



Home Possible Product

Freddie Mac - LPA Accept

Owner-Occupied Only, Purchase and Rate & Term Refinance

Property Type	Maximum LTV/TLTV		Min Credit Score
	Standard Balance	Super Conforming	
1 Unit	FRM 97 ARM 95	95	620
2 Unit	95	85	620
3-4 Unit	95 ¹	80	620

Appraisals

- Determined by LPA Findings.
- Desktop Appraisal allowed only with an Accept recommendation and feedback message in LPA indicating the loan is eligible for delivery with a desktop appraisal. Eligibility requirements include:
 - o Purchase transactions of one-unit principal residence only
 - o Appraisal updates in accordance with Freddie Mac guidelines are acceptable.
 - o See Freddie Mac Seller Guide section 5604.3 for complete details.
- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.
- Hybrid appraisals are not acceptable regardless of LPA findings



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<p>Assets/Gift Funds/Large Deposits</p>	<p><u>Assets</u></p> <ul style="list-style-type: none"> - Follow Freddie Mac verification of deposit and asset documentation guidelines to determine asset eligibility for down payment, closing costs, and reserve requirements. <ul style="list-style-type: none"> o Asset statements must clearly identify the borrower as the account holder o Assets held solely in the name of a non-borrowing purchaser are considered a gift and must follow Freddie Mac gift fund requirements. - Follow Freddie Mac guidelines for gift fund eligibility and documentation requirements <ul style="list-style-type: none"> o Gift funds are ineligible on an investment property transaction <p><u>Large Deposits</u></p> <ul style="list-style-type: none"> - Follow Freddie Mac guidance for large deposit eligibility and verification requirements <ul style="list-style-type: none"> o Large deposits sourced back to a non-borrowing purchaser are considered a gift and must follow Freddie Mac gift fund requirements. - On refinance transactions, the documentation or explanation for large deposits is not required; however, any borrowed funds, including any related liability, must be considered. <p><u>Virtual Currency</u></p> <ul style="list-style-type: none"> - Cryptocurrency/Virtual Currency may only be used as funds for closing and reserves if it has been exchanged into U.S. dollars and is held in a U.S. or state regulated financial institution. There must be sufficient documentation to verify that the funds originated from the borrower's cryptocurrency/virtual currency account. Acceptable documentation to use those funds includes the following: <ul style="list-style-type: none"> o Documentation from Cryptocurrency exchange account verifying the borrower as the Legal Owner and not the nickname of the account, AND o Previous borrower bank statement showing funds going into the same Cryptocurrency exchange account that the large deposit came from, OR o 1099-B/MISC from the same Cryptocurrency exchange account that the large deposit came from, plus the borrower's Tax Returns reflecting the 1099 gain/loss
<p>AUS</p>	<ul style="list-style-type: none"> - Loan Product Advisor with "Accept" Recommendation is required. LPA A Minus Offering is not allowed. - Manual UW is not allowed.
<p>Borrower Eligibility and Occupancy</p>	<ul style="list-style-type: none"> - U.S. Citizens - Permanent resident aliens, with proof of lawful permanent residence - Nonpermanent resident alien immigrants, with proof of lawful residence - Properties vested in trusts are permitted for all occupancy types in accordance with Freddie Mac Trust guidelines - At least one borrower must occupy the property secured by a Home Possible Mortgage as their primary residence. - Non-Occupying Co-borrower allowed subject to: <ul style="list-style-type: none"> o 1 Unit property only o Max LTV/TLTV 95%
<p>Condominiums</p>	<ul style="list-style-type: none"> - Must follow Freddie Mac published Condominium Eligibility Guidelines. - Streamlined Condo review allowed in accordance with Freddie Mac Guidelines - Ineligible projects include: if the HOA is named as a party to pending litigation/mediation/arbitration, or if the project sponsor or developer is named as a party to pending litigation/mediation/arbitration that relates to the safety, structural soundness, functional use or habitability of the project. - Florida Condos are allowed in accordance with Freddie Mac requirements with the exception of newly converted condo projects (see ineligible section). See 5701 for details.



