

NewRez - FHA Overlay Matrix

GUIDELINES	FHA	NEWREZ OVERLAYS
BORROWER ELGIBILITY		
Ineligible Borrowers	Allowed	Co-Signers & Individuals employed by NewRez Third Party Originator are ineligible
Non-Occupant Co-Borrower	No restrictions. No DTI limits if approved via AUS/TOTAL Scorecard	Not permitted for cash-out transactions
Living Trust (Inter Vivos Revocable Trust)	The lender must be satisfied that the trust provides reasonable means to assure that it will be notified of any changes to the trust. Actual trust isn't required nor does it need to be approved by legal.	A copy of the Trust Document, excluding CA that allows a trust certification, is required. All Trust's must be approved by NewRez Legal
CREDIT HISTORY		
LTV		
LTV/CLTV - Purchase:	Maximum CLTV is 100% unless subordinated lien is from an instrumentality of government or government agency.	500-619 Max CLTV 100%
LTV/CLTV - Streamlines:	No Maximum LTV / CLTV. Based on the Max Loan amount Calculation	Max LTV is 97.75% / Max CLTV 125%
Credit Report - NCQ Streamline	Not Required	Tri-Merge Credit Report is required
Credit Score		
Credit Score - Purchase:	Minimum 500	Minimum 500.
Credit Score: NCQ Streamline Non-Portfolio:	Not Applicable	Minimum 620
Credit Score - Cash Out and No Cash Out Refinances (Rate/Term, Simple Refinance and Credit Qualifying Streamline:	Minimum 500	Minimum 580
Credit Score - Manually underwritten, excluding streamlines	Minimum 500	Not permitted
Credit Score	Minimum One Score	Minimum 2 Scores
Mortgage History		
Mortgage History - All Transaction Types Excluding Non-Credit Qualifying Streamline:	Manual Downgrade if mortgage trade line or mortgage line of credit reflects the following in the previous 12 months: <ul style="list-style-type: none"> • ≥ 3 x30, or • ≥ 1 x 60 plus ≥ 1 x30, or 1x90 	> 620: 2x30x12 if seasoned 12+ months* * (most recent 4 payments 0x30 at time of case assignment) < 620: 1x30x12 if seasoned 12+ months 0x30x12 if seasoned < 12 months
Modified Mortgage - Excluding NCQ Streamlines	Mortgagee must utilize the payment history in accordance with the modification agreement. If meets the guideline referenced in mortgage history above, the loan must be manually downgraded.	Refinance of a previously modified mortgage must be 0x30x12, 12 month seasoning required and NTB based off the modified mortgage amount.

Consumer Credit History		
Non-Mortgage History - NCQ Streamline (Non-Portfolio)	Not Applicable	If the non-mortgage debts on the credit report reflects multiple 60+ day derogs in the most recent 6 months, loan must be credit qualifying.
Non-Traditional Credit	Eligible	Ineligible
Bankruptcy - Chapter 13	May still be in plan and must have plan administrator approval	Must be discharged
Bankruptcy - Chapter 7 and Foreclosure	Reduced seasoning for extenuating circumstances is allowed	Extenuating Circumstances for reduced seasoning on derogatory credit is not allowed
Disputed Accounts:	Downgrade to manual underwrite is allowed under this scenario versus resolving dispute and generating new credit.	If the cumulative outstanding balance of disputed derogatory credit accounts of all borrowers is equal to or greater than \$1,000, 4000.1, all disputes must be resolved and a new credit report must be run prior to loan submission. The AUS findings must be run with the new credit report number. This requirement is in lieu of downgrading to a manual underwrite.
FHA Non-Credit Qualifying Non Portfolio:	Not Applicable	Loan must be originated as a Credit Qualifying Streamline with a pattern of 60-day derogatory history on non-mortgage debt over the last 6 months.
Compensating Factors:	FHA provides required compensating factors for manually underwritten loans only.	FICO Score <620: AUS decision must be A/E, and should meet one of the below compensating factors: <ul style="list-style-type: none"> • 3 months (PITI) reserves from own funds (no gift funds; retirement accounts may be used with property discounting as defined by FNMA), or • 12 Month Housing Verification. New monthly mortgage payment cannot be more than \$100 or 5% greater than prior housing payment. • Additional down payment from own funds (min. 5% over matrix minimum) • Maximum DTI 43% for FICO < 600 • Maximum DTI 50% for FICO 600-619
INCOME		
Income Documentation	Verification of Employment (VOE) covering 2-years of income and the most recent paystub covering 30 days of earnings. As an alternative to VOE, a W-2 may be provided in lieu of VOE.	NewRez requires FHA's alternative offering of a paystub plus the most recent 2-years W-2; W-2 IRS transcripts or 3rd party verification, such as TALX, is acceptable in lieu of W-2 transcripts.
Transcript Policy - All mortgages except NCQ Streamline	The lender must obtain signed Forms IRS 4506, IRS 8821, or whatever from or electronic retrieval service is appropriate for obtaining tax returns directly from the IRS for any loan for which the borrower's tax returns are required.	<ul style="list-style-type: none"> • Transcripts are required for the years of income being used to qualify; the type of transcripts is determined by the required income documentation listed in the AUS. • If a W-2 wage earner in lieu of W-2 IRS transcripts: <ul style="list-style-type: none"> • a 3rd party verification, such as, TALX with income, is acceptable; or • borrowers with direct deposit may provide a paystub, W2's and bank statements for accounts corresponding to direct deposit amount(s) • Retirement income may be validated using an Award letter PLUS bank stmt reflecting direct deposition in lieu of the IRS transcripts.
NCQ - Streamline (Non-Portfolio)	No income requirements	<ul style="list-style-type: none"> • Verbal VOE for wage earners: Must be with current employer or in same line of work for at least 6 months. Less than 6 months, must follow Credit Qualifying Streamline Refinances • S/E: Most recent quarterly statement; CPA letter; current unexpired license to show 2-years self-employment. Borrowers less than two years must follow Credit Qualifying Streamlines Refinances. • Other Sources of Income, Follow FHA guidelines

