AD Mortgage

Conventional Underwriting Guidelines

EFFECTIVE 11/17/2026

PRODUCT	AGENCY GUIDELINES	EFFECTIVE DATE	MANUAL UNDERWRITING
Conventional	**FNMA & FHLMC**	**11/17/2026**	**Not Permitted**

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OVERVIEW

Purpose	This guide provides partners with a clear overview of AD Mortgage's underwriting guidelines across our product suite. It clarifies guideline interpretations and key underwriting considerations to ensure efficient and accurate deal submissions.
Fannie Mae Guidelines	For FNMA guidelines, please click here.
Freddie Mac Guidelines	For FHLMC guidelines, please click here.

AD Mortgage Additional Guideline Requirements

INCOME

Future Income	Future income will only be accepted from well-established corporations. See Exhibit 2 for Future Income parameters.
Amended Tax Returns	Amended Tax Returns will not be considered unless both the original and amended returns along with a clear explanation for the changes are provided. Tax Returns that

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	appear to be amended solely to increase income for mortgage qualification will not be accepted.
Most Recent Year Tax Return Requirements	When tax returns are required to document income, the most recent year's tax return is required. The most recent tax return is defined as the last return scheduled to have been filed. For example: IF TODAY'S DATE IS ... / THEN THE MOST RECENT YEAR'S TAX RETURN WOULD BE ... February 15, 2026 — **2024** April 15, 2026 — **2025** December 15, 2026 — **2025**
Tax Transcripts Not Available for Most Recent Year	If most recent year tax returns have been provided and transcripts are required but not available yet, the following will apply: **One Year Tax Returns required:** • If current year's transcripts are not available yet as evidenced by "No Record of Return", evidence the current year tax returns have been filed is required. E.g. evidence of paid tax liability or refund received, stamped and signed transcripts from the IRS. – Note: Underwriters reserve the right to ask for additional information or documentation. • The most recent year tax returns must be signed by the borrower(s). **Two Years' Tax Returns required:** • Tax Transcripts for the previous year(s) as required per product must be obtained. • The SUW must analyze all years for stability and continuance. Supporting documentation or explanation may be required if considerable changes exist. • The most recent year tax returns must be signed by the borrower(s). • The most conservative income will generally be used to qualify the borrower(s), e.g. most recent year will be used regardless of tax transcripts when income is declining. – If the use of higher income from most recent year averaged with the previous year is needed to qualify, proof of most recent tax year has been filed must be obtained (evidence of paid tax liability or refund received) and second level review is required.
Parsonage Income	Parsonage income must be reported in box 14 on a W-2, Form 1040, line 1h (other earned income), or Schedule SE on 1040 (If exempt, Form 4361 can be provided).

CREDIT	
Delinquent Federal Income Taxes	If the borrower has delinquent federal income taxes, we must obtain one of the following: • Evidence of proof of payment, • Evidence of IRS installment agreement plan and qualify with the monthly payment, OR • Evidence of Record of Account showing no taxes due
Credit Reports	Free credit reports from other Lenders are only acceptable when they can be reissued to both Fannie Mae DU and Freddie Mac LPA. If the credit report can only be reissued to one, the report is not acceptable.

ASSETS	
Gift Funds for Reserves	Gift funds sent directly to title cannot be used for reserves. Instead, they must be transferred directly to the borrower's account prior to closing.

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AUS FINDINGS	
Manual Underwriting	Manually underwritten transactions are not permitted on Conventional loans.
Credit Score of 580 and below	Borrowers with a credit score of 580 and below are ineligible if any current past-due debt is present, regardless of Approve/Eligible AUS Findings. **Collections and Charge-Offs** The above does not apply to collections and charge-offs when: • Collection is medical • Collection or charge-off is greater than 2 years old • Collection or charge-off is less than 2 years old and cumulative balances of no more than $5000.

ESCROW WAIVER	
Escrow Waiver	An escrow waiver is available up to 95% with no fee for all states except New Mexico (max LTV 80%). CA – When there are subordinate loans(s), an escrow waiver is only available up to 80% CLTV, per CA Civil Code 2954. Note: UCC with fixture filing must be included in the CLTV for the qualification of the loan but **is not** included in the CA Civil Code when applying an escrow waiver. An escrow waiver is not available if the loan is considered HPML.

