



UHM Overlays for GNMA Delivery

Ability to Repay/Qualified Mortgages (ATR/QM)

QM SAFE HARBOR REQUIREMENTS:

- Government Approve/Eligible loans can exceed 43% provided the loans fits all cost tolerances and ATR guidelines
- Government Manually underwritten loans (Refer/Eligible) are acceptable within a 43% back-end ratio (*UHM overlay), must meet FHA/VA/USDA investor guidelines, must be insurable, must meet ATR guidelines and fit within all cost tolerances

QM REBUTTABLE PRESUMPTION REQUIREMENTS (Exceeding HPML/HPCL):

- Approve/Eligible Only
- No Refer/Eligible or Manually Underwritten Loans
- FHA/USDA Residual Income Test/Reserve Requirements Required:
 - ❖ Qualifying Primary Residence
 - \geq \$2,500.00 Residual Income, AUS to determine required reserves if applicable
 - \geq \$800.00 to \$2,499.00 Residual Income, The greater of three months (3) or AUS required Reserves Required
 - $<$ \$800.00 Residual Income, Not Permitted, Automatic Denial
 - ❖ Qualifying Second Home
 - \geq \$2,500.00 Residual Income, Acceptable
 - $<$ \$2,500 Residual Income, Not Permitted, Automatic Denial
 - ❖ Investment Properties with Cash-Out financing
 - \geq \$2,500.00 Residual Income, Acceptable
 - $<$ \$2,500 Residual Income, Not Permitted, Automatic Denial
 - Note: Investment Properties are traditionally exempt. Investment Properties with Cash-Out are only exempt if the cash-out funds are utilized to purchase another investment property or to rehabilitate the current home. For all other purposes, Cash-Out Refinances of Investment Properties fall within QM requirements.
- VA Residual Income Test As Standard with no additional reserve requirements
- \$50,000.00 (due to ATR/QM Qualifications)

CORRESPONDENT/WHOLESALE MINIMUM LOAN AMOUNT:



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All Loan Types:	<p>All Borrowers with credit scores ≤ 660 combined with 50% payment shock requires a Pre-Funding Review. Borrowers that maintain these characteristics and are renting must provide one of the following in order of preference: 1.) 2 months bank statements showing the rent withdraw, 2.) 2 months cancelled checks or 3.) UHM will complete a verbal certification completed by the Loan Processor validating the amount of the previous rent payment listed on the application.</p> <p>Non-Sufficient Funds (NSF), Rule of Two:</p> <ul style="list-style-type: none"> • A combination of ≥ 2 NSF's (non-sufficient funds) on bank statements combined with a DTI $\geq 43\%$ requires an acceptable letter of explanation (LOX) and an Underwriting second signature • Late payments (excluding medical collections) after a Chapter 7 BK and within 4 years require two compensating factors (to be added to the Risk Committee/Team Leaders 2 out of 3 rule first combination area). Please review GNMA Overlays, FHA section for rule guidance.
FHA: EXCLUSIONS:	<ul style="list-style-type: none"> • No HECM Loans (Reverse Mortgages) • No Construction/Permanent Mortgages • No Assumptions • Manufactured Homes built before June 15, 1976 • Manufactured Homes utilizing 203(k) or 203(h) programs • No Negative Amortization Loans (Short Refinances) • No Co-Ops • No Texas Cash-Out (A-6) • Condominium concentration may not exceed 15% for UHM loans in any one association/development. • Automatic Denial, Credit Risk Layers if all three factors are met: <ul style="list-style-type: none"> ○ Prior Bankruptcy (7) < 4 years of discharge, and ○ Credit Score < 660, and ○ 100% Payment Shock • Automatic Denial, Credit Risk Layers if all three factors are met: <ul style="list-style-type: none"> ○ Debt-to-Income Ratio $\geq 43\%$ ○ Credit Score < 620 ○ Payment Shock $> 50\%$
PROCEDURES:	<ul style="list-style-type: none"> • Tax Transcripts (See Production Bulletin U15-0002-A and TPO Lending Guide 503.4)



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OVERLAY:

