



FREEDOM MORTGAGE CORPORATION OVERLAY MATRIX

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Topic	Product	Overlay	Source
GENERAL POLICY OVERLAYS – FHA, VA, CONVENTIONAL and USDA			
AUS (Automated Underwriting System)	FHA, VA & Conventional	<ul style="list-style-type: none"> AUS approval recommendation is required for all FHA, VA, (Purchase and Non-Streamline/Non-IRRRL Refinance) and Conventional loans, with the exception of FHA and VA transactions that fully comply with FMC requirements for manual underwriting, as detailed in FHA and VA product guides, the online Seller Guide, and the specific FHA and VA <i>Manual Underwriting</i> topics of this Matrix. 	600.06, 600.06(a), 600.07, 600.07(a), 703, 704, 720.40
Buydown (Temporary)	FHA, VA & Conventional	<ul style="list-style-type: none"> FMC does not offer products with Temporary Buydowns, with the exception of eligible USDA Guaranteed Rural Housing (GRH) loans. 	520.01, Product Guides
Credit History	FHA, VA & Conventional	<ul style="list-style-type: none"> Non-traditional credit history is not acceptable, with the exception of eligible Conventional Conforming, FHLMC Only Conforming, FNMA Conforming HomeStyle, Freedom First and USDA Guaranteed Rural Housing (GRH) transactions. 	600.02(c), 701.04, 720.11.01, Product Guides
Debt-to-Income (DTI)	FHA 203(k)	<ul style="list-style-type: none"> DTI on all 203(k) loans must be 55% or less. 	Product Guides
	Conventional Conforming and High Balance Fixed & ARMs (DU Only)	<ul style="list-style-type: none"> Maximum DTI is the more restrictive of DU or 50%. 	545.14, 730, Product Guides
	Conventional Conforming and High Balance Fixed & ARMs (Loan Product Advisor Only)	<ul style="list-style-type: none"> Maximum DTI is the more restrictive of Loan Product Advisor or 45.000%. 	
	FHLMC Only Conforming and Super Conforming Fixed & ARMs	<ul style="list-style-type: none"> Maximum DTI is the more restrictive of Loan Product Advisor or 50%. 	
Disaster Policy	Conventional & USDA	<ul style="list-style-type: none"> If the disaster was such that the interior of the property could have been damaged, the inspection must be interior and exterior with accompanying interior and exterior photographs of the damage and a cost to cure. If the disaster was such that the interior of the property could not have been damaged (i.e. no flooding), an inspection only is required. Refer to Sections 1200.05 and 1200.06 for complete details and requirements. 	1200.05 1200.06
	VA	<ul style="list-style-type: none"> Payment history of loan and exterior inspection required for all VA transactions. Refer to Section 1200.04 for complete details and requirements. 	1200.04
Dual Agent Transactions	Conventional	<ul style="list-style-type: none"> Transactions with Realtor/Broker acting as listing/selling agent as well the mortgage broker (a/k/a Dual Agent) are not eligible for financing with FMC. 	701.01
Exclusionary List	All	<ul style="list-style-type: none"> If appraiser is on the FMC Exclusionary List, a validation appraisal from an appraiser not on the FMC Exclusionary List must be obtained that: <ul style="list-style-type: none"> supports a value equal to or greater than the initial appraisal, or the loan is not eligible for purchase, and Borrower cannot pay for validation appraisal. 	1100.01

