



CONFORMING CONVENTIONAL OVERLAYS and GUIDELINES – ALL 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. • NOT ALLOWED ON TX CASH OUT TRANSACTIONS. 	
Amortization	<ul style="list-style-type: none"> • Cornerstone will not allow “odd” amortizations. All locks must be 30, 25, 20, 15 or 10 year terms. 	
ARM Loans	<ul style="list-style-type: none"> • Must run loan through DU (LP not allowed on ARM loans) • Form numbers: <ul style="list-style-type: none"> ○ 5/1 ARM – 2725 /2/2/5) ○ 5/1 ARM – 2737 (5/2/5) ○ 7/1 ARM – 2727 ○ 10/1 ARM - 2729 	
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 (no DTI limit, but AUS must show Approve/Eligible or Accept). 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. 	
AUS Credit Report	<ul style="list-style-type: none"> • AUS Credit reports (report that runs with DU/LP) required on every transaction. 	
Cash-Out Refinance	<p>If</p> <p>Non delinquent prepaid real estate taxes (60 days or less) are included in loan amount.</p>	<p>Then</p> <p>Escrows may be waived on loans with 80% LTV; or less.</p>
	<p>Delinquent real estate taxes (more than 60 days past due) are included in the loan amount.</p>	<p>Must have an escrow account; regardless of LTV.</p>
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 620. • Single credit score allowed: Must be run through DU (LP not allowed for single score). Must receive an Approve/Eligible. • If one borrower does not have credit score, must contact Secondary. Allowed on a case by case basis only. 	
CU – UCDP	<ul style="list-style-type: none"> • Risk Scores over 4 will require a statement from the underwriter regarding how specific risk messages were addressed. IMPORTANT: If, based on the normal review of the appraisal, the underwriter does not feel that the warnings are justified, it is acceptable for the statement to reflect such (Example: based on my review, the value is fully supported, etc...). 	
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. • Refer to R Jumbo Product guidelines for Jumbo loans. 	
Down Payment Assistance Programs/Soft Seconds	<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 • Not allowed on final disclosures. Except for final Closing Disclosure provided to borrower(s) 3 days prior to closing. 	

