



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 |
| 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 |
| 7 | Manual Underwriting | Manual Underwriting is allowed | No Manual Underwriting allowed. All loans must have an AUS approved/eligible *Streamline Refi & IRRRLs ONLY are permitted to be Underwritten with a Manual UW as they are not run through AUS *Exceptions can be considered for Government loans only* |

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| 8 | Manufactured Homes | Refer to agency guides for FICO requirements | <ul style="list-style-type: none"> • Minimum FICO 660 • Max DTI is the lessor of AUS approval or 50% • Must be zoned residential • Only 1 dwelling per site • Single-wide not permitted • Government streamlines not eligible |
| 9 | Maximum Number of financed properties | <p>-FNMA and FHLMC limit are 10 for 2nd homes and NOO</p> <p>-No set limit for FHA and VA</p> <p>-USDA only permits two</p> | <p>- Maximum is 4 properties</p> <p>- Includes REO the borrower personally owns, via LLC, S Corp or Corporation</p> <p>- Applies to all transactions regardless of Occupancy *Exceptions can be considered*</p> |
| 10 | 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 |
| 11 | One time close | Allows for one-time close construction loans | SPMC does not offer |
| 12 | 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 | <p>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</p> <p>*Exceptions can be considered*</p> |
| 13 | Projected income | Eligible per specific guides applicable to each agency/GSE | <p>Not eligible. Borrower must have started the new position and must be documented with 30 days of paystubs.</p> <p>*Exceptions can be considered*</p> |
| 14 | Renovation Loans | FNMA, FHLMC, FHA and VA all offer specific Renovation products | SPMC does not offer any renovation products |
| 15 | Reserves-Source | Gift funds and Business funds are acceptable for reserves | <p>-Gift funds may not be used for reserves</p> <p>-Business funds may only be used when all the following are met:</p> <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 |
| 16 | SPM Exposure | | Limited to the lessor of 4 loans or \$1.5 million |
| 17 | SSN | ITIN is permitted | All borrowers must have a valid SSN |

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|------|---|--|---|
| 18 | Stocks, Stock Options & Mutual Funds | Refer to agency and GSE guides as rules vary. | -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 |
| 19 | Verbal Verification of Employment for Employed borrowers | VVOE is required within 10 prior to Note Date for employed borrowers | VVOE is required within 5 days of the Note Date. An additional VVOE will be required if the loan does not fund within 5 days AFTER the note date |
| 20 | Verification of Self-Employed Business | Verification of a self- employed business must be validated no more than 120 days prior to the Note Date | Verification that the self-employed business is open and operating is required no more than 10 days prior to the Note Date |
| 21 | 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 |
| 22 | 4506T | Recommends best practices however does not require the actual validation outside QC plans except USDA | Refer to specific product guides for requirements on when 4506T 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 when purchasing or refinancing an investment property. *SPMC overly is in line with Fannie's guideline. | Borrower must qualify with the entire PITIA payment for the subject with no benefit of rental income. | x | x |
| 2 | Cash-Out 1-unit Owner Occupied | Max LTV / CLTV 80% 2-4-unit okay Min FICO 620 | Min FICO is 680 | x | x |
| 3 | Cash-Out Maximum | No max | <ul style="list-style-type: none"> • LTV 75.01% - 80% - Max Cash Out is \$100,000 • LTV \leq 75% - Max Cash Out is \$200,000 <p>Note- Non-Purchase Money 2nd payoff amounts are not included in the cash out limitation.</p> <p>Note – Delayed Financing transactions are not subject to Cash Out limitations.</p> <p>*Exceptions can be considered*</p> | x | x |
| 4 | Cash-Out 2-4 Unit Owner Occupied | Max LTV / CLTV 75% Min FICO 620 | Not permitted. All Cash-Out loans must meet the following: <ul style="list-style-type: none"> • Owner Occupied AND • 1-Unit only | x | x |
| 5 | Cash-Out 2 nd Home | Max LTV / CLTV 75% Min FICO 620 | Not permitted. All Cash-Out loans must meet the following: <ul style="list-style-type: none"> • Owner Occupied AND • 1-Unit only | x | x |

