



Tip: To find specific information for a product, Press Ctrl+F (or use "Find" from the Edit Menu) and then search for the information or topic you are looking for. If you don't find the topic the first time, try variations, different terms or less words.

FREDDIE MAC SUPER CONFORMING

15, 20 and 30 Year Fixed Rate 5/1¹ 7/1 and 10/1 ARM

All Loan Amounts 1-4 Units						
LTV	CLTV	Purpose	Units	Occupancy	Credit Score	DTI Ratio
95 ³	95	Purch, R&T	1	O/O	620	50
85	85	Purch, R&T	2	O/O	620	50
80	80	Purch, R&T	3-4	O/O	620	50
90 ³	90	Purch, R&T	1	SH	620	50
85 ^{2,3}	85	Purch, R&T	1	N/O/O ⁴	680 ²	50
80	80	Purch, R&T	1	N/O/O ⁴	620	50
75	75	Purch, R&T	1-4	N/O/O ⁴	620	50
80	80	Cash Out	1	O/O	620	50
75	75	Cash Out	2-4	O/O	620	50
75	75	Cash Out	1	SH ⁵	620 ⁵	50
75	75	Cash Out	1	N/O/O ^{4,5}	620 ⁵	50
70	70	Cash Out	2-4	N/O/O ^{4,5}	620 ⁵	50

1. For 5/1 ARMs FHLMC requires the initial note rate cannot be more than 3% below the fully indexed rate
2. N/O/O Purchase >80% LTV: all MI providers allowed; 700 score required with Genworth, six months reserves required with Essent; max 45% DTI with Genworth; (Lender Paid MI option not allowed)
3. If the LTV is > 80% review Mortgage Insurance section for specific MI company requirements
4. For non-owner occupied subject properties, if borrower owns more than one financed investment property FHLMC will not allow 5/1 ARMs
5. Second homes or investment properties with 7-10 financed properties must have a 720 credit score

PRODUCT NAME	<ul style="list-style-type: none"> • FHLMC Super Conforming 15 Year Fixed • FHLMC Super Conforming 20 Year Fixed • FHLMC Super Conforming 30 Year Fixed • FHLMC Super Conforming 5/1 ARM • FHLMC Super Conforming 7/1 ARM • FHLMC Super Conforming 10/1 ARM <p>Lender Paid MI Products:</p> <ul style="list-style-type: none"> • FHLMC Super Conforming No MI (Lender Paid) 15 Year Fixed Rate • FHLMC Super Conforming No MI (Lender Paid) 20 Year Fixed Rate • FHLMC Super Conforming No MI (Lender Paid) 30 Year Fixed Rate • FHLMC Super Conforming No MI (Lender Paid) 5/1 Libor ARM • FHLMC Super Conforming No MI (Lender Paid) 7/1 Libor ARM • FHLMC Super Conforming No MI (Lender Paid) 10/1 Libor ARM
ALLOWABLE ORIGINATION CHANNELS	<ul style="list-style-type: none"> • Wholesale • Retail • Correspondent
AGENCY LINKS	<ul style="list-style-type: none"> • In addition to any Product Profile requirements, you must always meet the published Agency guidelines. If published Agency guidelines are more restrictive than what is allowed in the Product Profile, you must always defer to Agency Guidelines. • All PRMG staff can access all end Agency guidelines though AllRegs Online at http://allregs.elliemae.com. Instructions on how PRMG staff can access the AllRegs service is available in the Resource Center. • Use the following link to access the Freddie Mac website, and from there, access to their guidelines: http://www.freddiemac.com/singlefamily/guide/
MINIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • Refer to PRMG’s “Eligible States” list for states currently available for business <p>For loans on or after 11/28/2018: All States, except AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$484,351 • 2 Units \$620,201 • 3 Units \$749,651 • 4 Units \$931,601 <p>For all loans on or after 11/28/2018: AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$726,526 • 2 Units \$930,301 • 3 Units \$1,124,476 • 4 Units \$1,397,401 <p>For loans prior to 11/28/2018: All States, except AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$453,101 • 2 Units \$580,151 • 3 Units \$701,251 • 4 Units \$871,451 <p>For loans prior to 11/28/2018: AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$679,651 • 2 Units \$870,226 • 3 Units \$1,051,876 • 4 Units \$1,307,176
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • The maximum loan amount is the Fannie/Freddie maximum loan limit for the county where the property is located. • Max Limits for all counties can be found here (select Fannie/Freddie for Limit Type option): • https://entp.hud.gov/idapp/html/hicostlook.cfm