	<ul style="list-style-type: none"> See Jumbo guidelines for what is allowed on Jumbo loans. 								
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 Policy Manual for complete details. Jumbo – refer to individual guidelines published in the Product Guidelines and Overlays section of the web-site: www.chlcorrespondent.com. 								
Future Employment	<ul style="list-style-type: none"> Borrower(s) must provide a fully executed (signed by both employer and borrower), non-contingent, non-revocable formal offer letter or employment contract; NOT being extended by Family, Seller or Realtor (to the transaction) owned-business, stating start date, salary, position and terms of employment. Must have cash reserves to cover standard DU/LP requirements, PLUS the amount of qualifying payment (PITI) for the number of months from note date to start date of new employment PLUS one month. Start date MUST be within 90 days of note date. 1 Unit, Primary Home, Purchase transactions ONLY. Paystubs and VVOE NOT required. 								
4506-T	<ul style="list-style-type: none"> Must be wet signed at closing Must send 4506T signed at closing with purchase review package. Cornerstone will not accept 4506T signed with initial disclosures. Section #5 must be blank. If lender has a borrower that refuses to sign a blank form, then the following name and address must be put in the this section: <ul style="list-style-type: none"> Credit Plus Inc., 31550 Winter Place Parkway, Salisbury, MD 21804, 800-258-3488 								
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 the loan amount or the replacement cost per appraisal. Guaranteed replacement cost is acceptable. Non escrowed refinance – premium must be paid in full and policy in effect at time of closing. 								
Home Possible	<ul style="list-style-type: none"> No Subordinate financing Financed MI is not allowed No Buydown Max LTV/TLTV is 95% Home Possible Advantage is not allowed 								
Home Ready	<p>Cornerstone allows the FNMA Home Ready program per FNMA guidelines with the following overlays:</p> <ul style="list-style-type: none"> No manual underwriting – must have a DU Approve/Eligible No community seconds allowed No Manufactured Homes allowed 								
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>								
Income Documentation	<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. Benefit to Borrower/Net Tangible Benefit disclosure required on all rate term refinances; regardless of state. Unless income is absolutely clear on VOE/Paystub, Wage Earner Income Analysis Worksheet is required on all non-self employed borrowers. If self employed, Self Employed Income Analysis Worksheet is required. 								
Jumbo Loans	<ul style="list-style-type: none"> REFER TO R JUMBO PRODUCT GUIDELINES FOR CREDIT AND COLLATERAL REQUIREMENTS. With the exception of the overlay shown below. All other overlays in this section are for Conventional Conforming loans ONLY. All Jumbo loan submissions must include a Jumbo Product Guideline Underwriting/Review Certification form (see Forms section of the correspondent web-site). 								
Limited Cash Out/No Cash Out	<table border="1"> <thead> <tr> <th>If</th> <th>Then</th> </tr> </thead> <tbody> <tr> <td>Non delinquent prepaid real estate taxes (60 days or less) are included in loan amount.</td> <td>Must have an escrow account; regardless of LTV</td> </tr> <tr> <td>Prepaid real estate taxes are not included in loan amount.</td> <td>Escrows may be waived on loans with 80% LTV; or less</td> </tr> <tr> <td>Delinquent real estate taxes (more than 60 days past due) are included in loan amount.</td> <td>Loan is a Cash Out transaction (see below)</td> </tr> </tbody> </table>	If	Then	Non delinquent prepaid real estate taxes (60 days or less) are included in loan amount.	Must have an escrow account; regardless of LTV	Prepaid real estate taxes are not included in loan amount.	Escrows may be waived on loans with 80% LTV; or less	Delinquent real estate taxes (more than 60 days past due) are included in loan amount.	Loan is a Cash Out transaction (see below)
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Loan Amount	<ul style="list-style-type: none"> • Minimum loan amount \$50,000 • Whole loan amounts only (no cents). 		
LTV	<ul style="list-style-type: none"> • Follow FNMA and FHLMC guidelines. • If a LTV calculation results in cents (example: Sales Price = \$329,664. 95% loan = \$313,180.80), you must ROUND DOWN to the nearest whole dollar amount. Failure to do so will result in an agency pricing adjustment. Note: DU/LP will NOT catch this, so Best Practice is to set your software to calculate. Correspondent lender will be responsible for price adjustments caused by failure to round down. 		
Manual Underwriting	<ul style="list-style-type: none"> • No manual underwriting allowed. Loan must receive a LP Accept or DU Approve/Eligible 		
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 4 financed. • Maximum loans sold to Cornerstone, per borrower – 4 properties. 		
Mortgage Insurance	<ul style="list-style-type: none"> • LPMI not allowed. • Reduced coverage not allowed. • Custom coverage not allowed. <table border="1" data-bbox="586 790 1528 1118"> <thead> <tr> <th>Approved MI Companies</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • ARCH Mortgage Insurance • CMG Mortgage Insurance Company • Essent Guaranty, Inc. • Genworth Mortgage Insurance • Mortgage Guaranty Insurance Company • National MI • Radian Group, Inc. • United Guaranty Corporation </td> </tr> </tbody> </table>	Approved MI Companies	<ul style="list-style-type: none"> • ARCH Mortgage Insurance • CMG Mortgage Insurance Company • Essent Guaranty, Inc. • Genworth Mortgage Insurance • Mortgage Guaranty Insurance Company • National MI • Radian Group, Inc. • United Guaranty Corporation
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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 HUD1. • 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 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. 		
Property Type	<ul style="list-style-type: none"> • No Manufactured Housing. 		
Refreshed Credit	<ul style="list-style-type: none"> • A refreshed credit or Undisclosed Debt Monitoring report for all applicants, pulled within 10 days prior to closing. If additional liabilities are discovered, AND will result in an increase of more than 3% in ratio, they must be listed on the final 1003 and DU/LP updated to reflect. 		
Social Security Validation	<ul style="list-style-type: none"> • A validation of each borrower's social security number with the Social Security Administration. 		
Subsequent Use of Appraisal	<ul style="list-style-type: none"> • Subsequent use of appraisal is allowed as long as appraisal meets FNMA/FHLMC guidelines. Subsequent Use of Appraisal form must be completed and sent with loan submission package. See Checklists and Forms section of correspondent website. 		