- Verbal VOE within 3 days of closing
- Appraisal to be in Average or Better condition
- FHA Streamline and Cash-Out Seasoning Requirements: Six (6) consecutive months of mortgage payments are required on the loan being refinanced beginning with the payment made on the first payment due date, and the first payment due date of the new loan cannot occur earlier than 210 days after the first payment due date of the previous loan. If the Borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of the assumption.
- All files with Extenuating Circumstances require an Underwriting second signature.
- If more than one (1) Housing/Mortgage late payment in the past 12 months, a Risk Committee Review is required.
- Manufactured Housing Acceptable with ≥ 620 credit scores.
- Manufactured Housing Streamline Refinances require a full appraisal.
- FHA Approve/Eligible Manual Underwriting Downgrade:
 - Minimum 620 qualifying FICO score; and
 - Maximum Ratios 37/43; and
 - One of the following:
 - $\leq 50\%$ payment shock
 - Residual income based on the ATR/QM qualifying rule
- No Score Borrowers: Treated on an exception basis to include the following:
 - File must be submitted as a pre-approval file to Risk (subject to Risk approval)
 - Sufficient [compensating factors](#) must be presented
 - If approved, Secondary must be notified that Comerica is required as the Warehouse Lender
 - All standard [FHA requirements](#) (in ratio) apply
- Minimum FICO Score 600 for Purchases and Rate/Term Refinances with satisfactory credit and an Approve/Eligible
- Minimum FICO Score 620 for Purchases, Rate/Term Refinances & Streamlines on Manual Underwrites with satisfactory credit.
- Minimum FICO Score 640 for Cash-Out Refinances with satisfactory credit and an Approve/Eligible
- FHA High Balance: Minimum Fico Score 640 for High Balance Loans with satisfactory credit and an Approve/Eligible 203B only (require an underwriting second signature from the Underwriting Team Leader or



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Senior Underwriting Manager)

- Maximum loan amount <=1 Million
- No Foreclosure, Short-Sales, Deed in Lieu of Foreclosure in the past 7 years on High Balance Mortgages
- No water purification systems if the system is required to make water safe
- Utilities: Utilities must be on at the time of the appraisal inspection

RISK COMMITTEE/TEAM LEADER REVIEW (2 OUT OF 3 RULE)

Required Risk Review or Team Lead Second Signature:

Combination of:

- Prior Bankruptcy (7) <4 years of discharge, and
- Credit Score <660
(Requires 2 Compensating Factors for Second Signature Review, otherwise an automatic Risk Review is required prior to application)

Required Risk Review or Team Lead Second Signature:

Combination of:

- Prior Bankruptcy (7) <4 years of discharge, and
- 100% Payment Shock
(Requires 3 Compensating Factors for Second Signature Review, otherwise an automatic Risk Review is required prior to application)

Required Risk Review or Team Lead Second Signature:

Combination of:

- Refer Eligible Findings (Manual Underwrite), and
- Credit Score <660
(Requires 3 Compensating Factors for Second Signature Review, otherwise an automatic Risk Review is required prior to application)

In this section, the combination of these characteristics requires a Risk Committee review prior to live application unless the Borrower maintains 2 or 3 of the compensating factors as described above and below. In the event the Borrower maintains compensating factors as required, a Team Leader second signature is required and the file may avoid a Risk Committee Review.

Acceptable Qualifying Compensating Factors:

- The Borrower has successfully paid housing expense => proposed 12-24 months
- The Borrower makes a down payment =>10% from their own funds
- A conservative attitude toward use of credit



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- Previous credit history shows the Borrower has the ability to devote a greater portion of income to housing expense
- The Borrower receives documented compensation that directly affects ability to pay mortgage (ex. Clergy income, car allowance, section 8)
- There is only a minimal (20% or less) increase in the Borrower's housing expense
- The Borrower has documented liquid reserves (at least 6 months PITI after closing)
- The Borrower has substantial (25%+) nontaxable income currently not being considered in qualifying ratios
- The Borrowers (VA calculated) residual income to be greater than or equal to 120%

AUTOMATIC PRE-APPLICATION RISK COMMITTEE REQUIREMENTS (PRIOR TO LIVE APPLICATION SUBMISSIONS)

Required Risk Review:	Combination of: <ul style="list-style-type: none"> • Credit Scores 620-640 with a Debt-To-Income Ratio $\geq 50\%$
Required Risk Review:	Combination of: <ul style="list-style-type: none"> • Credit Score ≤ 619, and • Debt-To-Income Ratio $\geq 43\%$
Required Risk Review:	Combination of: <ul style="list-style-type: none"> • Credit Score ≤ 619, and • Payment Shock $\geq 50\%$

An AUS Approval does not guarantee loan approval. Decisions are based on the overall evaluation of the credit and collateral packages.

