FHLMC PROGRAM LINEUP

CONVENTIONAL CONFORMING FIXED RATE & ARM

COVID-19 Resources: https://sf.freddiemac.com/faqs/covid-19-selling-faqs

FHLMC Conventional Conforming Fixed and ARM Matrix:			
PURCHASE AND RATE TERM REFINANCE			
Occupancy	**Units**	**FICO***	**FHLMC LTV/CLTV/HCLTV**
Primary Residence	1	620	95[1]/95/95
	2	620	85[1]/85/85
	3-4	620	80/80/80
Second Home	1	620	90[1]/90/90
Investment Property	1	620	85[1]/85/85
	2-4	620	75/75/75
CASH-OUT REFINANCE			
Occupancy	**Units**	**FICO**	**FHLMC LTV/CLTV/HCLTV**
Primary Residence	1	620	80/80/80
	2-4	620	75/75/75
Second Home	1	620	75/75/75
Investment Property	1	620	75/75/75
	2-4	620	70/70/70

[1]Non-California properties require impounds if LTV > 80%

Program Matrix Notes:

• 1 unit includes attached/detached single family and PUD, low and high condo.
• Maximum loan amount equals conforming loan limit.
• Please see underwriting guidelines for additional program details
    • Minimum FICO for loans requiring mortgage insurance. Some states may be subject to limited MI availability, or require higher FICOs, or LTV reductions.
If subject is an investment property and borrower owns more than one financed investment property other than subject property, the subject mortgage loan must be:
    An eligible Fixed-rate; or level-payment Mortgage, or
    A 7/6 or 10/6 ARM
***Note*: 5/6 ARMs are not eligible for investment transactions when borrower owns more than one (1) financed investment property.**
Paycheck Protection Program (PPP) Business Loans:
• No payment, estimated or otherwise, need be included in DTI at this time.
• Loan proceeds from the Small Business Administration (SBA) PPP or any other similar COVID-19 related loans or grants are not considered business assets.
• Copy of Note/PPP loan document is required for DU files. Not required on LPA.

Product Detail	Product Guidelines	
AUS	• Loan Product Advisor (LPA) with "Accept" Recommendation Manual underwriting is not allowed.	
Borrower Eligibility	• Maximum four (4) borrowers per loan	
Credit	• Any debt not reported on the credit report must be documented as being repaid in a satisfactory manner. • Credit report inquiries: follow LPA Findings. • Must pay off any existing judgments or tax liens.	
Derogatory Credit	Derogatory Event	All derogatory events must be accurately reported on credit.
FICO	• 620 is the required minimum credit score.	

Financing Concessions	• Financing concessions for primary residences and second homes must be within the following allowable percentages:
	  ◦ 9% of value with LTV/CLTV ratios less than or equal to 75%
	  ◦ 6% of value with LTV/CLTV ratios greater than 75% up to and including 90%
	  ◦ 3% of value with LTV/CLTV ratios greater than 90% -The maximum financing concession for investment properties is 2% of value regardless of the LTV ratio
	
	For Mortgages secured by Investment Properties, the maximum financing concession allowed is 2% of value regardless of the LTV ratio.
	• Value is the lesser of the sales price or appraised value

High Cost / High Priced	Not allowed
Maximum Loan Amount	Conforming limit
Minimum Loan Amount	$75,000
Occupancy	• Primary residence – 1-4 units • Second home – 1 unit only • Investment Property – 1-4 units
Property Types	Eligible: • Single Family (Detached, Attached) • PUD (Detached, Attached) • Condominium - Warrantable (Detached, Attached) • 2-4 Units Ineligible: • Vacant land or land development properties • Properties that are not readily accessible by roads that meet the local standards • Agricultural properties, such as farms or ranches • Units of condo or co-op hotels • Houseboats • Boat slips • Timeshare • Boarding houses • Bed and breakfast properties • Prefabricated, panelized or sectional homes • Mixed Use Properties • Condo-hotel • Motel conversion • Co-operatives • Properties with evidence of growing or production of marijuana/hemp or any cannabis products • Properties that are not suitable for year-round occupancy regardless of location.Mixed Use Properties • Properties in Hawaii under Lava Zone 1 & 2

Multiple Financed Properties	For second home and Investment Property Mortgages : A maximum of ten (10) financed (including commercial & vacant land) properties are permitted. When the number of financed properties is greater than six: The Mortgage must: * Be a Loan Product Advisor Mortgage with a Risk Class of Accept * Have a minimum Indicator Score of 720 • Borrower must have reserves of eight months of the monthly PITI on each additional second home and/or 1 to 4-unit Investment Property that is financed and on which the Borrower is Obligated. Applicants that have >2 businesses and/or NON-PRIMARY residence with >6 financed properties are eligible under the AGNP.
Non-occupant Co-borrower	Permitted when the LTV ratio is equal to or less than 95%
Ratios	• Max 50% DTI *Maximum DTI is determined by Loan Product Advisor and is based on the overall risk assessment of the loan file.*
Term	10, 15, 20, 25, 30 years

ARM Specific Product Detail	Product Guidelines
Caps	• For 5/6 ARMs: 2/1/5 • For 7/6 & 10/6 ARMs: 5/1/5
Index	SOFR
Margin	3.00
For more information please refer to LP Conventional Conforming fixed product detail.	

Cash-Out Refinance	When proceeds of a cash-out refinance Mortgage are used to pay off a First Lien Mortgage, the First Lien Mortgage being refinanced must be seasoned for at least 12 months (i.e., at least 12 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the cash-out refinance Mortgage), as documented in the Mortgage file (e.g., on the credit report or title commitment). The seasoning requirement does not apply when:

Cash-Out Refinance (cont'd)	• The cash-out refinance Mortgage is a special purpose cash-out refinance Mortgage that meets the requirements, or • The First Lien Mortgage being refinanced is a Home Equity Line of Credit (HELOC
Special Purpose Cash-out Refinance	A cash-out refinance Mortgage where the owner of a property uses the proceeds of the refinance transaction to buy out the equity of a co-owner is a special purpose cash-out refinance Mortgage. The loan amount of a special purpose cash-out refinance Mortgage is limited to amounts used to buy out the equity of the co-owner, which may include: • Paying off the first Mortgage, regardless of age • Paying off junior liens secured by the Mortgaged Premises • Paying related Closing Costs In addition, the following conditions must be met: • The Borrower and the co-owner receiving the buy-out proceeds must have jointly owned the property for a minimum of 12 months prior to the initial loan application (parties who inherited an interest in the property are exempt from this requirement) • The Borrower and the co-owner receiving the buy-out proceeds must provide evidence that they occupied the subject property as their Primary Residence (parties who inherited an interest in the property are exempt from this requirement) • The Borrower and the co-owner receiving the buy-out proceeds must provide a written agreement, signed by all parties, stating the terms of the property transfer and the disposition of the proceeds from the refinancing transaction • The Borrower who retains sole ownership of the property may not receive any of the proceeds from the refinance transaction
Business Assets used for Down payment, closing, and/or reserves	Withdrawals of assets from the business may have a negative impact on the ability of the business to continue operating. When business assets are being used for the Down Payment, Closing Costs and/or reserves, withdrawal of the funds must not have a detrimental effect on the business. In addition to a review and analysis of the personal and business tax returns, the current

Business Assets used for Down payment, closing, and/or reserves (cont'd)	financial statement and/or the last three months of the business bank statements may be required to confirm the deposits, withdrawals and balances are supportive of a viable business and are aligned with the level and type of income and expenses reported on the business tax returns.