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|------|---|---|---|------------|-------------|
| 6 | Cash- Out Investment property | Max LTV / CLTV 75% Min FICO 620 | Not permitted. All Cash-Out loans must meet the following: <ul style="list-style-type: none"> • Owner Occupied AND • 1-Unit only | x | x |
| 7 | DACA Borrower | Agencies require the lender to validate the borrower is lawfully present in the U.S. | Eligible for Fannie Only | x | |
| 8 | 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 |
| 9 | 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 |
| 10 | 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 |
| 11 | 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 |
| 12 | Flipping Restrictions | No flip guidelines outside of ensuring the seller is the owner of record for FNMA / FHLMC | 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. *Exceptions can be considered* | x | x |

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| 13 | FNMA HomeReady / Sweat Equity | FNMA HomeReady program allows property types of Manufactured Home and Sweat Equity as an acceptable source of funds | -SPMC does not permit use of Sweat Equity as funds. -Manufactured homes is an ineligible property type | x | |
| 14 | 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 a PACE lien. Energy efficient items cannot be financed | x | |
| 15 | FNMA Share appreciation | FNMA share appreciation deed restrictions | SPMC programming is not in place currently to allow this | x | |
| 16 | Illinois Land Trust | Eligible with FNMA / FHLMC amendment to contract | SPMC does not have the amendment to our FNMA / FHLMC contract | x | x |
| 17 | Ineligible Conventional Programs | FNMA High LTV & FHLMC Enhanced Relief Refinance | SPMC does not offer | x | x |
| 18 | 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 |
| 19 | Mortgage payment history | Credit report alone may be used to validate the mortgage payment history | SPM requires one of the following forms of mortgage payment validation for all mortgages financed by the borrower: <ul style="list-style-type: none"> • Credit report or supplement PLUS the most recent mortgage stmt OR • 12-month pay history direct from the lienholder 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 | x | x |

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| 20 | Owner – Occupied Purchase & Rate/Term Max LTV/CLTV | 97% / 105% if using community second | Max LTV / CLTV 97% / 97% *Exceptions can be considered* | x | x |
| 21 | PACE Payoff - FHLMC | FHLMC will allow PACE payoff as a rate/term | SPMC does not offer | | x |
| 22 | PACE Payoff - FNMA | FNMA will allow PACE payoff as a rate/term | PACE payoff must be done through the SPM Fannie Mae HomeStyle Energy Program | x | |
| 23 | 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 | |
| 24 | Rental income being used for Investment purchase or Owner Occupied 2-4 Unit purchase. | Appraisal market rents and lease may be used to qualify | Rental income may only be used with the following: <ul style="list-style-type: none"> • Appraisal confirms that the subject property is currently rented AND • Evidence that the existing lease will be transferred / assigned to the borrower along with any security deposits and / or pro-rated rents • 6 months PITIA reserves *Exceptions can be considered* | x | x |

