



FWL Overlay Quick Reference

COVID-19 FWL Overlays As of 08/10/2020

As a result of COVID-19, FWL has implemented the following additional temporary overlays until further notice. For full guidance, refer to the [COVID-19 Temporary Guidance](#) topic in Knowledge Owl.

Topic	Conventional	Government				
Verification of Employment (VVOE)	<p>The following forms of employment verification must be obtained prior to funding, excluding active duty service members:</p> <table border="1" data-bbox="533 516 1955 979"> <thead> <tr> <th data-bbox="533 516 1241 553">Wholesale Transactions</th> <th data-bbox="1241 516 1955 553">Correspondent Transactions</th> </tr> </thead> <tbody> <tr> <td data-bbox="533 553 1241 979"> <ul style="list-style-type: none"> • Employed Borrowers <ul style="list-style-type: none"> • Within 3 Business Days of the Note Date, a VVOE or WVOE is required to be obtained (FWL to perform) • When a VVOE or WVOE cannot be obtained, alternatives noted below are permitted. • Self-Employed Borrowers <ul style="list-style-type: none"> • Within 7 Calendar Days of the Note Date, evidence the business is open and operational is required. Documentation requirements may vary. (FWL to perform) </td> <td data-bbox="1241 553 1955 979"> <ul style="list-style-type: none"> • Employed Borrowers <ul style="list-style-type: none"> • Within 3 Business Days of the Note Date (date borrower signs the Note), a VVOE or WVOE is required to be obtained by the Correspondent • When a VVOE or WVOE cannot be obtained, alternatives noted below are permitted. • Self-Employed Borrowers <ul style="list-style-type: none"> • Within 7 Calendar Days of the Note Date, Correspondent must provide evidence the business is open and operational is required. Documentation requirements may vary. • Note: Additionally, FWL will perform a VVOE prior to loan purchase. </td> </tr> </tbody> </table> <p>Acceptable Alternatives</p> <ul style="list-style-type: none"> • Option 1: An e-mail directly from the employer’s work e-mail address that identifies the name and title of the verifier and the Borrower’s name, title and current employment status meeting the time restrictions posted above, or • Option 2: Year-to-date (YTD) paystub from the pay period within the time restrictions posted above, or • Option 3: An asset account statement evidencing the payroll deposit from the pay period that is within the time restrictions posted above. <p>Continuity of Income</p> <p>Additional due diligence should be practiced to ensure that the information on the loan application is still accurate (i.e. borrower is still employed and/or business is open, operational - generating income).</p>		Wholesale Transactions	Correspondent Transactions	<ul style="list-style-type: none"> • Employed Borrowers <ul style="list-style-type: none"> • Within 3 Business Days of the Note Date, a VVOE or WVOE is required to be obtained (FWL to perform) • When a VVOE or WVOE cannot be obtained, alternatives noted below are permitted. • Self-Employed Borrowers <ul style="list-style-type: none"> • Within 7 Calendar Days of the Note Date, evidence the business is open and operational is required. Documentation requirements may vary. (FWL to perform) 	<ul style="list-style-type: none"> • Employed Borrowers <ul style="list-style-type: none"> • Within 3 Business Days of the Note Date (date borrower signs the Note), a VVOE or WVOE is required to be obtained by the Correspondent • When a VVOE or WVOE cannot be obtained, alternatives noted below are permitted. • Self-Employed Borrowers <ul style="list-style-type: none"> • Within 7 Calendar Days of the Note Date, Correspondent must provide evidence the business is open and operational is required. Documentation requirements may vary. • Note: Additionally, FWL will perform a VVOE prior to loan purchase.
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	FWL does not overlay.	<p>Note: If a standard VVOE cannot be obtained and alternative options are used as provided above: FHA: FHA requires minimum 2 months PITI reserves VA: VA requires both Options 2 (paystub) and Option 3 (bank statement) to verify employment</p>				

