



SIERRA PACIFIC
WHOLESALE

OVERLAY MATRIX

ALL PROGRAMS

Item	Topic	Guideline	SPM Overlay No Exceptions permitted unless noted
1	Age of Income and Asset docs	Income and Asset documentation must be dated within 120 days prior to the Note Date	Income and Asset documentation must be dated within 60 days prior to Note Date <i>Agency temp COVID Overlay</i>
2	Appraisal Flexibilities due to COVID-19	Agencies have issued temporary guidance around the use of a Desktop or Exterior only appraisal when COVID restrictions inhibit a full appraisal from being completed	SPM will ALWAYS require a full appraisal in the following instances: <ul style="list-style-type: none"> • Manufactured Home • New construction • HPML
3	Auction properties	No limit on Auction House commissions	Auction House commissions are limited to 8%
4	Bond & DPA	Cities and Counties offer Down Payment Assistance programs to qualified borrowers	Refer to Bond specific Program guidelines. SPM Overlays are incorporated within guides – no exceptions to SPM guides are permitted.
5	Condo on Leaseholds /	Allowed	Not Permitted
6	Co-Signers	Co-signer must sign the note but is not required to sign the Deed / Security Instrument	Co-Signers are not allowed

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7	Maximum Number of financed properties	FNMA and FHLMC limit are 10 for 2 nd homes and NOO No set limit for FHA and VA USDA only permits two	<ul style="list-style-type: none"> • Maximum is 4 properties • Includes REO the borrower personally owns, via LLC, S Corp or Corp • Applies to all transactions regardless of Occupancy • Refer to Agency guides for definition of a Financed property Exceptions can be considered
8	Non-Traditional Credit	Allows for Manual UW using non-traditional credit when no credit score is available	Minimum credit score is required for all borrowers. Non-traditional credit is not permitted
9	One time close	Allows for one-time close construction loans	SPMC does not offer
10	Power of Attorney	A POA may not be used when no other borrower executes loan docs, except when the POA is either the borrower's attorney-at-law or relative. POA allowed for Cash Out Refinance under certain circumstances for FHLMC, FHA, VA	At least one borrower must be present at closing unless a face-to-face interview has been conducted with all applicants. SPMC does not allow a POA for any Cash-Out Transaction Exceptions can be considered
11	Projected income	Eligible per specific guides applicable to each agency/GSE	<ul style="list-style-type: none"> • Borrower must start new job \leq 30 days after Note date • <u>AND</u> • First paystub to be obtained post-closing
12	Renovation Loans	FNMA, FHLMC, FHA and VA all offer specific Renovation products	SPMC does not offer any renovation products
13	Reserves-Source	Business funds are acceptable for reserves	Business funds may only be used when all the following are met: <ul style="list-style-type: none"> • Borrower owns at least 51% • Borrower has access to funds • Remaining funds after calculating reserves are stable and steady
14	SPM Exposure		Limited to the lessor of 4 loans or \$1.5 million

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15	SSN	ITIN is permitted	All borrowers must have a valid SSN
16	Stocks, Stock Options & Mutual Funds	Refer to agency and GSE guides as rules vary.	<ul style="list-style-type: none"> Evidence of liquidation is required when using any funds from these accounts for Down Payment and/or Closing 70% of the balance must be used to calculate available reserves <p>Agency temp COVID Overlay</p>
17	Verbal Verification of Employment for Employed borrowers	VVOE is required within 10 prior to Note Date for employed borrowers	<p>VVOE is required within 5 days of the Note Date.</p> <p>An additional VVOE will be required if the loan does not fund within 5 days AFTER the note date</p>
18	Verification of Self-Employed Business	Verification of a self-employed business must be validated no more than 120 days prior to the Note Date	<p>Verification that the self-employed business is open and operating is required no more than 10 days prior to the Note Date</p> <p>Agency temp COVID Overlay</p>
19	Written Verification of Employment & Manual Third- Party Verification	AUS may allow as a standalone employment/income verification document.	A paystub dated within 30 days of closing is required to support income & employment on a Written VOE & Manual TVP
20	4506-C	Recommends best practices however does not require the actual validation outside QC plans except USDA	Refer to specific product guides for requirements on when 4506-C validation must be received