| Item | Topic | Guideline | SPM Overlay *No Exceptions permitted unless noted* | Fannie Mae | Freddie Mac |
|------|---|---|---|------------|-------------|
| 25 | Rental Income being used for OREO owned (includes departing residence)- Reserve requirement. | Reserve requirements vary based on product | 6 months reserves are required for each property owned by the borrower using rental income to qualify. *Exceptions can be considered* | x | x |
| 26 | Rental Income being used for OREO – 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 |
| 27 | 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 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 |
| 28 | Reserves – Investment property | Reserves required are per AUS | The reserve requirement will be the greater of 6 months subject PITIA or AUS required reserves, whichever is greater. Required regardless of rents used to qualify | X | X |
| 29 | 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 | Cash Out-Maximum | No Max Cash Out restrictions | Max cash out is \$200,000 after lien(s) payoff *Exceptions can be considered* | x | x | |
| 3 | CLTV | Refer direct to handbooks for max requirements | CLTV is equal to maximum LTV for the SPMC program (i.e. FHA purchase 96.5%) *Exceptions can be considered* | x | x | x |
| 4 | DTI Max | FHA, VA and USDA allow max per AUS approval | <ul style="list-style-type: none"> • DTI maximum is 50% with AUS approval and FICO < 680 • DTI maximum is per AUS when FICO ≥ 680 | x | x | x |
| 5 | 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 | | |
| 6 | FHA DELRAP Condo approval | FHA allow DELRAP and HRAP condo approval | HRAP approval ONLY is permitted. DELRAP is NOT permitted | x | | |
| 7 | Gift Funds or DPA being used | No max DTI or minimum FICO with approve / eligible | <ul style="list-style-type: none"> • Max DTI is 50% when using Gift or DPA • Min FICO 640 *Exceptions can be considered* | x | x | x |

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|------|---|---|---|-----|----|------|
| 8 | Gift Donors | No restriction | <ul style="list-style-type: none"> 1-2 units may only have 1 gift donor when FICO is between 640-659 3-4 units are ineligible to use gift funds | x | x | x |
| 9 | Ineligible Products - FHA | Eligible products include: 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 | | |
| 10 | Ineligible Products - VA | Eligible products include: 1- and 2-time close construction loans, renovation loans, EEM, supplemental loans, Farm Loans, Rehab loans, Loans to Native American Veterans on Trust Lands (NADL) and Texas 50(A)(6) loans | SPMC does not offer any of these products | | x | |
| 11 | FICO Minimum for FHA (refer to overlay item #14 for additional FICO overlays) | Refer to FHA 4000.1 | <ul style="list-style-type: none"> Min FICO for a Purchase is 640 Min FICO for a Rate & Term Refi is 640 Min FICO for a Cash Out Refi is 660 Min FICO for a Streamline Refinance is 680 | x | | |

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|------|--|--|---|-----|----|------|
| 12 | FICO Minimum for VA (refer to overlay item #14 for additional FICO overlays) | Refer to VA Handbook | <ul style="list-style-type: none"> • Maximum Base Loan amount of \$1,500,000 (All transactions including IRRRL) • Min FICO 640 for Base Loan Amount ≤ \$1,000,000 (Purchase) • Min FICO 660 for Base Loan Amount ≤ \$1,000,000 (Cash-Out Refinances) • Min FICO 680 for a Base Loan amount ≤ \$1,000,000 (IRRRL) • Min FICO 700 for Base Loan Amount > \$1,000,000 < \$1,500,000 (Purchase and Refinances inc IRRRL) | | x | |
| 13 | FICO Minimum for USDA | Refer to Rural Housing Handbook | <ul style="list-style-type: none"> • Min FICO for a Purchase and Rate & Term Refi is 640 • Min FICO for a Streamline Refinance is 680 | | | x |
| 14 | FICO – additional Overlays | No additional FICO restrictions required by GSE | <ul style="list-style-type: none"> • 3-4 Unit properties require a 680 FICO • HUD REO \$100 down requires a 680 FICO | x | x | |
| 15 | 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 |

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|------|---------------------------------|--|--|-----|----|------|
| 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"> • Trended credit report or supplement AND mortgage stmts are required for any month(s) not reporting to credit <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> • 12-month pay history direct from the lienholder <p>The mortgage history must verify that all payments were made as agreed up to the month prior to loan disbursement.</p> | x | x | x |
| 17 | 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 | | |
| 18 | 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 | |

