



On Q Financial Conventional and Government Overlays for Non-Delegated Correspondent and Wholesale

To mitigate the risk on the loans we purchase, On Q Financial has overlays to Agency and Government guidelines (i.e., Fannie Mae, Freddie Mac, FHA, USDA, VA).

Topic	Overlay Description	Fannie Mae	Freddie Mac	FHA	VA	USDA
4506-C and Tax Transcripts	4506-C is required for each borrower on the loan, with the exception of non-credit qualifying FHA Streamline and VA IRRRL transactions. On Q Tax Transcript policy must be followed for all tax transcripts.	X	X	X	X	X
Appraisals	Appraisal waivers are not allowed on all refinance transactions in the state of TX	X	X			
	ACE + PDR not eligible		X			
	A copy of the appraiser’s license/certification must be in the Closed Loan Package.	X	X	X	X	X
Assets	Ineligible: Sweat equity Payment abatements Pooled Savings	X	X	X	X	X
	Asset Dissipation not eligible	X				
	Cash on Hand not eligible					X
	FHA Streamline: When funds must be sourced, then deposits that are greater than 2 times the new PITIA + MIP, plus any secondary financing, must be sourced if needed for funds to close			X		
Borrower Eligibility	Borrowers that are enrolled in the Address Confidentiality Program (ACP)	X	X	X	X	X
	On Q Employees are ineligible	X	X	X	X	X
	Ineligible: <ul style="list-style-type: none"> Life Estates Blind Trusts Guardianships Conservatorships LLC’s, Corporation, or Partnerships Foreign Nationals Community Land Trusts Non-Profits / Charity Organizations State and Local Government Agencies If the borrower has purchased or refinanced their primary residence within the last 12 months, will be retaining the property, and the subject is a new primary residence the file must contain an occupancy waiver from the Servicer on the previous primary residence, as required by section 6 of their Security Instrument. 	X	X	X	X	X
	Properties in an LLC in the most recent 120-period, as measured backward from the date of the initial application, are not eligible for refinancing into the borrower’s name.	X	X	X	X	X

	Trusts - <ul style="list-style-type: none"> If the property is currently in the name of the borrower Trust the loan may close in the trust as long as the trust meets all On Q and Agency requirements. To close in the borrower's name, the property title must be in the borrower's name prior to final approval. Attorney Opinion Letter Required for those states that a completed Certification of Revocable Trust is not allowed.	X	X	X	X	X
	Occupant borrower and non-occupant co-borrower must share a relationship that meets the requirements for an eligible gift donor under FHA guidelines.			X		
	Joint loans are not allowed				X	
	All Borrowers are required to have a valid Social Security Number	X	X	X	X	X
Cash Out Refinances	Maximum LTV/CLTV in 90% including funding fee.				X	
Condominiums	New construction and Newly Converted (within 3 years) non-gut Condo projects containing more than four residential units are not allowed.	X	X			
	Requires HO-6 policies to have minimum coverage in the amount of 10% of the appraised value, as determined by the insurer.	X	X			
	FHA Reciprocal Review ineligible	X	X			X
	FHA Single Unit Approval and DELRAP approval are ineligible			X		
	Must have FNMA Full Review, FNMA CPM, or FHA HRAP approval with FHA completed HOA Questionnaire (Form 9991).					X
Construction to Permanent	Single close construction loans not eligible.	X	X	X	X	X
	No more than 2 years of taxes may be on tax repayment plan.	X	X			
Credit History	Non-traditional credit not allowed. Borrower must have a qualifying credit score. Borrower may have a qualifying credit score with non-traditional credit if the AUS or agency requires additional tradelines to support the credit history.		X	X	X	X
	Non-traditional credit is allowed with a DU approve/Eligible recommendation.	X				
	Deed-in-lieu or short sale require a two-year period from transfer of title to new application. All judgements are required to be paid off.				X	
	Mortgage Sanctions and defaulted CAIVRS are not permitted.			X	X	X
	On Q does not permit a transaction with an identity of interest when the current loan is in foreclosure.	X	X	X	X	X
Curtailment of Principal and Recast of Payments	On Q will not purchase loans that have had <ul style="list-style-type: none"> a principal curtailment, other than to clear post-closing compliance items, and/or recast of payments. 	X	X	X	X	X
Disaster Inspections	Disaster inspections may not be completed by the Lender. Acceptable inspection providers include, but are not limited to, the original appraiser or a post-disaster inspection company. Please refer to On Q's Disaster Policy for acceptable inspections.	X	X	X	X	X
Down Payment Assistance	The 1 st mortgage is not subject to terms of a bond program.	X	X	X	X	X
	Down Payment Assistance	X	X	X	X	X
	Shared appreciation programs are not eligible	X	X	X	X	X
	Borrowers qualifying with income commencing after the note date must meet option 1 requirements		X			

