

### Conforming Conventional Agency Released Overlay Sheet

This document is a summary of key Mid America Mortgage overlays to Fannie Mae and Freddie Mac requirements for Loans submitted to Mid America Mortgage for underwriting.

This document should be used as a reference tool in conjunction with FNMA Selling Guide and is not meant to be used as a replacement to the published guidelines. Refer to the FNMA Selling Guide for complete details.

<https://www.fanniemae.com/content/guide/selling/index.html>

Subject	Policy Overlay	DU	LP
4506-T and Tax Return Transcripts	<ul style="list-style-type: none"> <li>▪ 4506-T is required for each borrower on the Loan and for each business tax return used to underwrite the Loan.</li> <li>▪ 1040 IRS Tax Return Transcripts are required for borrowers with non-W-2 income used to qualify.</li> </ul>	x	x
Appraisals	<ul style="list-style-type: none"> <li>▪ Transfer of appraisal is not permitted.</li> <li>▪ Interior photographs must be provided in addition to standard exhibits.</li> <li>▪ Fannie Mae/Freddie Mac external-only appraisal report forms 2055/2055, 1075/466, 2095 and 2075 are not permitted.</li> </ul>	x	x
Appraisal Management Companies (AMCs)	Authorized AMC and ordering requirements apply	x	x
Appraisal Submission Summary Report (SSR)	<ul style="list-style-type: none"> <li>▪ Both Fannie Mae and Freddie Mac SSRs must be in the Closed Loan Package for all Loans with an appraisal.</li> <li>▪ A Successful UCDP status is required from one or both of the Agencies.</li> </ul>	x	x
Assets as a Basis for Mortgage Qualification	Freddie Mac's policy for assets as a basis for mortgage qualification is not permitted.	x	x
Citizenship	<ul style="list-style-type: none"> <li>▪ Each borrower on the Loan must have a valid Social Security number.</li> <li>▪ A copy of the Green Card is required for all permanent resident aliens whose income and/or assets are being used to qualify for a loan. A copy of the front and back of the card must be included in the Closed Loan Package.</li> <li>▪ All non-permanent resident aliens must provide evidence of a valid, acceptable visa or an Employment Authorization Document (EAD). A copy of the visa or EAD must be included in the Closed Loan Package.</li> <li>▪ A borrower with an expired visa may be considered, subject to additional requirements.</li> <li>▪ Loans to foreign nationals and individuals with diplomatic immunity are not permitted.</li> </ul>	x	x

Subject	Policy Overlay	DU	LP
Condos	<ul style="list-style-type: none"> <li>▪ DU is required.</li> <li>▪ All common areas and amenities within the project or subject phase must be complete (Fannie Mae 1081 or equivalent may be required).</li> <li>▪ Maximum 10% of units sold to one party, with the exception of two-unit condo projects with LTV &lt;80%, which have occupancy requirements for the second unit (refer to the Seller Guide for policy).</li> <li>▪ Commercial use within the project may not exceed 25% of the total square footage for the project and should be compatible with residential use.</li> <li>▪ Adverse environmental factors must be addressed by the appraiser.</li> <li>▪ Projects involved in litigation due to construction defects are not permitted. Refer to the Seller Guide for policy related to other types of litigation.</li> <li>▪ Projects with more than 15% of the units delinquent on HOA dues are not permitted.</li> <li>▪ Mortgagee cannot be held responsible for more than six months of delinquent dues (or the max under state law) for units obtain through foreclosure or deed-in-lieu.</li> <li>▪ Projects with pooled insurance are not permitted.</li> </ul>	x	
Co-ops	Not permitted.	x	x
Departure Residence	<ul style="list-style-type: none"> <li>▪ Automated Valuation Model (AVM) from Rels Valuation or a full appraisal is required to determine the value of the departing residence.</li> <li>▪ Gift funds cannot be used for reserves.</li> </ul>	x	x
Disaster Policy	<ul style="list-style-type: none"> <li>▪ In the event of a major disaster, Mid America Mortgage-specific requirements apply for appraisal, property inspections, and property damage.</li> <li>▪ Mid America Mortgage underwriters have discretion to require an acceptable re-inspection if the underwriter has reason to believe that a property may have been damaged by a disaster.</li> </ul>	x	x
DU Refi Plus <sup>®</sup> Loans	Mid America Mortgage-specific requirements apply for the following: <ul style="list-style-type: none"> <li>▪ 4506-T, Tax Return Transcripts, W-2(s)</li> <li>▪ Allowable DU recommendation</li> </ul>	x	
Fannie Mae HomeReady <sup>™</sup> Program	<ul style="list-style-type: none"> <li>▪ DU "Approve/Eligible" only; Expanded Approval<sup>™</sup> is not permitted.</li> <li>▪ 30-year fixed rate and 5/1 ARMs only.</li> <li>▪ The following are not permitted:               <ul style="list-style-type: none"> <li>- Combination with Fannie Mae High Balance Mortgage loans or HomeStyle Renovation<sup>®</sup> loans</li> <li>- Sweat equity</li> </ul> </li> </ul>	x	
Flood Insurance	<ul style="list-style-type: none"> <li>▪ The minimum amount of flood insurance coverage for individual insurance must be equal to the lesser of:               <ul style="list-style-type: none"> <li>- 100% of the insurable value of the improvements (with losses to be paid at replacement cost) as determined by the hazard insurance provider, or</li> <li>- National Flood Insurance Program (NFIP) maximum for the particular type of building, or</li> <li>- The maximum that may be required under applicable state law.</li> </ul> </li> <li>▪ An escrow/impound account must be established for payment of the flood insurance premiums to all Loans delivered to Mid America Mortgage, regardless of the LTV and/or federal exemptions.</li> </ul>	x	x
Homebuyer Education Certification	For affordable Loans, homebuyer education certification (and other required information) must be provided by completing	x	x

