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# FHA OVERLAYS

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01/26/2026

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## FHA STANDARD

<b>Minimum Credit Score</b>	<ul style="list-style-type: none"><li>• All borrowers: 580, Manual UW: 620</li><li>• Min FICO for manufactured 620 on purchased/rate-term and 640 on cash out</li></ul>
<b>Maximum DTI</b>	<ul style="list-style-type: none"><li>• Per AUS</li></ul>
<b>Credit</b>	<ul style="list-style-type: none"><li>• Each borrower must have at least one credit score to be eligible.</li><li>• No credit bureaus may be frozen. Borrowers must unfreeze all bureaus, and the AUS rerun with the updated credit.</li></ul>
<b>Age of Documents</b>	<ul style="list-style-type: none"><li>• Credit documents must be no more than 120 days old on the disbursement date, including credit reports and employment, income and asset documents.</li><li>• Preliminary Title Policies must be no more than 180 days old on the date the Note is signed</li></ul>
<b>Income Documentation</b>	<ul style="list-style-type: none"><li>• A 4506-C, signed at application and closing, is required for all transactions</li><li>• The following income types are ineligible for qualifying:<ul style="list-style-type: none"><li>○ Income or assets derived from the production or sale of marijuana, bitcoin or other cryptocurrencies, restricted stock or Restricted stock units (RSU)</li></ul></li><li>• W2 transcripts or 1099 IRS transcripts are required for:<ul style="list-style-type: none"><li>○ wage-earner borrowers</li><li>○ fixed income, such as long-term disability, social security, retirement, etc., if alternative documents such as award letter, SS benefits letter, 1099, and bank statements are provided</li><li>○ commission income less than 25% of the borrower's total earnings</li></ul></li><li>• Tax transcripts are required for all borrowers when the following is used to qualify:<ul style="list-style-type: none"><li>○ self-employed income</li><li>○ rental income documented on schedule E</li><li>○ commission income greater than 25% of the borrower's total earnings</li><li>○ employed by a family-owned business</li><li>○ fixed income when the 1040s are used in lieu of alternative documentation</li><li>○ other income types such as auto allowance, capital gains/losses, dividend/interest, or farm income/loss</li><li>○ non-taxable income, other than VA disability income, is grossed up</li><li>○ handwritten income documentation</li><li>○ loan files where there is relationship between the borrower and an interested party of the subject transaction such as Seller, Loan Officer, or employee of a Mortgage Broker; or Seller has relationship to the Loan Officer</li></ul></li></ul>

	<ul style="list-style-type: none"> <li>When Tax transcripts are required, the number of years provided must be based on the AUS Findings. When tax transcripts are provided, they must support the income used to qualify. If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.</li> <li>Additional guidance for certain scenarios: <ul style="list-style-type: none"> <li>If Fraud Guard shows self-employment or ownership of another property, full transcripts are required.</li> <li>If AUS requires 1040s for any reason, full transcripts will be required.</li> <li>If borrower's current home is a multi-family or borrower owns rental property, full transcripts are required.</li> <li>For borrowers that are filing taxes jointly, if one (1) borrower is W2 and one borrower is receiving nontaxable income (other than VA disability income) that is grossed up, full transcripts are required.</li> <li>For self-employed borrowers the verbal verification of employment must be completed within 120 days prior to the note date.</li> </ul> </li> <li>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 appear to be amended solely to increase income for mortgage qualification will not be accepted.</li> <li>Future income will only be accepted from well-established corporations. <ul style="list-style-type: none"> <li>See <a href="#">Exhibit 1</a> for Future Income Parameters</li> </ul> </li> </ul>
<b>Documentation Type</b>	<ul style="list-style-type: none"> <li>VODs are not acceptable for asset documentation</li> <li>Handwritten Verification of Mortgages (VOM) or Verification of Rents (VOR) are not eligible</li> </ul>
<b>Verification of Employment</b>	<ul style="list-style-type: none"> <li>For salaried employees the verbal verification of employment must be completed within 10 calendar days prior to the note date. For self-employed borrowers the verbal verification of employment must be completed within 120 calendar days prior to the note date.</li> </ul>
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>U.S. citizens</li> <li>Permanent resident aliens, with proof of lawful permanent residence</li> </ul>
<b>Property Eligibility</b>	<ul style="list-style-type: none"> <li>Single Family Detached</li> <li>Single Family Attached</li> <li>Multi-wide manufactured home</li> <li>2-4 Unit Detached/Attached</li> <li>PUDs</li> </ul>