<p>DOWN PAYMENT PROTECTION OPTION (PRMG +PLUS)</p>	<ul style="list-style-type: none"> • Available • Provides insurance option to protect initial down payment should borrower not be able to recoup their down payment when they sell, see Resource Center for additional information about this optional coverage • Must select “Down Payment Insurance” (Yes/No) when pricing loan in FT360/OB (LLPA will apply) • Max LTV/CLTV 97% • Allowed for purchases only
<p>GEOGRAPHIC RESTRICTIONS</p>	<ul style="list-style-type: none"> • Please refer to PRMG’s “Eligible States” list. • Please refer to PRMG’s “Eligible States” list, which can be found at this link: http://www.eprmg.net/guidelines/Eligible%20States.pdf • For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) unless specific requirements are met as described in the Rate/Term Refinance section, every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program. Additionally, if this is a cash out loan, it must be processed under the Agency Texas Home Equity program. • Properties located in Lehigh Acres, FL require a due diligence review in regards to the property value before approving the loan and must include all documentation supporting any increase in value as applicable • If the subject property is located in the Alabama Restricted Lending Area (Coliseum Boulevard Area of Montgomery - this area contains a subsurface chemical contamination condition or environmental condition known as the Coliseum Boulevard Plume (CBP)) the loan must meet the following requirements: <ul style="list-style-type: none"> • A full appraisal (interior/exterior) is required. • A fully executed disclosure issued by the Montgomery Area Association of Realtors (MAAR), identified as the Coliseum Boulevard Plume Disclosure, must be a part of the purchase contract, signed, and dated by all required parties prior to closing. • If the subject property is located in West Virginia, a full appraisal (interior/exterior) is required • Properties located in Illinois in the counties of Cook, Kane, Peoria or Will requires copies of the following to be closely reviewed: (1) A copy of the Certificate of Compliance with the counseling requirements or the Certificate of Exemption, if the lender or transaction is exempt and (2) A copy of Title Commitment free from any exceptions related to the anti-predatory lending database requirements. • For Nebraska cash out transactions, if the credit or title commitment reflects an alimony/child support judgment/lien, the following is required: subject property mortgage must be in first lien position and title commitment must clearly state that the alimony/child support lien is in subordinate position to the new mortgage. A copy of the subordination agreement or court order must be provided. This requirement is because under the Uniform Interstate Family Support Act, orders for payment of alimony/child support in Nebraska automatically create liens and could impact a first lien position on a cash-out refinance transaction.
<p>DOCUMENTATION</p>	<ul style="list-style-type: none"> • Full Doc • When all income used to qualify a loan for the borrower is made up exclusively of wage earner income reported on a W2 and/or fixed income reported on a 1099 (i.e., social security or VA benefits) transcripts are not required, unless full tax returns are required for the borrower by the AUS (i.e., borrower employed by family members). If multiple borrowers are qualifying on the loan, but the tax returns are not filed jointly, and one borrower requires full returns, but the other borrowers are qualified exclusively on W2 and/or fixed income then no transcripts are required for the

W2/fixed income borrower and 1040 transcripts are required for the self-employed borrower/borrower requiring full returns. When using this option, there can also be no tax returns included in the loan file (including if tax returns are required to be reviewed by the PRMG underwriter for MCC Approval or other purpose). If the borrower earns other income that is used to qualify that would be able to be validated with 1040 transcripts (i.e., rental income from tax returns, etc.) then 1040 transcripts are required to validate that income. A completed and executable (signed) 4506T must be submitted with the loan file. For the borrowers where transcripts are not required, be sure to select the W2/1099 option only when completing the 4506-T. Do not mark the 1040 or Record of Account option.