4506-T/Record of Account Transcripts	<ul style="list-style-type: none"> • For Fixed Rate Loans: Fannie Mae, Freddie Mac, FHA and VA the underwriter may review alternate documentation on an exception basis. • For USDA Loans: Per standard guidelines tax transcript may be waived provided IRS cannot provide transcripts. This PDF must be included in the file per USDA guides. 	
Credit Score	FWL does not overlay.	<ul style="list-style-type: none"> • FHA/VA/USDA: 620 • No score borrowers are not permitted. A valid score is required. <p>Note: The min score may not apply to FWL Serviced IRRRLs or FHA Streamline Refinances. These will be reviewed on a case-by-case basis.</p>
Appraisals, Appraisers, Property, Inspections		
Topic	Conventional	Government
Appraisal Transfers	Permitted with restrictions.	USDA appraisals are not permitted to be transferred.
Condos/Attached PUDs	Review required by FWL Condo Desk.	FWL does not offer DELRAP Approval.
Ineligible Properties	See below.	<ul style="list-style-type: none"> • Deed/Resale Restrictions • HUD Approved Secondary Residences
	<ul style="list-style-type: none"> • Co-ops • Illegal Zoning or Zoning Regulations Prohibiting Improvements Rebuilt • Leaseholds (additional restrictions apply) • Marijuana Related Property Use • Non-Warrantable Condos • "One Time Close" Construction-to-Permanent Financing • Unimproved Land, Working Farm, Ranch or Orchard. 	
Manufactured Housing	<ul style="list-style-type: none"> • One Time Close not permitted • Deed Restrictions not permitted • Home Possible Ineligible (HomeReady Eligible) • No manual UW (AUS approval required) • Primary and Second Homes Only • PUDs are ineligible 	<ul style="list-style-type: none"> • Affordable Housing or Deed Restrictions not permitted • AUS Approval required except for non-credit qualifying streamlines • Primary Residence Only • USDA New Man Homes Only • VA not permitted
	<ul style="list-style-type: none"> • >600 ft required / No single wides • Cash-out not permitted • Condominiums not permitted • Fixed Rate Only • Minimum of 660 FICO / 0x30 in last 12 months • New Secondary Financing not permitted. 	
Property Condition / Quality Ratings	<ul style="list-style-type: none"> • Condition Ratings of C5 or C6 are not eligible in "as in" Condition. • Issues causing a Q6 rating must be cured prior to closing on all government loans. 	
Recently Listed for Sale	FWL does not overlay.	Subject may not be listed at the time of application or Case Assignment.
Solar Panels	Permitted with additional restrictions. Solar Panel Checklist is required on all loans. Refer to guidelines for specific details.	
DPAs and Rebates	Must be reviewed and approved by FWL.	
Ineligible Funds	Cash-On-Hand, Marijuana Related Assets, Sweat Equity, and Foreign Assets not translated using FWL Approved Vendor.	

Assets, Down Payment, Funds to Close, Reserves

Topic	Conventional	Government
1031 Exchange	Must be locked FNMA direct. Not permitted with FHLMC.	FWL does not overlay.
Realtor Commissions	When BWR is acting as realtor, use of commissions to pay closing costs and prepaids is only permitted on primary residence purchases.	FWL does not overlay.
VOD	A "handwritten" VOD may not be used as the sole source of verification for an asset account.	
AUS & Underwriting		
Underwriting Method	Valid AUS approval required. Manual underwriting not permitted.	Valid AUS approval is required. Manual underwriting permitted (downgrade).
Borrower, Loan Participant & Transaction Types		
Asylum / Asylee Status	USDA is permitted on a case-by-case basis.	
Geographic Restrictions	<ul style="list-style-type: none"> • FWL does not originate loans in Arizona or Massachusetts, and does not lend in Guam, Puerto Rico or US Virgin Islands. • Manufactured Housing not permitted in NY. 	
Ineligible Transactions	Loans closing in name of Corp/LLC, Blind Trusts, Builder ownership in title company, Borrowers with Diplomatic Immunity, Temporary Residents (B-1, B-2, F-1, H-3 and J-1 Visas), Borrowers with foreign address (living abroad), Borrowers without a SSNs (ITIN not permitted), Land Trusts, Community Land Trusts, Life Estates. Conservatorships, Guardianships and Incompetent borrowers allowed and must be approved by FWL Legal Department.	
Maximum Loan Amount	<ul style="list-style-type: none"> • Conforming • High Balance / Super Conforming 	<ul style="list-style-type: none"> • FHA/USDA: Up to maximum loan limits per Agency. • VA: \$1,500,000
NY CEMA Transactions	Permitted for Brokers/Correspondents that are physically located in New York who have received FWL approval.	
Non-Arms Length/At Interest Transactions	FWL does not overlay.	FHA/VA: When borrower is purchasing relative's investment property where they've been a tenant, a lease and 6 months payment is required.
	Special attention must be paid to relationships between parties involved in the loan transaction and additional due diligence is required. A pre-funding QC audit is required. LO acting as Realtor transactions are permitted if representing the buyer/borrower in all aspects of the transaction. Any representation of the seller would be prohibited in this case.	
Power of Attorney / Irrevocable Trusts	Irrevocable Trusts and POA's are allowed upon review of documentation by FWL. Note: POA's are not permitted on cash-out refinance transactions; however, POA's are available on all occupancies. (Not FWL Overlay)	
Texas 50(a)(6) Transactions	Permitted, excluding the following: ARMs, High Balance & Super Conforming Loans, Manufactured Housing, Non-occupant Co-borrowers, Principal Reductions, Closing in a Trust	
Credit History, Credit Report and Credit Score		
Credit Score	<ul style="list-style-type: none"> • Minimum 620 FICO • No Score Borrower options available 	<ul style="list-style-type: none"> • FHA Purchase/Refi: FRM – 600 / ARM – 640 • Streamline Refinance: FRM – 600 / ARM – 680 • USDA: 620 • VA Purchase/Cash-Out Refi/IRRRL: FRM – 600 / ARM – Varies by loan amount Note: VA loan amounts exceeding County Loan Limit - 640
Judgments	Lender credits may not be used to payoff judgements.	