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	<ul style="list-style-type: none"><li>• Low-rise and High-rise Condominiums (must be FHA eligible)</li><li>• Rural Properties (in accordance with agency Guidelines, loans must be residential in nature)</li></ul>
Manufactured home	<ul style="list-style-type: none"><li>• The property must be complete with the Certificate of Occupancy (C of O) or other equivalent documentation by the time of close</li><li>• Multiple-width manufactured home with a minimum square footage of 700 feet.</li><li>• Fee Simple land ownership only</li></ul>
Cash out	<ul style="list-style-type: none"><li>• Borrowers may not have multiple cash-out transactions within the prior 12 months on the same property. Closing Disclosures (CDs), or other supporting documentation, from all subject property refinances in the prior 12 months are required to confirm the previous transactions were no cash-out. The subject cash-out transaction is excluded if the borrower is receiving no cash in hand, or is receiving less than the incidental limit allowed by the Agency. Loans with LTV/CLTVs of 75% or less are excluded from this requirement. Notes:<ul style="list-style-type: none"><li>○ Removing or adding borrowers will not make the transaction eligible.</li><li>○ When a HELOC is paid through closing, the current transaction is only considered cash out for this requirement if there were any draws in the last 12 months.</li></ul></li></ul>
Temporary Buydowns	<ul style="list-style-type: none"><li>• Temporary interest rate buydowns are allowed on 30 year fixed-rate transactions only</li><li>• Max total interest rate reduction of 3%, max increase per year of 1% (only 1/0, 2/1 and 3/2/1 buydowns allowed)</li><li>• Maximum 3 years to reach standard note rate</li><li>• Minimum 660 FICO</li><li>• Owner Occupied only</li><li>• Purchase only</li><li>• Ineligible:<ul style="list-style-type: none"><li>○ Borrower funded buydowns</li><li>○ 2-4 Unit properties</li><li>○ OFHA loans with high balance loan amounts</li></ul></li></ul>
Secondary financing	<ul style="list-style-type: none"><li>• No negative amortization or balloon payments on subordinate financing</li><li>• Transactions with subordinate PACE liens are not eligible</li></ul>
Appraisals	<ul style="list-style-type: none"><li>• A full appraisal is required for all submissions</li><li>• Appraisers may perform an update of a previously completed appraisal using the Fannie Mae Form 1004D/Freddie Mac Form 442/March 2005 when requested</li><li>• The property condition rating should be C4 or better for manufactured</li><li>• Appraiser must comply with the FHA Appraisal Independence Policy</li></ul>



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	<ul style="list-style-type: none"><li>Unpermitted property additions are acceptable if:<ul style="list-style-type: none"><li>The subject addition complies with all FHA guidelines;</li><li>The addition does not result in a change in the number of units comprising the subject property (e.g., a one unit converted into a two-unit);</li><li>The Appraiser doesn't give the unpermitted addition value; and</li><li>The Appraiser has no reason to believe the addition would not pass inspection for a permit.</li></ul></li></ul>
<b>Geographic restrictions</b>	<ul style="list-style-type: none"><li>Texas 50 (a) (6) ineligible</li><li>NY CEMA loans: Lost Note Affidavits (LNAs) are not allowed for prior or current notes</li><li>Guam, Puerto Rico, and the Virgin Islands are ineligible</li></ul>
<b>Eligible Products</b>	<ul style="list-style-type: none"><li>Fixed Rate: 15-, 20- &amp; 30-year terms. (FHA High Balance allowed on all terms)</li><li>Section 203(b) Basic with ADP code of 703</li><li>Section 234 (c) Condominiums with ADP codes of 734</li><li>Simple Refinances allowed in accordance with FHA's guidelines.</li></ul>
<b>Ineligible Products</b>	<ul style="list-style-type: none"><li>No Adjustable-Rate Mortgages (ARMs);</li><li>Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the Eligible Mortgage Types above, including but not limited to:<ul style="list-style-type: none"><li>Energy Efficient Mortgages</li><li>Weatherization</li><li>Solar and Wind</li><li>GPM</li><li>One Time Close Construction to Permanent CP</li><li>Sections 203(k), 184, 248</li><li>Reverse Mortgages</li><li>Good Neighbor Next Door</li><li>FHA Back to Work</li><li>HUD \$100 down</li></ul></li></ul>
<b>Ineligible features</b>	<ul style="list-style-type: none"><li>Loans with resale deed restrictions, with the exception of age restricted properties</li><li>No assigned purchase contracts</li><li>FHA loans with unsecured interest-free loan for establishment of an escrow account</li><li>Texas Home Equity Loans</li><li>Prepayment penalties</li><li>Balloon Terms</li><li>Loans to Non-Profit Organizations</li></ul>