- When tax returns are required for a borrower or when borrower's qualifying income is not made up of W2 or fixed income reported on a 1099, validated 1040 tax transcripts are required if borrower's income is utilized as a source of repayment. If multiple borrowers are qualifying but the tax returns are not filed jointly (when one borrower requires full returns), then it is acceptable to provide no transcripts for the salaried/fixed income borrower and 1040 transcripts for the self-employed borrower/borrower requiring the tax returns.
- If there is proof of expenses incurred by the borrower that would reduce income (i.e., 2106 expenses, reimbursed expenses (at underwriter discretion as it may be an indication of unreimbursed expenses), reference to 1099 commission income, or if commission income exceeds 25% of borrower's total annual employment income) then 1040 transcripts are also required. If there is evidence or proof of expenses that would reduce income then the no transcript option is not allowed to be utilized.
- When required, transcripts must be provided for the number of years of income documentation required to be in the loan file, in accordance with the AUS findings and/or Agency requirements. Tax transcripts are required to support the income used to qualify the borrower. The purpose of the 4506-T is to verify the income reported is accurate and when utilizing the 1040 tax transcripts to confirm that the employee does not have other expenses (such as 2106 expense) that otherwise would not be known.
- Tax transcripts must come to lender directly from the IRS or through a third party vendor ordered/obtained by lender
- When business tax returns are required by AUS, business income is used to qualify or business income is used to offset a loss on personal tax returns or is included in the loan file, a separate IRS Form 4506-T must be executed (but not processed and must allow enough time to be executed post-closing after delivery to investor) for each business for the required number of years of income documented, for each self-employed borrower on the loan transaction. Allowable signatures (per IRS): 1120/1120S: Borrower must sign name with title and only the following titles are acceptable: President, Vice President, CEO, CFO, Owner, 1065: Borrower must sign name with title and only the following titles are acceptable: General Partner, Limited Partner, Partner, Managing Member, Member
- When an extension for business tax returns has been filed for the most recent tax year the IRS Form 7004 and the IRS Form 4506-T transcripts confirming "No Transcripts Available" for the applicable tax year are required. The IRS form 4868 will continue to be required for extensions filed for personal tax returns.
- W2 transcripts are allowed to take the place of a W2 when there is a reasonable explanation as to why they cannot be provided and Freddie Mac's requirements are met, as outlined in Chapter 5302 General Documentation Requirements.
- For non-self-employed borrowers: Verbal VOE is required to be completed no more than 10 days prior to the note date for wet funding states and escrow states. If the Verbal VOE is completed more than 10 days prior to the funding date, another

Verbal VOE should be completed 10 days prior to funding date for escrow states.