Topic	Conventional	Government
Non-Traditional Credit	Not permitted on FNMA HomeReady.	FWL does not overlay.
Security Freeze	FWL does not overlay.	Must be lifted and credit score obtained regardless of AUS.
Employment & Income		
4506-T/Record of Account Transcripts	All borrowers whose income (regardless of source) is used to qualify for the loan is to complete and sign a separate IRS Form 4506-T at or before Closing. Tax return transcripts are required to validate any income type using tax returns to document income.	
Ineligible Income	Foreign Income not reported on Form 1040; Marijuana Related Earnings; Section 8 Housing Vouchers; MCCs	
Specific Income Requirements	<ul style="list-style-type: none"> • Newly Employed: LOX for Borrower with <2 year employment history, including supporting documentation. • Non-Taxable Income: Max of 25% "gross up", regardless of the actual amount of taxes paid. • Rental Income: When a new lease is being used on a property that wasn't previously rented, a copy of the lease and the cancelled/deposited security deposit is required. • Return to Work Force: LOX with prior work history, including time off work and return to work. Additional documentation may be required. • Stock Options/RSU: Permitted with restrictions. 	<ul style="list-style-type: none"> • Rental Income: When a new lease is being used on a property that wasn't previously rented, a copy of the lease and the cancelled/deposited security deposit is required. • VA Future Income: Permitted on VA with restrictions.
V-VOE	Re-verification in the form of a written or verbal VOE must be dated within 7 business days of the note date.	
Insurance		
Escrows/Impounds	<ul style="list-style-type: none"> • Escrow waivers eligible for insurance, taxes, or both up to 90% LTV. • Waiver of insurance only is not considered an escrow waiver (no fee). Lock Desk approval required. • FWL will not escrow for insurance that is not required. 	FWL will not escrow for insurance that is not required.
Mortgage Insurance	Reduced MI associated with a LLPA is not permitted.	Not applicable to government loans.
Right of Rescission	Cannot be waived.	
Title Vesting	Corporations (of any type) and percentages of natural persons not permitted.	
Unexpired Redemption Rights	Loans subject to unexpired redemption rights are generally not permitted; however, they can be reviewed on a case-by-case basis.	

Additional Information – Not Overlays

Topic	Conventional	Government
Broker Employee Loans	Formal exception from FWL Credit Risk Oversight required.	
Business Funds as Assets	Permitted. A business cash flow analysis must be completed to confirm that the withdrawal of funds will not have a negative impact on the business.	
Topic	Conventional	Government
DTI Ratios	Per AUS.	<ul style="list-style-type: none"> • FHA / USDA: Per AUS/TOTAL/GUS FHA: Refer & Manual Downgrade: Refer to product guidelines. • VA: Per AUS / Refer & Manual Downgrade UW: DTI > 41% requires close scrutiny unless residual income exceeds the guideline by at least 20% or the ratio is > 41% solely due to the existence of tax-free income. Traditional Credit: Max ratio of 41% and residual income must be met.
Escrow Holdbacks	Escrow holdbacks are permitted. Refer to policy for specific details.	
Manufactured Homes	Standard and High Balance Available (FNMA Only)	Standard and High Balance Available (FHA Only)
Max Number of Loans per Borrower	Reviewed on a case-by-case basis when necessary.	
Minimum Loan Amount	FWL doesn't have a minimum loan amount. Refer to the daily rate sheet for loan amount price adjustments.	