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<p>Continuity of Obligation:</p>	<p>When an existing Mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:</p> <ul style="list-style-type: none"> - At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced; or - At least one Borrower on the refinance Mortgage held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12 month period and the Mortgage file contains documentation evidencing that the Borrower has been making timely Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or - At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation or dissolution of a domestic partnership
<p>Credit</p>	<ul style="list-style-type: none"> - All borrowers may have no credit score. Freddie Mac and LPA requirements must be met. - Credit report inquiries dated within the previous 120 days: a letter from the creditor, or if such a letter is unobtainable, a signed statement from the borrower may be used to determine whether additional credit was obtained - Must pay off any existing judgments or tax liens. - Mortgage Payment History <ul style="list-style-type: none"> o The mortgage payment history reflected on the credit report can be used to meet mortgage payment history requirements - For borrowers with frozen credit, no more than one credit bureau can have frozen credit information. - IRS Installment Agreements – must meet the following requirements: <ul style="list-style-type: none"> o The payment associated with the installment agreement must be included in the calculation of the borrower’s debt payment-to-income ratio if there are more than 10 months of payments remaining under the agreement. o The loan file must include a copy of the installment agreement approved by the IRS verifying the payment terms, including the monthly payment amount and balance. o The loan file must contain documentation verifying that the borrower is not past due under the terms of the installment agreement. o There must be no indication, and the lender must have no knowledge that the IRS has filed a Notice of Federal Tax Lien for the taxes owed under the installment agreement.
<p>Derogatory Credit</p>	<ul style="list-style-type: none"> - No specific waiting times with an LPA Accept. All derogatory events must be reflected on the credit report in order for the LPA accept to be valid. To further clarify, an LPA Accept will remain valid unless a significant derogatory event “e.g. more than a 1 X30 mortgage late in last 12 months” occurs. NOTE: manually underwritten Freddie Mac loans are not eligible.
<p>Disaster Policy</p>	<ul style="list-style-type: none"> - A post-disaster inspection when the appraisal occurred before the incident end date of the disaster.



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Documentation	<ul style="list-style-type: none"> - Documentation requirements determined by LPA - One year of tax returns is acceptable if allowed by LPA and Freddie Mac guidelines - Income or assets derived from the following sources are ineligible for qualifying: <ul style="list-style-type: none"> o The production or sale of marijuana o Bitcoin or other cryptocurrencies - Current housing payment for non-occupying borrowers. The borrower must document their current housing payment with one of the following when they do not own a primary residence. <ul style="list-style-type: none"> o Direct verification of rent from a management company, or o Direct verification of rent from an individual landlord (supported by two months of cancelled checks or other evidence of two months payments), or o Copy of the current fully executed lease agreement (supported by two months of cancelled checks or other evidence of two months payments), or o Six months of canceled checks or bank statements supporting consistent payment in the amount used in qualifying <p><i>Note: Regardless of AUS documentation requirements, all documentation submitted with the loan file is subject to review and may be used for qualification purposes.</i></p>
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Financing Concessions	<ul style="list-style-type: none"> - Financing concessions for primary residences must be within the following allowable percentages: <ul style="list-style-type: none"> o 9% of value with LTV/TLTV ratios less than or equal to 75% o 6% of value with LTV/TLTV ratios greater than 75% up to and including 90% o 3% of value with LTV/TLTV ratios greater than 90% <p>Note: Financing concessions paid by Freddie Mac, as the property seller for transactions involving the sale of Freddie Mac REO properties are not subject to the above maximum financing concession limits. In all cases, the requirements for use of financing concessions continue to apply i.e. the concessions must not exceed the borrower's actual closing costs. Selling Guide section 5501.5</p> <ul style="list-style-type: none"> - Property Seller can pay up to 12 months future HOA dues per Freddie Mac's guidelines. Amount of HOA dues must meet IPC limits. See Freddie Mac 4204.3 for additional information.
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Funds to Close: Borrower Contribution	Property Type	Home Possible LTV/TLTV/HCLTV ≤ 80%	Home Possible Mortgages with LTV/TLTV/HTLTV >80% ≤ 95%	Home Possible Mortgages with LTV, TLTV or HTLTV ratios >95%
	1-unit	None	None	None
	2- to 4-unit	None	3%	3%