Tax Transcripts

- Follow AUS findings for tax and or W-2 transcripts required.

WHEN MOST RECENT TAX YEAR TRANSCRIPT IS NOT AVAILABLE*:

Tax Return Income Used for Qualifying	Tax Return Income NOT Used for Qualifying
<p>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.</p> <p>Consistent is defined as: Government: Annual Income = ≤ 10% Conventional: Annual Income</p> <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% 	<p>W-2 transcript(s) allowed.</p>

File must always include “No Record Found” printout.
Must always have proof that federal taxes owed have been paid.

* When Application for Extension (IRS Form 4868) is not filed, loans underwritten on or after 6/15/15, must have a 2014 transcript, AND all loans must have a copy of the most recent year’s tax transcript for loans closing on or after 10/15/15.

WHEN IRS REJECTS AN IRS FORM 4506-T FOR IDENTITY THEFT OR OTHER REASONS:

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.
<p>Identity Theft</p>	<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: ○ 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),

		<ul style="list-style-type: none"> ○ 1099G Unemployment should match reported unemployment (if applicable), ○ 1099 Dividend and Interest should match reported dividend and interest income (if applicable)
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Texas Equity	<ul style="list-style-type: none"> • Borrower not allowed to pay discount points. • Closing Costs cannot exceed 3% of loan amount (see table below) • Leasehold properties not allowed • Cannot close in a Trust. 				
	<table border="1" style="width: 100%;"> <tr> <th style="width: 50%;">Fees that MUST BE INCLUDED (even if P.O.C.):</th> <th style="width: 50%;">Fees that may be EXCLUDED:</th> </tr> <tr> <td> <ul style="list-style-type: none"> • Origination Fees • Appraisal Fee • Credit Report • Tax Service Fee • Flood Certification • Title Services and Lender's Title Insurance • Mortgage Insurance Premium • Broker Fees • Government Recording Charges • Transfer Taxes • Lender Credits • Miscellaneous expenses of the transaction </td> <td> <ul style="list-style-type: none"> • Hazard Insurance • Flood Insurance • Owner's Title Insurance Coverage • Escrow Items • Per Diem Interest </td> </tr> </table>	Fees that MUST BE INCLUDED (even if P.O.C.):	Fees that may be EXCLUDED:	<ul style="list-style-type: none"> • Origination Fees • Appraisal Fee • Credit Report • Tax Service Fee • Flood Certification • Title Services and Lender's Title Insurance • Mortgage Insurance Premium • Broker Fees • Government Recording Charges • Transfer Taxes • Lender Credits • Miscellaneous expenses of the transaction 	<ul style="list-style-type: none"> • Hazard Insurance • Flood Insurance • Owner's Title Insurance Coverage • Escrow Items • Per Diem Interest
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FNMA 97 – the following overlay applies to FNMA 97 ONLY	
Cornerstone Overlays	<ul style="list-style-type: none"> • DU only; LP not allowed • Minimum credit score 640 • Gifts cannot be used for reserves • 35% MI (reduced MI not allowed) • No LPMI or Financed MI • No manufactured homes • No subordinate financing/community seconds • The MyCommunityMortgage©(MCM©) enhancement is not allowed