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FICO Minimum (Refer to Rate Sheet for Applicable Adjustment)	FHA	All Borrowers on the following transactions must have a minimum representative FICO of: <ul style="list-style-type: none"> • 580 for Conforming Full Doc and Streamline Refinance transactions • 500 for Freedom First Conforming Full Doc and Streamline Refinance transactions • 580 for Simple Refinances • 640 for High Balance transactions (including Full Doc, Streamline and 203(k) transactions) • 580 for Freedom First High Balance Full Doc and Streamline Refinance transactions • 620 for 203(k) Conforming transactions • 640 for all eligible manually underwritten FHA transactions, excluding FHA 203(k) and Freedom First 	600.02(c), 600.07(a), Product Guides
	VA	<ul style="list-style-type: none"> • 580 for Conforming Full Doc Purchase and IRRRLs • 580 for Conforming Cash-out Refinance transactions > 90% and ≤ 100%, plus funding fee • 500 for Freedom First Conforming Full Doc and IRRRL transactions • 640 for all High Balance transactions • 580 for Freedom First High Balance Full Doc and IRRRL transactions • 640 for all eligible manually underwritten VA transactions, excluding Freedom First 	600.02(c), 600.06(a)
	USDA	<ul style="list-style-type: none"> • 620 Minimum (0 or Single Score 620+ Acceptable). No minimum credit score requirement for Streamlined-Assist refinance loans. 	
Flood Certification for San Francisco Properties	All	<ul style="list-style-type: none"> • Since San Francisco FEMA Maps are not currently available, FMC utilizes information provided by the City of San Francisco to assist in determining whether a property is located in a flood hazard zone. 	546.02
Ineligible Transactions	All	<ul style="list-style-type: none"> • Loans secured by properties located outside of the US, or properties located in a Territory, Province or Commonwealth in which the USA has an interest. • Loans secured by manufactured homes, permanently and non-permanently affixed, with the exception of eligible USDA Guaranteed Rural Housing (GRH) transactions, and the manufactured home complies with the following: <ul style="list-style-type: none"> ○ Manufactured homes must be new and RD approved, as referenced in the 3555 Handbook ○ Not permitted in AK, CT, GA, HI, IL, MN, MO, MS, ND, NE, NY, SD, TN, VT, and WV. • Loans secured by cooperatives. • Loans secured by leasehold properties, with the exception of eligible USDA Guaranteed Rural Housing (GRH) leasehold transactions. • Loans secured by working farms. • Illinois Land Trust. • Life Estate. • Nonprofit Borrowers. • Property Assessed Clean Energy (PACE) (including, but not limited to, HERO). • Single Close Construction. • Unexpired Redemption Rights. • Reverse Mortgage Loans. 	570, 600.02(b), 600.05, 600.10, 600.16, 720.01, 720.16.02, 720.20, 720.33, Product Matrix

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	FHA	<ul style="list-style-type: none"> • Refinance loans for Borrowers in a Negative Equity Position. • Loans subject to FHA Test Case requirements. • FHA loans approved based on non-traditional credit history, excluding eligible Freedom First transactions. • FHA Construction Permanent Mortgage Program. • 203(k) transactions on Historical Properties. • 203(k) transactions with self-help when Borrower is performing any of the work or acting as the General Contractor. 	600.16
	VA	<ul style="list-style-type: none"> • Loans subject to VA Test Case requirements. 	600.16
	Conventional	<ul style="list-style-type: none"> • A Power of Attorney (POA) may not be used on a cash-out refinance transaction. • Any transaction with a Community Seconds Mortgage. • MyCommunityMortgage®/HomeReady™. • Refi Plus™. • DU Refi Plus™. • Any Housing Finance Agency transaction. • HomePath or Homepath® Renovation Program. • Mortgage Credit Certificate (MCC). • Community Land Trust. • Loans secured by properties with resale deed restrictions (except age related restrictions). • Loans with assigned purchase contracts. • Freddie Mac Home Possible® Mortgages. • Freddie Mac Relief Refinance® Mortgage. • Ohio property originated under any reduced document program. • Island of Hawaii property in Lava Zones 1 or 2. 	505.04, 570, 703, 720.01, 720.15, 720.17
	USDA	<ul style="list-style-type: none"> • Properties for purchase loans must be in USDA deemed eligible rural areas. Refinance transactions do not have to be currently located in USDA deemed eligible rural areas. 	Product Matrix
Insurance Deductible Requirements (Hazard, Windstorm and Hurricane)	FHA, VA & Conventional	<ul style="list-style-type: none"> • For FHA, VA & Conventional transactions: <ul style="list-style-type: none"> ○ Maximum deductible is the lesser of \$10,000 or 5% of the face amount of the policy. ○ Where there is a separate deductible or separate policy for windstorm, hurricane, walls-in/HO-6 or other required policy coverage, the maximum deductible is the lesser of \$10,000 or 5% of the face amount of the policy. 	548.01, 548.03
Insurance Deductible Requirements (Flood)	FHA, VA & Conventional	<ul style="list-style-type: none"> • The maximum deductible cannot exceed \$5,000, unless restricted by state requirement. 	548.02, 548.04
Maximum Number of Financed Properties	FHA, VA & Conventional	<ul style="list-style-type: none"> • FMC will not purchase more than four financed properties for one individual. 	600.02(c), 720.03