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<p>Funds to Close: Cash on Hand</p>	<p>Cash on hand allowed for borrower contribution, down payment, closing costs and prepaids, and reserves, if the following requirements are met:</p> <ul style="list-style-type: none"> - The Mortgage file contains the following documents supporting the Lender's conclusion: <ul style="list-style-type: none"> o A completed Exhibit 23, Monthly Budget and Residual Analysis Form, or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number. o Copies of six months' cash receipts (e.g., rent or utility receipts) or other alternative documentation (e.g., direct verifications or wire transfers) meeting the requirements of Section 5202.2(b) to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash. o A credit report, obtained at the time of loan application, meeting the requirements of Section 5203.1. The credit report must not show more than three tradelines. o Copies of three months' statements for any open revolving account that reveal cash advances are not the source of Borrower Funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency situation). o An updated credit report obtained approximately one week before closing that does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the Borrower. - The Mortgage file must have no indication that the Borrower typically uses checking, savings or similar accounts. - Evidence that funds for the down payment, Closing Costs, Financing Costs, Prepaids/Escrows and reserves are deposited in a financial institution or are held in an institutional escrow account prior to closing.
<p>High-Cost / Higher Priced</p>	<ul style="list-style-type: none"> - High-Cost Loans are not eligible - Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: <ul style="list-style-type: none"> o Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence. o Must meet all applicable state and/or federal compliance requirements.



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<p>Homeownership Education:</p>	<ul style="list-style-type: none"> - At least one occupying Borrower must participate in a homeownership education program before the Note Date for purchase transactions when all occupying Borrowers are First-Time Homebuyers. - Homeownership education programs may use different formats and require different lengths of time to complete. The following are acceptable: <ul style="list-style-type: none"> o Programs developed by HUD-approved counseling agencies, Housing Finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs) o Homeownership education programs developed by mortgage insurance companies or other providers' programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com) - As an alternative to the programs listed above, Freddie Mac's free financial literacy curriculum, CreditSmart, meets the homeownership education requirements, provided: <ul style="list-style-type: none"> o The Borrower completes the on-line Credit Smart – Steps to Homeownership Tutorial, which includes Module 1 (Your Credit and Why It is Important), Module 2 (Managing Your Money), Module 7 (Thinking Like a Lender), Module 11 (Becoming a Homeowner), and Module 12 (Preserving Homeownership: Protecting Your Investment) o The financial literacy curriculum is not provided by an interested party to the transaction - A copy of Exhibit 20, Homeownership Education Certification, or another document (such as the CreditSmart – Steps to Homeownership certificate of completion) containing comparable information must be retained in the Mortgage file. - Landlord education (2- to 4-unit Primary Residences) <ul style="list-style-type: none"> o Purchase Transaction -- At least one qualifying Borrower must participate in a landlord education program before the Note Date. Landlord education must not be provided by an interested party to the transaction o Refinance Transactions — Landlord education is not required but is recommended for Borrowers who have not previously attended a program.
<p>Income: Boarder</p>	<p>Rental income from a 1-unit Primary Residence may be considered as stable monthly income (as defined in FHLMC Section 5301.1) provided it meets the requirements in Section FHLMC 5306.1 or the following:</p> <ul style="list-style-type: none"> - Connection with Borrower. The person providing the rental income and the Borrower: <ul style="list-style-type: none"> o Have resided together for at least one year o Will continue residing together in the new residence, and o The person providing the rental income provides appropriate documentation to evidence residency with the Borrower (i.e., copy of a driver's license, bill, bank statement, etc., that shows the address of that person to be the same as the Borrower's address) o The person providing rental income is not obligated on the mortgage and does not have an ownership interest in the mortgaged premises. o The person is not the borrower's spouse or domestic partner. - Rental payment. Rental income from the person residing in the Mortgaged Premises: <ul style="list-style-type: none"> o Has been paid to the Borrower for the past 12 months on a regular basis o Can be verified by the Borrower with evidence showing receipt of regular payments of rental income to the Borrower for at least nine of the past 12 months (i.e., copies of cancelled checks) o Must be averaged over 12 months for qualifying purposes when fewer than 12 months of payments are documented o Does not exceed 30% of total income used to qualify for the Mortgage - The Mortgage file must contain a written statement from the Borrower affirming: <ul style="list-style-type: none"> o The source of the rental income o The fact that the person providing the rental income has resided with the Borrower for the past year and intends to continue residing with the Borrower in the new residence for the foreseeable future