CONVENTIONAL PROGRAMS

Item	Topic	Guideline	SPM Overlay No Exceptions permitted unless noted	Fannie Mae	Freddie Mac
1	Borrower currently rents or lives rent free, and is purchasing or refinancing an investment property	Refer to Fannie/Freddie direct as each have specific rules around the requirement to own a primary and/or have a housing pymt when purchasing or refinancing an investment property.	Borrower must qualify with the entire PITIA payment for the subject with no benefit of rental income.	x	x
2	DACA Borrower	Agencies require the lender to validate the borrower is lawfully present in the U.S.	Eligible for Fannie Only	x	x
3	First Time Homebuyer	Escrow Account is required per State requirements	Mandatory Escrow Account is required for any LTV > 80% Exceptions can be considered	X	X
4	FHA Condo approval for Conventional Loans	FNMA & FHLMC will accept delivery of mortgage in established projects on the FHA approved list provided the approval was completed by FHA HUD review and approval process	SPMC programming is not in place to deliver	x	x
5	FHLMC Affordable 2nds	FHLMC permits for the following types of Affordable Seconds: Lender / Seller Funded, Affordable seconds subject to income-based resale restrictions and seconds used to subsidize the sales price	Lender / Seller funded Affordable Seconds, Affordable Seconds subject to income- based resale restrictions and Affordable seconds used to subsidize the sales price are not allowed		x
6	FHLMC Excessive lender credit	FHLMC bulletin 2018-13 for Excessive lender credit to be applied to principal reduction	SPMC programming is not in place currently to allow this		x

Item	Topic	Guideline	SPM Overlay No Exceptions permitted unless noted	Fannie Mae	Freddie Mac
7	Flipping Restrictions	No flip guidelines outside of ensuring the seller is the owner of record for FNMA / FHLMC	<ul style="list-style-type: none"> • Maximum 95% LTV • Maximum transfers in 90 days is 1 • Documentation showing legal registration of entity such as articles of operation with the seal for the seller • Appraiser to confirm property improvements made, document the renovations etc. <p>Exceptions can be considered</p>	x	x
8	FNMA HomeReady / FHLMC Home Possible	Allows property types of Manufactured Home and Sweat Equity as an acceptable source of funds	<ul style="list-style-type: none"> • SPMC does not permit use of Sweat Equity as funds. • Manufactured homes are an ineligible property type 	x	x
9	FNMA HomeStyle Energy	FNMA HomeStyle Energy program will allow for the payoff of a PACE lien and/or finance the cost of new energy items	SPMC will only allow the HomeStyle Energy program to be used for the payoff of an existing PACE/ Energy lien. Energy efficient items cannot be financed	x	
10	FNMA Share appreciation	FNMA share appreciation deed restrictions	SPMC programming is not in place currently to allow this	x	
11	Illinois Land Trust	Eligible with FNMA / FHLMC amendment to contract	SPMC does not have the amendment to our FNMA / FHLMC contract	x	x
12	Ineligible Conventional Programs	FNMA High LTV & FHLMC Enhanced Relief Refinance	SPMC does not offer	x	x
13	Manual Underwriting	Manual Underwriting is allowed	No Manual Underwriting permitted. All loans must have an AUS approval.	x	x

Item	Topic	Guideline	SPM Overlay No Exceptions permitted unless noted	Fannie Mae	Freddie Mac
14	Manufactured Homes	Varies by Agency / GSE	<ul style="list-style-type: none"> • Minimum FICO 640 • Max DTI is the lessor of AUS approval or 50% • Must be zoned residential • Only 1 dwelling per site • Single-wide not permitted 	x	x
15	Manufactured Homes in Condo Project	FNMA will allow for the existence of Manufactured homes in a project with a PERS approval. FHLMC does not allow	SPMC does not allow for the existence of manufactured homes within a condo project	x	x
16	Mortgage payment history	Credit report alone may be used to validate the mortgage payment history	<p>SPM requires one of the following forms of mortgage payment validation for all mortgages financed by the borrower:</p> <ul style="list-style-type: none"> • Credit report or supplement PLUS the most recent mortgage stmt <u>OR</u> • 12-month pay history direct from the lienholder <p>The payments must reflect through the month prior to closing. Mortgage statements must be used to document any payment gaps between reporting and loan closing</p>	x	x
17	Owner – Occupied Purchase & Rate/Term Max LTV/CLTV	97% / 105% if using community second	<p>Max LTV / CLTV 97% / 97%</p> <p>Exceptions can be considered</p>	x	x

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18	PACE Payoff - FHLMC	FHLMC will allow PACE payoff as a rate/term thru GreenChoice	SPMC does not offer		x
19	PACE Payoff - FNMA	FNMA will allow PACE payoff as a rate/term through HomeStyle Energy	PACE payoff must be done through the SPM Fannie Mae HomeStyle Energy Program	x	
20	Property Condition C5	Fannie will purchase a property with a C5 property condition rating if there are no health, hazard or safety issues	C5 property condition ratings are ineligible	x	
21	Rental Income being used for other REO – Document requirements	Income is calculated from sch E or lease with no additional documentation requirements.	One of the following must be provided to support current receipt of rents: <ul style="list-style-type: none"> • Bank Statement showing deposit • Cancelled check • Other form of rent transfer (i.e. Venmo, PayPal etc.) 	x	x
22	Rental Income is being used for departing residence – Document requirements	Income is calculated from lease received for departing residence	All the following must be provided to support receipt of rents: <ul style="list-style-type: none"> • Fully Executed Lease <u>AND</u> • Copies of Security Deposit and/or first month rent <u>AND</u> • Evidence the Security Deposit and/or first month rent is deposited into the borrower's bank account 	x	x
23	Transferred Appraisals	Eligible	Not eligible for conventional Manufactured loans (all other property types are eligible).	x	x