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Tax Return Transcripts	FHA, VA & Conventional	<ul style="list-style-type: none"> • Tax Return(s) and Tax Return Transcript(s) covering at least the most recent one-year tax period prior to Final Approval are required in the following situations: <ul style="list-style-type: none"> ○ Borrower is self-employed, or ○ Borrower earns income from sources other than W-2 wage earner income. • 2016 Tax Return Transcript(s) or full compliance with tax extension documentation is required for loans closing on or after June 15, 2017. 	545.15
Texas Section 50(a)(6)	All	<ul style="list-style-type: none"> • Ineligible Products <ul style="list-style-type: none"> ○ FHA, VA and USDA. ○ Conventional Conforming and High Balance ARMs (Fannie Mae DU and Freddie Mac LPA). ○ FHLMC Only Conforming and Super Conforming Fixed and ARMs. • Maximum of 10 acres of land, regardless of whether the property is Urban or Rural. • Prior to submitting the loan to FMC for purchase, the Client must forward all required documents to FMC-approved Texas attorney (Black, Mann and Graham) to specifically review for compliance with Texas Section 50(a)(6). • Texas title insurance company providing title insurance must also be the closing agent and conduct the closing in their office. • Borrower must sign and date the 12 Day Disclosure. • Loans closing in a trust are ineligible. 	720.20.4
ADDITIONAL FHA SPECIFIC OVERLAYS			
FHA Freedom First Non-Delegated Transactions	FHA	<ul style="list-style-type: none"> • Down Payment Assistance (DPA) Programs are not permitted with FHA Freedom First Non-Delegated transactions. 	
Manual Underwriting	FHA	<p>FHA manually underwritten loans must comply with the following FMC requirements, in addition to requirements detailed in 4000.1 II.A.5.d:</p> <ul style="list-style-type: none"> • Acceptable AUS recommendation, <ul style="list-style-type: none"> ○ DU or Loan Product Advisor Refer/Eligible recommendation, or ○ DU Approve/Eligible or Loan Product Advisor Accept/Eligible with manual downgrade. • 45% maximum debt-to-income (DTI) for conforming loans. • 43% maximum debt-to-income (DTI) for high balance loans. • 640 minimum representative credit score. • Three (3) open trade-lines used within the past 12 months. • Minimum 12 month housing history (mortgage or rent) without any late payments in the most recent 12 months is required for all mortgage and rent payments <ul style="list-style-type: none"> ○ Six (6) months seasoning requirements continue to apply for FHA Cash-Out Refinance transactions. 	600.07(a)