Other Income	
Automobile allowance	**History of receipt:** Two years, consecutive **Continuance:** Must be likely to continue for at least the next three years **Calculation:** The full amount of the allowance may be added to the Borrower's qualifying income, and when calculating the Borrower's debt payment-to-income ratio, must include the full amount of the monthly automobile financing expense in the calculation of the Borrower's monthly debt payment. May not subtract the automobile allowance from the monthly automobile financing expense. **Documentation requirements** ▪ YTD paystub(s) documenting all YTD earnings, ▪ W-2 forms for the most recent two calendar years, ▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years with breakdown of income.
Assets as a basis for repayment of obligations	Assets that will be used by the Borrower for the repayment of their monthly obligations may be used to qualify the Borrower for the Mortgage, provided that, regardless of the underwriting path of the Mortgage, the requirements of this section are met. Application form should include information pertaining to the Borrower's employment and income, even if the Borrower qualifies for the Mortgage solely based on assets. Eligibility Requirements • 1 or 2-unit Primary residence or Second home • Purchase or no cash-cash out refinance transaction • Max LTV/CLTV/HCLTV 80% Calculation: Use the net eligible assets (as described below), divided by 240

Assets as a basis for repayment of obligations (cont'd)	The amount of net eligible assets is calculated by subtracting the following from the total eligible assets: • Any funds required to be paid by the Borrower to complete the transaction (e.g., Down Payment and Closing Costs) • Any gift funds and borrowed funds, and • Any portion of assets pledged as collateral for a loan or otherwise encumbered. Asset Eligibility and documentation requirements: **Retirement Assets** • The retirement assets must be in a retirement account recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA) • Borrower must be the sole owner • The asset must not currently be used as a source of income by the Borrower • As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty or an additional early distribution tax • The Borrower's rights to the funds in the account must be fully vested • Cryptocurrency may not be considered in the calculation of net tangible assets for establishing the debt payment-to-income ratio • Most recent retirement asset account statement is required **Lump-sum distribution funds not deposited to an eligible retirement assets** **Note:** If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirement assets described above. • Lump-sum distribution funds must be derived from a retirement account recognized by the IRS (e.g., 401(k), IRA) and must be deposited to a depository or non-retirement securities account. • A Borrower must have been the recipient of the lump-sum distribution funds • Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump-sum distribution • The proceeds from the lump-sum distribution must be immediately accessible in their entirety

Assets as a basis for repayment of obligations (cont'd)	• The proceeds from the lump-sum distribution must not have been or currently be subject to a penalty or early distribution tax
	• Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received) are required.
	• Satisfactorily documented evidence of the following:
	    ➢ Funds verified in the non-retirement account and used for qualification must have been derived from eligible retirement assets
	    ➢ Lump-sum distribution funds must not have been or currently be subject to a penalty or early distribution tax
	
	Depository accounts and Securities
	
	• The Borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and /or on the title to the subject property
	• At least one Borrower who is an account owner must be at least 62 years old
	• As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty
	• Account funds must be located in a United States- or State-regulated financial institution and verified in U.S. dollars
	• Cryptocurrency may not be considered in the calculation of net eligible assets for establishing the debt payment-to-income ratio
	• Provide an account statement covering a one-month period
	• Sourcing Deposits:
	    ➢ Must document the source of funds for any deposit exceeding 10% of the Borrower's total eligible assets in depository accounts and securities, and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the Borrower by the amount of the deposit
	    ➢ When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, additional documentation is not required
	
	Assets from the sale of the Borrower's business

Assets as a basis for repayment of obligations (cont'd)	• The Borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account • Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the Borrower's business • The proceeds from the sale of the business must be immediately accessible in their entirety • The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest or seller-held notes to buyer of business • Requirements: ➢ Most recent three months' depository or securities account statements ➢ Fully executed closing documents evidencing final sale of business to include sales price and net proceeds ➢ Contract for sale of business ➢ Most recent business tax return prior to sale of business ➢ Satisfactorily documented evidence of the following: Funds verified in the non-retirement account and used for qualification must have been derived from the sale of the Borrower's business
RS and RSU subject to performance- based vesting provisions	**History of receipt:** ▪ Two years, consecutive[1] ▪ To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the Borrower from their current employer, without restriction **Continuance:** Must be likely to continue for at least the next three years **Documentation requirements** **All of the following:** ▪ YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU, W-2 forms for the most recent two calendar years **Or all of the following:** ▪ Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent two calendar years

RS and RSU subject to performance- based vesting provisions (cont'd)	**Additional documentation requirements applicable to all documentation levels:** The Mortgage file must contain: ▪ Evidence the stock is publicly traded ▪ Documentation verifying that the vesting provisions are performance-based (e.g., RS and/or RSU agreement, offer letter) ▪ Vesting schedule(s) currently in effect detailing past and future vesting ▪ Evidence of receipt of previous year(s) payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax) **Calculation:** Based on the form in which vested RS or RSU are distributed to the Borrower (i.e., as shares or its cash equivalent), use the applicable method(s) below to calculate the monthly income: **RS or RSU distributed as shares** Multiply the 52-week average stock price as of the Application Received Date by the total number of vested shares distributed (pre-tax) to the Borrower in the past two years, then divide by 24. (e.g., if 200 vested shares were distributed (pre-tax) in the past two years and the 52-week average stock price as of the Application Received Date is $10, multiply 200 x $10 then divide by 24= $83.33 monthly income) **RS or RSU distributed as cash equivalent** Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past two years and divide by 24.
RS & RSU subject to time-based vesting provisions	**History of receipt:** ▪ One year ▪ To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the Borrower from their current employer, without restriction **Continuance:** Must continue for at least the next 3 years **Documentation requirements** **All of the following:**

RS & RSU subject to time-based vesting provisions (cont'd)	▪ YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU, W-2 form for the most recent calendar year **Or all of the following:** ▪ Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent calendar year. **Additional documentation requirements applicable to all documentation levels:** The Mortgage file must contain: ▪ Evidence the stock is publicly traded ▪ Documentation verifying that the vesting provisions are time-based (e.g., RS and/or RSU agreement, offer letter) ▪ Vesting schedule(s) currently in effect detailing past and future vesting ▪ Evidence of receipt of previous year's payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax) **Calculation:** Based on the form in which vested RS or RSU are distributed to the Borrower (i.e., as shares or its cash equivalent), use the applicable method(s) below to calculate the monthly income: **RS or RSU distributed as shares** Multiply the 52-week average stock price as of the Application Received Date by the number of vested shares distributed (pre-tax) to the Borrower in the past year, then divide by 12. (e.g., if 50 vested shares were distributed (pre-tax) in the past year and the 52-week average stock price as of the Application Received Date is $10, multiply 50 x $10 then divide by 12 =$41.67 monthly income) **RS or RSU distributed as cash equivalent** Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past year and divide by 12.

