

Conventional Conforming Overlays

Please note that exceptions to Caliber Home Loans overlays may be granted depending on the loan scenario. Exceptions to Caliber Home Loans guidelines may impact your pricing. Please contact your Processor or Account Executive for details.

Category	Description	Details
Transaction Types	<u>Employee Loans</u>	Wholesale loans originated by brokers for their own employees, partners, owners, family members or affiliates are eligible for delivery to Caliber, providing that all of the following requirements are met: <ul style="list-style-type: none"> • Non-Arms Length Transaction guidelines apply • All borrowers must occupy the subject property as their primary residence. Second Home and Investment properties are not eligible • Must be a bona fide transaction.
	<u>Non-Arms Length Transaction</u>	The file must include all of the following documentation: <ul style="list-style-type: none"> • Copy of the canceled earnest money check to verify payment to the seller • Verification that the borrower is not now on title, and has not been in title within the past 24 months • Payment history for the existing mortgage (verification of seller's mortgage) on the subject property must be obtained. It must show that the loan is paid current and has no pattern of delinquency within the past 12 months • Borrower must provide a written explanation stating the relationship to the seller and the reason for purchase • The transaction must make sense and it must be apparent that the borrower will occupy the property as a primary residence
	<u>Purchase Transaction</u>	If the seller is a corporation, partnership, or any other business entity, the file must include documentation showing the owners. If the borrower holds any ownership interest in the business entity, <i>the transaction is not eligible for financing.</i>
		Properties sold at auction by the builder, developer, or construction lender are not eligible If the seller is a builder, the borrower's existing property may not be used in trade as part of the down payment
		Model home leasebacks are not permitted Purchasing a short sale guidelines, see the Guide for additional details.
<u>Native American Reservations</u>	Any Leasehold that requires the lender to execute Lessor's Consent and Approval to encumber is not allowed.	
Secondary Financing	<u>Secondary Financing</u>	Subordinate financing from the property seller (seller carry-back, including any property seller or other private party carried financing) is acceptable when: <ul style="list-style-type: none"> • The borrower has made a 5% minimum down payment / cash investment. • Total CLTV affects Interested Party Contribution limits. • The loan is at market rate. If the interest rate is more than 2% below Fannie Mae's posted net yield in effect for second mortgages at time of closing it must be treated as a sales concession and a dollar for dollar reduction made to the sales price.
		Equity share or shared appreciation is not allowed. When the subordinate financing is obtained from the borrower's employer, the financing terms may not provide for the employer to require full repayment of the debt if the borrower's employment is terminated (either voluntarily or involuntarily) before the maturity date of the subordinate financing.
Property Eligibility	<u>Additions/ Extensive Remodeling/ Building Permits</u>	<ul style="list-style-type: none"> • The appraiser must confirm that a building permit or other acceptable document was issued under the following conditions: <ul style="list-style-type: none"> ○ It is required in the purchase contract ○ If the appraisal report indicates that there is an addition to the original structure, extensive remodeling, or conversions of an existing structure

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		<ul style="list-style-type: none"> ○ Whenever a second story, kitchen, bath, multiple rooms, or detached unit has been added to the original structure • If a garage was converted without a permit, the appraiser must show the value as a garage, not as a converted room. The appraiser must also estimate the cost to cure for re-conversion back to a garage. If the garage is converted to living space with no extra plumbing or electrical work, no permit is required if the appraiser indicates it was completed in a workmanlike manner, the comparables support the value, and the lack of car storage is not prohibited by local ordinances • If the appraiser can obtain comparables that are the same as the non-permitted living space, no adjustment to the property value is necessary • If the comparables do not have a similar living space the room must be valued based on its original use. This requirement applies to family rooms and patio enclosures as well • If the appraiser comments that the addition, remodeling, or conversion was permitted, a copy of the permit is not required
	<u>Mixed Use Property</u>	<ul style="list-style-type: none"> • At least 80% of the improvements must be maintained and used for residential purposes.
	<u>Mixed Use Property Properties Subject to Occupancy Restrictions</u>	<p>The property may not be used for manufacturing or industrial purposes and may have no hazardous materials stored on the premises</p> <ul style="list-style-type: none"> • Reasonable local, state or federal restrictions on the maximum number of occupants permitted to occupy a dwelling unit are acceptable as long as such limitations are applied to all occupants and do not operate to discriminate on the basis of race, color, religion, sex, national origin, handicap or familial status • If any restriction is noted in the purchase contract, appraisal, title commitment, or CC&R's, the Senior Underwriting Manager must approve the property
	<u>Properties Subject to Oil, Gas, Or Mineral Leases</u>	<ul style="list-style-type: none"> • If the title commitment shows an exception to title coverage for an oil, gas, or mineral lease, the loan must comply with all of the following to be eligible for financing. • A complete copy of the lease must be reviewed by the underwriter and be retained in the credit file. • The lease may not provide the right to: <ul style="list-style-type: none"> ○ Remove buildings or other improvements which would adversely affect the marketability of the property. ○ Enter the surface for purposes of removing oil, gas, or minerals. ○ Materially alter the contour of the property or impair its value or usefulness for its intended purposes. ○ Include the right of first refusal to purchase the property. • The appraiser must confirm that the lease is typical for the area, and has no negative impact on the subject's marketability.
	<u>Zoning</u>	<p>A property with improvements that are anything other than "legal" are acceptable only as follows: a one-family to four-family property or a unit in a PUD project that represents a legal, but non-conforming, use of the land—as long as the appraiser's analysis reflects any adverse effect that the non-conforming use has on the value and marketability of the property. <i>In addition</i>, either the appraiser must specifically state in the appraisal that the property can be rebuilt "as is" in the event of a loss, or a letter from the local jurisdiction must be obtained which verifies that it can be rebuilt "as is" in the event of a loss.</p>
	<u>Ineligible Properties</u>	<ul style="list-style-type: none"> • Mobile homes • Any condominium or PUD unit that does not meet the requirements outlined earlier in this guide • Properties for which the appraisal indicates that the current improvements do not represent the "highest and best use" • Any property that is not primarily residential in nature and use • Assisted Living Projects • Cantilevered Properties • Properties with legal, but nonconforming use if zoning regulations prohibit rebuilding the property to its current density in the event of a partial or full loss • Unimproved land • Working ranch, farm, or orchard