- For self-employed borrowers: No more than 120 calendar days prior to note date, verify the existence of the borrower's business from a third party that may include a CPA letter (cannot be vague, must state length of time doing taxes and be signed by CPA), regulatory agency, or appropriate licensing bureau; OR verify a phone listing and address for the borrower's business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau. Verification may not be made verbally, and a certification by PRMG indicating the information was verified is not allowed. Documentation from the source used to verify the information must be obtained and in the file. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not acceptable. Also single source verifications, such as from superpages.com, yellowpages.com and searchbug.com are not allowed. If all other methods of obtaining third party verification have been exhausted, the borrower can provide letters from three clients indicating the type of service performed, length of time of business relationship, frequency of service, payment arrangements, etc. and support the income with current bank statements, deposits, etc. The underwriter must thoroughly investigate that the business, income and proof of business is legitimate.
- Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers.
- If AUS allows for VOD only (no bank statements), allowed for owner occupied and second home transactions only. Investment properties must also provide bank statements.
- Amended tax returns cannot be used to qualify if they are amended after the application, initial credit report date or purchase contract date unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. Due diligence must be exercised with close examination of the original, and amended returns, to determine if the use of the amended return is warranted and the following documentation should be reviewed when income from the amended return is required: A letter of explanation regarding the reason for the re-filing; evidence of filing (must be validated with a record of account (4506T results); copy of the original 1040; any extensions filed, and evidence of payment of the taxes due (or evidence borrower is on a payment plan in lieu of full payment as long as the borrower qualifies with the payment in the ratios), and the ability to pay, if the check has not yet cancelled.
- Paystubs must be dated no earlier than 30 days prior to the initial loan application date.
- Paystubs must be computer generated (typed) and clearly identify the borrower as the employee, the employer's name and all necessary information to calculate income, including gross year-to-date earnings, base salary with pay period specified, and must clearly specify the employer's name. Handwritten pay stubs are acceptable if the following is provided: a written VOE completed in its entirety and the most recent year's income tax returns.
- IRS W-2 forms must computer generated (typed) and clearly identify the Borrower, Borrower's address, social security number and employer's name.
- Accept Plus documentation is not acceptable.
- LPA Streamline Accept documentation acceptable when offered by LPA. Number of years self-employed/business tax returns is allowed per LPA findings (one year acceptable if findings allow for it). In other words, if Freddie Mac requires a two year tax return analysis in order for that type of income/funds to be acceptable then this

	<p>option cannot be used. If the borrower is employed by a relative, a closely held family business, the property seller, real estate agent, or any party to the real estate transaction, the following documentation must be obtained regardless of AUS findings: borrower's signed and completed personal federal income tax returns for the most recent two-year period, verification of employment form (VOE) and W-2s for the most recent two tax years and this exception is not eligible. Must meet all requirements as outlined in Freddie Mac Seller Guide in regards to Streamlined Accept Documentation requirements.</p> <ul style="list-style-type: none"> • All documentation requirements from LPA must be met, including reviewing the documentation matrix that is found on the following website to ensure compliance with LPA requirements: • http://www.freddiemac.com/loanadvisorsuite/loanproductadvisor/ • A signed IRS 4506-T is required at application and closing. • Tax transcripts are allowed to take the place of a tax returns when they are required as long as you are meeting Freddie Mac's requirements, as outlined in section 5302 of Freddie Mac's Seller Guide • Credit report inquiries dated within the previous 90 days require a letter from the creditor, or if such letter is unobtainable, a signed statement from the borrower may be used to determine whether additional credit was obtained. • Preliminary Title policy must be no more than 90 days when the note is signed • Bank statements cannot be dated more than 45 days prior to the date of the loan application • Copy of photo ID for each borrower • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • All documentation used in qualifying the borrower must be legible and if not in English, will require a full written translation of the entire documentation into English.
DOCUMENT EXPIRATIONS	<ul style="list-style-type: none"> • Credit documentation must not be more than 120 days old from the note date • Residential appraisal reports must be dated no more than 12 months prior to the note date but if over 120 days from note date, update within 120 days of note date is required. • Preliminary Title policy must be no more than 90 days when the note is signed • Bank statements cannot be dated more than 45 days prior to the date of the loan application • Paystubs must be dated no earlier than 30 days prior to the initial loan application date
AUTOMATED UNDERWRITING	<ul style="list-style-type: none"> • The last AUS finding, which must match the terms of the loan, must be in the loan file. If resubmitting to AUS after the note date, must comply with applicable AUS resubmission requirements. For all loans, the first submission to the AUS must occur prior to the note date (it cannot be the same as the note date.) • There are no restrictions on loans being switched from one AUS to another. An Approve/Eligible from the other AUS that it was submitted through is NOT required. This product requires a LPA approval.
DESKTOP UNDERWRITER (DU)	<ul style="list-style-type: none"> • Not Allowed
LOAN PRODUCT ADVISOR	<ul style="list-style-type: none"> • LPA Accept/Eligible decision is required.