Not Eligible for Appraisal Waiver (ACE)	The following Mortgages are not eligible for an appraisal waiver: • Texas Equity Section 50(a)(6) Mortgages • Mortgages secured by one of the following: A Manufactured Home, or A leasehold estate • Mortgages secured by Mortgaged Premises subject to resale restrictions, excluding those subject to age-based resale restrictions • Community Land Trust Mortgages • Purchases of Mortgages secured by a property when the purchase transaction is a Non-arm's Length Transaction or the property owner at the time of sale (i.e., the property seller) is a lender or a government entity • Mortgages with an estimate of value or purchase price greater than $1,000,000 • When it is required by law or regulation to obtain an appraisal • When using rental income from the subject 1-unit Primary Residence ADU for qualification purposes • When there are conditions that warrant an appraisal being obtained. Examples include but are not limited to: A contaminated site or hazardous substance exists affecting the property or the neighborhood in which the property is located. Adverse physical property conditions that are apparent based on the review of the sales contract, property inspection, disclosure from the Borrower, etc.

Leasehold Estates	
Leasehold Estate Requirements	Review the lease to ensure that the lease meets all of the following requirements: • The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land; • The leasehold estate and the improvements must constitute real property; • The leasehold estate must be insured by a title policy; • The lease (and any sublease including any amendments) must be recorded in the appropriate land records; • The lease must be in full force and effect; • The lease must be binding and enforceable against the lessor (and sublessor);

	• The leasehold estate and mortgage must not be impaired by any merger of the fee interest and leasehold interest in the event the same person or entity acquires both interests.
Lease Provisions	The term of the leasehold estate must run for at least five (5) years beyond the maturity date of the mortgage unless the fee simple title vests at an earlier date; • The lease must provide the borrower to retain voting rights in the homeowners' association, if applicable. • The lease must permit assignments, transfers, mortgaging, and subletting of the leasehold (or sub-leasehold) estate, including any improvements on the leasehold estate; • The lease must provide that for a notice of lessee's default (monetary or non-monetary) to be valid, the lessor must send written notice of the lessee's default to the leasehold mortgagee not more than 30 days after such default; • The lease must provide for the right of the leasehold mortgagee, in its sole discretion, to cure a default for the lessee's (or sublessee, if applicable) account within the time permitted to lessee or take over the rights under the lease (sublease); • The lease must provide for protection of the mortgagee's interests including an insurable interest in the subject property unless otherwise required by law, and interest in the lease, ground lease community and leasehold estate; • The lease may, but is not required to, include an option for the borrower to purchase the fee interest; provided, however, there can be no time limit on when the option must be exercised, and the lease and option to purchase must be assignable
Prior to Closing	• All basic rent and amounts due (for taxes, insurance, utilities and use fees or operating expenses) relating to the land and improvements must be current ;and • The borrower must not be in default under any provision of the lease, nor may the lessor have claimed such default.

Rental Income

Rental Income Eligibility	Rental income generated from the following property and occupancy types may be considered when determining the stable monthly income:
	
	• 1-unit Primary Residence:
	   o Rental income from a live-in aide, regardless of the type of housing provided, or
	   o Rental income from an ADU
	• 2- to 4-unit Primary Residence (rental income is eligible from units that are not occupied by the Borrower)
	• Subject 1- to 4-unit Investment Property
	• Non-subject investment property owned by the Borrower (not restricted to residential property (e.g., commercial permitted))

ADUs	When determining stable monthly income, rental income generated from an ADU may be considered for: ▪ Subject 1-unit Primary Residence with an ADU ▪ Subject 1-unit Investment Property ▪ Non-subject investment property
Second Homes	Rental income generated from the Borrower's second home may not be used as stable monthly income.
Rental income from live-in aide residing in a 1-unit Primary residence	
Eligibility	Rental income generated from the Borrower's 1-unit Primary Residence, including rental income from an ADU may be used to qualify a Borrower with a disability provided the rental income is from a live-in aide. Typically, a live-in aide will receive room and board payments through Medicaid waiver funds from which rental payments are made to the Borrower.
Documentation	Evidence that the Borrower has received stable rental income from a live-in aide for the most recent 12 months
Qualification	The rental income may be considered in an amount up to 30% of the total stable monthly income that is used to qualify the Borrower for the Mortgage
Rental income generated from an ADU on a subject 1-unit Primary Residence	
Eligible Loan Purpose	Purchase No Cash-out refinance
Minimum income documentation requirements *(Purchase Transaction)*	**Purchase Transactions** If lease is available, then: • The lease must be used to determine the net rental income

<table>
<tr><td></td><td>And
ADU rental analysis must support the income reflected on the lease
If a lease is not available, the ADU rental analysis must be used to determine the net rental income.</td></tr>
<tr><td>Minimum income documentation requirements
(No cash-out refinance transactions)</td><td>Rental income from an ADU placed in service in current calendar year
A lease must be used to determine the net rental income
And
ADU rental analysis must support the income reflected on the lease
And
The Mortgage file must contain documentation reflecting the date the ADU was placed in service
Rental income from an ADU owned in prior calendar year
The Borrower’s complete federal income tax returns (IRS Form 1040), including Schedule E, for the most recent year must be used to determine the net rental income, except as stated below
A lease and ADU rental analysis may be used if:
The property was out of service for any time period in the prior year and the Mortgage file contains a documented event such as a renovation and the Schedule E supports this by a reduced number of days in use and reflects repair costs; or
The property was purchased later in the calendar year and the Schedule E supports this by a reduced number of days in use
In either of the above instances, an ADU rental analysis is required to support the income reflected on the lease</td></tr>
<tr><td>Lease requirements</td><td>When a lease is obtained in accordance with the minimum income documentation requirements above, the lease must be current and fully executed. If the lease is documented as assigned from the property seller to the Borrower and is in the automatically renewable month-to-month phase of an original one-year (or longer) term lease, then a month-to-month term is acceptable.</td></tr>
<tr><td>Additional appraisal requirements</td><td>The following information on the ADU is required within the appraisal report:
Information on the ADU must include the:
General condition of unit
Square feet of finished area</td></tr>
</table>

