

High Balance Extra Overlays to FNMA Guidelines		
Topic	High Balance Extra Guideline	FNMA Guideline
Rental Income (Income from existing Rental)	<p>Required Documentation:</p> <ul style="list-style-type: none"> · Most recent year personal tax return including all schedules · Current lease for each rental property. Rent rolls are unacceptable. · A lease agreement only is acceptable when the rental property was acquired after the most recent tax returns were filed. · For properties listed on Schedule E of the borrower's tax returns, net rental income should be calculated as the total of (Income + depreciation + interest + taxes + insurance + HOA (if applicable) divided by the applicable months minus the current PITI. · If rental income is not available on the borrower's tax returns, net rental income should be calculated as the gross monthly rent multiplied by 75% based on the current lease. · Net rental income must be added to the borrower's total monthly income. Net rental losses must be added to the borrower's total monthly obligations. · An explanation is required if the rental income on the tax returns is greater than the rental income on the lease. The lesser of the rental income from the lease or Schedule E must be used to calculate net rental income unless satisfactory documentation is provided to support the higher income on the tax returns will be continuing. 	The borrower's most recent year of signed federal income tax returns, including Schedule E, or copies of the current lease agreement(s) if the borrower can document a qualifying exception (see Partial or No Rental History on Tax Returns below).
Continuity of Obligation and Minimum Seasoning Requirement for Refinances	<ul style="list-style-type: none"> · Continuity of obligation is met when at least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced. · For limited cash-out refinances meeting the above described continuity of obligation definition there is no minimum seasoning requirement. · Transactions not meeting the above continuity of obligation description require six (6) months seasoning as of the application date. <p>Cash-out transactions:</p> <ul style="list-style-type: none"> · Require six (6) months continuity of obligation as of the application date of the new loan · The property must have been purchased (or acquired) by the borrower at least six months prior to the application date of the new mortgage loan. Exceptions apply. 	Cash-out: The property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage loan. Exceptions apply.
Properties Listed for Sale	<ul style="list-style-type: none"> · Rate/Term Refi - Properties that were listed for sale must have been taken off the market before the application date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions). · Cash-out Refinance - Properties that were listed for sale must have been taken off the market six months before the application date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions). 	<ul style="list-style-type: none"> · Rate/Term Refi - The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions). · Cash-out Refinance - Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan.
Maximum # of Financed Properties	<ul style="list-style-type: none"> · If the mortgage is borrower's principal residence, the borrower may have up to 10 financed properties · If the mortgage is secured by a second home property, the borrower may own or be obligated on up to six (6) financed properties (including his or her principal residence). 	<p>If the subject property is the borrower's principal residence, there are no limitations on the number of other properties that the borrower will have financed.</p> <p>If the borrower is financing a second home or investment property that is underwritten through DU, the maximum number of financed properties the borrower can have is ten. If the borrower will have one to six financed properties, Fannie Mae's standard eligibility policies apply (for example, LTV ratios and minimum credit scores).</p>
Appraisals	PIW not permitted	Permitted (although should not fire with approve/ineligible)
Appraisals	<ul style="list-style-type: none"> · Collateral Desktop Analysis (CDA) with accompanying MLS sheets from Clear Capital is required to support the value of the appraisal. <ul style="list-style-type: none"> o If the CDA returns a value that is "Indeterminate" or lower than the appraised value and exceeds a 10% tolerance then one of the following requirements must be met: <ul style="list-style-type: none"> · A field review <ul style="list-style-type: none"> o If the field review value is ≤ 5% below the appraised value, the appraised value is acceptable for LTV calculations. o If the field review value is > 5% below the appraised value, a second appraisal will be required. · 2nd full appraisal may be provided in lieu of a field review. The lower of the two values will be used as the appraised value. 	Not required