DEBT - TO - INCOME		
Paying Debt to Qualify	<ul style="list-style-type: none"> Manually underwritten: 31 / 43%. Up to 50% if FHA comp factors exist; No guidance for paying down debt or requirement for closing a revolving debt to exclude from ratio calculation 	<ul style="list-style-type: none"> Paying down debt to < 10 months to exclude is not permitted; Installment debt being paid off to qualify must be paid off and closed at or before closing and source of funds required; Revolving debt cannot be paid down to qualify; Revolving debt may be paid off to qualify when proof of the debt being paid is provided, source of funds verified and closed prior to CTC. Proof of account closure does not need to occur in the following instances <ul style="list-style-type: none"> FICO 680 or greater FICO 620 – 679 and DTI less than or equal to 50% Revolving debt may be paid off at closing when the transaction is a cash out refinance but must be closed prior to CTC. Debts being paid must be shown on the HUD1.
Qualifying Ratios: Purchase, Cash Out and No Cash Out Refinances (Rate/Term, Simple Refinance):	Follow AUS	> 620: Follow AUS 600-619: 50% < 600: 43%
Qualifying Ratios: Credit Qualifying Streamline:	<ul style="list-style-type: none"> o 580 and above 31/43 No compensating factors required. o 580 and above 37/47 One of the following: <ul style="list-style-type: none"> verified and documented cash Reserves; minimal increase in housing payment; or residual income o 580 and above 40/40 No discretionary debt o 580 and above 40/50 Two of the following: <ul style="list-style-type: none"> verified and documented cash Reserves; minimal increase in housing payment; significant additional income not reflected in Effective Income; and/or residual income 	<ul style="list-style-type: none"> o 580 and above 31/43 No compensating factors required. o 580 and above 37/47 One of the following: <ul style="list-style-type: none"> verified and documented cash Reserves; minimal increase in housing payment; or residual income o 580 and above 40/40 No discretionary debt o 580 and above 40/50 Two of the following: <ul style="list-style-type: none"> verified and documented cash Reserves; minimal increase in housing payment; significant additional income not reflected in Effective Income; and/or residual income
ASSETS		
Business Assets	No Guidance	Allowed for down payment and closing costs; however, the borrower must be the majority owner of the business. May not be used for reserves. The use of these funds must be documented as having no negative impact on the business livelihood.
Written Verifications of Deposit (VOD)	Eligible	Ineligible
Assets: Ineligible	Eligible	<ul style="list-style-type: none"> Cash on Hand/Mattress Money Custodial Accounts for minors 1031 Exchanges Pooled Funds

