

## Overlay Removals and Appraisal/Property Requirements Rewrite

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### Overview

Chase has removed many of our Agency overlays following an extensive review of our guidelines.

In addition, we have:

- Performed a rewrite of the topics in the *Appraisal/Property Requirements* folder
  - Combined information contained in the *Ineligible Products and Features Matrix* with the remaining items in the *Fannie Mae and Freddie Mac Overlay Matrix*
  - Created a separate *Ineligible Products and Features Matrix* for Non-Agency transactions
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### Reason for Change

We are making these updates to align more closely with Agency requirements and provide one document for Chase-specific requirements.

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### Audience

Please direct this communication to:

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| <input checked="" type="checkbox"/> Loan Origination/Processing | <input type="checkbox"/> Secondary Marketing/Registration |
| <input checked="" type="checkbox"/> Underwriting                | <input checked="" type="checkbox"/> Closing/Funding       |
| <input type="checkbox"/> Shipping/Delivery                      | <input type="checkbox"/> Compliance/Legal                 |
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### Effective Date

The LTV expansion for Freddie Mac Second Home and 2-Unit Primary Residences is effective with Best Efforts loans locked and Mandatory Commitments taken on or after July 17, 2018.

All other changes outlined in this bulletin may be applied immediately.

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## Overlay Removals and Appraisal/Property Requirements Rewrite, Continued

### Appraisal and Property Overlays (All Transactions)

The following overlays will be removed from the **Appraisal and Property Overlays** section; follow AUS findings and Agency requirements:

Overlay	Revision
Appraisal Update	Removed: <ul style="list-style-type: none"> <li>Appraisal update new photo requirement</li> <li>Overlay on Freddie Mac transactions requiring letter of explanation when original appraiser not used for appraisal update</li> </ul>
Disaster Guide – Photo Requirements	Removed photo requirements for disaster inspections (all property types).
Property Flipping	Removed 90 day resale restriction <b>Note:</b> The appraisal must support the value of the property based on Agency standards.
Property Listed for Sale or Was For Sale	Removed restrictions on properties that were listed for sale in the prior 12 months.
Condos – Approvals: Site Condos	Removed requirement for project review of site (detached) condos for delegated <b>Fannie Mae</b> transactions. A project review is still required for all Freddie Mac and Non-Agency detached (site) condos.

### Compliance/Closing Overlays

The following overlays will be removed from the **Compliance/Closing Overlays** section; follow AUS findings and Agency requirements:

Overlay	Revision
Power of Attorney (POA)	Removed overlay restricting use of POA on cash-out refinance transactions. Refer to Fannie Mae and Freddie Mac guidelines for Agency requirements and the <i>Power of Attorney</i> topic in the Chase <i>Online Guide</i> for a complete listing of states that require POA acceptance without imposing additional requirements.

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## Overlay Removals and Appraisal/Property Requirements Rewrite, Continued

**Credit Overlays** The following overlays will be removed from the **Credit Overlays** section; follow AUS findings and Agency requirements:

Overlay	Revision
Credit Inquiries	Removed overlay on Fannie Mae transactions for all credit inquiries within 120 days of the credit report to be addressed.  As a reminder, Fannie Mae guidelines require additional due diligence when the credit report reflects recent inquiries to ensure the borrower has not obtained new credit not reflected on the report.
Deed-in-Lieu of Foreclosure/ Short Sale/Short Payoff/ Charge-off of Mortgage Debt (loans with credit scores less than 700)	Removed Chase-specific derogatory credit requirements.
Non-Occupant Co-Borrowers	Removed requirement for minimum 5% investment from occupant borrower's own funds.