<table>
<tr><td></td><td>
Total number of rooms including number of bedrooms and baths
The appraisal report must indicate the ADU is allowed per zoning and land use requirements (i.e., legal, legal non-conforming, no zoning)
The rental analysis must include a minimum of three comparable rentals to support the opinion of market rent applicable to the ADU. At least one of the comparable rentals must include a rented ADU to support the market rent for ADUs. The appraiser may provide this rental analysis data in narrative form within the appraisal report or by attaching a separate rent schedule to the appraisal report
</td></tr>
<tr><td>Net rental income calculation requirements</td><td>
The following chart contains requirements for calculating net rental income used for qualifying the Borrower.
<table>
<tr><th>Rental Income documentation</th><th>Net rental income calculation requirements</th></tr>
<tr><td>Lease</td><td rowspan="2">75% of the gross monthly rent or gross monthly market rent.
25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.</td></tr>
<tr><td>ADU rental analysis</td></tr>
<tr><td>Schedule E</td><td>Calculate the net rental income from Schedule E using Form 92, Net Rental Income Calculations – Schedule E, or a similar alternative form.</td></tr>
<tr><td colspan="2">The rental income generated from an ADU may be considered in an amount up to 30% of the total stable monthly income that is used to qualify the Borrower for the Mortgage.</td></tr>
</table>
</td></tr>
<tr><td>Landlord education</td><td>For purchase transactions, at least one qualifying Borrower must participate in a landlord education program prior to the Note Date, unless the Borrower has a minimum of one-year Investment Property management experience or ADU rental management experience. Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller. A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.</td></tr>
<tr><td colspan="2">Rental income from 2- to 4-unit Primary Residence, subject 1-to 4-unit Investment Property and non-subject Investment Property</td></tr>
<tr><td colspan="2">Net rental income calculation requirements</td></tr>
<tr><td>Rental Income documentation</td><td>Calculation requirements</td></tr>
<tr><td>Lease</td><td>75% of the gross monthly rent or gross monthly market rent.</td></tr>
</table>

Form 72 or 1000	The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
Schedule E	The net rental income for each individual property is determined based on the history of income and expenses reported on Schedule E. Calculate the net rental income from Schedule E using [Form 92, Net Rental Income Calculations – Schedule E](), or a similar alternative form, as follows: **Rents received** **- Less total expenses** *Add back the following expenses:* + Insurance + Mortgage interest paid to banks, etc. + Taxes (real estate taxes only) + Depreciation and/or depletion + Homeowners association dues (if specifically reported as an expense) + One time losses (e.g., casualty loss due to documented catastrophic event); + Non-cash deductions (e.g., amortization); **Result: Net rental income (calculated to a monthly amount)** When calculating the net rental income for each individual property, the following expenses reported on Schedule E (and noted above) can only be added back if they are included in the payment amount being used to establish the debt payment-to-income ratio for that property: insurance, mortgage interest paid to banks, real estate taxes, homeowners association dues.
Appraisal Form requirements	
Appraisal Forms – comparable rent data	**Subject 1-unit Investment Properties:** Form 1000, Single Family Comparable Rent Schedule
	Subject 2- to 4-unit Primary Residence and Subject 2- to 4-unit Investment Properties: Form 72, Small Residential Income Property Appraisal Report

Analysis	The Seller’s analysis of the rental information must include, at a minimum, the following factors: ▪ Rental market viability and income producing potential for subject property ▪ Whether the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, if applicable If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, the Seller must: ▪ Determine if additional documentation is necessary to support income stability, and ▪ Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the Borrower is stable and reasonably expected to continue

Note: Fuuwfnxfqktwr %wjvzmwjr jsyx%r f~%fqxt%fuuq~%yt%f%sts2xzgojhy%uwtujwy~1%fx%ijxhwngji%ns%Ithzr jsyfyts1% mnxytw~%fsi%fsfq~xnx%lzniqnsjx%gjqt| 3

Documentation, history and analysis		
Rental income from purchases and property acquired or placed in service in the current calendar year		
Topic	**Subject property purchase transaction**	**Subject property refinance transaction or non-subject property:** ▪ **Purchased in the current calendar year; or** ▪ **Placed in service as a rental property in the current calendar year**

Documentation and analysis	▪ A lease, if available, must be used to determine the net rental income. The Seller must make reasonable efforts to determine lease availability, including review of the appraisal, comparable rent data, purchase contract, a discussion with the Borrower and/or any other applicable and reasonable method.
	
	or
	
	▪ If a lease is not available, Forms 72 or 1000, as applicable, may be
		▪ Lease must be used to determine the net rental income; and
		  ▪ Form 72 or 1000 supporting the income reflected on the lease;
		
		  or
		
		  ▪ Documentation (e.g., bank statements evidencing deposit or electronic transfer of rental payments, canceled rent checks) supporting two months of receipt of rental income [1]

	used to determine the net rental income	▪ Purchase date or conversion date, as applicable, must be documented
Lease requirements	Leases must be current and fully executed. If the lease is documented as assigned from the property seller to the Borrower and is in the automatically renewable month-to-month phase of an original one-year (or longer) term lease, then a month-to-month term is acceptable.	
Maximum eligible amount of net rental income	▪ The Borrower must currently own a Primary Residence to use rental income to qualify when purchasing a new rental property in the current calendar year. In such instances, net rental income can only offset the principal, interest, taxes and insurance (PITI) and when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and payments on secondary financing (full monthly payment) of the new rental property. ▪ If the Borrower's current Primary Residence is being converted to a rental property, net rental income can only offset the full monthly payment of that Primary Residence. ▪ If the net rental income exceeds the full monthly payment of the new rental property or the converted Primary Residence, as applicable, the excess rental income cannot be added to the Borrower's gross monthly income to qualify unless the file documentation demonstrates the Borrower has a minimum of one-year investment property management experience.	
[1] Form 72 or 1000 is always required for the subject property		

Rental income from property owned in the prior calendar year	

Documentation	The Seller must obtain the Borrower's complete federal income tax returns (Internal Revenue Service (IRS) Form 1040) including the Schedule E for the most recent year. Except as set forth below when use of a signed lease may be permitted, if the subject property has been owned for at least one year and income from the subject property is reported on the Borrower's federal income tax returns, the Seller must use the Schedule E to determine the net rental income or loss.
	▪ A signed lease may be used if:
	  ▪ The property was out of service for any time period in the prior year and the Mortgage file contains a documented event such as a renovation and the Schedule E supports this by a reduced number of days in use and reflects repair costs; or
	  ▪ The property was purchased later in the calendar year and the Schedule E supports this by a reduced number of days in use;
	
	And, in either of the above instances, additional documentation provided as follows:
	
	    ▪ Form 72 or 1000 supporting the income reflected on the lease;
	
	    or
	
	    ▪ Documentation (e.g., bank statements evidencing deposit or electronic transfer of rental payments, canceled rent checks) supporting two months of receipt of rental

	income [1] Unless the above requirements are met, a signed lease may not be used and the rental income or loss from the Schedule E must be used and annualized for qualifying purposes.
Lease requirements	Leases must be current and fully executed, with a minimum original term of one year. If the lease is in the automatically renewable month-to-month phase of an original one-year (or longer) term lease, then a month-to-month term is acceptable
[1] Form 72 or 1000 is always required for the subject property	

Establishing the debt payment-to-income ratio	
DTI ratio using net rental income	
Topic	**Requirements**
2- to 4-unit Primary Residence	▪ The monthly housing expense must be added as a liability ▪ The net rental income may be added to the stable monthly income
Subject 1- to 4-unit Investment Property	Subtract the monthly payment amount from the net rental income: ▪ If the result is positive, add it to the stable monthly income ▪ If the result is negative, add it to the monthly liabilities
Rental income from non-subject investment property owned by the Borrower	Subtract the monthly payment amount from the net rental income: ▪ If the result is positive, add it to the stable monthly income ▪ If the result is negative, add it to the monthly liabilities For multiple non-subject investment properties, apply the calculation above to each property, and: ▪ If the combined result is positive, add it to the stable monthly income ▪ If the combined result is negative, add it to the monthly liabilities

<table>
<tr><td>IRS Form 8825, Rental Real Estate Income and Expenses from a Partnership or an S Corporation</td><td colspan="3">Refer to FHLMC Chapter 5304 for treatment of all rental real estate income or loss reported on the IRS Form 8825, which reflects all income and expenses for the rental property and the IRS Schedule K-1, which reflects the borrower's proportionate share of the net rental income or loss.