Employment and Income	Borrowers qualifying with income commencing after the note date must meet option 2 requirements	X				
	Borrowers who were out of the work force due to unemployment for a period of 6 months or longer must be on the current job 6 months or longer to utilize their income for qualifying.	X	X			
	The percentage non-taxable income can be grossed up in an amount equal to the tax rate, if borrower is required to file tax returns. If the borrower is not required to file a Federal income tax return, the tax rate of 25 percent should be used.		X			
	Marijuana income is unacceptable income regardless of state law.	X	X	X	X	X
	VA IRRL: Provide a V-VOE or third party verification for income source. Not required: <ul style="list-style-type: none"> for retired borrowers aged 60 or older. If fico is 680 or greater. 			X	X	
Escrow Holdback	The maximum dollar amount to be the lesser of \$30,000 or the cost to complete the incomplete items does not exceed 10% of the 'as completed' value of the Mortgaged.	X	X	X	X	X
Fannie Mae HomeReady	DU "Approve/Eligible" required. <ul style="list-style-type: none"> 30-year fixed rate and SOFR ARMs only. The following are not permitted: <ul style="list-style-type: none"> Combination with HomeStyle Renovation loans Sweat equity LTV's greater than 95%: <ul style="list-style-type: none"> -Minimum credit score of 680. -Subordinate financing must be a community second program, -Shared appreciation is not allowed, - 3-4 units are not allowed 	X				
Features Ineligible	Energy Efficient Mortgages HomeStyle Energy Native Conventional Lending Initiative Property Assessed Clean Energy Loans (PACE) New York Consolidation, Extension, & Modification Agreement (CEMA)	X	X			
	Energy Efficient Mortgages Graduated Payment Mortgages Reverse Mortgages (HECM) HUD 184 203K not fully funded or complete FHA Section 8 loans FHA Section 248 Mortgages on Indian Land FHA Section 247 and HUD 184A Hawaiian Homelands FHA loans subject to FHA Test Case requirements FHA Refinance loans for borrowers in negative equity position FHA Military Impact Area Loans Good Neighbor Next Door HOPE for Homeowner's Program Unexpired Redemption Rights Transactions utilizing a Consolidation, Extension, and Modification Agreement ("CEMA") Section 203(h) Refinance Texas Home Equity (50 (a)(6)) Refinance of an existing 235 mortgage Interest free mortgage to establish a new escrow account. New York Consolidation, Extension, & Modification Agreement (CEMA)			X		
	Energy Efficient Mortgages Graduated Payment Mortgages Renovation products Loans with less than 25% guarantee				X	

	New York Consolidation, Extension, & Modification Agreement (CEMA)					
Fico Score	Minimum 580 <ul style="list-style-type: none"> All USDA transactions FHA and VA cash out refinance transactions FHA streamline refinances >90% LTV FHA loans greater than 90% LTV 			X	X	X
	Minimum 530 <ul style="list-style-type: none"> FHA purchase transaction <= 90% LTV FHA streamline refinances <= 90% LTV FHA no cash-out and simple refinance VA Purchase VA IRRRL 			X	X	
	Minimum 640 <ul style="list-style-type: none"> DTI > 45% and FTHB 			X	X	X
Freddie Mac HomePossible	LPA "Accept" required <ul style="list-style-type: none"> 30-year fixed rate and SOFR ARMs. LTV's greater than 95%: <ul style="list-style-type: none"> -Minimum credit score of 680. -Subordinate financing must be a community second program, -Shared appreciation is not allowed, - 3-4 units are not allowed 		X			
GNMA Seasoning	GNMA seasoning requirements must be met for refinance transactions: <ul style="list-style-type: none"> The new loan note date cannot be prior to the greater of 210 days from note date to note date and 6 consecutive payments. If the loan being paid off was previously modified all seasoning requirements must be based on the modification document and pay history.			X	X	X
Loan Amounts	-Maximum VA loan amount of \$1,500,000 including the funding fee. -Base loan amounts exceeding \$1,000,000 require minimum credit score of 700. - Jumbo - 640 minimum qualifying credit score for all qualifying Borrowers.				X	
	Minimum loan amount \$25,000.	X	X	X	X	X
LTV / CLTV	VA cash out refinance maximum LTV/CLTV is 90%				X	
Mortgage Insurance	<ul style="list-style-type: none"> Financed MI not eligible Lender-paid monthly or annual options are not eligible Borrower paid annual not eligible Reduced MI is only eligible with standard FNMA non-HomeReady purchase transactions greater than 95% LTV Loan originated with custom or lower cost MI options are not eligible. 	X	X			
Property Eligibility	Ineligible: <ul style="list-style-type: none"> Cooperatives Condo-hotels Timeshares Land Trusts, including Illinois and Community Land Trusts Leaseholds Second homes must be habitable and accessible year-round Non-Warrantable condominiums Mixed Use Properties Manufactured Housing that has been moved and/or traded Properties with environmental hazards Unique housing types Properties with commercial influence 	X	X	X	X	X

	<ul style="list-style-type: none"> - Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law. - Property with resale or deed restrictions that are not in a 55+ community. The deed restriction for 55+ communities must contain the fully executed Fair Housing Act form and CC&R's. - Working farms, ranches, orchards 					
	Cash-Out Transaction - the listing must have been expired or been withdrawn 180 days prior to the application date.	X	X	X	X	X
Ratios	Maximum DTI is 50%.	X	X			
	Maximum DTI is 50%, regardless of AUS findings <ul style="list-style-type: none"> • FHA purchase with less than 580 fico score • FHA no cash-out refinance and simple refinance with less than 580 fico score • FHA credit qualifying streamline refinance with less than 580 fico score 			X		
	AUS approval required if ratios are greater than 50%.			X	X	X
State Restrictions	Ineligible: <ul style="list-style-type: none"> - Georgia - Guam - Puerto Rico - Virgin Islands - New York - Hawaii - FHA Streamlines are not allowed in West Virginia 	X	X	X	X	X
Underwriting Method	FNMA Desktop Underwriter or FHLMC Loan Prospect Advisor approvals are required.	X	X			