GOVERNMENT PROGRAMS

Item	Topic	Guideline	SPM Overlay No Exceptions permitted unless noted	FHA	VA	USDA
1	AUS Engine	DU and LPA are accepted	DU Approved / Eligible only. LPA is not permitted	x	x	
2	CLTV	Refer direct to handbooks for max requirements FHA and VA permit over 100% CLTV	Lessor of 105% CLTV or 100% of acquisition cost	x	x	
3	Escrow Holdback / FHA	Escrow Holdback on FHA property requires 1 time the amount held into escrow	Escrow holdback on FHA property requires 1 ½ times held into escrow	x		
4	FHA DELRAP Condo approval	FHA allow DELRAP and HRAP condo approval	HRAP approval ONLY is permitted. DELRAP is NOT permitted	x		
5	FICO Minimum <u>FHA</u>	Refer to FHA 4000.1	<ul style="list-style-type: none"> • Min FICO <u>620</u> for <u>Purchase, Rate and Term Refi & Cash Out</u> • Min FICO <u>640</u> for <u>Streamline Refinance</u> <p>Excludes Manufactured home -Refer to Overlay #12</p>	x		
6	FICO Minimum <u>USDA</u>	Refer to Rural Housing Handbook	<ul style="list-style-type: none"> • Min FICO <u>640</u> for <u>Purchase, Rate & Term Refi and Streamline Assist</u> <p>Excludes Manufactured home -Refer to Overlay #12</p>			x

Item	Topic	Guideline	SPM Overlay No Exceptions permitted unless noted	FHA	VA	USDA
7	FICO Minimum <u>VA</u>	Refer to VA Handbook	<ul style="list-style-type: none"> • Maximum Base Loan amount of \$1,500,000 (All transactions including IRRRL) • Min FICO <u>620</u> for Base Loan Amount \leq \$1,000,000 (<u>Purchase and Cash Out</u>) • Min FICO <u>640</u> for Base Loan amount \leq \$1,000,000 (<u>IRRRL</u>) • Min FICO <u>700</u> for Base Loan Amount $>$ \$1,000,000 $<$ \$1,500,000 (<u>Purchase, Cash Out & IRRRL</u>) <p>Excludes Manufactured home -Refer to Overlay #12</p>		x	
8	Forbearance	Each Government agency has put out guidance around borrowers in forbearance with missed payments.	Requested forbearance on any property is eligible so long as there are no missed mortgage payments.	x	x	x
9	Ineligible Products - <u>FHA</u>	<p>Eligible products include:</p> <ul style="list-style-type: none"> • 203K Renovation • HUD Repair REO • Refinance of Negative Equity • Good Neighbor Next Door Indian Tribal Lands • Hawaiian Homelands • Section 184 • EEM 	SPMC does not offer any of these products	x		

Item	Topic	Guideline	SPM Overlay No Exceptions permitted unless noted	FHA	VA	USDA
10	Ineligible Products - <u>VA</u>	Eligible products include: <ul style="list-style-type: none"> • One and Two-time close construction • Renovation /Rehab • EEM • Supplemental loans • Farm Loans • Loans to Native American Veterans on Trust Lands • Texas 50(A)(6) loans 	SPMC does not offer any of these products		x	
11	Manual Underwriting	Manual Underwriting is allowed	No Manual Underwriting permitted for VA and USDA. Exceptions can be considered		x	x
12	Manufactured Homes	Varies by Agency / GSE	<ul style="list-style-type: none"> • Minimum FICO 640 • Max DTI is the lessor of AUS approval or 50% • Must be zoned residential • Only 1 dwelling • Single-wide not permitted • Government streamlines not eligible 	x	x	x
13	Mortgage payment history	Credit report alone may be used to validate the mortgage payment history	One of the following forms of mortgage payment validation for all mortgages financed by the borrower: <ul style="list-style-type: none"> • Trended credit report or supplement AND mortgage stmts are required for any month(s) not reporting to credit <u>OR</u> • 12-month pay history direct from the lienholder All pymts must be paid as agreed within the month due up to the month prior to distribution.	x	x	x