The requirements of Chapter 5304 are applicable regardless of the borrower's percentage of ownership interest in the partnership or S corporation and regardless of whether the borrower is personally obligated on the Note.</td></tr>
<tr><td rowspan="3">Reserves</td><td colspan="3">Rental Income is from…</td></tr>
<tr><td>2- to 4-unit Primary Residence</td><td>1-4 Unit Investment Property</td><td>Non-subject Investment Property Owned by the Borrower</td></tr>
<tr><td>Six months reserves* required, regardless of whether rental income is used in qualifying the borrower.
Reserves are measured by the number of months of the monthly payment amount</td><td>Borrower is obligated on:
1-6 financed properties: Six months reserves for the subject and two months reserves for each additional second home and/or 1- to 4-unit investment property that is financed on which the borrower is obligated, regardless of whether rental income is used in qualifying the borrower.
7-10 financed properties: Six months reserves for the subject and eight months reserves for each additional second home and/or 1- to 4-unit investment property that is financed on which the borrower is obligated, regardless of whether rental income is used in qualifying the borrower.
Each borrower individually, and all borrowers collectively</td><td>Borrower is obligated on:
1-6 financed properties: Two months reserves for each additional second home and/or 1- to 4-unit investment property that is financed on which the borrower is obligated, regardless of whether rental income is used in qualifying the borrower.
7-10 financed properties: Eight months reserves for each additional second home and/or 1-to 4-unit investment property that is financed on which the borrower is obligated, regardless of whether rental income is used in qualifying the borrower.*Each borrower individually, and all borrowers collectively
*Each borrower individually and all borrowers collectively</td></tr>
</table>

Additional Notes	1. Rental income generated from the Borrower's second home may not be used as stable monthly income. 2. Rental income from the borrower's 1-unit primary residence may not be used to qualify the borrower unless it meets the requirements in Guide Section 5306.1 (b) or Guide Section 4501.9 for Home Possible Mortgages. 3. Rental Income from an accessory unit may be considered for a subject 1-unit investment property and non-subject investment property. Refer to sections 5306.1(b) and 4501.9(a) for information on a 1-unit primary residence with an accessory unit. Refer to Chapter 5601 for property eligibility and appraisal requirements. 4. When rental income from other investment properties owned by the borrower in the previous tax year is reported on the borrower's individual federal tax returns, the Seller must use Schedule E of the borrower's tax returns to determine the net rental income. Signed leases may be used to determine the net rental income for an investment property not owned during the previous tax year.
FAQs	1. **What constitutes "owning" a primary residence?** a. The borrower must be an individual who is on title to their primary residence but does not need to be the party obligated to repay the indebtedness secured by the mortgaged premises. 2. **Is there a time limit associated with documenting when the borrower's one-year investment property management experience occurred**? a. No, there is no historical time limit, as long as, there is documentation that the borrower has had prior experience managing an investment property for one year at a minimum. 3. **Can you use short term rental income to qualify the borrower?** a. Yes; however, the rental income or loss from the Schedule E must be annualized for qualification purposes. 4. **Are 2- to 4-unit primary residences exempt from the minimum one-year investment property management experience.** a. There is no minimum one-year investment property management experience required. However, excess rental income above the PITI may be used only when the file documents a minimum of one-year investment property management experience. 5. **A borrower has owned investment property for several years with no documented event supporting a renovation or evidence that the property had been generating rental income. Can the borrower provide a lease to be used for qualification purposes?** a. No. This scenario does not indicate that the property was purchased or converted for use as an investment in the current calendar year. The most recent tax returns including Schedule E must be annualized for qualification purposes. Refer to the maximum amount of eligiblenet rental income calculation requirements since the borrower does not have a one-year history of managing rental property.

Temporary Buydowns Option	**2-1 buydown option** - The rate is 2% points lower during the first year and 1% point lower in the second year. Actual note rate will apply during the third year. **1-0 buydown option** - The rate is 1% point lower during the first year. Actual note rate will apply during the second year. • AGN and HB pricing applies • Occupancy: **Primary residence** and **second home** • **Purchase transactions** only • Offered only for buydown funds **provided by interested third parties**.* Interested-party contribution limits will apply. (*If the portion of the buydown funds will be from the real estate agent commission, his/her commission must be reduced by the buydown fund amount in order for the seller/builder to provide total amount of the buydown funds.) • The buydown plan must be a written agreement between the party providing the buydown funds and the borrower. • Must have DU (Approve/eligible) or LPA (Accept/eligible) findings • Qualify the borrower based on the note rate without consideration of the bought-down rate. • If reserves are required, the reserves must be calculated using the Note Rate. **Buydown Agreements** o Must provide that the borrower is not relieved of his or her obligation to make the mortgage payments required by the terms of the mortgage note if, for any reason, the buydown funds are not available **Buydown Funds** o Buydown accounts must be established and fully funded by the time the lender submits the mortgage to Fannie Mae for purchase or securitization. o Funds for buydown accounts must be deposited into custodial bank accounts. o The borrower's only interest in buydown funds is to have them applied toward payments as they come due under the note. o Buydown funds are not refundable unless the mortgage is paid off before all the funds have been applied. o Buydown funds cannot be used to pay past-due payments. o Buydown funds cannot be used to reduce the mortgage amount for purposes of determining the LTV ratio. **<u>Program codes</u>** **2-1 Buydown:** • Conforming: 21BD-30, 21BD-20, 21BD-15, 21BD-10 • Hi-Balance: 21HBD-30, 21HBD-15 **1-0 Buydown:** • Conforming: 10BD-30, 10BD-20, 10BD-15, 10BD-10 • Hi-Balance: 10HBD-30, 10HBD-15

ACE + PDR Eligibility

FHLMC Updates: Effective Immediately

References: FHLMC Bulletin 2022-6

ACE + PDR Eligibility

Cash-out refinance transactions and certain "no cash-out" refinance transactions will no longer be eligible for ACE appraisal waivers. However, there's a new offering, ACE+ PDR, which will continue to allow Sellers to originate cash-out refinance and certain "no cash-out" refinance Mortgages without an appraisal. With ACE+ PDR, additional property information is collected on-site by trained data collectors using the proprietary Freddie Mac PDR dataset, in lieu of a traditional appraisal.

When the ACE+ PDR option is accepted and a PDR has been used to originate the Mortgage, Freddie Mac will accept the estimated value submitted through LPA for the purposes of underwriting the Mortgage, and will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to **value** only.

Loan Product Advisor offer.

For a Mortgage to be eligible for the ACE+ PDR option in lieu of an appraisal:

- Loan Product Advisor must receive a Risk Class of **Accept**
- Upon evaluation by Loan Product Advisor, the Last Feedback Certificate must indicate that the Mortgage is eligible for a PDR. (This represents the "ACE+ PDR offer".)