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Investment Properties	<ul style="list-style-type: none"> <li>▪ Rent loss insurance covering at least six months' rent is required unless               <ul style="list-style-type: none"> <li>- Rental income from the subject property is not used for qualifying and</li> <li>- PITI and operating expense for the subject is included in the borrower's qualifying ratios.</li> </ul> </li> <li>▪ 15-, 20-, or 30-year FRM, 7/1 or 10/1 ARM only when the borrower owns more than one financed 1- to 4-unit investment property.</li> <li>▪ Evidence of gross monthly rent for each non-owner occupied unit must be included in the Closed Loan Package (Operating Income Statement Form 998/216, Loan Application, appraisal, or other documentation).</li> </ul>	x	x
Living "Inter Vivos" Trusts	Not permitted.	x	x
Manufactured Homes	Not permitted.	x	x
Mortgage Insurance	<ul style="list-style-type: none"> <li>▪ Borrower-paid MI (BPMI) or Lender-paid single premium (upfront) option only</li> <li>▪ Financed MI and Lender-paid monthly or annual options are not permitted.</li> <li>▪ Reduced MI is only eligible with standard Fannie Mae non-HomeReady™ purchase transactions greater than 95% LTV.</li> <li>▪ Loans originated with custom or lower cost PMI options are not eligible.</li> <li>▪ Mid America Mortgage-specific requirements apply for the following:               <ul style="list-style-type: none"> <li>- BPMI premium plans</li> <li>- Approved MI providers</li> <li>- Documentation for single premiums and split premiums</li> </ul> </li> </ul>	x	x
Relocation	<ul style="list-style-type: none"> <li>▪ Use of a Brokers Price Opinion (BPO) to determine the value of the departing residence is not permitted; Automated Valuation Model (AVM) or a full appraisal is required.</li> </ul>	x	x
REO Properties	<ul style="list-style-type: none"> <li>▪ Purchase contract must have no financing restrictions.</li> <li>▪ Full appraisal or field review required from an authorized AMC.</li> <li>▪ LTV is based on the lesser of appraised value, sales price, auction/foreclosure bid value, or auction/foreclosure sales price.</li> </ul>	x	x
Resale-Deed Restrictions	<ul style="list-style-type: none"> <li>▪ Full appraisal required - must include interior inspection, regardless of type of appraisal report allowed by LP/DU.</li> <li>▪ The following are not permitted:               <ul style="list-style-type: none"> <li>- Resale restrictions providing for shared equity or shared appreciation</li> <li>- Community land trust ground leases</li> <li>- Properties that are "group homes" or primarily serve disabled residents</li> </ul> </li> </ul>	x	x
	<ul style="list-style-type: none"> <li>▪ For resale-deed restrictions terminating upon foreclosure:               <ul style="list-style-type: none"> <li>- LTV is based on the lesser of sales price or appraised value</li> <li>- Cash-out refinance transactions are not permitted</li> </ul> </li> <li>▪ For resale-deed restrictions surviving foreclosure:               <ul style="list-style-type: none"> <li>- Cash-out refinances are not permitted, except on age-restricted properties</li> <li>- DAPs are not allowed if they contain a resale-deed restriction that survives foreclosure</li> <li>- Second home transactions are only allowed with age restricted properties when the deed restriction does not restrict to primary or principal occupancy</li> </ul> </li> </ul>	x	
	<ul style="list-style-type: none"> <li>▪ For resale-deed restrictions surviving foreclosure:               <ul style="list-style-type: none"> <li>- Must comply with Fannie Mae requirements</li> <li>- Cash-out refinances are not permitted, except on age-restricted properties</li> <li>- DAPs are not allowed if they contain a resale-deed restriction that survives foreclosure</li> <li>- Second home transactions are only allowed with age restricted properties when the deed restriction does not restrict to primary or principal occupancy</li> <li>- Not permitted with Home Possible</li> </ul> </li> </ul>		x

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Residual Income Evaluation	<ul style="list-style-type: none"> <li>▪ Minimum residual income and reserve requirements apply.</li> </ul>	x	x
Sales Contract Changes/Renegotiated Purchase Agreements	Renegotiated purchase agreements that increase the sales price after the original appraisal has been completed not allowed.	x	x
Separated Borrowers	<ul style="list-style-type: none"> <li>▪ If the borrower is legally separated, a copy of the legal separation agreement must be provided to determine the division of assets, liabilities, and potential obligations.</li> <li>- If there is no legal separation, a letter from the attorneys of both parties involved specifying the proposed settlement terms must be provided.</li> <li>- If no documentation can be obtained to verify the division of assets and liabilities, the Loan will generally be considered an unacceptable risk.</li> <li>▪ If the borrower states there are no plans for a legal separation, no further documentation is necessary; he/she is legally married and qualified accordingly.</li> </ul>	x	x
Short Refinances or Restructured Mortgage Loans	Not permitted for subject property currently owned by the borrower.	x	x
Verbal Verification of Employment (VVOE)	A verbal verification of employment is required for all borrowers and all income types with the exception of passive income.	x	x
Temporary Buydowns	Not permitted.	x	x
Texas Refinances	<ul style="list-style-type: none"> <li>▪ For rate/term refinances secured by Owner Occupied, Homestead properties in the state of Texas,</li> <li>- Total financed closing costs are limited to 10% of the new loan amount</li> <li>• Title insurance coverage requirements when impounds for prepaid expenses are included in the new loan amount</li> <li>• POCs credited to closing costs</li> <li>• Payoff of subordinate financing used for purchase or home improvements</li> <li>• Agency cash-out refinances</li> <li>▪ Cash-out refinances in Texas are not permitted.</li> </ul>	x	x