(LPA)	<ul style="list-style-type: none"> • All conditions outlined in the Findings Report must be satisfied. • Formerly known as Loan Prospector (LP) • When using LPA, the broker's credit report cannot be used in the LPA decision and a tri-merge will need to be pulled from PRMG's credit vendor, or an in-file report can be ordered directly through LPA. The credit report used with LPA must be printed and placed in the file. Please note, if using the LPA in-file credit report it must be printed immediately, as it is only available for a limited time (currently 7 days) and then cannot be retrieved. Instructions for submitting loans to LPA can be found in the Resource Center • All requirements from LPA must be met, including reviewing the documentation matrix that is found on the following website to ensure compliance with LPA requirements http://www.freddiemac.com/loanadvisorsuite/loanproductadvisor/
PROPRIETARY U/W ENGINE	<ul style="list-style-type: none"> • N/A
MANUAL UNDERWRITING	<ul style="list-style-type: none"> • Not Allowed
ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • Single Family Residence • Modular Homes (see section below) • Log Homes (See section below for additional requirements) • 2-4 Unit Properties • PUDs • Condos
INELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • Hawaii properties in lava zones 1 and 2 • Hawaii Homeland Leasehold properties • Co-ops • Mobile homes • Manufactured homes • Condotels • PUD hotel/motel/resort type projects • Condominium hotel/motel/resort type projects • Properties in a flood zone that do not participate in the National Flood Insurance Program • Properties with deed restrictions (no exceptions) • Mixed-Use (see below for properties with business use per tax returns or appraisal) • Geodesic dome, Earth or Geothermal homes • Community Land Trusts • Lease land • Illinois Land Trusts • Working farm, ranch, or orchard • Assisted Living Projects • Houseboats • Investment Securities • Properties not suitable for year-round occupancy • Property without full utilities installed to meet all local health and safety standards • Property used for commercial or industrial purposes • Tax-sheltered syndicate • Timeshares • Unimproved land • Common Interest Apartments • Properties that do not meet local health and safety standards • Properties in litigation • HomePossible Financing

	<ul style="list-style-type: none"> • Condition Rating of C5/C6 or Quality Rating of Q6 • Multi-family dwellings over 4 units • Commercial properties • Properties rated in "less than average" condition • Indian land (leased or fee simple) • Properties with Unexpired Redemption Rights • vacant land or land development properties • properties that are not readily accessible by roads that meet local standards • on-frame modular construction • units in condo or co-op hotels • boarding houses (includes properties listed on sites like Airbnb where individual rooms are rented out like a boarding house) • bed and breakfast properties (includes properties listed on sites like Airbnb where individual rooms are rented out like a bed and breakfast) • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) unless the lien will subordinate via a subordination agreement where the lien is no longer part of the property taxes that can take first lien priority (note, the HERO subordination agreement does not provide for this and is not eligible) and meets all Agency requirements • Builder Model Leaseback when used as leasing office/commercial space
<p>PROPERTIES WITH BUSINESS USE</p>	<ul style="list-style-type: none"> • One-unit dwellings that the borrower occupies as a principal residence that has any business in the home as indicated on the tax return or appraisal may be eligible with the following restrictions: <ul style="list-style-type: none"> • The business use is a home office only and not a commercial type of business or a business with clientele that visits the home office • Borrower must be owner/operator of business • Room layout must be residential in nature and be appraised as a residential real estate • The business use may not exceed 20% of the total gross living area of the property as reflected on the appraisal or tax returns • The business use of the property represents a legal, permissible use of the property under the local zoning requirements. • Full appraisal is required, regardless of AUS • Multiple unit properties with any business use as determined by tax returns or appraisal are not eligible
<p>MODULAR HOMES</p>	<ul style="list-style-type: none"> • Factory-built housing must assume the characteristics of site-built housing and be legally classified as real property. The purchase, conveyance, and financing (or refinancing) of the property, which must be evidenced by a valid and enforceable first lien mortgage or deed of trust that is recorded in the land records, must represent a single real estate transaction under applicable state law. • Prefabricated, panelized, or sectional housing units must conform to all local building codes in the jurisdiction in which they are permanently located. • Modular homes must be built to the state building code requirement of the state in which they are to be installed. There are several state agencies that have adopted a Uniform Building Code for modular homes.
<p>PRIVATE TRANSFER FEE COVENANTS</p>	<ul style="list-style-type: none"> • A Private Transfer Fee, as defined by FHFA, is a fee that may be attached to real property by the owner or another private party - frequently the property developer - and provide for a transfer fee to be paid to an identified third party - such as a developer or its trustee - upon each resale of the property. The fee typically is stated as a fixed amount or as a percentage of the sales price, and often exists for a period