MORTGAGE INSURANCE (MI)	
Ineligible MI Options	The following MI options are ineligible: • LPMI • Split MI
Additional MI Restrictions	• Borrowers with ITIN not permitted • Borrowers who are foreign nationals with diplomatic immunity are not permitted • Minimum Credit Score – 600 • Single-wide manufactured homes that are in a condo project or leasehold are ineligible

LIABILITIES	
Ineligible Debt Payoff	Refinances that involve the payoff of a debt owed to the originating lender or to an affiliate of the originating lender are ineligible financing. Exceptions to this are when the originating lender is a bank or credit union.
Current Primary Residence Pending Sale	Fannie Mae permits the primary residence PITIA to be excluded from the DTI if the following is provided: • An executed sales contract for primary residence, and • All financing contingencies have been cleared. AD Mortgage will not permit an executed contract from a family member, company or LLC, unless it is an employee relocation. All others must be escalated to Team Lead for review.

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PROPERTY	
Ineligible Financing	Subject to and Seller financing is not permitted.
Escrow Holdback	Escrow holdback is not permitted.
Ineligible Properties	• Cooperatives • Properties held in Land Trusts, including Community Land Trusts • Properties with Life Estate rights. Any properties titled with these provisions must have the rights removed prior to closing to be considered. • Properties located on Native American Tribal Land or Reservations, including those that require BIA approval. • Properties in C5 condition. – Properties in C5 condition are only permitted if renovated to C4 condition or above before clear to close or; – A documented cost to cure of no more than $5000 can be provided demonstrating the property can be brought to a C4 condition.
Cost to Cure	Any cost to cure that exceeds $5000, requires a 1004D to remediate the repairs.
PACE Loans	Properties with PACE loans must be paid in full and released, regardless of the lien priority over first lien.
COO & 1004D on New Construction	The Certificate of Occupancy (COO) can be made a closing condition and the 1004D can be made a post-closing condition for the following builders: Lennar • DR Horton • Pulte • GL Homes • Kolter Homes • Mattamy Homes • Taylor Morrison Homes • JMC Homes • KB Home • Tri Pointe Homes
Attestation Letter	An attestation letter in lieu of 1004D is not permitted by AD Mortgage.
Transferred Appraisals	Transferred Appraisals with the following scenarios will not be accepted: • CU or LCA Unavailable score • CU or LCA Score greater than 2.5 **and** Overvaluation Flag **or** Appraisal Quality Issues Alert. • Transferred Appraisals that were ordered without an AMC. • Transferred Appraisals with an effective date after the submission date. • 1004D Update of Value will not be accepted on a transferred appraisal if the date of the appraisal exceeds 120 days of the effective date. **Requirements for Transferred Appraisals:** • Maximum of 1 transferred appraisal will be reviewed per loan. • The appraiser that completed the transferred appraisal must be considered eligible. • AD Mortgage does not need to appear as the lender on the transferred appraisal. • A signed and dated Appraisal Transfer Letter from the original lender to AD Mortgage, releasing the appraisal, is required. (double transfers are not permitted). In addition, an acceptable reason for the transfer may be requested at the discretion of the collateral underwriter. • The Appraisal Transfer Letter must be executed by the lender that ordered the appraisal and signed by an authorized officer of the company. – Transfer letters signed by loan officers, processors, etc. … will not be accepted. • Transferred Appraisals in Broker's name will not be accepted, unless the Broker Company is also the Lender. • XML is required for every transferred appraisal. • If any modifications, corrections or material changes are required on a transferred appraisal, a new appraisal will be required.

