



OVERLAYS and GUIDELINES– ALL GOVERNMENT PRODUCTS

Agricultural Exemptions	<ul style="list-style-type: none">• Texas purchase and rate term refinances on properties with agricultural exemption – A one acre parcel, that includes the home to be financed, must have the agricultural exemption removed. The following documentation is acceptable proof:<ul style="list-style-type: none">◦ T-30 Endorsement to the Title Policy, OR◦ A tax search(es) clearly identifying that removal has occurred, AND a letter from the title company or taxing authority that separated parcel is not subject to roll back taxes.◦ If neither of the above can be obtained, please contact Cornerstone for further assistance.
Amortization	<ul style="list-style-type: none">• Cornerstone will not allow “odd” amortizations. All locks must be 30, 25, 30, 15 or 10 year terms.
ATR/QM	<ul style="list-style-type: none">• All conforming loans delivered to Cornerstone must be QM, Temporary Agency QM, HPML QM or Temporary Agency HPML QM. Cornerstone will not accept non QM conforming loans (see Jumbo guidelines for specific ATR/QM guidelines on that product)• Cornerstone will not accept loans under the Non-Standard to Standard exemption.• No cures allowed.
Collateral	<ul style="list-style-type: none">• Underwriter increase in value – not allowed
Clear to Close (New Mexico loans ONLY)	<ul style="list-style-type: none">• Must have documentation in the file showing that the borrower(s) were notified that they were clear to close. Use Clear to Close document in the Mandatory link in the Forms section of the correspondent web-site: www.chlcorrespondent.com OR similar form.
Credit History	<ul style="list-style-type: none">• Minimum FICO 640 No manual underwrites allowed• FHA Cash Out- Minimum FICO > 640• VA Minimum FICO 640• Single credit score allowed: Must be run through DU. LP not allowed. Must receive an Approve/Eligible.• If one borrower does not have credit score, must contact Secondary. Allowed on a case by case basis only.
Disaster Declaration	<ul style="list-style-type: none">• Cornerstone will require a completed Certification of Property Condition Prior to Closing for loans in affected counties from beginning of incident date through 120 days from end of incident date.
Down Payment Assistance	<ul style="list-style-type: none">• Not allowed.
E-Sign	<ul style="list-style-type: none">• Allowed on all initial disclosures• Allowed on Purchase Contract

	<ul style="list-style-type: none"> Not allowed on final disclosures. Except for final Closing Disclosure provided to borrower(s) 3 days prior to closing.
Escrow Holdback	<ul style="list-style-type: none"> Weather related – will purchase prior to release, but will withhold SRP until release documentation is received Minor non weather related – must be released prior to purchase See section 602.02h of the Loan Manual for complete details.
Future Employment	<ul style="list-style-type: none"> NOT allowed.
4506T	<ul style="list-style-type: none"> Must be wet signed at closing Must send 4506T signed at closing with purchase review package, unless transcripts are provided. Cornerstone will not accept 4506T signed with initial disclosures.
Interest Calculation	<ul style="list-style-type: none"> Is based off of a 365 day calendar year for all products.
Hazard Insurance	<ul style="list-style-type: none"> Will allow up to 5% deductible provided it does not cause a hardship to the borrower(s). Dwelling coverage must equal at least the lessor of the loan amount or the replacement cost per appraisal. Guaranteed replacement cost is acceptable.
HPML	<p>Cornerstone will purchase HPML loans meeting the following requirements:</p> <ol style="list-style-type: none"> 1) Ability to Repay 2) Verify Obligations 3) Escrows for 5 years 4) No pre-pay after 2 years 5) No Balloon with payment due sooner than 7 years <p>Lender must provide a written signed statement that all requirements outlined above have been met.</p>
Loan Amount	<ul style="list-style-type: none"> Minimum loan amount \$50,000 Whole loan amounts only (no cents)
Maximum Number of Financed Properties & Borrower Exposure	<ul style="list-style-type: none"> Maximum number of properties owned, per borrower – Owner occupied: no restrictions; second home and NOO, maximum of 6 financed. Maximum loans sold to Cornerstone, per borrower – 4 properties.
Name Affidavit	<ul style="list-style-type: none"> Will accept a discrepancy between borrower signature and what is typed on the closing documents IF name affidavit reflects variation AND signature is same throughout the file. Will not accept if borrower signs different name variations throughout the file.
Non-Standard to Standard Refinance	<ul style="list-style-type: none"> Must meet ATR/QM requirements. Exemptions not eligible for delivery to Cornerstone.
One-Time/Single Close Loans	<ul style="list-style-type: none"> Not allowed.
Power of Attorney	<ul style="list-style-type: none"> Must be specific to the loan transaction. Dated no more than 90 days prior to funding date. Cannot be dated after Note date. Note and DOT must be signed exactly as typed.