DU Income Validation/Day 1 Certainty	Not permitted	
Manual Underwriting	Not permitted	Permitted

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Housing History	<p>A satisfactory 12-month housing payment history is required of each borrower and must reflect 0X30 payment history for the past 12 months. This history can be a combination of mortgage and rental history</p> <p>Rental Payment History</p> <ul style="list-style-type: none"> · The borrower's rental payment history must be documented for the most recent consecutive 12-month period. The following documentation is acceptable: <ul style="list-style-type: none"> o Canceled checks can be provided. In lieu of canceled checks, the lender may use the borrower's bank statements, copies of money orders, or other reasonable methods for documenting the timely payment of rent. The documentation must clearly indicate the payee and amount being paid, and reflect that payments were made on a consistent basis. o Direct verification of the payment of rent from the landlord. <ul style="list-style-type: none"> □ Professional management company; or □ A private party unless the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required 	<p>The lender must review the borrower's credit history to determine previous mortgage delinquency, severity (e.g., 30, 60, or 90 days), and recency of the delinquency. Loans with excessive prior mortgage delinquencies are not eligible for delivery to Fannie Mae. Excessive prior mortgage delinquency is defined as any mortgage tradeline that has one or more 60-, 90-, 120-, or 150-day delinquency reported within the 12 months prior to the credit report date.</p> <p>Only requires rental verification for non-traditional credit.</p>
Derogatory Credit Ratio	Extenuating circumstances are not permitted	Fannie Mae permits reduced seasoning requirements for significant derogatory credit events such as bankruptcy, foreclosure or deed in lieu.
Ratio	45%	50%
Escrow Holdbacks	<p>Renovations are limited to cosmetic only; it cannot affect the safety, soundness, or structural integrity of the property. Repairs must be limited to \$10,000 and must be completed within 60 days of the closing date. The subject property may be appraised 'as is' or 'subject to repairs'; but the property condition must be in average condition or better.</p>	<p>The cost of completing improvements must not represent more than 10% of the "as completed" appraised value of the property.</p> <p>Lenders must establish a completion escrow for the postponed improvements, by withholding from the purchase proceeds funds equal to 120% of the estimated cost for completing the improvements. However, if the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds in the completion escrow only need to equal the full amount of the contract price.</p>
Written VOE	<ul style="list-style-type: none"> · A written verification of employment cannot be used in lieu of a paystub or W-2 when required with the following exception: <ul style="list-style-type: none"> o Written Verification of Employment obtained through a 3rd party vendor such as, but not limited to TALX (The Work Number) o Not permitted if the borrower works for an interested party or the borrower works for a family member. 	The lender may use the Request for Verification of Employment (Form 1005 or Form 1005(S)) to document income for a salaried or commissioned borrower.
Borrower Eligibility	All borrowers must have valid and verifiable Social Security Numbers, as well as a valid driver's license, state-issued ID or passport. Other forms of taxpayer identification are not allowed.	Fannie Mae requires that each borrower has a valid Social Security number or Individual Taxpayer Identification Number (ITIN)
Condo	Project review is required for projects where the current loan is owned by Fannie Mae.	Project Review is not required for Fannie Mae to Fannie Mae Mac rate and term refinances less than or equal to 80% LTV/CLTV/HCLTV.
Employment Offer/Contract	The income does not qualify if the loan closes more than 60 days before the consumer starts the new job.	The income does not qualify if the loan closes more than 90 days before the consumer starts the new job.
Credit Inquiries	All credit inquiries within 120 days of the credit report are required to be addressed by the customer	When the credit report indicates that recent inquiries took place, the lender must confirm that the borrower has not obtained any additional credit that is not reflected in the credit report or the mortgage application. If additional credit was obtained, a verification of that debt must be provided and the borrower must be qualified with the monthly payment.