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TRANSACTION & BORROWER ELIGIBILITY	
Assignment of Purchase Contract	A purchase contract may be assigned only if every buyer on the original contract stays on the transaction. New buyers may be added, but no original buyer maybe removed. The purchase price may not increase as a result of the assignment and no assignment fee or other payment to the assignor is permitted.
MLO or Processor as Borrower	Files where the MLO or processor is the borrower or coborrower listed on the application or vested on title are prohibited.
Closing in Trust	When AD Mortgage prepares the closing package, closing in Trust is limited to 1 Trust. At least one borrower must be a trustee.
Eligible States	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, IA, ID, IL, IN, KS, KY, LA, MA, MD (except Baltimore County & Baltimore City for Inv), ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, USVI, VA, VT, WA, WI, WV.
Visa Requirements	Lawful non-permanent resident of the United States legally present in the US are eligible for a mortgage if the following is met: • Must have a valid Social Security Number (SSN) or ITIN; and • They have current, verified status, which may be documented by a valid employment authorization document (EAD) showing immigration status/program (if status is unclear, the underwriter can request I-797 to verify borrower's status), or other documentation showing immigration status is current (e.g., Green Card, work visa, etc.). Documents must be current at the time of the note date. If any document is expired as of the note date, it is acceptable to provide proof of application for renewal documented by the receiving agency (e.g., Filing receipt, letter with case receipt confirmation.) Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing.

Exhibit 1 – Visa Requirements

The visa classifications allowed as Non-Permanent Resident Aliens are listed below:

NON-PERMANENT RESIDENT ALIEN VISA CLASSIFICATIONS		
VISA	VALID EAD CARD	DESCRIPTION
B1/A3/G5	C17	Non-immigrant domestic servant (VISA and Valid EAD Card must be combined)
BC-1	N	Broadcaster in the US employed by the International Broadcasting Bureau of the Broadcasting Board of Governors
BC-2,3	Y	Spouse, child of BC-1
C-5; C-51	N	Employment creation
C-52-53	C09	Spouse or child of C-5 or C-51
DV- 1,2,3	N	Diversity immigrant, spouse, child
E-1, 2, or spouse of E-1, 2 (the spouse does not get a different number for this category)	A17	Treaty/Trade investor or spouse
E-11/EB-1	N	Person with extraordinary ability in the sciences, arts, education, business or athletics

NON-PERMANENT RESIDENT ALIEN VISA CLASSIFICATIONS		
VISA	VALID EAD CARD	DESCRIPTION
E-12	N	Outstanding professor or researcher
E-13	N	Multinational executive or manager
E-14 /15	C09	Spouse or child of EII, 12, or 13
E-21	N	Professional holding advanced degree or alien of exceptional ability
E22,23	C09	Spouse, child of E-21
E-3	N	Specialty occupation- Australia
E-31	N	Skilled worker
E-32	N	Professional holding baccalaureate degree
E-34,35	C09	Spouse or child of E31 or 32
EB-5	N	Immigrant Investor
EW-3	N	Other worker
EW-4,4	C09	Spouse or child of EW-3
G-1, 2, 3, 4, 5	N / C04 spouses and children: C04	Employees of international organizations and NATO; spouses and children
H1-B	N	Foreign nationals working in the US in a specialty occupation
H-4	N/A	Spouse or child of H type
I- 5, 51	N	Investor in employment
I-52, 53	C09	Spouse or child of 1-51
IH-3, 4	C09	Child adopted or to be adopted by US citizen
L, L-1a and L-1b	N	Intracompany transferees
L-2	N	Dependents of L-1 visa holders
N/A	A02	Lawful temporary resident pursuant to sections 245a or 210 of the INA (temp. agricultural worker)
N/A	A03	Refugee
N/A	A05	Asylum granted
N/A	A12	Temporary protected status
N/A	A13	IMMACT Family Unity beneficiary
N/A	A14	LIFE Act Family Unity beneficiary
N/A	AII	Deferred Enforced departure
N/A	A10	Granted withholding of Deportation or Removal
N/A	C12	Spouse of an E2 commonwealth of the Northern Mariana Islands investor, eligible for employment. In the CNMI only
N/A	C14	Alien granted deferred action
N/A	C16	Registry applicant
N/A	C19	Temporary Protected status
N/A	C31	Principal beneficiary or qualified child of approved VAWA self-petition
N/A	C33	DACA
N/A	C10	Nicaraguan Adjustment & Central American Relief act
N/A	C08	Asylum applicant, status pending