### Income Overlays

The following overlays will be removed from the **Income Overlays** section; follow AUS findings and Agency requirements:

Overlay	Revision
Ineligible Income Sources	Removed the following as ineligible income sources when applicable Agency requirements for history and continuity are met: <ul style="list-style-type: none"> <li>• Boarder Income</li> <li>• Capital Gains Income</li> <li>• Gambling/Lottery Income</li> <li>• Health and Wellness</li> </ul> <b>Note:</b> Income that is derived from an activity that is considered illegal by federal or state law continues to be ineligible as reflected on the revised overlay matrix.
LPA Self Employed (loans with credit scores < 700)	Removed Chase-specific requirements.
Revocable Trust Income	Removed restrictions when using revocable trust income.
Tax Transcripts	Removed Chase requirement for tax transcripts for "passive" income. Follow Agency requirements for income documentation.

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## Overlay Removals and Appraisal/Property Requirements Rewrite, Continued

### Product Overlays and Ineligible Features

The following Product overlays and ineligible features will be removed; follow AUS findings and Agency requirements:

Overlay/Ineligible Feature	Revision
Sweat Equity	Removed the restriction on sweat equity for HomeReady® and Home Possible® products
Rental Income from Accessory Dwelling Unit (ADU)	Removed restriction for use of rental income from ADU for HomeReady® and Home Possible® when income meets Agency requirements <b>Note:</b> Although Fannie Mae allows less than 12 months receipt of rental income, Chase retained this restriction as reflected on the revised <i>Fannie Mae and Freddie Mac Overlay Matrix</i> .
Escrow Waivers	Removed the restriction on escrow waivers for HomeReady and Home Possible products
Freddie LTVs on Second Home and 2-Unit Primary Residence Transactions	Allow Freddie Mac expanded LTVs for Second Home and 2-Unit Primary Residence transactions.

### Chase-Specific Requirements

The following Chase-specific requirements will be removed from the *Online Guide*:

Topic	Revision
<i>Cooperative Requirements</i>	The <b>Lender Concentration</b> section of the <i>Cooperative Requirements</i> topic will be revised to remove the maximum lender concentration for <b>Fannie Mae</b> transactions.  20% maximum lender concentration limit applies for Freddie Mac and Non-Agency transactions.
<i>Insurance - Flood</i>	The <b>Flood Certification Date Requirement</b> section of the <i>Insurance – Flood</i> topic will be revised to remove the requirement for the date of determination to be no more than 120 days before the Note date for <b>Agency</b> transactions.
<i>Appraisals</i>	The requirements in the <b>Contract Changes After Appraisal is Complete</b> section of the <i>Appraisals</i> topic will be revised to apply for Non-Agency transactions only.  The requirements in the <b>High Value Flag</b> section of the <i>Appraisals</i> topic will be revised to reflect that when a secondary valuation is obtained, follow Agency guidelines and use the most credible value.
<i>Product Guides - Agency</i>	The <b>Reserves</b> sections have been revised to remove the Chase reserve requirements for 2-4 unit properties and investment properties.

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## Overlay Removals and Appraisal/Property Requirements Rewrite, Continued

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### Appraisal and Property Requirements Rewrite

In conjunction with the overlay removals outlined in this bulletin, the topics in the *Appraisal/Property Requirements* folder will be revised and clarified to provide separate sections for Fannie Mae and Freddie Mac transactions and Non-Agency transactions.

The *Ineligible Products and Features Matrix* has been revised to apply for Non-Agency transactions; ineligible products and features that apply to Agency transactions have been added to the *Fannie Mae and Freddie Mac Overlay Matrix*.

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### Online Guide Revisions

The following topics in the *Online Guide* will be revised by July 10, 2018, to reflect the changes outlined in this bulletin:

- *Fannie Mae and Freddie Mac Overlay Matrix*
  - *Ineligible Products and Features Matrix – Non-Agency*
  - *Cooperative Requirements*
  - *Insurance – Flood*
  - *Appraisals*
  - *Appraisal/Property Requirements* folder topics
  - *Agency Amortizing ARMs*
  - *Freddie Mac Product Guides*
  - *High Balance Product Guides*
  - *Fannie Mae HomeReady*
  - *Income – DU and LPA*
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### Questions

For questions or additional information, contact Correspondent Customer Support at:

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  - [correspondent.customer.support@chase.com](mailto:correspondent.customer.support@chase.com)
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