AUS REMINDER (All Channels):

VA:

EXCLUSIONS:

- No Texas Cash-Out (A-6)
- No Construction Loans (end-loans permitted)
- No Non-Traditional Credit
- No Co-Op Properties

PROCEDURES:

- All files with Extenuating Circumstances require an Underwriting



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OVERLAY:

- second signature.
- All Refer/Eligible Manually Underwritten loans require Compensating Factors
- No properties in Fair condition
- VA Streamline Refinances (IRRRL) require the past mortgage to be paid current the month due
- Verbal VOE required within 3 days of closing
- VA Streamline and Cash-Out Seasoning Requirements: Six (6) consecutive months of mortgage payments are required on the loan being refinanced beginning with the payment made on the first payment due date, and the first payment due date of the new loan cannot occur earlier than 210 days after the first payment due date of the previous loan.
- **If more than one (1) Housing/Mortgage late payment in the past 12 months, a Risk Committee Review is required.**
- Manufactured Housing Acceptable with ≥ 620 credit scores
- Manufactured Homes built before June 15, 1976 are not permitted.
- No water purification systems if the system is required to make water safe
- Manual Underwriting Residual Income: Residual Income Factor must be = 120% for a Refer/Eligible Manually underwritten loan
- Minimum FICO Score with Approve/Eligible ≥ 600
- Minimum FICO Score with Refer/Eligible ≥ 610
- VA ATR/QM Guidelines [Link](#)
- An appraisal is not required with a VA IRRRL
- UHM requires a full tri-merge credit report for all VA IRRRL loans
- VA IRRRL Cost Recoupment Requirements (one of two qualifying options):
 - Validate Closing Costs can be recouped ≤ 36 months as a standard Qualified Mortgage
 - If Closing Costs cannot be recouped within 36 months as a Rebuttable Presumption Option:
 - Borrower maintains a 6 month timely payment history, **OR**
 - If the payment history is < 6 months, loan must be completed as a full credit qualifying streamline with VA residual requirements verified.
- Cash-Out Refinances permitted to 90% LTV with credit scores ≥ 640 and an Approve/Eligible



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	<ul style="list-style-type: none"> ▪ Cash-Out Refinances permitted to 100% LTV with credit scores ≥ 660 and an Approve/Eligible ▪ VA High Balance: Minimum Fico Score 660 for High Balance Loans with satisfactory credit and an Approve/Eligible (require an underwriting second signature from the Underwriting Team Leader or Senior Underwriting Manager) ▪ Maximum loan amount ≤ 1 Million ▪ No Foreclosure, Short-Sales, Deed in Lieu of Foreclosure in the past 7 years on High Balance Mortgages ▪ Regardless of loan amount, the VA guaranty plus cash/equity must be equal to at least 25% of the purchase price or Notification of Value (NOV), whichever is less, on purchases and non-IRRRL refinances. ▪ Valuation, IRRRL: An AVM is required and the value must maintain a $\leq 10\%$ variance to the loan amount and an FSD (Forecast Standard Deviation) threshold ≤ 25. In the event the valuation is $> 10\%$ and FSD threshold is > 25, a full appraisal is required. ▪ Utilities: Utilities are not required to be activated at the time of the inspection but UHM requires the Borrowers to sign a Hold Harmless agreement in acknowledgement of this scenario.
<p>USDA:</p> <p>PROCEDURES:</p> <p>EXCLUSIONS:</p> <p>OVERLAY:</p>	<ul style="list-style-type: none"> ▪ All loans are required to be run through GUS; Refer/Eligible loans require a Manual Underwrite subject to Rural Development credit and ratio waiver guidelines, all remaining guidelines per USDA ▪ No Texas Cash-Out (A-6) ▪ All files with Extenuating Circumstances require an Underwriting second signature. ▪ Manufactured Homes: Follow USDA Guidelines ▪ No water purification systems if the system is required to make water safe ▪ Minimum FICO score 620 ▪ No Co-Ops ▪ Credit Score Limited Scope Exception: UHM may permit a no credit score Borrower with strong compensating factors to include a Risk Committee review with each submission ▪ Utilities: Utilities must be on at the time of the appraisal inspection
<p>ADDITIONAL CRITERIA:</p>	<ul style="list-style-type: none"> ▪ Minimum 3-4 trade-lines for all government loans (including housing) where possible with Refer/Eligible Manually underwritten loans ▪ Collection Accounts and Judgments applicable to manually underwritten FHA



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loans must contain documented reasons for approving the mortgage per Mortgagee Letter 2013-24 effective with case numbers assigned 10-15-13 and after

- Not every scenario can be addressed, additional documentation may be required. Please contact your Underwriter, Underwriter Team Leader or Senior Underwriting Team with unique situations