Loan Amounts: <ul style="list-style-type: none"> 620 Fico required. AUS Accept Rating required; Refers and manual downgrades are not eligible. 	<p>"Total" loan amounts less than \$484,350 (Purchase & Cash-Out Refinance):</p> <ul style="list-style-type: none"> 620+ Fico: AUS approve & manual underwrite allowed. Owner occupied and Investment permitted. 600-619 Fico allowed. "Refer" not permitted regardless of reason. In addition, the following loans must be sent to CMG Correspondent Management for Second Signature if any of the following apply: <ul style="list-style-type: none"> Borrower has late payments in the last 12 months (installment/mortgage) Borrower is using all or a majority (75%) Gift Funds for closing Borrower has less than 2 years on current job prior to application date Very little or no recent tradelines rated in the last 12 months Borrower has new collections in the last 12 months that are non-medical DTI is over 29/41 <p>"Total" loan amounts > \$484,350 (Purchase & Cash-Out Refinance):</p> <ul style="list-style-type: none"> 640 fico required, AUS approval required for non-IRRRL transactions. (AUS "Refers" and Manual underwriting not permitted) <p>IRRRLS –</p> <ul style="list-style-type: none"> Regardless of loan amount IRRRLs with <640 fico subject to additional requirements. Refer to VA program matrix. Investment properties not permitted with less than 620 fico regardless of loan amount. 	640 & GUS approval required. No refers/manual underwrites.
CLTV	No applicable overlay.	No applicable overlay.	Per VA – purchase & cash out. Restrictions apply to IRRRLs with credit score <640. Refer to program matrix for details.	CLTV cannot exceed LTV except as noted in guidelines.
Condos	Leaseholds not permitted.	CMG will not process a DELRAP.	No applicable overlay.	No applicable overlay.
Credit – Number of Credit Scores	All borrowers must have a valid credit score.	Unless AUS approved, a minimum of two credit scores to be established for each Borrower; AUS approved loans require a minimum of one valid credit score to be established for each borrower. Non-traditional credit is not permitted.		
Credit Inquiries	All credit inquiries within 120 days of the credit report are required to be addressed by the borrower.			No applicable overlay

CMG Correspondent Lending Credit Overlays

Updated 2/4/2019

This document is a summary of most of CMG guideline overlays to Fannie Mae, Freddie Mac, FHA, VA & USDA requirements. It should be used as a reference tool in conjunction with the CMG Program Guidelines and the appropriate Agency guidelines/handbooks. All attempts will be made to keep this tool updated; however, it is not intended to replace written guidelines. CMG Guidelines supersede in the case of discrepancy.

Topic	Conventional	FHA	VA	USDA
Derogatory Credit	CMG does not purchase loans requiring consideration and review of extenuating circumstances to determine eligibility.	BK Chapter 13 - Bankruptcy plan must be paid out and discharged prior to closing; loan proceeds cannot be used to pay off a BK balance. All High Balance Loans: Maximum 0x30x12 mortgage history and must score Approve/Eligible.	No applicable overlay.	No applicable overlay.
DTI Ratio	No applicable overlay.	No applicable overlay.	Up to a max of 58% if approved by AUS; however, any loan with a DTI greater than 52% but less than or equal to 58% must meet additional requirements as noted in the VA program matrix . LGC must be provided prior to purchase.	No applicable overlay.
Funds - VOD	Verification of Deposit: Not permitted as standalone documentation.			No applicable overlay.
Funds - Business Assets	Borrower must be 100% owner of the business.			No applicable overlay.
Geographic Restrictions	New York & New Jersey: 3-4 Unit Properties in New York or New Jersey require CMG 100% Pre-purchase QC audit.			No applicable overlay.
Ineligible - Property Types	<ul style="list-style-type: none"> •Manufactured Homes – LP not permitted. (Permitted with DU approval only, subject to restrictions as noted in guidelines. Not permitted in state of Louisiana.) •Agency eligible "mixed-use" when the square footage of commercial part of the property exceeds 25% of the total square footage •Property Flip when Non-Arm's Length Transaction •Properties with manufactured on site being used as storage •Properties encumbered with private transfer fee covenants •Coops 	<ul style="list-style-type: none"> •Mixed Use properties •Properties with manufactured on site as either an ADU or being used as storage •Properties encumbered with private transfer fee covenants •Properties where farm or agricultural income from the subject property is claimed on borrowers tax returns •Properties with Utilities turned off •Property Flip when Non-Arm's Length Transaction •Section 8 rent controlled properties <p>Note: Manufactured Homes must meet all requirements noted in the manufactured home guideline addendum.</p>	<ul style="list-style-type: none"> •Properties with manufactured on site being used as storage •Mixed Use properties •Properties encumbered with private transfer fee covenants •Deed Restricted Properties with Individual Water Purification Systems •Properties with Utilities turned off •Property Flip when Non-Arm's Length Transaction <p>Note: Manufactured Homes must meet all requirements noted in the manufactured home guideline addendum.</p>	<ul style="list-style-type: none"> •Manufactured Homes •Properties with manufactured on site being used as storage •Mixed Use properties •Properties encumbered with private transfer fee covenants •Properties with Utilities turned off •Properties appraised with condition C5 or worse •Property Flip when Non-Arm's Length Transaction •Leaseholds
Ineligible Source of Funds	Cash on hand, Sweat Equity, Unsecured loan from a related person, unsecured loan from a Community Savings System	Pooled Funds, Mattress Money / Cash on Hand, Sweat Equity, Trade Equity	Cash on Hand	No applicable overlay.
Judgments	All judgments must be paid at or before closing.	No applicable overlay.	No applicable overlay.	No applicable overlay.
Loan Amount - Maximum	\$1,000,000	\$1,000,000	\$1,200,000 (25% Guaranty/Equity required)	\$484,350
Mortgage Insurance	Standard coverage required. Refer to Correspondent Seller's Guide for eligible types of MI Policies and Approved Mortgage Insurance Companies.	MIC is required upon endorsement.	LGC is required upon endorsement.	No applicable overlay.
Multiple Borrowers / # of Borrowers	There can be no more than 4 borrowers per loan.	There can be no more than 4 borrowers per loan.	No applicable overlay.	No applicable overlay.
Non-Arm's Length (NAL)	Eligible on primary residence only. Property Flip when Non-Arm's Length Transaction is ineligible regardless of occupancy.	No applicable overlay.	No applicable overlay.	No applicable overlay.