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Income: Limits	The borrower's qualifying income converted to an annual basis must not exceed 80% of the area median income (AMI) for the location of the mortgaged premises.
Loan Purpose	<ul style="list-style-type: none"> - Purchase - No Cash-Out/Rate & Term Refinance <ul style="list-style-type: none"> o The refinance mortgage being paid off must have a note date no less than 30 days prior to the note date of the no cash-out refinance, and evidence must be documented in the loan file. o Proceeds can be used to pay off a first mortgage. o Proceeds can be used to pay off or pay down any junior liens related to the purchase of the subject property o Proceeds can be used to pay off an existing first lien mortgage that includes a deferred balance <ul style="list-style-type: none"> * A deferred balance that is a second lien is not eligible for a no cash-out refinance o Pay related Closing Costs and Prepaid items o Disburse cash out to the borrower (or any other payee) up to the greater of 1% of the new refinance Mortgage or \$2,000.
Loan Purpose: Ineligible Transactions	<p>Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines, they are not bonafide purchase transactions. Unacceptable transactions of this type may have some or all of the following characteristics:</p> <ul style="list-style-type: none"> - Gift of equity from the seller - Large amount of seller credits - Family member remaining in the home and on title after the "purchase" - Seller unable to qualify for a cash-out transaction of their own
Mortgage Insurance	<ul style="list-style-type: none"> - Coverage percentage per Freddie Mac requirements. Full coverage is required. - Acceptable MI Types: <ul style="list-style-type: none"> o Borrower Paid Monthly o Borrower Paid Single Premium o Financed: Gross LTV cannot exceed program maximum
Occupancy	Primary Residence - 1-4 units
Power of Attorney (POA)	An individual employed by or affiliated with any party to the loan transaction e.g. title insurer, settlement agent etc. is not eligible as a POA.
Property; Eligible Types	<ul style="list-style-type: none"> - Single Family Detached Single Unit - Single Family Attached Single Unit - 2-4 Unit Attached/Detached - PUDs - Low-rise and High-rise Condominiums (must be Freddie Mac eligible) - Rural Properties (in accordance with agency Guidelines, loans must be residential in nature) - Leaseholds



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Property Ineligible Types	<ul style="list-style-type: none"> - Mobile and manufactured Homes - <u>Cooperatives</u> - Condotels - Hotel Condominiums - Timeshares - Working Farms and Ranches - Unimproved Land - Property currently in litigation - <u>Land Trust, including Community Land Trust Mortgages and Illinois Land Trust</u> - Condition Rating of C5/C6 or a Quality Rating of Q6.
Property: Maximum Number of Financed Properties	The occupying borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date.
Property Flipping Policy (Properties resold within 180 days of purchase)	<ul style="list-style-type: none"> - Properties that involve a re-sale that occurred within the last 180 days that have a non-arm's length relationship between the buyer and seller and an increase in value are prohibited. - An additional value product to support the subject appraised value in instances of greater than 20% appreciation.
Ratios	<ul style="list-style-type: none"> - The Maximum DTI is 50% with a LPA Accept. - Loans with DTI exceeding 50% regardless of AUS decision are ineligible.
Recently Listed Properties	- No Cash-Out Transaction - The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject property (for principal residence transactions).
Rental Income Calculation	<ul style="list-style-type: none"> - Follow guidelines in FHLMC 5306 relative to rental income calculation - Rent loss insurance is not required. - See Freddie Mac chapter 5306.2 or 5306.3 for information on Rental Income from an ADU on a 1-unit primary residence.
Reserves	<ul style="list-style-type: none"> - Reserves must be based upon the full monthly payment amount for the property. - Verify all reserves required by LPA.
State Restrictions	<ul style="list-style-type: none"> - Texas 50 (a)(6) refinance mortgages are eligible <ul style="list-style-type: none"> o Owner-Occupied, 1 unit only o Maximum 80% LTV/CLTV o 2% fee restriction in accordance with Texas Constitution o Full appraisal required o No new secondary financing o Loans must comply with Freddie Mac and Texas Constitution requirements o Power of Attorney allowed in accordance with Texas requirements.



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Temporary Interest Rate Buy downs

Allowed subject to the following:

- ' Max total interest rate reduction of 3%, max increase per year of 1% (1/0,1/1, 2/1, and 3/2/1 buydowns allowed)
- ' Maximum 3 year to reach standard note rate
- ' Minimum 660 FICO
- ' 1-2 units only
- ' Must qualify at the standard note rate without benefit of the buydown
- ' Must meet all other applicable Freddie Mac requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.
- ' Seller and lender paid only