



**UNITED FIDELITY**  
FUNDING CORP.

**MARCH**  
**2014**

## Credit Overlays



Quality is the foundation of our business and includes quality of production, quality of delivery, quality of performance, and quality of the customer experience.



## United Fidelity Funding Credit Overlays –

In order to reduce the risk of the loans we purchase, United Fidelity Funding has credit overlays in our policy in addition to agency guidelines. Below please find a summary of these credit overlays to help you better understand them.

		VA	Conventional	DU Refi Plus	FHA	FHA Streamline	USDA Rural Housing	VA IRRRL
Topic	Policy Overlay	Products						
4506-T	A signed 4506-T is required on all loans, regardless of income type—salary, self-employed, social security, etc. All borrowers must sign this form at application and again at closing. Alternative forms such as the 8821 or 4506 are not permitted. The signed 4506-T must be processed for all borrowers when tax returns are used to calculate income and the IRS transcripts must be obtained for the most recent two years available prior to final approval.	X	X	X	X		X	
Florida Loans	Investment Properties and Condos in Dade and Broward County are not permitted.	X	X	X	X	X		X
Verification of Funds	VOD's are not permitted; only as a secondary source of verification.	X	X	X	X	X	X	X
Rural Develop	UFF requires an appraisal for USDA refinance transactions.						X	
HPML	45% Max DTI and can't waive escrows		X	X				
Property Types	Ineligible Property Types: Manufactured Homes, Co-Ops, Working Farms, Hobby Farms	X	X	X	X	X	X	X
Gifts	Employer Gifts not allowed	X	X				X	
Deed Restrictions	Properties with deed restrictions (a.k.a. Resale restrictions) are ineligible.	X	X	X	X	X	X	X



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Tax Returns	Tax Transcripts are not allowed to take the place of a required Tax Return.	X	X	X	X		X	
Rental Income	If rental income is being used for qualifying purposes, the borrower must support rental income with a current lease agreement AND also show supporting rental income on their most recent tax return.	X	X	X	X		X	
Rent Schedule	A Single Family Comparable Rent Schedule (Form 1007) is required on all one-unit investment properties. An Operating Income Statement (Form 216) must be obtained for all investment property transactions, and all two-to-four properties (including those in which the borrower occupies one of the units as a principal residence).		X	X				
Investment Properties	Out of state investment properties are not eligible.	X	X	X	X	X		
Project Approval	A Project Certification Form or similar form is required on all Projects.	X	X	X	X	X	X	X

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Expanded Approvals	EA findings, A-, Caution Credit Risk Class, Ineligible, Incomplete, or Invalid are not allowed.	X	X	X				X
Interest Only	Not Eligible	X	X	X	X	X	X	X
Authorized Users of Credit	These accounts must accurately reflect the borrower's credit history regardless of the AUS finding.	X	X	X	X		X	
Inquiries	All inquiries must be addressed by a credit supplement.	X	X	X	X	X	X	X
Mortgage Insurance Coverage	Standard MI coverage is required regardless of AUS finding (reduced MI option not allowed). MI guidelines must be followed where more restrictive.		X					
Mortgage Insurance Coverage	Loans that require MI are limited to transfers of existing policies with Radian, Genworth, MGIC or UG.			X				
Minimum Credit Score	620 Score	X	X	X				X
Minimum Credit Score	640 Score				X	X	X	
Mortgage Payment History	0x30 days late for the past 12 months	X	X	X	X	X	X	X
Properties Listed for Sale	The property listing must be canceled for 6 months prior to initial loan application for cash out refinance.	X	X		X			
Max CLTV for Purchase and Rate/ Term Refis	100%	X	X		X	X		X



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		Products						
Bankruptcy & Foreclosures	48 months must have elapsed from the date the bankruptcy was discharged or dismissed (84 months for a foreclosure) or per DU output whichever is more restrictive.		X	X				
Property Flipping (per announcement "Waiver of Requirement of 24 CFR 203.37a(b)(2)" Within 90 Days	<ul style="list-style-type: none"> <li>Increase of sales price over seller acquisition costs should be documented per the announcement if the increase is 20% or more</li> <li>Increase in sales price over the sellers acquisition cost may not exceed 50%, even if documented per the announcement.</li> <li>If the sales price is greater than \$500,000 the increase in sales price over the seller's acquisition cost may not exceed \$250,000.                             <ul style="list-style-type: none"> <li>Private sales/ FSBO transactions are not allowed</li> <li>All other requirements per the announcement must be followed.</li> </ul> </li> </ul>				X			
Unique Properties	Must prove marketability of subject property with "LIKE"	X	X	X	X	X	X	

