

Land Home Financial Services, Inc. (LHFS) overlays to Fannie Mae, Freddie Mac, FHA, VA and USDA program requirements are determined by the individual Agency. Product overlays listed below are not all-inclusive and may not address product specifics. This document is not intended to replace any Program Guidelines or Agency Guidelines. This document does not include additional overlays for down payment assistance programs. Please see program guidelines for details.

FANNIE	FREDDIE	FHA	USDA	VA	ASSETS
X	X	X	X	X	<p>AUS: VOD's are not acceptable for asset documentation alone. Documentation must be supported by the most recent one or two consecutive months of current bank statements as stated on the AUS for "funds to be verified."</p> <p>Note: May not apply to Day 1 Certainty loans.</p>
FANNIE	FREDDIE	FHA	USDA	VA	CREDIT
X	X	X	X	X	Bankruptcy: Chapter 13 Bankruptcies must be fully discharged before loan is submitted to underwriting.
X	X				Credit Scores: All ARM loans and MH loans must have a minimum FICO of 620
		X	X	X	Credit Scores: All ARM loans and MH loans must have a minimum FICO of 640
X	X				Credit Scores: All borrowers must have a minimum credit score of 620. Note: Borrowers with no score which receive an approve/eligible are acceptable.
		X	X	X	Credit Scores: All borrowers must have a minimum credit score of 640. Note: Borrowers with no scores / non-traditional credit not allowed.
		X			Credit Scores: FHA No FICO – 1 unit only and must be a purchase transaction.
X	X	X	X	X	Mortgage/Rental History: If AUS requires Mortgage/Rental history or payment that involves a private party, non-listed property management, or non-institutional lender, the evidence must be in the form of 12 months cancelled checks or auto payment with a copy of the lease/note to confirm the terms required. Please note, VOM/VOR as a standalone document is not permitted.
		X			Program Specifics - FHA Credit Qualifying Streamline: Any indication of delinquent utility bills and/or unpaid late charges on the payoff demand are not acceptable.
		X	X	X	Program Specifics: Mortgage credit rating only FHA & USDA Streamlines and VA IRRRL mortgages: Borrowers with signs of financial distress such as recent BK, Foreclosure of other real estate owned, miscellaneous liens on title, multiple unpaid late payments on pay off demand, or delinquent utility bills will be ineligible for a mortgage only transaction.
				X	Program Specifics: Seasoning requirement for VA IRRRL transactions require a minimum of six consecutive monthly payments prior to loan closing date and 210 days. If the credit report does not reflect six consecutive monthly payments, the required payment history must be obtained.
X	X				Program Specifics: Use of non-traditional credit reports, history, or documentation is not allowed except for Fannie Mae's HomeReady Program or Freddie Mac Home Possible. Must have AUS Approve or Accept/Eligible.
X	X	X	X	X	Tax Repayment Plans: Follow agency guidelines, however if borrower has not paid current year taxes due and is on extension, taxes must be paid current or taxes must be filed and have an approved IRS installment plan established.



FANNIE	FREDDIE	FHA	USDA	VA	EMPLOYMENT / INCOME
		X			Bank Statements: Borrowers with a history of overdrawn bank accounts require further evaluation to determine if there is a mismanagement of finances. Additional conditions, including but not limited to letter of explanation may apply.
		X			Income: Audited P&L's are not allowed to be used for income calculation purposes.
X	X	X	X	X	Rental income: Rental income received from a relative is not eligible unless proof of 12-month payment history of rents is documented
X	X	X	X	X	Tax Returns: If returns are amended for errors or documented omissions, then amended returns are acceptable. Removing expenses or amending with the intent to change income profile over last 2 years is not acceptable regardless of when the amendment was completed. If the AUS calls for 1 year 1040's for self-employed, amended returns are not acceptable for reasons other than error or omission.
X	X	X	X	X	<p>VOE's: When the complete written verification for employment with breakdown of income is present, Land Home also requires the following:</p> <ul style="list-style-type: none"> • Paystub, and/or • W-2's (as noted on AUS) <p>Note: Above LHFS overlay does not apply to conventional Fannie Mae (DU) transactions that utilize Day 1 Certainty.</p>
FANNIE	FREDDIE	FHA	USDA	VA	PROPERTY / COLLATERAL
X	X	X	X	X	Borrower: Any borrower holding title only must be a legal U.S. Resident.
X	X	X	X	X	<p>Ineligible Properties:</p> <ul style="list-style-type: none"> • LHFS does not offer financing to properties that are secured by community land trusts (i.e., Illinois Land Trust). • Co-ops are not permitted. • Loans with title or interest held in various forms/legal entities such as Life Estates, Non-Revocable Trusts, Guardianships, Conservatorships, LLC's, Corporations, or Partnerships are not eligible.
X	X	X	X	X	<p>Property Location: Unincorporated territories of the United States (borrowers and properties) are ineligible for financing.</p> <ul style="list-style-type: none"> • Puerto Rico • US Virgin Islands • Guam • American Samoa • Swains Island
X	X	X	X	X	Property Type: Manufactured Homes – Leasehold Estate ineligible
X	X				Property Type: Manufactured Homes must be on FNMA's approved list.
X	X				Transferred Appraisals: Not eligible on high balance, super conforming, and any type of conventional ARM transactions.