CMG Correspondent Lending Credit Overlays

Updated 2/4/2019

This document is a summary of most of CMG guideline overlays to Fannie Mae, Freddie Mac, FHA, VA & USDA requirements. It should be used as a reference tool in conjunction with the CMG Program Guidelines and the appropriate Agency guidelines/handbooks. All attempts will be made to keep this tool updated; however, it is not intended to replace written guidelines. CMG Guidelines supersede in the case of discrepancy.

Topic	Conventional	FHA	VA	USDA
Projected Income	Borrowers who are changing or starting new jobs can be approved with a signed offer letter or contract documenting the anticipated income, but the loan is not eligible for purchase by CMG without a paystub.	Refer to loan matrix.	No applicable overlay.	No applicable overlay.
Property Previously Listed for Sale – Cash Out	Cancelled or expired prior to disbursement date for cash-out.	CMG requires that property must be off the market at least six months prior to the application.	No applicable overlay.	No applicable overlay.
Property Previously Listed for Sale – R&T	No applicable overlay.	Recently listed properties must be off the market at least one day prior to application.	No applicable overlay.	No applicable overlay.
Renegotiated Purchase Contracts	Generally renegotiated sales contracts are not allowed, however, minor adjustments due to condition or other relevant factors are permitted. Increasing of sales price after the appraisal is completed to provide seller credit is not permitted.	Generally renegotiated sales contracts are not allowed, however, minor adjustments due to condition or other relevant factors are permitted. Increasing of sales price after the appraisal is completed to provide seller credit is not permitted.	No applicable overlay.	Generally renegotiated sales contracts are not allowed, however, minor adjustments due to condition or other relevant factors are permitted. Increasing of sales price after the appraisal is completed to provide seller credit is not permitted.
Rental Income	FTHB must meet specific requirements to use income for an investment property being purchased.	No applicable overlay.	No applicable overlay.	No applicable overlay.
Seasoning – FHA/VA Cash out Refinances & VA IRRRLS	No applicable overlay.	Effective for CMG loans closed/purchased beginning February 1, 2018, FHA cash-out refinance loans are eligible if and only if: <ul style="list-style-type: none"> the borrower made at least six consecutive monthly payments on the loan being refinanced, referred to hereinafter as the Initial Loan, beginning with the payment made on the first payment due date; and the first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the Initial Loan. FHA Cash out refinances will need to meet the specific 210 day restriction in addition to FHA's current seasoning requirement. (FHA currently only specifies that properties with mortgages must have a minimum of 6 months of Mortgage Payments.) VA – GNMA seasoning requirements must be met. Refer to VA loan matrix for details.		n/a – USDA does not allow for cash out refinances
Subordinate Financing	No applicable overlay.	Refinance – new subordinate financing not permitted.	No applicable overlay.	Subordinate financing not permitted unless from a government entity or HUD approved not profit and all USDA requirements are met.