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		<ul style="list-style-type: none"> • FHA Freedom First manual underwrites are per HUD Handbook 4000.1.II.A.5 <ul style="list-style-type: none"> ○ Homebuyer Education conducted by a HUD Approved Counseling Agency is required for <ul style="list-style-type: none"> ▪ All Freedom First purchase transactions for First Time Homebuyers (FTHB) when, <ul style="list-style-type: none"> • Representative credit score is less than 580, and • Borrower is utilizing a Down Payment Assistance Program (DAP) or gift funds. ▪ When counseling is required, provide the signed certificate for each Borrower. 	
Non-Credit Qualifying Streamline Refinance	FHA	<ul style="list-style-type: none"> • Fully completed 1003 required with the exception of <ul style="list-style-type: none"> ○ Income Section ○ Asset Section (unless assets are required for closing). • Verbal VOE. • A Mortgage-Only tri-merged credit report is permitted on Non-Credit Qualifying Streamline Refinance transactions with the following representative credit scores. <ul style="list-style-type: none"> ○ Minimum 580 for Conforming transactions. ○ Minimum 640 for High Balance transactions. 	600.02(c), 600.03
203(k)	FHA	<ul style="list-style-type: none"> • 640 minimum FICO for High Balance transactions. • DTI on all 203(k) loans must be 55% or less. • The CLTV ratio must not exceed 125% when secondary financing is provided by <ul style="list-style-type: none"> ○ Governmental Entities, Homeownership and Opportunity for People Everywhere (HOPE) Grantees and HUD-Approved Nonprofits, or ○ Family Members. • Contingency reserves: <ul style="list-style-type: none"> ○ Must be increased to 15% when utilities are not on and functioning, and ○ May be used for discretionary purposes if money is available as the project nears on-time completion (Standard 203(k) only). • Unused contingency funds, unless they were received directly from the Borrower, must be used to reduce the outstanding balance of the loan after all work has been completed and the certificate of completion has been obtained. • Maximum of 3 Contractors for Limited 203(k). • FMC Forms Required: <ul style="list-style-type: none"> ○ FMC Allowable Costs ○ FMC Contractor Profile Form (one per contractor) ○ FMC Contractor Acceptance Checklist, including supporting documentation (one per contractor) ○ FMC Rehabilitation Loan Permit Certification ○ FMC Pre-Review Submission Checklist (if applicable) 	Product Guides
High Balance	FHA	<ul style="list-style-type: none"> • Down Payment Assistance (DPA) Programs are not permitted. • 30 year term only. 	600.12

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Mortgage Insurance Certificate (MIC)	FHA	<ul style="list-style-type: none"> Correspondent is responsible for ensuring all loans are insured within 60 days of disbursement. 	565.05(a)
ADDITIONAL VA SPECIFIC OVERLAYS			
Manual Underwriting	VA	<p>VA manually underwritten loans must comply with the following FMC requirements:</p> <ul style="list-style-type: none"> Acceptable AUS recommendation, <ul style="list-style-type: none"> DU or Loan Product Advisor Refer/Eligible recommendation, or DU Approve/Eligible or Loan Product Advisor Accept/Eligible with manual downgrade. 45% maximum debt-to-income (DTI) for conforming loans. 43% maximum debt-to-income (DTI) for high balance loans. 640 minimum representative credit score. Three (3) open trade-lines used within the past 12 months. Minimum 12 month housing history (mortgage or rent) without any late payments in the most recent 12 months is required for all mortgage and rent payments. VA Freedom First manual underwrites are per VA Lender’s Handbook, Ch. 4 <ul style="list-style-type: none"> Homebuyer Education conducted by a HUD Approved Counseling Agency is required for <ul style="list-style-type: none"> All Freedom First purchase transactions for First Time Homebuyers (FTHB) when, <ul style="list-style-type: none"> Representative credit score is less than 580, and Borrower is utilizing a Down Payment Assistance Program (DAP) or gift funds. When counseling is required, provide the signed certificate for each Borrower. 	600.06(a)
Non-Credit Qualifying VA IRRRL	VA	<ul style="list-style-type: none"> Fully completed 1003 required with the exception of <ul style="list-style-type: none"> Income Section. Verbal VOE. A Mortgage-Only tri-merged credit report with credit scores is permitted on Non-Credit Qualifying IRRRL transactions with the following representative credit scores <ul style="list-style-type: none"> Minimum 580 for Conforming transactions, and Minimum 640 for High Balance transactions. 	600.02(c), 600.03
VA IRRRL Mortgage History	VA	<ul style="list-style-type: none"> Regardless of servicer, VA IRRRL loans must be current and have no 30-day or greater mortgage late payments in the most recent 12 months. If the loan is seasoned less than 12 months, evidence: <ul style="list-style-type: none"> The existing loan has no 30-day or greater mortgage lates since the inception of the loan, and No 30-day or greater mortgage lates for any other first mortgage loans associated with the property and Borrower in the most recent 12 months. 	600.03, 600.16
VA IRRRL Seasoning	VA	<ul style="list-style-type: none"> All VA IRRRL transactions must have six months or more consecutive payments made on the existing loan at the time of the streamlined refinance. 	600.03