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		<ul style="list-style-type: none"> • Properties being refinanced that are presently listed for sale or that were listed for sale less than one day prior to the application date • Geodesic Domes • Model home lease back • Properties with an unexpired redemption period • Residences lacking kitchen and full bathroom facilities
Borrower Eligibility	<u>Non-Permanent Resident Alien</u>	<ul style="list-style-type: none"> • VISAs and EADs are allowed. Refer to the AllRegs borrower section for complete guidelines. • ITIN's are not allowed. • Transitional Status (change of status/categorization) will be reviewed on a file by file basis.
	<u>Separated Borrowers</u>	<ul style="list-style-type: none"> • When the borrower indicates that he/she is separated, it must be determined whether it is a legal separation • 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 • If there is no legal separation, a letter from the attorneys of both parties involved specifying the proposed settlement terms must be provided • If no documentation can be obtained to verify the division of assets and liabilities, the loan will generally be considered an unacceptable risk • If the borrower states there are no plans for a legal separation, no further documentation is necessary, as he/she is viewed as legally married and qualified accordingly
	<u>Max number of loans per borrower</u>	<ul style="list-style-type: none"> • Unless otherwise restricted by the Program Summary, Caliber Home Loans will make a total of four loans per borrower.
Income	<u>Gaps In Employment</u>	<ul style="list-style-type: none"> • Any gaps in employment over one month in the past two years must be satisfactorily explained in writing by the borrower • Multiple job gaps or frequent changes in employment in the past 24 months should be carefully reviewed to determine if the borrower's employment is stable and likely to continue • If the borrowers have been employed less than two years but were previously in school or in the military, a copy of the diploma or discharge papers must be obtained • No gaps of verified employment income may exist for self-employed borrowers
	<u>Capital Loss</u>	<ul style="list-style-type: none"> • Capital losses identified on IRS Form 1040, Schedule D, generally do not have to be considered when calculating income or liabilities; however, careful consideration needs to be given to large continuing losses. If two or more years of capital losses are reported, they should be evidenced as a loss and included in the income analysis.
	<u>Self Employed</u>	<ul style="list-style-type: none"> • YTD Profit & Loss Statements are required if the most recent years tax returns exhibit a reduction of income compared to the previous year. The P&L may be used to support a determination of the stability or continuance of the borrower's income, but may not be used as qualifying income.
Credit	<u>Authorized User Accounts</u>	<ul style="list-style-type: none"> • If the primary account holder is another borrower on the transaction no further action is required • An authorized user tradeline may be considered in the credit risk assessment if at least one of the following applies: <ul style="list-style-type: none"> ○ The primary account holder is another borrower on the transaction ○ The primary account holder is a spouse <p>The borrower can provide written documentation (e.g., canceled checks, payment receipts, etc.) that he or she has been the actual and sole payer of the monthly payment on the account for at least 12 months preceding the date of the application.</p>
	<u>Non Traditional Credit</u>	<ul style="list-style-type: none"> • Non-traditional credit manual underwrite is not allowed.

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Assets	<u>Trade Equity</u>	<p>Note: DU Approve/Eligible only.</p> <ul style="list-style-type: none"> • The property seller may take a borrower’s existing property in trade as part of the down payment, as long as all of the following apply: <ul style="list-style-type: none"> ○ The seller is not a builder; ○ The borrower has made the minimum required cash down payment from his or her own funds; <p>The equity contribution for the traded property is a true-value consideration that is generally supported by a current appraisal</p>