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	<ul style="list-style-type: none"><li>• Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. Unacceptable transactions of this type may have some or all of the following characteristics:<ul style="list-style-type: none"><li>○ Gift of equity from the seller</li><li>○ Large amount of seller credits</li><li>○ Family member remaining in the home and on title after the “purchase”</li><li>○ Seller unable to qualify for a cash-out transaction of their own</li></ul></li></ul>
<b>Escrow Holdback</b>	<ul style="list-style-type: none"><li>• Escrow holdback is not permitted.</li></ul>
<b>Ineligible Collateral</b>	<ul style="list-style-type: none"><li>• Single-wide Manufactured home</li><li>• Mobile homes</li><li>• Singlewides</li><li>• Co-ops, Commercial or industrial properties</li><li>• Leaseholds</li><li>• Condotels, Hotel Condominiums</li><li>• Properties in Redemption</li><li>• Timeshares</li><li>• Working Farms and Ranches</li><li>• Geodesic Domes and others Unique or non-traditional types of structures</li><li>• Unimproved Land and property currently in litigation</li></ul>
<b>Properties listed for sale</b>	<ul style="list-style-type: none"><li>• Properties listed for sale in the prior 30 days to the application date are ineligible</li></ul>
<b>Escrows</b>	<ul style="list-style-type: none"><li>• All loans must have escrow for taxes/insurance.</li></ul>
<b>Power of Attorney</b>	<ul style="list-style-type: none"><li>• The POA must be either a Statutory Form Power of Attorney or specific to the loan transaction. If using a specific POA, the individual acting as Attorney-in-Fact must have a familial or fiduciary relationship with the borrower or a personal relationship with an ownership interest in the subject property.</li><li>• POA usage not permitted on Cash out Refinances or any loan where the Attorney-In-Fact is an employee of the Lender, Broker, Title or Realtor.</li><li>• POA only allowed in extenuating circumstances where the borrower cannot attend closing.</li><li>• The recorder's stamp appears, if previously recorded. The POA must be dated no more than 120 days prior to the loan closing date.</li></ul>
<b>Loan Limits</b>	<ul style="list-style-type: none"><li>• FHA mortgage limits for all areas: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a>.</li></ul>
<b>HPML</b>	<ul style="list-style-type: none"><li>• AD Mortgage will not originate High-Cost loans. HPML are allowed for fixed rate only.</li></ul>