	<p>of 99 years.</p> <ul style="list-style-type: none"> • Private transfer fees paid to the following to benefit the property are eligible: Homeowner Associations, Condominium Associations, Certain tax-exempt organizations that use private transfer fee proceeds to benefit the property. • Any property with unallowable private transfer fee covenants are ineligible if they are encumbered by private transfer fee covenants if those covenants were created on or after February 8, 2011, unless permitted by the Private Transfer Fee Regulation. • See FNMA/FHLMC seller guide for additional information
LOG HOMES	<ul style="list-style-type: none"> • Log Homes are allowed with the following requirements: <ul style="list-style-type: none"> • A minimum of two log home comparable sales must be provided. • Comparable sales provided must be of similar quality, construction, and design and have similar market appeal and amenities. • Appraiser to comment on: local demand, marketability of the property, supply of log homes and their appeal in the market. Appraiser must also comment on the sufficiency of the unit's living area, interior room size, storage, and adequacy of roof pitch, overhangs and exterior finish. • Full Appraisal Required
COMMUNITY DEVELOPMENT DISTRICT (CDD)	<ul style="list-style-type: none"> • Allowed, must meet any agency requirements in regards to special assessment districts
PROPERTIES WITH GAS, OIL AND/OR SUBSURFACE MINERAL RIGHTS	<ul style="list-style-type: none"> • Outstanding oil, gas, water, or mineral rights are acceptable if commonly granted by private institutional mortgage investors in the area where the Mortgaged Premises are located, and: • The exercise of such rights will not result in damage to the subject property, or impairment of the use, or marketability of the subject property for residential purposes, and there is no right of surface, or subsurface entry within 200 feet of the residential structure, or • There is a comprehensive endorsement to the title insurance policy that affirmatively insures the lender against damage, or loss, due to the exercise of such rights.
CONDOS	<ul style="list-style-type: none"> • Underwriter and funder to verify condo project is not on investor's Do Not Lend list prior to approval/funding. Additionally, when the investor indicates a CVAS waiver is required, project is not eligible. • Condo projects must be warrantable with a Streamline Review, CPM/Full Review or PERS Approval. The following steps must be used to document warrantability: <ul style="list-style-type: none"> • Determine if the project is eligible under the Streamline Project Review process. (See section below regarding Streamline Review process). If the project is approved under Streamline Project Review criteria, the unit is eligible for purchase by PRMG. No further steps are required. • If the project does not meet FHLMC Streamline Review guidelines, determine if the project is listed as approved on the FNMA website (full PERS Approval, not conditional) - https://www.fanniemae.com/singlefamily/project-eligibility-review-service. If the project is approved and has not expired, and it is verified there are no changes that would make it ineligible, the project is warrantable and the unit is eligible for purchase by PRMG. No further steps are required. PRMG does not offer services to submit projects to Fannie Mae for PERS Approvals. • If the project does not meet eligibility criteria described above, the project may be submitted for a CPM/Full Review to condoreviews@prmg.net with the Condo Review Submission form and required documentation and an approval on the project (if eligible) will be issued through Condo Reviews. (See section below