DU REFI PLUS – the following overlays apply to DU Refi Plus ONLY																					
Cornerstone Serviced vs. Non-Cornerstone Serviced	<p><u>Cornerstone Serviced</u></p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 40%;">Property Type</th> <th style="width: 30%;">Max LTV/CLTV/HCLTV</th> <th style="width: 30%;">Min Credit Score</th> </tr> </thead> <tbody> <tr> <td><u>PRIMARY</u> 1-4 Unit SFR/Condo/PUD (Attached/Detached)</td> <td rowspan="3" style="text-align: center; vertical-align: middle;">95%</td> <td rowspan="3" style="text-align: center; vertical-align: middle;">620</td> </tr> <tr> <td><u>SECOND HOME</u> 1 Unit SFR/Condo/PUD (Attached/Detached)</td> </tr> <tr> <td><u>NON-OWNER OCCUPIED</u> 1-4 Unit SFR/Condo/PUD (Attached/Detached)</td> </tr> </tbody> </table> <p><u>Non Cornerstone Serviced</u></p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 40%;">Property Type</th> <th style="width: 30%;">Max LTV/CLTV/HCLTV</th> <th style="width: 30%;">Min Credit Score</th> </tr> </thead> <tbody> <tr> <td><u>PRIMARY</u> 1-4 Unit SFR/Condo/PUD (Attached/Detached)</td> <td style="text-align: center; vertical-align: middle;">95/95% 80/90%</td> <td style="text-align: center; vertical-align: middle;">740 680</td> </tr> <tr> <td><u>SECOND HOME</u> 1 Unit SFR/Condo/PUD (Attached/Detached)</td> <td style="text-align: center; vertical-align: middle;">80/80%</td> <td style="text-align: center; vertical-align: middle;">700</td> </tr> <tr> <td><u>NON-OWNER OCCUPIED</u></td> <td colspan="2" style="text-align: center; vertical-align: middle;">Not Eligible</td> </tr> </tbody> </table>	Property Type	Max LTV/CLTV/HCLTV	Min Credit Score	<u>PRIMARY</u> 1-4 Unit SFR/Condo/PUD (Attached/Detached)	95%	620	<u>SECOND HOME</u> 1 Unit SFR/Condo/PUD (Attached/Detached)	<u>NON-OWNER OCCUPIED</u> 1-4 Unit SFR/Condo/PUD (Attached/Detached)	Property Type	Max LTV/CLTV/HCLTV	Min Credit Score	<u>PRIMARY</u> 1-4 Unit SFR/Condo/PUD (Attached/Detached)	95/95% 80/90%	740 680	<u>SECOND HOME</u> 1 Unit SFR/Condo/PUD (Attached/Detached)	80/80%	700	<u>NON-OWNER OCCUPIED</u>	Not Eligible	
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	1-4 Unit SFR/Condo/PUD (Attached/Detached)	
Credit History	<ul style="list-style-type: none"> No late mortgage payments reflected in the last 12 months. Bankruptcy – 48 months since discharge. Multiple bankruptcies in the last 84 months are not allowed. Foreclosure, deed-in-lieu, short sale, etc– 84 months since discharge. 	
Delegated Underwriting	<ul style="list-style-type: none"> Not allowed. Loan must be underwritten by Cornerstone, regardless of the delegated underwriting status of the correspondent lender, prior to closing. A \$375 underwriting fee will be deducted at time of purchase. If loan is denied, the underwriting fee will still apply, and will be billed separately. 	
DTI	<ul style="list-style-type: none"> The more restrictive of either the AUS findings, or 45%. 	
Maximum Number of Financed Properties	<ul style="list-style-type: none"> If the subject property is an investment property, the borrower(s) cannot own more than four financed properties. 	
Mortgage Insurance	<ul style="list-style-type: none"> Modifications ok for Radian, GE, UG and MGIC Modification must be complete prior to selling the loan to Cornerstone 	
Properties Listed for Sale	<ul style="list-style-type: none"> Rate and Term Refinances: the listing agreement must be cancelled at least one day prior to application. Cash Out Refinances: listing agreement must be cancelled at least six months prior to application, or loan is subject to a maximum LTV of 70%. <p>Note: In all circumstances, listing agreement must be cancelled at least one day prior to loan application.</p>	
Required Documentation	<ul style="list-style-type: none"> Files must include a signed copy of a Net Tangible Benefit Worksheet to demonstrate benefit to the borrower (e.g., lowering monthly payments, converting an ARM to a fixed rate, or reduction in term.) A minimum of one current paystub and a verbal VOE, or the most recent year's federal income tax returns are required. 	
Subordinate Financing	<ul style="list-style-type: none"> New subordinate financing is not allowed. Re-subordination of an existing second lien is allowed if it meets FannieMae/FreddieMac guidelines. A copy of the existing Note and Deed of Trust must be obtained from the borrower to ensure compliance. 	