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Non-Traditional Credit	Not permitted, including borrowers with insufficient trade lines to develop a valid credit score.	X	X		X		X	
Work Completion Escrows	Work must be completed prior to the funding by UFF. "As-Is" appraisal required to close.	X	X	X	X	X	X	
Non Arm's Length Transactions	Full appraisal required regardless of AUS recommendation. Not allowed on non-owner occupied properties. Full documentation only: 2 years income and 2 months assets documented.	X	X		X		X	
Appraisal	All appraisals submitted must be obtained via the EAGLE web site to comply with AIR. Obtain an AIR conventional appraisal that includes a Fannie Mae Market Conditions Addendum. No transferred conventional Appraisals.		X	X	X	X	X	
Verbal VOE-Wage Earner	Must be completed within 3 days prior to the note date and prior to final QC (Internal)	X	X	X	X		X	
FHA Programs	Ineligible programs: 203(k) rehab loans, 238(c) military impact area, section 8, HUD 184 Indian Reservations and HOPE for homeowners				X	X		
Borrower Charges	Real Estate commissions in excess of 8% must be deducted from the sales price when determining LTV.	X	X		X		X	

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Red Flags	When a red flag is present on either the automated findings for excessive value or via any third party analytics than additional documentation may be necessary to fully explain the alert.	X	X	X	X	X	X	X
Short Pay	Loan must fund by no later than the 5th day of the month to be eligible for a short pay when preparing documents	X	X	X	X	X	X	X
Escrow Waiver	Escrow waivers are given when a loan meets the LTV requirements; also the borrower demonstrates the ability to make lump sum payments and has sufficient disposable income		X	X				
Automated Underwriting	All loans must receive a PASS from the EAGLE automated underwriting system in order to be eligible for delivery to UFF.	X	X	X	X	X	X	X
Disputed Trade Lines	Disputed trade lines which derogatory activity occurred within the last 24 months that are reported must be updated to show dispute resolution or acceptable settlement. Disputed collection accounts with Zero balance are acceptable.	X	X		X		X	
Trade Line Requirements	One trade open and active for 12 months or greater, 3 total trades open, regardless of AUS.	X			X		X	
Lender Paid MI	Single Premium Lender Paid Only. No monthly lender paid premiums allowed. No Borrower Paid Single Premium.		X					



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Appraisals	Sales contracts which are renegotiated after the completion of an appraisal which increase the sales price are not allowed.	X	X		X		X	
Appraisal Portability	USDA, Conventional and Non-Conventional Not Allowed FHA: transfer cert and review appraisal required as well as appraiser must be approved by UFF. VA: If UFF issued the LAPP than we will transfer the appraisal. If VA issues the NOV then broker to request the transfer.	X	X	X	X	X	X	
Texas Properties	Cash out refinance transactions not permitted for VA and FHA on TX properties.	X			X			
VA LTV/CLTV	Max LTV/CLTV Refi 90% (R&T and C/O)	X						
VA Credit	Full tri-merged credit report required to establish credit score only							X
VA Product Eligibility	VA energy efficient mortgages are not eligible	X						X
Bankruptcy & Foreclosures	24 months must have elapsed from the date the bankruptcy was discharged or dismissed (36 months for a foreclosure) or per DU output whichever is more restrictive.	X						X
Maximum Acreage	Maximum of 20 acres	X	X	X	X	X	X	X





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VA Refi	<p>If current VA loan is serviced by Wells Fargo then no appraisal is required; else if not a current Wells Fargo serviced mortgage:</p> <p>An AVM must be performed to support value for LTV's up to 100%</p>							X
FHA Manual Underwrite	<p>Upto 41% DTI: requires 120% residual income and 2 months of reserves</p> <p>Upto 43% DTI: requires 130% residual income and 2 months of reserves plus at least 1 other compensating factor per HUD guidelines</p>				X			

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**If you have any questions, please contact a member of your regional sales team.**