If the Mortgage meets the eligibility requirements in this Bulletin, the Seller may accept the ACE+ PDR offer and must deliver the Mortgage with the data delivery instructions identified below.

Eligible Mortgages

The following requirements must be met for Mortgages to be eligible to receive an ACE+ PDR offer:

- The Mortgage must be secured by a 1-unit Primary Residence or second home, including units in a Condominium Project
- The Mortgage must be a "no cash-out" or a cash-out refinance transaction

The Mortgage must meet the maximum LTV/TLTV ratio requirements in the following chart:

ACE+ PDR eligibility		
Mortgage Purpose	**Property Type**	**Maximum LTV/TLTV ratios**
"No cash-out" refinance	Primary Residence or second home	90%
Cash-out refinance	Primary Residence	70%
	Second home	60%

Ineligible Mortgages

The following Mortgages are not eligible for delivery with an ACE+ PDR:

- Mortgages for which an appraisal has been obtained in connection with the Mortgage
- Mortgages secured by Mortgaged Premises with an estimate of value greater than $1,000,000
- Texas Equity Section 50(a)(6) Mortgages
- Mortgages secured by Manufactured Homes, Cooperative Share Loans, Investment Properties and 2- to 4-unit properties
- Mortgages secured by Mortgaged Premises subject to resale restrictions

In addition, the ACE+ PDR offer may not be accepted if any of the following apply:

- Required by law or regulation to obtain an appraisal.
- The Mortgage requires an upgrade to an appraisal (e.g., adverse site conditions or external factors, mixed-use, etc.). See ACE+ PDR upgrade requirements identified below.

Age of the ACE+ PDR offer and maintaining the offer.

- The ACE+ PDR offer provided through the Feedback Certificate is valid for 120 days. If the offer is more than 120 days old on the Note Date, a resubmission to Loan Product Advisor is required to determine whether the Mortgage remains eligible for ACE+ PDR.
- Note: If there are changes to loan data (e.g., address of the property, loan amount, purchase price, estimate of value, loan type, property type, occupancy of the property) in a subsequent submission, Loan Product Advisor may provide a different eligibility determination.
- The signed PDR must be retained in the Mortgage file.
- The effective date of the PDR is the date the data was collected, and that date must be no more than 12 months prior to Note Date of the Mortgage. If the effective date of the PDR is more than 12 months prior to the Note Date of the Mortgage, a new PDR is required.

Note: Underwriters to review ACE + PDR documentation requirements in FHLMC Bulletin 2022-6

PDRs with required repairs and/or inspections

For PDRs completed with required repairs or alterations, a Completion Report, performed by a property data collector, that verifies the repairs or alterations have been completed must be obtained. The Completion Report must:

- Contain all the data points and certifications in the Completion Report data set (Addendum C) and the Completion Report certifications (Addendum D)
- Include photographs of the completed repairs or alterations
- Be dated before the Settlement Date, and
- Be retained in the Mortgage file

For PDRs completed with an inspection required to identify if repairs are needed, a licensed professional trained in the particular field of concern (e.g., structural engineer, plumber, pest inspector, etc.) must perform the inspection of the property. The inspector must provide either:

- A signed report that includes their license number, when available, stating the repair(s) is not required, or
- A signed report or invoice that includes their licensing number, when available, stating the repair(s) has been completed and the issue corrected.

The signed report or invoice must be:

- Dated before the Settlement Date, and
- Retained in the Mortgage file.

ACE+ PDR eligibility in Eligible Disaster Areas

For Mortgages secured by properties in Eligible Disaster Areas, ACE+ PDR offer maybe acceptable if the PDR validates the condition of the subject property, meets our eligibility requirements, and the value and marketability of the Mortgaged Premises has not been adversely impacted. However, if the PDR effective date is prior to the disaster event, it must meet the following requirements:

- If there is property damage, it must not have impacted the safety, soundness, or structural integrity of the Mortgaged Premises. The Seller must ensure all damage is documented and is covered by insurance, or
- If the Mortgaged Premises has been damaged such that the damage impacts the safety, soundness or structural integrity of the Mortgaged Premises, the Mortgage is not eligible for sale to Freddie Mac until all repairs to the property are documented and completed.

ACE+ PDR upgrade requirements

In certain situations, the PDR may reveal that the subject property is not eligible for the offering or has characteristics or conditions that require to upgrade to an appraisal (the appropriate appraisal report form as applicable to the property type). These characteristics or conditions include:

- Adverse site conditions or external factors (i.e., extreme slope, erosion, sink hole, wetlands, substantial junk or trash, failing structures, easements, encroachments, environmental conditions or land uses)
- **The building status is "Proposed" (not eligible for upgrade to a hybrid appraisal)**
- 0 bedrooms above grade and/or 0 bathrooms above grade
- A measured gross living area above grade of fewer than 400 square feet
- External obsolescence (i.e., adjoins an industrial site, landfill, airport, power lines, major utility, commercial site, railroad tracks or major highway), or
- Mixed-use (i.e., altered or modified specifically to support or facilitate any non-residential or income producing use)

Upgrade using a hybrid appraisal completed on Form 70H*, Uniform Residential Appraisal Report (Hybrid), *or Form 465H*, Individual Condominium Unit Appraisal Report (Hybrid), *as applicable

For single-family homes, in lieu of upgrading to an appraisal on Form 70, Freddie Mac will accept a hybrid appraisal reported on new Form 70H and for Condominium Units Freddie Mac will accept a hybrid appraisal reported on new Form 465H.

A hybrid appraisal is an appraisal where a trained property data collector will perform an on-site interior and exterior property data collection of the subject property, using the prescribed Freddie Mac dataset, to produce a PDR. The PDR is then provided to an appraiser who uses the data and photographs to complete a hybrid appraisal reported on Form 70H or Form 465H. This option eliminates the need for an additional on-site visit.

When a hybrid appraisal is used as the upgrade, the Form 70H or Form 465H must disclose the identity of the property data collector in the body of the report and the completed PDR must be included as an addendum to the Form 70H or Form 465H. The appraiser conducting the valuation analysis must be permitted to contact the property data collector to verify any information in the PDR and to adjust that information, as necessary, to complete Form 70H or Form 465H.

The data collection date of the Property Data Report must be on or before the effective date of the hybrid appraisal, and the effective date of the appraisal is the date the appraiser developed the opinion of market value. If the data collection date of the Property Data Report is more than 12 months prior to the effective date of the hybrid appraisal, a new Property Data Report is required.

The photographs of the subject property required for a hybrid appraisal reported on Form 70H or Form 465H must include at least the following:

- A front view of the subject property
- A rear view of the subject property
- A street scene identifying the location of the subject property and showing neighboring improvements
- The kitchen of the subject property
- All bathrooms of the subject property, and
- The main living area of the subject property

The appraisal must include additional photographs, as needed, to show any physical deterioration, improvements, amenities, conditions and external influences that materially impact market value or marketability.

The following requirements apply for comparable sales:

- A clear copy of the photograph of the comparable sale from a multiple listing service (MLS) is acceptable; and
- Notwithstanding Guide Section 5601.3(4), the appraisal analysis may rely on comparable sales that were not personally inspected by the appraiser

The hybrid appraisal must also include the floor plan completed for the PDR and a location map that identifies the location of the subject property and any comparables, including sale, rental and listing comparables as applicable.