	No Texas Equity loans closed under a Power of Attorney				
Principal Reductions/Curtailments at closing.	<ul style="list-style-type: none"> Principal Curtailment is allowed at the time of closing up to \$500 and must clearly be reflected on the closing disclosure. All loans must continue to comply with all current product eligibility guidelines, program requirements, and state specific regulations regarding cash-back to the borrower. 				
Property Flipping	<ul style="list-style-type: none"> Ineligible of < 90 days; regardless of published waivers. 				
Property Taxes	<ul style="list-style-type: none"> A fully completed <i>Tax Information Sheet</i> must be in each file. Correspondents may use their own form, but it must contain the same information. If there is more than one parcel, provide the same information for each parcel. There must be a corresponding tax search in each file. Taxes that are due within thirty (30) days of closing must be paid by the settlement agent with evidence of payment forwarded to Cornerstone. If the taxing authority has a "discount" date on which the taxes may be paid, this date must be used to calculate escrows. Cornerstone will pay taxes based on discount date. 				
Social Security Validation	<ul style="list-style-type: none"> A validation of each borrower's social security number with the Social Security Administration if the SSN is flagged on the AUS or Credit report.. 				
Tax Transcripts	<ul style="list-style-type: none"> Follow AUS findings for tax and/or W-2 transcripts required. <p>WHEN MOST RECENT TAX YEAR TRANSCRIPT IS NOT AVAILABLE*:</p> <table border="1"> <thead> <tr> <th>Tax Return Income Used for Qualifying</th> <th>Tax Return Income NOT Used for Qualifying</th> </tr> </thead> <tbody> <tr> <td> May obtain a "stamped as received" copy from IRS, or if filed electronically, may obtain electronic receipt from IRS, prior to closing. ONLY allowed if income is consistent* with previous year's income. Consistent is defined as: Government: Annual Income = ≤ 10% Conventional: Annual Income <ul style="list-style-type: none"> ≤ 100,000: <10% > 100,000 but ≤ 200,000: <9% > 200,000 but ≤ 300,000: <8% > 300,000 but ≤ 400,000: <7% > 400,000 but ≤ 500,000: <6% > 500,000 but ≤ 600,000: <5% > 600,000 but ≤ 700,000: <4% > 700,000 but ≤ 800,000: <3% > 800,000 but ≤ 900,000: <2% > 900,000: <1% </td> <td>W-2 transcript(s) allowed.</td> </tr> </tbody> </table> <p>File must always include "No Record Found" printout.</p> <p>Must always have proof that federal taxes owed have been paid.</p> <p>* When Application for Extension (IRS Form 4868) is not filed, loans underwritten on or after 6/15/19, must have a 2018 transcript, AND all loans must have a copy of the most recent year's tax transcript for loans closing on or after 10/15/19.</p> <p>WHEN IRS REJECTS AN IRS FORM 4506-T FOR IDENTITY THEFT OR OTHER REASONS:</p>	Tax Return Income Used for Qualifying	Tax Return Income NOT Used for Qualifying	May obtain a "stamped as received" copy from IRS, or if filed electronically, may obtain electronic receipt from IRS, prior to closing. ONLY allowed if income is consistent* with previous year's income. Consistent is defined as: Government: Annual Income = ≤ 10% Conventional: Annual Income <ul style="list-style-type: none"> ≤ 100,000: <10% > 100,000 but ≤ 200,000: <9% > 200,000 but ≤ 300,000: <8% > 300,000 but ≤ 400,000: <7% > 400,000 but ≤ 500,000: <6% > 500,000 but ≤ 600,000: <5% > 600,000 but ≤ 700,000: <4% > 700,000 but ≤ 800,000: <3% > 800,000 but ≤ 900,000: <2% > 900,000: <1% 	W-2 transcript(s) allowed.
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	When the Reason for the IRS Rejection is...	Then Provide
	<ul style="list-style-type: none"> • Unable to Process, or • Limitation 	<ul style="list-style-type: none"> • Evidence the IRS rejected the IRS Form 4506-T request, • A borrower-obtained <i>Record of Account Transcript</i>, in pdf format, for all applicable years missing from the www.irs.gov website, and • A signed IRS Form 4506-T for the year(s) impacted by the IRS rejection. <p>Notes:</p> <ul style="list-style-type: none"> • The <i>Record of Account Transcript</i> combines information from the tax account and the tax transcripts. • This transcript must validate that the documents provided by the borrower are accurate and may not be used in lieu of the tax returns provided by the borrower • You may need to access the IRS website, “Get Transcripts” several times, as the location may be temporarily unavailable.
	Identity Theft	<ul style="list-style-type: none"> • Proof identification theft was reported to and received by the IRS (IRS Form 14039) or • A copy of the notification from the IRS alerting taxpayer to possible identification theft, and • Validation of the reported income on the tax returns by providing the following documentation: <ul style="list-style-type: none"> ○ Borrower obtained <i>Record of Account Transcript</i>, in pdf format, for all applicable years missing from www.irs.gov, or all of the following: <ul style="list-style-type: none"> ▪ W-2 of 1099 transcripts which match the W-2 or 1099 income reflected on the transcripts, ▪ Validation of prior tax year(s) income (income for the current year must be comparable to prior year(s), ▪ 1099 Mortgage interest should match reported interest on Schedule A of Schedule E (if applicable), ▪ 1099G Unemployment should match reported unemployment (if applicable), ▪ 1099 Dividend and Interest should match reported dividend and interest income (if applicable)