NON-PERMANENT RESIDENT ALIEN VISA CLASSIFICATIONS		
VISA	VALID EAD CARD	DESCRIPTION
N/A	C11	An alien paroled into the United States in the public interest or temporarily for emergency reasons
N-8 OR 9	A07	Parent or child of international organization employee granted permanent residence
NAT0-1-6	C07	NATO members, staffs, and families for temporary stay
O	N	Extraordinary ability in science, education, the arts, business or athletics
R-1		Religious workers
R-5, 51	N	Investor in pilot program
R-52, 53	C09	Spouse or child of R-51
SD-1	N	Religious workers
SD-2, 3	C09	Spouse or child of SD-1
SE-1	N	Employees or former employees of the US Gov't abroad
SE-2, 3	C09	Spouse or child of SE-1
SF-1	N	Former employees of the Panama Canal Company or Canal Zone Gov't
SF-2	C09	Spouse or child of SF-1
SG-1	N	Former employees of the US gov't in the Panama Canal Zone
SG-2	Y	Spouse or child of SG-1
SH-1	N/A	Certain former employees of the Panama Canal Company or Canal Zone gov't on 4/1/79
SH-2	C09	Spouse or child of SH-1
SI	N	Interpreters
SJ-1	N	Foreign medical graduate
SJ-2	C09	Spouse or child of SJ-1
SK-1	N	Retired international organization employee
SK-2	C09	Spouse of SK-1
SK-3	C09	Unmarried child of an international organization employee
SK-4	C09	Surviving spouse of deceased international organization employee
SN-1	N	Retired NATO6 civilian
SN-2, 3	C09	Spouse of child of NATO6 civilian employee
SN-4	C09	Surviving spouse of deceased NATO6 civilian employee
SQ	N	Iraqi/Afghans who work on behalf of the US government
SR 2, 3	C09	Spouse or child of SR-1
SR-1	N	Religious workers
T-1-4	A16 OR C25	Victim or spouse or child or parents of victim of human trafficking
T-5, 51	N	Employment creation
T-52, 53	C09	Spouse or child of T-51
TC NAFTA, TN, TD	N	Canadian or Mexican citizens working in the US
U-1-4	A19 OR A20	Victim or family member of victim of criminal activity

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Exhibit 2 – Future Income Parameters

ACCEPTABLE FUTURE EMPLOYMENT **Requires non-contingent employment contract and verified through HR	
For those borrowers that do not have any apparent education, training, or experience in the new field of work consider the following:	
Large Corporations (500+ employees)	**Government & Public Sector**
Amazon	Local/State/Federal Government Agencies
Bank of America	Public School Districts
Home Depot	Police Departments
Delta Airlines	Fire Departments
Microsoft	Public Universities
**List is not all inclusive*	USPS
Medical Sector (with formal offer)	**Tech/Professional Services (with strong track record)**
Hospitals (e.g., Cleveland Clinic, Kaiser Permanente)	Google, IBM, or other large IT firms
Group practices with 10+ doctors	Large accounting or law firms (e.g., Deloitte, PwC)
Residency placements or fellowships with established hospitals	Healthcare IT companies with 500+ employees
UNACCEPTABLE FUTURE EMPLOYERS	
Small Businesses, Local Shops, Independent Contractors	
Local restaurants or food trucks • Family-owned retail stores • Independent gyms or salons • Small contracting firms without formal onboarding • Startups with under 50 employees • 1099-based platforms (Uber, DoorDash, Fiverr) • Any employer lacking formal HR infrastructure	
Unusually high income for the position or market (e.g., a $130K salary for a junior-level role in a rural area). Public tools like BLS, Glassdoor, and Salary.com can help benchmark typical salary ranges.	
Unusual formatting or content on paystubs/W-2s, including irregular deductions or mismatches with 4506-C transcripts.	
OTHER CONSIDERATIONS	
In addition to considering the size and type of employer, emphasis must also be placed on the borrower's work history. If they have a good two-year work history in the same or similar line of work, that can bear some weight when they are going to start a new position. Additional weight should be given to people who are in a specialized field of work and are staying in those fields. For example, Accountants and Environmental Engineers who have prior experience, training and education in these fields are less likely to take fake jobs but are likely to take new jobs at small firms. Extra consideration should be reviewed for lines of work that are known for frequent job changes. For example, traveling nurses, oil rig operators, and people in the film and television industries will often have numerous employers in the same line of work over a two-year work history. Future Income that involves a move to another state or income significantly increases will be reviewed by a Team Lead.	

**All Guidelines for Employment Contracts must be met.

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