Reference: Guide Bulletin 2022-24 (freddiemac.com)

MEGA CAPITAL FUNDING, INC.

SUPER CONFORMING FIXED RATE PROGRAM (SC)

Program Matrix Notes:
• 1 unit includes attached/detached single family and PUD, low and high condo. • Maximum loan amount is equal to the lesser of Contiguous States as defined by the Federal Housing Finance Agency (FHFA)

Product Detail	Product Guidelines
AUS	• Loan Product Advisor (LPA) with "Accept" Recommendation
Underwriting	Manual underwriting not permitted
Minimum Loan Amount	Above current ***regular*** conforming limit
Borrower Eligibility	Maximum four (4) borrowers per loan
Property Flipping Policy	Not allowed
Power of Attorney	No Power of Attorney's allowed on Trusts or cash-out refinances

FHLMC SUPER CONFORMING ARM (SC)

Program Matrix Notes:	
• 1 unit includes attached/detached single family and PUD, low and high condo. • Field review required for loan scenarios with a loan amount greater than $625,500 and the LTV, CLTV, or HCLTV is greater than 80% or the property is valued at $1,000,000 or more and the LTV, CLTV, or HCLTV is greater than 75% • Maximum loan amount equals loan limits as defined by the FHFA	
Product Detail	**Product Guidelines**
AUS	• Loan Product Advisor (LPA) with "Accept" Recommendation

Appraisals	• A full interior and exterior appraisal is required.
	• For properties in attached condo projects, the appraisal must include 2 comps from outside the project.
	• A field review is required if any of the following applies.
	  o Loan amount is greater than $625,500 and LTV/CLTV/HCLTV is greater than 80%.
	  o If property is valued at $1 million or more and the LTV/CLTV/HCLTV is greater than 75%.
	
	Loans secured by properties with "unpermitted" structural additions under the
	following conditions:
	• The subject addition complies with all investor guidelines;
	• The quality of the work is described in the appraisal and deemed acceptable ("workmanlike quality") by the appraiser;
	• The addition does not result in a change in the number of units comprising the subject property (e.g. a 1 unit converted into a 2 unit).
	• If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal:
	  o Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square footage of the property.
	  o The appraiser has no reason to believe the addition would not pass inspection for a permit.
	• Recert of values in accordance with Agency guidelines are acceptable.

ARM Qualification	• Fully amortizing 5/6 ARMs: Qualify at the greater of the note rate + 2%, or the fully indexed rate • Fully amortizing 7/6 ARMs & 10/6 ARMs: Qualify at the note rate
Borrower Eligibility	• Maximum four (4) borrowers per loan
Credit	• Any debt not reported on the credit report must be documented as being repaid in a satisfactory manner. • Credit report inquiries: follow AUS. • Must pay-off any existing judgments or tax liens.

<table>
<tr><td rowspan="7">Derogatory Credit</td><td>Derogatory Event</td><td>LPA Waiting Period</td></tr>
<tr><td>Bankruptcy Ch. 7-11</td><td>4 years</td></tr>
<tr><td>Bankruptcy Ch.13</td><td>2 years from discharge date
4 years from dismissal date</td></tr>
<tr><td>Multiple Bankruptcy</td><td>5 years</td></tr>
<tr><td>Foreclosure</td><td>7 years</td></tr>
<tr><td>Deed-in-Lieu of Foreclosure, Pre-foreclosure Sale, and Short Sale</td><td>4 years
Additional requirements up to 7 years:
• 90% maximum LTV ratios
• Purchase, principal residence
• Limited cash-out refinance, all</td></tr>
<tr></tr>
<tr><td>FICO</td><td colspan="2">• All borrowers must have a minimum of one credit score to be eligible.
• 620 minimum regardless of AUS findings</td></tr>
<tr><td>Financing Concessions</td><td colspan="2">• Financing concessions for primary residences and second homes must be within the following allowable percentages:
o 9% of value with LTV/CLTV ratios less than or equal to 75%
o 6% of value with LTV/CLTV ratios greater than 75% up to and including 90%
o 3% of value with LTV/CLTV ratios greater than 90% -The maximum financing concession for investment properties is 2% of value regardless of the LTV ratio
• Value is the lesser of the sales price or appraised value</td></tr>
<tr><td>High Cost / High Priced</td><td colspan="2">Not allowed</td></tr>
<tr><td>Maximum Loan Amount</td><td colspan="2">FHFA limit</td></tr>
<tr><td>Minimum Loan Amount</td><td colspan="2">Above regular conforming limit</td></tr>
<tr><td>Mortgage Insurance</td><td colspan="2">• Standard Coverage Required.
• Lender paid single premium and borrower paid single premium MI is acceptable.
• Split Premium MI is acceptable. Split MI allows a portion to be collected upfront at closing, and a lesser monthly premium be added to the borrower’s monthly mortgage payment. The upfront premium may be paid by the borrower, seller, or a combination of both. Any amount paid by the seller must be included in the maximum seller contribution calculation. A portion of the premium may not be financed. Split Premium MI is allowed up to the max LTV for the product.
• Financed MI is not eligible.</td></tr>
<tr><td>Occupancy</td><td colspan="2">• Primary residence – 1-4 units
• Second home – 1 unit only
• Investment Property – 1-4 units</td></tr>
</table>

Property Types	Eligible: • Single Family (Detached, Attached) • PUD (Detached, Attached) • Condominium - Warrantable (Detached, Attached) • 2-4 Units Ineligible: • Mobile Homes • Condominium Conversions that were converted within the last three years • Condotels/Hotel Condominiums or PUDs • Cooperatives • Timeshares • Geodesic Domes • Land Trust • Condition Rating of C5/C6 or a Quality Rating of Q6. • Vacant land or land development properties • Properties that are not readily accessible by roads that meet the local standards • Agricultural properties, such as farms or ranches • Houseboats • Boat slips • Timeshare • Boarding houses • Bed and breakfast properties • Mixed Use Properties • Properties with more than 20 acres • Motel conversion • Properties with evidence of growing or production of marijuana/hemp or any cannabis products • Properties that are not suitable for year-round occupancy regardless of location.

