



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. 						
Amortization	<ul style="list-style-type: none"> • Cornerstone will not allow “odd” amortizations. 						
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. 						
Cash-Out Refinance	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> <tr> <td style="text-align: center;">MAX LTV is 80%</td> <td></td> </tr> <tr> <td></td> <td></td> </tr> </table>			MAX LTV is 80%			
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Collateral	<ul style="list-style-type: none"> • Underwriter increase in value – not allowed • Field Reviews not allowed for increase or decrease in value. Can be used to support original appraised value only. 						
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. • 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. • 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 						

	<ul style="list-style-type: none"> 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 tax transcripts are not included in the loan package. 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 at least the lesser of 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; NOT REQUIRED IN TEXAS- for Texas (a) (6), will require a LOE for cash out purpose. If cash back results in additional debts they must be considered in qualifying. 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. 						
Non Owner Occupied	<ul style="list-style-type: none"> MAX LTV 80% 						
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> </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
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	Delinquent real estate taxes (more than 60 days past due) are included in loan amount.	Loan is a Cash Out transaction		
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"> • Rate/Term- Max LTV 95% • Cash Out Refinances- Max LTV 80% • 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 6 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="584 1008 1518 1338"> <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. </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.
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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 Cash Out Refinance 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 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. 			
Refreshed Credit	<ul style="list-style-type: none"> • A refreshed credit or Undisclosed Debt Monitoring report for all applicants, pulled within 10 business days prior to closing. If additional liabilities are discovered, AND will result in an increase of more than 3% and/or if additional debts/liabilities increase the overall DTI in excess of 45% 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, ONLY REQUIRED IF SSN IS FLAGGED ON AUS OR CREDIT REPORT 			
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 			

	<p>completed and sent with loan submission package. See Checklists and Forms section of correspondent website.</p>										
<p>Tax Transcripts</p>	<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" data-bbox="488 309 1518 943"> <thead> <tr> <th data-bbox="488 309 992 370">Tax Return Income Used for Qualifying</th> <th data-bbox="992 309 1518 370">Tax Return Income NOT Used for Qualifying</th> </tr> </thead> <tbody> <tr> <td data-bbox="488 370 992 943"> <p>May obtain a “stamped as received” copy from IRS, or if filed electronically, may obtain electronic receipt from IRS, prior to closing. 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		<p>current year must be comparable to prior year(s),</p> <ul style="list-style-type: none"> ○ 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)
Texas Equity	<ul style="list-style-type: none"> • Follow all applicable State laws, Rules, Regs and State Constitution • Texas (A)(6) type F2 are allowable 	

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