FANNIE	FREDDIE	FHA	USDA	VA	OTHER CONSIDERATIONS AND PROGRAM SPECIFICS
				X	AUS: VA qualifying ratios may not exceed 55% regardless of AUS of approval.
X	X	X			AUS: AUS recommendation of approvals with ratios greater than 50% must have at least one documented compensating factor. Refer to the list of " Suggested Compensating Factors ." Comments specific to the compensating factor used must be present on the Transmittal Summary (or equivalent).
X	X	X	X	X	Borrower: LHFS does not lend to borrowers that are not legal residents including, but not limited to the following borrowers: <ul style="list-style-type: none"> • Diplomatic Immunity/Embassy Personnel, • Foreign Nationals, • Borrowers with Temporary Protected Status (TPS), and • Borrowers with an invalid Social Security Number,
	X	X	X	X	Borrower: LHFS does not lend to borrowers that are not legal residents including, but not limited to the following borrowers: <ul style="list-style-type: none"> • Borrowers with deferred action status, which includes DACA
X	X	X	X	X	Borrower: No more than 4 borrowers, including accommodation mortgagors (system limitations).
X	X	X	X	X	Borrower: Split vesting is not allowed. Vesting must be 100% in a trust <u>or</u> 100% individual. (May be allowed on conforming conventional loans on an exception basis). Unacceptable examples include but are not limited to: <ul style="list-style-type: none"> • John Doe, as Trustee of the Jane Doe Living Trust and John Smith and Jane Smith, as Husband and Wife as Joint Tenants • John Doe, as Trustee of the Jane Doe Living Trust and John Smith, as Trustee of the Jane Smith Living Trust
X	X	X	X	X	Credit Documentation Age: Credit report must be dated within 90 days at time of submission when broker's credit report is used. Please be aware LHFSW runs UDM prior to closing which may require additional information or affect borrower's loan approval if additional credit is obtained or late payments are reported. All other loan documentation should not be over 90 days old at time of submission. Title report may not be over 90 days old at the time loan docs are prepared.
X	X	X	X	X	Financing Options: Temporary Buy down loans not permitted.
		X	X	X	Manual Underwrites: Manual underwrite not allowed on FHA, VA, or USDA loans (does not apply to Trio, FHA Streamlines, or VA IRRRL's)
X					Manual Underwrites: Must follow and be underwritten to Fannie Mae guidelines only. Note: Only delivering "manual underwrites" to Fannie Mae, not Freddie Mac using traditional credit only. No manual underwrites on any type of ARM loans.
X	X				Mortgage Insurance (MI): Minimum, reduced, or custom insurance is not permitted. Must obtain Standard MI coverage.
X	X	X	X	X	Photo ID: Unexpired government issued ID's are required for each Borrower.
X	X	X	X	X	Power of Attorney (POA's): Not eligible on Cash-Out transactions.
		X			Program Specifics: FHA Credit Qualifying Streamline: When using reduction in term as the sole basis for Net Tangible Benefit (NTB) on streamlines, any reduction in term under 60 months (5 years) is considered on a case-by-case basis only.



FANNIE	FREDDIE	FHA	USDA	VA	OTHER CONSIDERATIONS AND PROGRAM SPECIFICS
X	X	X		X	Rent Back: Maximum days allowed for seller rent back 60 days.
X	X	X	X	X	Social Security Number Validation/Transcripts: A third party validation required for all Borrowers (must be processed by LHFS only).
X	X	X	X	X	Special Programs: Home Energy Renovation Opportunity (HERO) subordination not permitted
X	X	X	X	X	COVID-19 Title requirement: <ul style="list-style-type: none"> Activity may proceed in counties in which the courthouse is operational, searches can still be completed online, or the county accepts E-Recording. A 2006 ALTA title insurance form with Covered Risk 14 provides gap coverage for matters arising between the loan closing date and the mortgage recording date. This will be considered acceptable as long as there is no exception for this coverage under Schedule B of the policy. If Covered Risk 14 is not evident, the final title insurance policy must include evidence of Gap Insurance for the time between disbursement and recording of the new deed and/or mortgage.
X	X	X	X	X	Forbearance / Deferment: Borrowers that have a mortgage in forbearance or deferment at time of application are ineligible. This applies to all loan types and applicable to all borrowers related to the transaction.

SUGGESTED COMPENSATING FACTORS FOR OVER 50% DTI (LHFS OVERLAY):

Compensating factors may be used as a positive to offset weakness in the borrower's financial profile. Below are suggested compensating factors.

NOTE: This list is not all-inclusive and other compensating factors may be considered.

- Residual Income:
 - Additional documentation is not required from the borrower(s). Comments must be added on the transmittal summary.
- Additional Income available, however due to not meeting agency criteria was not included in the qualifying income:
 - Additional documentation is not required from the borrower(s). Comments must be added on the transmittal summary.
- Employment stability (minimum of 5 years with the employer) with signs of upward mobility:
 - Additional documentation is not required from the borrower(s). Comments must be added on the transmittal summary.
- Minimal Increase in Housing Payment:
 - If the VOR or equivalent is not required, Underwriter should confirm the amount of rent by: Payment as seen on the bank statement or two canceled check. Comments must be added on the transmittal summary.
- Documented and verified Reserves (minimum 2 months PITI):
 - Additional documentation may be required from the borrower(s) if sufficient assets (Including 2-month reserves) were not already verified. Comments must be added on the transmittal summary.