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## FHA STREAMLINE

<b>Credit Score</b>	<ul style="list-style-type: none"><li>• 580 for all borrowers</li><li>• 620 for Manufactured Homes</li></ul>
<b>Occupancy</b>	<ul style="list-style-type: none"><li>• Primary Residence</li></ul>
<b>LTV</b>	<ul style="list-style-type: none"><li>• Max LTV of 110% for manufactured homes based on current value</li></ul>
<b>Units</b>	<ul style="list-style-type: none"><li>• 1-4 Units</li></ul>
<b>Loan Terms</b>	<ul style="list-style-type: none"><li>• Fixed Rate: 30Y.</li></ul>
<b>Credit</b>	<ul style="list-style-type: none"><li>• Tri-merge soft-pull credit report that includes a complete mortgage payment history with trended data for all mortgages and a credit score is required.</li><li>• At least one borrower must have a minimum of one credit score to be eligible.</li></ul>
<b>Mortgage history</b>	<ul style="list-style-type: none"><li>• 0x30x12</li></ul>
<b>Employment Documentation</b>	<ul style="list-style-type: none"><li>• Non-Credit Qualifying:<ul style="list-style-type: none"><li>• The following Income and Employment documentation are required at a minimum:<ul style="list-style-type: none"><li>◦ Salaried borrowers require a Verbal Verification of Employment (VVOE)</li><li>◦ Self-employed borrowers require verification of the business through a 3rd party source</li><li>◦ Retired borrowers aged 60 and older do not require a VVOE</li></ul></li><li>• Credit Qualifying:<ul style="list-style-type: none"><li>◦ Tax transcripts are required when a borrower is using qualifying income from self-employed income or W-2 Income for borrowers employed by a family member, the property seller, real estate broker or other interested party to the transaction.</li></ul></li></ul></li></ul>
<b>Appraisal</b>	<ul style="list-style-type: none"><li>• Not required for stick-built properties</li><li>• 2055 or BPO required for Manufactured Homes. The property condition must be average or better</li></ul>
<b>Texas Home Equity 50(a)(6)</b>	<ul style="list-style-type: none"><li>• Not eligible</li></ul>
<b>HPML Transactions</b>	<ul style="list-style-type: none"><li>• Higher Priced Mortgage Loans (HPML) are defined as any owner-occupied loan with an APR 1.5% above the Average Prime Offer Rate (APOR) on the day the loan is locked. High-Cost Loans are prohibited.</li></ul>
<b>Rebuttable Presumption</b>	<ul style="list-style-type: none"><li>• Eligible</li></ul>
<b>CEMA</b>	<ul style="list-style-type: none"><li>• 1-4 Unit Properties</li><li>• eMortgages are ineligible</li></ul>



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	<ul style="list-style-type: none"><li>• Lost Note Affidavits (LNAs) are not allowed for prior or current notes</li></ul>
<b>Bankruptcy</b>	<ul style="list-style-type: none"><li>• Must not currently be in bankruptcy</li><li>• Loans amounts above \$715,000 may not have foreclosure/bankruptcy in last 5 years.</li></ul>
<b>Temporary buydowns</b>	<ul style="list-style-type: none"><li>• Ineligible (not allowed on refinance transactions)</li></ul>
<b>Eligible Collateral</b>	<ul style="list-style-type: none"><li>• 1-4 Units</li><li>• PUDs</li><li>• Multiple-wide Manufactured Homes</li><li>• Condominiums (must be FHA eligible)</li><li>• Rural Properties (in accordance with agency Guidelines, loans must be residential in nature)</li></ul>
<b>Manufactured Homes</b>	<ul style="list-style-type: none"><li>• 1 unit only</li><li>• Minimum 700 square feet</li><li>• Affidavit of affixation, or state equivalent document, required</li><li>• Leasehold ownership is ineligible</li></ul>
<b>Ineligible Collateral</b>	<ul style="list-style-type: none"><li>• Co-ops,</li><li>• Condotels,</li><li>• Mobile Homes</li><li>• Indian Reservations, and</li><li>• Single-wide Manufactured Homes</li><li>• Manufactured Homes as accessory units</li></ul>
<b>Properties listed for sale</b>	<ul style="list-style-type: none"><li>• Properties listed for sale in the prior 30 days to the application date are ineligible</li></ul>
<b>Ineligible states</b>	<ul style="list-style-type: none"><li>• Guam, Puerto Rico, and the Virgin Islands</li></ul>



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## Exhibit 1 – Future Income Parameters

<b>Acceptable Future Employment - **Requires non-contingent employment contract and verified through HR</b>	
For those borrowers that do not have any apparent education, training, or experience in the new field of work consider the following:	
<b>Large Corporations (500+ employees):</b>	<b>Government &amp; Public Sector:</b>
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
<b>Medical Sector (with formal offer):</b>	<b>Tech/Professional Services (with strong track record):</b>
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
<b>Unacceptable Future Employers</b>	
<b>Small Businesses, Local Shops, Independent Contractors:</b>	
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	



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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.