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VA IRRRL Valuation Requirements	VA	<ul style="list-style-type: none"> • If FICO is ≥ 620, there is no maximum LTV/CLTV, and no AVM is required. • If FICO is < 620, LTV/CLTV is permitted to 115% with one of the following options: <ul style="list-style-type: none"> ○ 2055 exterior-only conventional appraisal with 1004 MC, OR ○ AVM ordered by the Correspondent from a FMC approved AVM vendor (details provided in 600.03). 	600.03
Ineligible Property Types	VA	<ul style="list-style-type: none"> • FMC limits the number of units in a property for a VA Borrower to four, even if the VA loan complies with the VA Lender's Handbook Chapter 7, 1.e. 	
Escrow Account Requirements	VA	<ul style="list-style-type: none"> • Escrow accounts are required for all VA loans. 	
Loan Guaranty Certificate (LGC)	VA	<ul style="list-style-type: none"> • Correspondent is responsible for ensuring all loans are insured within 60 days of disbursement. 	565.05(a)
ADDITIONAL CONVENTIONAL SPECIFIC OVERLAYS			
Contract Underwriting	Conventional	<ul style="list-style-type: none"> • Contract Underwriting for conventional loans (excluding HomeStyle transactions) is acceptable, provided the contract underwriter is employed by a PMI company approved by FMC. 	700.02
Down Payment Assistance	Conventional	<ul style="list-style-type: none"> • FMC does not purchase conventional transactions with down payment assistance programs. • 	720.31
Maximum LTV/TLTV/HCLTV	Conventional	<ul style="list-style-type: none"> • FMC maximum LTV/CLTV/HCLTV is 97%, regardless of second lien type. 	Product Guides
Conventional Conforming High Balance and FHLMC Only Super Conforming	Conventional	<ul style="list-style-type: none"> • 10 and 20 year terms are not permitted. 	Product Guides
First Time Homebuyer Purchase of Investment Property	Conventional	<ul style="list-style-type: none"> • The full PITI on the subject property must be included in the Borrower's qualifying debt-to-income ratio, and • Rental income from the subject property may not be included as qualifying income or as an offset to the PITI, regardless of documentation provided (i.e. 1007, lease agreement, etc.). 	720.32
Non US Citizens	Conventional	<ul style="list-style-type: none"> • ITINs are not permitted. 	720.04
Private Mortgage Insurance	Conventional	<p>Ineligible Programs</p> <ul style="list-style-type: none"> • Agency Minimum Coverage • Split Premium • Financed MI • Lender Paid Monthly Premiums for all transactions 	700.02
Credit Inquiries	Conventional	<ul style="list-style-type: none"> • All inquiries on the Borrower's credit report within the previous 120 day period must be reviewed by the underwriter to determine if any new debt has been incurred since the credit report date. 	
HomeStyle Transactions (FNMA)	Renovation Lending Only	<ul style="list-style-type: none"> • Pre closing underwriting review by FMC. • More restrictive of DU or maximum 50% DTI. • Community Seconds and other flexible sources of down payment are not eligible. • A HUD Consultant must be used on all HomeStyle transactions over \$35,000 or if any structural repairs being done. The Client will select the HUD Consultant from the FHA 203(k) Consultant Roster. • Consultant Fees (Required). 	Product Guides

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		<ul style="list-style-type: none"> • No historical properties. • No Mixed Use. • Self-help is not allowed, and the Borrower may not act as the General Contractor. • Repairs or improvements must be completed within nine (9) months of closing date. • FMC Forms Required: <ul style="list-style-type: none"> ○ FMC Rehabilitation Loan Permit Certification ○ FMC Contractor Acceptance Checklist ○ FMC Pre-Review Submission Checklist ○ FMC Contractor Profile Form ○ FMC Allowable Costed Released at Closing 	
ADDITIONAL USDA OVERLAYS			
Loan Note Guarantee (LNG)	USDA	• Lender must deliver the Loan Note Guarantee (LNG) to Freedom Mortgage within 30 days of purchase.	
Escrow Account Requirements	USDA	• Escrow accounts are required for all USDA loans.	
Minimum Loan Amount	USDA	• Minimum Loan Amount of \$30,000; no maximum loan amount.	Product Matrix