Verification of Employment/ Income	<ul style="list-style-type: none"> • A verbal VOE for each borrower, whose income is being considered in qualifying for the mortgage loan, dated within 10 days prior to closing.
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FHA	
FHA MANUAL UNDERWRITE	
Credit History	<ul style="list-style-type: none"> • No NSF's on bank statements. • No derogatory credit of any kind in the last 12 months from date of application
Maximum LTV	<ul style="list-style-type: none"> • 96.5% excluding UFMIP.
Underwriting	<ul style="list-style-type: none"> • Follow all other FHA guidelines pertaining to manual underwriting very carefully. Pay particular attention to Non-Traditional Credit, Self Employed Borrower and Maximum DTI guidelines
Verification of Rental	<ul style="list-style-type: none"> • Verification of Rental, with borrower explanation for budget, if payment increasing more than 50%.
FHA REFINANCE – SEE FHA REFINANCE MATRIX LINK IN OVERLAYS SECTION OF THE CORRESPONDENT WEB-SITE: www.chlcorrespondent.com	

USDA	
High Cost Mortgage Loan	<ul style="list-style-type: none"> • Not allowed
Minimum Score	<ul style="list-style-type: none"> • Minimum credit score is 640 and requires GUS approval
Manufactured Housing	<ul style="list-style-type: none"> • Not allowed
Manual Underwrite	<ul style="list-style-type: none"> • Not allowed, to include downgrades to manual
Non Traditional Credit	<ul style="list-style-type: none"> • Not allowed, However, borrowers who meet the min credit score of 640 may use non-traditional trade lines to meet the requirements as outlined in USDA handbook, Chapter 10.6, to augment thin credit.
Public Assistance	<ul style="list-style-type: none"> • Not allowed
Rural Energy Plus	<ul style="list-style-type: none"> • Not Allowed
Buydown Rate	<ul style="list-style-type: none"> • No Buydowns allowed