PROPERTY AND APPRAISAL		
Condominium	Projects may be submitted to HUD for approval (HRAP) or a Direct Endorsement Lender may review projects under the Direct endorsement Approval Process (DELRAP)	Must have an unexpired FHA Approval. DELRAP are ineligible
Properties Previously Listed for Sale	FHA has no restrictions with respect to refinancing a property that is currently for sale or previously listed. The property and borrower must be eligible and qualified for the refinance.	<ul style="list-style-type: none"> Rate/Term Refi: Listing must have been cancelled or expired prior to the application date, and the borrower must confirm their intent to occupy the subject as Owner Occupied Cashout Refi: Properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are ineligible. In all instances, careful consideration should be given to the listing price and appraised value to be sure the value is supported.
Ineligible Properties	<p>Eligible</p> <ul style="list-style-type: none"> Manufactured / Mobile Homes Co-Ops <p>A unique property may be eligible for FHA financing if the property is structurally sound and readily marketable. The appraiser must establish a market value and the final determination to accept or reject is made by the lending institutions underwriter.</p> <p>No Guidance for the below:</p> <ul style="list-style-type: none"> Live / Work Units Properties which are subject to right of redemption Properties with manufactured on site being used as storage Properties where farm or agricultural income from the subject property is claimed on the borrower's tax returns Properties appraised with a property condition of C5 or worse Properties encumbered with private transfer fee covenants Geodesic domes, berms, and earth homes Hobby Farms 	<ul style="list-style-type: none"> Live / Work Units Properties which are subject to right of redemption Properties with manufactured on site being used as storage Properties where farm or agricultural income from the subject property is claimed on the borrower's tax returns Properties appraised with a property condition of C5 or worse Properties encumbered with private transfer fee covenants Geodesic domes, berms, and earth homes Hobby Farms Co-Ops Condotels Non-Warrantable Condos
PROGRAM ELGIBILTY		
Ineligible Programs	Eligible Programs	<ul style="list-style-type: none"> Manually underwritten loans for Purchase, Rate & Term and Cash are not allowed 203(k) Rehab Loans HUD \$100 Down REO Program Military Impacted Areas 203(k) Rehab Loans (Excluding Pilot Program) Investor Streamlines Section 8 loans Texas 50(a)(6) loans Energy Efficient Mortgages (EEMs) Graduated Payment Mortgage (GPM) Growing Equity Mortgage (GEM) Mortgage Credit Certificates (MCC's) are not permitted Temporary Buydowns Negative Equity Program Indian Reservations HOPE for Homeowners Wholesale & Call Center Only: Construction to Permanent (CTP) Financing where the original is modified. End financing is acceptable Loans with HPML or Section 32 are not eligible (Streamline Refinances classified as HPML) Farm Residence Loans
Escrow Holdbacks	<ul style="list-style-type: none"> Permitted for repair requirements outstanding on the appraisal report and must be satisfied prior to endorsement. Permitted for external, weather related conditions; postponement beyond the control of the builder/seller (with restrictions), must be completed within 6 months and no maximum amount. 	Permitted for external, weather related conditions; postponement beyond the control of the builder/seller (with restrictions), must be completed within 60 days of close and a \$10,000 maximum amount.
Down Payment Assistance	Non-Government Instrumentalities are eligible with certain restrictions	Permitted through Government Agencies and HUD Approved Non-Profits: Must be approved through NewRez Special Requests

MISCELLANEOUS

Prior Mortgage Credit Reject (MCR)	Mortgage Credit Rejects must be properly mitigated and documentation included in the case binder	If a borrower who was previously denied a mortgage loan with another lender applies with NewRez, we will be notified when requesting the case assignment. In order for NewRez to consider a loan with a prior mortgage credit reject, the rejection reasons must have been adequately mitigated and will require approval by NewRez underwriting management.
Principal Curtailments / Reductions:	No maximum limit for principal curtailment.	The amount of the curtailment cannot exceed \$500.00 unless due to an excess Premium Pricing Credit. If premium pricing credit exceeds the closing costs on the subject loan, the excess credit may be applied as a principal reduction. This is limited to the lesser of \$2,500.00 or 2% of the original loan amount for the subject loan. Exceptions over this amount must be approved by NewRez's legal and compliance teams.
Net Tangible Benefit (NTB)	Only FHA Streamlines require a NTB	A NTB Worksheet must be completed on ALL refinance transactions. FHA NTB requirements for specific programs are required in lieu of NewRez's NTB.
Power of Attorney (POA)	FHA allows POA for Military Personnel and Incapacitated Borrower only.	The use of a POA must be approved by NewRez Underwriting and legal department.
Electronic Signatures:	No Guidance	TPO partners may submit initial disclosures e-signed by both the TPO and borrower with prior approval. Contact your AE for information to receive your approval to use e-signatures.
Netting Escrows for Streamline:	Eligible	Only when the payoff reflects the netting of escrows or existing NewRez Portfolio loan