Multiple Financed Properties	For second home and Investment Property Mortgages : A maximum of ten (10) financed (including commercial & vacant land) properties are permitted. When the number of financed properties is greater than six: The Mortgage must: * Be a Loan Product Advisor Mortgage with a Risk Class of Accept * Have a minimum Indicator Score of 720 • Borrower must have reserves of eight months of the monthly PITI on each additional second home and/or 1 to 4-unit Investment Property that is financed and on which the Borrower is Obligated. Applicants that have >2 businesses and/or NON-PRIMARY residence with >6 financed properties are eligible under the AGNP.
Ratios	• Determined by AUS

FHLMC HOME POSSIBLE

Description:	• Provide Sellers with ease of use and operational efficiencies by eliminating the need to maintain two separate offerings • Continue to meet the needs of low- and moderate-income Borrowers looking for a 3% down payment option by offering the same loan-to-value (LTV) and total LTV (TLTV) ratio flexibilities currently offered for Home Possible Advantage. Certain requirements and permissible loan attributes will continue to vary depending on LTV and TLTV ratios. • Expand access to credit by providing new flexibilities that will help increase homeownership opportunities for more Borrowers

Features	• **Loan to Value (LTV) Ratios:** Low down payment with a maximum of 95% LTV, 105% TLTV, 97% HTLTV for 1-unit properties. • **Property Options:** 1-4 units, condos and planned-unit developments; manufactured homes are eligible with certain restrictions. • **Flexible Sources of Down Payments:** Down payment can come from a variety of sources, including family, employer-assistance programs, secondary financing, and sweat equity. • **Mortgage Insurance:** Mortgage insurance (MI) can be cancelled after loan balance drops below 80 percent of the home's appraised value, and MI coverage requirements are reduced for LTV ratios above 90 percent. • **Pricing:** Credit Fees in Price are capped and less than standard fees for all loans over 80 percent LTV. • **Mortgage Flexibility:** 15- to 30-year fixed-rate mortgages; 5/6, 7/6 and 10/6 ARMs; super conforming mortgages. • **Refinance Options:** No cash-out refinancing option is available for borrowers who occupy the property. • **Income Flexibility:** Qualifying income is limited to 80% Area Median Income (AMI). No geographic limits on loan amounts. • **No Credit Score Necessary:** Qualified borrowers without credit scores are eligible for mortgages with down payments as low as 3 percent.

The following chart compares the current requirements for Home Possible and Home Possible Advantage Mortgage offerings to the revised requirements for the consolidated Home Possible Mortgage offering:

Category	Previous requirements for Home Possible and Home Possible Advantage Mortgages offerings	New requirements for the consolidated Home Possible Mortgage offering
Non-occupant Borrower	Not Permitted	Permitting non-occupant Borrower(s) on Mortgages secured by 1-unit properties when the: • LTV/TLTV*/ Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio is less than or equal to 95% for Loan Product Advisor® Mortgages • LTV/TLTV*/HTLTV ratio is less than or equal to 90% for Manually Underwritten Mortgages • Debt payment-to-income (DTI) ratio is less than or equal to 43% based on the occupying Borrower's income for Manually Underwritten Mortgages *A TLTV ratio of less than or equal to 105% is permitted for Mortgages with Affordable Seconds®
Ownership of other property	Permitted if the Borrower doesn't occupy the property and: • The Borrower inherited the property and shares ownership, or • The Property is owned with another party and debt for the property was assigned to another party (e.g., a divorce decree), or • The Borrower is cosigner/guarantor on the Mortgage debt and someone other than the Borrower is making payments on the debt for the most recent 12 months	Permitting ownership of other property without any restrictions

Super conforming Mortgages	Not Permitted	Permitting super conforming Mortgages, when the Mortgage: • Is submitted through Loan Product Advisor and receives an Accept Risk Class • Has an LTV/TLTV/HTLTV ratio less than or equal to 95% (A TLTV ratio of less than or equal to 105% is permitted for Mortgages with an Affordable Second)
Secondary Financing	• All secondary financing is permitted for Home Possible Mortgages with LTV/TLTV ratios less than or equal to 95%. Secondary financing for Home Possible Advantage Mortgages with LTV/TLTV ratios greater than 95% must be an Affordable Second. • Since the Affordable Second cannot be a HELOC, HELOCs are only permitted for Mortgages with HTLTV ratios less than or equal to 95%	Permitting standard secondary financing, including HELOCs, for a Mortgage with a TLTV/HTLTV ratio of less than or equal to 97% (when the TLTV ratio is greater than 97%, the secondary financing must be an Affordable Second)
Maximum Financed Properties	• The number of financed properties is limited to two (2), including subject property.	
5/6, 7/6 and 10/6 ARMs for Mortgages secured by 3- to 4-unit properties	Not Permitted	Permitting these products for Home Possible Mortgages with LTV/TLTV/HTLTV ratios less than or equal to 75%
Verification of rental income payments from the subject 1-unit property	Evidence of receipt of regular payments of rental income for the past 12 months is required	• Evidence of receipt of regular payments of rental income for at least nine of the past 12 months, is required • The income must be averaged over 12 months when fewer than 12 months of payments are documented

For additional details, please refer to FHLMC bulletin 2018-13

http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bll1813.pdf

HOMEONE

FHLMC HOMEONE CONFORMING FIXED RATE			
PURCHASE AND RATE TERM REFINANCE			
Occupancy	**Units**	**FICO** *	**LPA LTV/CLTV/HCLTV**
Primary Residence	1	620	97/105[1]/97

Program Highlights:

HomeOne℠ mortgage is a low down payment option that serves the needs of more first-time homebuyers, along with no cash-out refinance borrowers. This mortgage solution allows you to help more first-time homebuyers achieve the milestone of homeownership, regardless of their income levels or geographic location.

FEATURES

- Purchases and no cash-out refinances
- No borrower geographic or income limits
- Homebuyer education required for purchase transactions when all borrowers are first-time homebuyers
- One-unit properties with fixed rate financing only
- Custom mortgage insurance coverage available with a credit fee in price
- Allows both Affordable Seconds® and other secondary financing per Single-Family Seller/Servicer Guide Bulletin requirements
- Accommodates various property types

BORROWER BENEFITS

- Brings more first-time homebuyers to the table by allowing 3% minimum down payment
- More flexibility for financing
- Educational requirements support informed and responsible homeownership
- Eligible for single family homes, including townhouses and condos

Product Guidelines	
AUS	• Loan Product Advisor (LPA) with "Accept" Recommendation • Manual underwriting is not allowed.
Borrower Eligibility	• At least one borrower must be a first-time homebuyer* when the mortgage is a purchase transaction mortgage and o Is purchasing the mortgaged premises o Will reside in the mortgaged premises as a primary residence o Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the mortgaged premises
Eligible Properties	1-unit properties, including condominiums and units in Planned Unit Developments (No Manufactured Homes)
Eligible Transactions	Purchase & “No Cash-Out” Refinance only
Occupancy	Primary Residence only All borrowers must occupy the mortgaged premises as a primary residence
MI Requirements	Standard levels required Reduced MI option **not offered**
Home Buyer Education & Disclosure	Required for purchase transactions when all Borrowers are First Time Homebuyers as defined in the Guide. See FHLMC Guide Section 5103.6 for homeownership education requirements.
Permitted Source of Funds	• All funds used to qualify borrowers, including, but not limited to, funds for down payment, closing costs and reserves, must come from the eligible sources described in FHLMC Guide Section 5501.3. • For Mortgages with interested party contributions, the requirements in FHLMC Section 5501.5 must be met. • When lender credit is being used for the mortgage transaction, the requirements in FHLMC Section 5501.6 must be met.
Credit Underwriting Requirements	• At least one borrower on the transaction must have a usable Credit Score. • HomeOne Mortgages must be Loan Product Advisor® Mortgages with a Risk Class of Accept. • Manually underwritten mortgages are not eligible.
Available Terms & Program codes	• 30yr Fixed – H1-30 • 15yr Fixed – H1-15