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|------|--|---|--|-----|----|------|
| 19 | Rental income is being used for the subject property, departing residence and/or additional rental properties owned by the borrower – FHA | 4000.1 allows 100% of effective rental income calculation with no additional reserves | 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% OR • Verify 6 months PITIA reserves (3-4 unit properties will always require 6 months reserves per additional SPM Overlay) OR Verify the borrower has received the previous 2 months rental payments as evidenced by the borrower’s bank stmts. | x | | |
| 20 | Rental income is being used for 2-4 Unit purchase - VA Reserves and Document requirements | No additional reserves required to use rental income. | Reserves: 6 months PITIA reserves are required when using rental income to qualify a 2-unit Owner Occupied Property. *3-4-unit properties require 6 months reserves regardless of if rental income is being used to qualify Document requirements: <ul style="list-style-type: none"> • Appraisal confirms that the subject property is currently rented AND • Evidence that the existing lease will be transferred / assigned to the borrower along with any security deposits and / or pro-rated rents | | x | |

| Item | Topic | Guideline | SPM Overlay *No Exceptions permitted unless noted* | FHA | VA | USDA |
|------|---|---|---|-----|----|------|
| 21 | Rental Income being used for OREO owned (includes departing residence)- Reserve requirement. | Reserve requirements vary based on product | 6 months reserves are required for each property owned by the borrower using rental income to qualify. *Exceptions can be considered* VA/USDA | | x | x |
| 22 | Rental Income being used for OREO - 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.) VA/USDA | | x | x |
| 23 | 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 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 | x |

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| 24 | <p>Reserve requirements</p> <p>*Refer to the Overlays applicable to all program for possible additional reserve requirements.</p> | <p>Reserves are only required in the following circumstances:</p> <p>FHA requires 3 months PITI for 3-4 Unit properties</p> <p>VA requires 3 months when using rental income from other rental properties</p> <p>VA requires 6 months for Multi-Unit properties when the borrower will occupy one of the units and rental income is being used to qualify</p> | <ul style="list-style-type: none"> • 6 months reserves required for 3-4 Unit properties (regardless of rents used) • 2 months reserves required for HUD REO \$100 Down program • 2 months reserves required for Rate / Term Refinance transactions • 6- or 12- months reserves required whenever Self-Employed income is used (refer to Overlay item #23 below) | x | x | x |
| 25 | <p>Self Employed income - Reserves and income qualifying</p> | <p>-100% of income can be used to qualify based off income calculation from the previous year(s) filed returns</p> <p>-No additional reserves required</p> | <ul style="list-style-type: none"> • Calculated self-employed income must be reduced by 25% for net income qualification AND 6 months PITI reserves are documented <u>OR</u> • 100% of calculated self-employed income can be used when 12 months PITI reserves are documented | x | x | x |

| Item | Topic | Guideline | SPM Overlay *No Exceptions permitted unless noted* | FHA | VA | USDA |
|------|--|---|--|-----|----|------|
| 26 | Self Employed income - Tax return & other required documentation | Follow AUS findings | 2 years of tax returns are always required When the most recent filed tax return year is 2019 then 2019 and 2018 tax returns will be required. When the most recent filed tax return year is 2018 then ALL the following documentation will be required: 1. 2017 and 2018 tax returns AND 2. 2019 P&L AND 3. Most recent 4 months Business Bank statements for 2020 | x | x | x |
| 27 | Streamline / IRRRL Max LTV / CLTV and Occupancy | Non-Owner transaction types are eligible. No max LTV/CLTV | <ul style="list-style-type: none"> Owner Occupied only Max LTV / CLTV 100% Min FICO 680 | x | x | x |
| 28 | Streamline / IRRRL Credit report requirements | Mortgage only credit report is permitted | A full tri-merge credit report is required | x | x | x |
| 29 | 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 | |
| 30 | VA Ineligible Properties | Refer to VA handbook | 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 | |
| 31 | 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 |
| 32 | USDA Ineligible Properties | USDA will allow for Leasehold properties | Leaseholds are not acceptable | | | x |