Tax and W-2 Transcripts	<p>45061 & Tax Transcript Requirements</p> <ul style="list-style-type: none"> · A fully complete 4506T form must be signed and dated by each borrower for all loans and must include the number of years of income required · The 4506T form must be processed and tax or W-2 transcripts obtained · Wage Earners: <ul style="list-style-type: none"> o W-2 transcripts are required, and may be used in lieu of W-2s for borrowers who are wage earners and utilize W-2 income only for qualification · Self-Employed, Commission or other income documented with tax returns: <ul style="list-style-type: none"> o 1040 transcripts are required o For self-employed borrowers, personal tax transcripts are required. <ul style="list-style-type: none"> · business transcripts are not required unless the Underwriter determines additional confirmation of the business income documentation is needed. 	Not required pre-closing.

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Ineligible Properties	<ul style="list-style-type: none"> · Geodesic Domes, Berms, Earth homes · Manufactured homes · Mixed use · Hobby farms 	Permitted
Rental Income (From departing residence borrower converting)	<p>Rental Income from Departing Residence Converted to Rental: If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply:</p> <ul style="list-style-type: none"> · Borrower must have documented equity in departure residence of 25%. <ul style="list-style-type: none"> o Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction, OR o Documented equity may be evidenced by the original sales price and the current unpaid principal balance. · Copy of current lease agreement is required. · A vacancy/maintenance expense factor of 25% should be deducted from the rental income verified by the current lease agreement for determining qualifying income. · Copy of security deposit and evidence of deposit to borrower's account is required. 	Fully executed lease agreement(s) to determine the gross rental income to be used in the net rental income (or loss) calculation.
Borrower Eligibility	Non-permanent resident aliens permitted with H1B, H2B, E1, L1 and G series visa only.	Fannie Mae does not specify visa types
Ineligible Income Sources	<ul style="list-style-type: none"> · Capital Gains · Boarder Income 	Permitted
Credit Tradelines	<ul style="list-style-type: none"> · Three (3) trade lines from traditional credit sources (such as a bank or other financial institution) that reported for 12 months or more prior to the date of loan application (may be opened or closed); <ul style="list-style-type: none"> · The required housing history may be utilized as one of the 3 tradelines but must meet the requirements of section 6.2 Housing History below · Tradelines for which the Borrower is not obligated to make payments (such as loans in a deferment period), collection or charged off accounts, and "authorized user" accounts are not acceptable trade lines for establishing the minimum history. 	Per DU Findings
IRS or State Tax Payment Plans	IRS or State tax payment plans are not permitted. Outstanding obligations under such plans must be paid in full at or prior to closing	<p>Federal Income Tax Installment Agreements When a borrower has entered into an installment agreement with the IRS to repay delinquent federal income taxes, the lender may include the monthly payment amount as part of the borrower's monthly debt obligations (in lieu of requiring payment in full) if:</p> <ul style="list-style-type: none"> · There is no indication that a Notice of Federal Tax Lien has been filed against the borrower in the county in which the subject property is located. · The lender obtains the following documentation: <ul style="list-style-type: none"> - an approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due; and - evidence the borrower is current on the payments associated with the tax installment plan. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date. At least one payment must have been made prior to closing.
Ineligible Assets	<ul style="list-style-type: none"> · UTMA/Custodial Accounts for Minors · Cryptocurrency such as Bitcoin · Net proceeds from a reverse 1031 exchange. · Trade Equity · Pooled Funds · Individual Development Accounts (IDA's) · Funds from a Community Second Mortgage/Down Payment Assistance Program · Sweat Equity · Rent Credits · Disaster Relief Grants · Employer Assistance · Anticipated savings or cash on hand · Foreign Assets 	<p>Fannie Mae Permits:</p> <ul style="list-style-type: none"> · UTMA/Custodial Accounts for Minors · Net proceeds from a reverse 1031 exchange. · Trade Equity · Pooled Funds · Individual Development Accounts (IDA's) · Funds from a Community Second Mortgage/Down Payment Assistance Program · Sweat Equity · Rent Credits · Disaster Relief Grants · Employer Assistance · Anticipated savings or cash on hand
Cash-out	Maximum cash in hand and/or for debt consolidation is \$500,000	No limit