VA**DTI****HIGH BALANCE LOAN**

- The more restrictive of either the AUS findings or 55%
- Will need to be locked as a VA Jumbo
- Loan must meet VA published guidelines
- APPRAISAL MUST BE SUBMITTED TO CORNERSTONE FOR APPROVAL PRIOR TO CLOSING. No exceptions!
- A loan is considered high balance if it exceeds:

For properties located in:	With the following number of units:	The maximum TOTAL mortgage amount exceeds:
48 Continental States*	1-unit	\$510,400
	2-unit	\$653,550
	3-unit	\$789,950
	4-unit	\$981,700
Alaska*	1-unit	\$765,600
	2-unit	\$980,325
	3-unit	\$1,184,925
	4-unit	\$1,472,550

*Cornerstone does not purchase in: Georgia, Hawaii, Illinois, Maine, Montana, Nevada, New York, Ohio, Vermont

- If the total loan amount (including VAFF) exceeds the applicable amount above, the following criteria must be met:
 - Permitted with 30 and 15 year fixed rate only
 - Secondary financing is not allowed except for Interest Rate Reduction Loan (IRRRL) with existing secondary financing that will be re-subordinated to the new first mortgage. There is no CLTV limit under this scenario.
 - Temporary interest rate buydown not allowed
 - Non-traditional credit not allowed
 - No foreclosure or bankruptcy in last 7 years
 - No housing payment 30 days or more past due in the last 12 months
 - FICO Score requirements as follows:

Transaction	Total Loan Amount ¹	Minimum Loan Score
Purchase and Rate/Term Refinance, including IRRRL	>\$510,400 to <=\$700,000	640
	>\$700,000 to <=\$1,000,000	640
	>\$1,000,000 to <=\$1,200,000	700
Cash-Out Refinance	>\$484,350 to <=\$700,000	640
	>\$700,000 to <=\$1,000,000	660
	>\$1,000,000 to <=\$1,200,000	700

¹Start point of when to require the Minimum Loan Score depends upon property location and number of units as per high balance table above.

- VA Loan > \$510,400 will be subject to a condition that the VA Loan Guarantee Certificate (LGC) be included in the closed loan file when delivered for purchase.
- VA Loan >\$700,000 and <=\$1,200,000 with debt-to-income ratio greater than 41% must receive an exception from Cornerstone. Exception must be requested prior to submitting loan for purchase.
- For loan amounts >\$1,000,000, including IRRRL's, be sure to request a certified appraiser when requesting the appraiser assignment from VA
- Regardless of the loan amount, the VA guaranty plus cash/equity must be equal to at least 25% of the purchase price of Notification of Value (NOV), whichever is less, on purchases and non-IRRRL refinances.
- THERE MAY BE DOWN PAYMENT REQUIREMENTS DEPENDING ON STATE. See VA requirements for additional details.

LTV/CLTV	<ul style="list-style-type: none"> • VA Purchase – 100% maximum; excluding funding fee • VA Construction to Perm Rate/Term Refinance – 100% maximum including funding fee, MUST contact secondary for pricing. • VA Rate/Term Refinance – 90% maximum; including funding fee • VA Cash Out Refinance – 90% maximum; including funding fee
VA IRRRL	<ul style="list-style-type: none"> • Must have either an AVM or a 2055 appraisal. • 100% LTV/CLTV maximum; including Funding Fee. • New subordinate financing is not permitted. • Documentation to show interest rate, loan amount, fixed or ARM on ORIGINAL VA loan (i.e. copy of Note). • Rebuttable Presumption not allowed. • Conforming loans only. VA Jumbo not allowed.