Item	Topic	Guideline	SPM Overlay No Exceptions permitted unless noted	FHA	VA	USDA
14	Property Condition C5	FHA will purchase a property with a C5 property condition rating if there are no health, hazard or safety issues	C5 property condition ratings are ineligible	x		
15	Properties listed for sale / VA	Properties listed for sale in the previous 6 months, prior to the date of the application and appraisal ARE eligible	Properties listed for sale in the previous 6 months, prior to the date of the application and appraisal are NOT eligible for cash out		x	
16	Rental income is being used for the subject property, departing residence and/or additional rental properties owned by the borrower – <u>FHA</u>	4000.1 allows 100% of effective rental income calculation with no additional reserves. FHA Issued temp policy in ML 2020-24 which requires one of the three options noted in the SPM Overlay. This overlay is an FHA temp policy and cannot be waived.	One of the following options must be exercised: <ul style="list-style-type: none"> • Reduce the effective qualifying rental income calculation by an additional 25% <u>OR</u> <ul style="list-style-type: none"> • Verify 6 months PITIA reserves <u>OR</u> <ul style="list-style-type: none"> • Verify the borrower has received the previous 2 months rental payments as evidenced by the borrower’s bank stmts. (option only applies to a borrower w/history of rental income from the property) FHA Temp policy issued in Mortgagee Letter 2020-24	x		

Item	Topic	Guideline	SPM Overlay No Exceptions permitted unless noted	FHA	VA	USDA
17	Rental income is being used for 2-4 Unit purchase - VA Reserves and Document requirements <u>VA</u>	VA Requires: <ul style="list-style-type: none"> 6 months PITI reserves are required when using rental income to qualify. No reserves are required when no rental income is being used to qualify Gift funds cannot be used for reserves No additional documentation requirements to use rental income 	Document requirements: <ul style="list-style-type: none"> Appraisal confirms that the subject property is currently rented <p><u>AND</u></p> <ul style="list-style-type: none"> Evidence that the existing lease will be transferred / assigned to the borrower along with any security deposits and / or pro-rated rents 		x	
18	Rental Income being used for OREO – Document requirements <u>VA/USDA</u>	Income is calculated from sch E or lease with no additional documentation requirements.	One of the following must be provided to support current receipt of rents: <ul style="list-style-type: none"> Bank Statement showing deposit Cancelled check Other form of rent transfer (i.e. Venmo, PayPal etc.) <p><u>VA/USDA</u></p>		x	x
19	Rental Income is being used for departing residence – Document requirements <u>FHA/VA</u>	Income is calculated from lease received for departing residence FHA/VA USDA does not permit the use of rental income for departing residences	All the following must be provided to support receipt of rents: <ul style="list-style-type: none"> Fully Executed Lease AND Copies of Security Deposit and/or first month rent AND Evidence the Security Deposit and/or first month rent is deposited into the borrower's bank account 	x	x	

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20	Rental Income is being used for departing residence – Reserve requirements <u>VA</u>	VA does not require reserves for departing residence. Gift funds cannot be used for reserves.	3 months PITI reserves are required when using rental income from the departing residence to qualify.		x	
21	Self Employed income - documentation	Follow AUS findings	All the following are required in addition to standard Government Agency guides: <ul style="list-style-type: none"> • P&L, dated no earlier than the month prior to application, which covers the greater of: <ol style="list-style-type: none"> 1. Three calendar months (which may cover current & prior year info) <p style="text-align: center;"><u>Or</u></p> <ol style="list-style-type: none"> 2. All YTD info for the current year (when YTD spans at least 3 months) • If the most recent filed tax return is 2019 than a 2020 full year P&L is also required • Three months business bank statements no older than the latest three months represented on the P&L <p>Applicable for new applications dated February 8th, 2021 and after.</p>	x	x	x

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22	Streamline - IRRRL Max LTV / CLTV and Occupancy	Non-Owner / Previously Occupied transaction types are eligible. No max LTV/CLTV	<ul style="list-style-type: none"> • Owner Occupied only • Max CLTV 105% • Min FICO 640 	x	x	x
23	Streamline - IRRRL Credit report requirements	Mortgage only credit report is permitted	A full tri-merge credit report is required	x	x	x
24	VA Mortgage history	Allows for manual UW with a 1 x 30 within the last 12 months	0 x 30 in the last 12 months is required. No Manual UW is permitted		x	
25	VA Ineligible Properties	Refer to VA handbook	<ul style="list-style-type: none"> • SPMC does not allow for any waivers of VA MPR • No excess land/multiple parcels or unimproved land • No working farms or ranches • No commercial enterprises 		x	
26	USDA Condo Approval	USDA allows for condos to be FHA, Fannie Mae, Freddie Mac and VA approval	SPM will only allow for USDA condos which are Fannie Mae or FHA HRAP approved			x
27	USDA Ineligible Properties	USDA will allow for Leasehold properties	Leaseholds are not acceptable			x