	<p>regarding CPM/Full Lender Reviews).</p> <ul style="list-style-type: none"> • Insurance allowed per Freddie Mac requirements, see Seller Guide Section 8202 • See section below for condos in monetary litigation • For Florida projects, condos on Fannie Mae’s Special Area Designation (SAD) list are not allowed. • The underwriter must complete the PRMG Attached PUD/Condo Warranty Form which can be found in the Resource Center, and that is the only document that should go to the investor. The underwriter should include the project information used for the condo review in the loan file, but it should not be sent to the investor with the closed loan file. Please use the Imaging label “Condo/PUD Review Supporting Documentation (Do not send to investor)” for this information.
<p>STREAMLINE REVIEW (LPA) LTV/OCCUPANCY LIMITS</p>	<ul style="list-style-type: none"> • Streamline Review guidelines allow the lender to evaluate and approve condo projects using limited documentation. Eligibility is based on specific loan level criteria, including LTV, occupancy and the method by which the loan is evaluated and decisioned. • Detached Condos – All States: <ul style="list-style-type: none"> • Eligible for all LTV/CLTV/HCLTV and occupancy types • Attached Established Condos - <u>Non-Florida Properties:</u> <ul style="list-style-type: none"> • Max 90% LTV/CLTV/HCLTV for owner occupied properties • Max 75% LTV/CLTV/HCLTV for second homes • Not eligible for investment properties • Attached Established Condos – <u>Florida Properties:</u> <ul style="list-style-type: none"> • Max 75% LTV/CLTV/HCLTV for owner occupied properties • Max 70% LTV/CLTV/HCLTV for second homes • Not eligible for investment properties • See sections below for requirements, as applicable
<p>FREDDIE MAC (LPA) ATTACHED CONDO STREAMLINE REVIEW REQUIREMENTS</p>	<ul style="list-style-type: none"> • All Streamline Reviews are performed by the underwriter • Condominium Units in Attached Condominium Projects must meet the following requirements and underwriter must complete a condo warranty as described in the Freddie Mac Sellers Guide, which can be found at the following link: http://www.freddiemac.com/sell/guide/. Lender must always comply with requirements as stated in the Freddie Mac Seller guide on attached condos for this review, and are summarized here, but should be verified to the Freddie Mac Seller Guide: • The Condominium Unit must be located in an Established Condominium Project, which is a Condominium Project in which: (1) The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are complete and not subject to any additional phasing ; (2) At least 90% of the total units in the project have been conveyed to the unit purchasers other than the developer; (3) The unit owners control the Homeowners Association • There are no Manufactured Homes in the Condominium Project • A Condominium Project containing a mix of attached and detached units is eligible for a streamlined review if it meets the requirements in this section. • The following additional Freddie Mac requirements as described in Seller Guide at http://www.freddiemac.com/sell/guide/ must be met. • The project must not be an ineligible project. See Section 5701 from Freddie Mac Seller Guide. <ul style="list-style-type: none"> • The project has insurance that meets the applicable insurance requirements of Section 8202 of Freddie Mac Seller Guide. • The Condominium Unit must be covered by a title insurance policy that meets requirements of Section 4702 of Freddie Mac Seller Guide.

	<ul style="list-style-type: none"> • When control of the Homeowners Association has been or will be turned over to the unit owners, the unit owners must have an undivided fee simple ownership interest in the land on which the project is located or have a leasehold interest in the land on which the project is located. Any ground lease must meet the requirements of Section 5704 Freddie Mac Seller Guide. • The unit owners must be the sole owners of, and have the right to the use of, the Common Elements, including all buildings, roads, parking and Amenities. The developer must not retain any ownership interest in the Common Elements and Amenities (except as a unit owner). The Common Elements, including Amenities such as parking and recreational facilities, must not be subject to a lease between the unit owners or the HOA (as lessee) and the developer or any affiliate of the developer (as lessor). Parking or other Amenities provided under commercial leases or permit arrangements with parties unrelated to the developer are acceptable. • Limited Common Elements are portions of Common Elements reserved for use by one or more unit owners but not all unit owners. Limited Common Elements are defined in the Project Documents, and may include, but are not limited to, balconies or patios serving a single unit, assigned parking spaces or storage bins. Limited Common Elements that are purchased as part of the Condominium Unit may be financed as part of the Mortgage, and the cost of such Limited Common Elements may be included when determining the sale price and loan-to-value (LTV) ratio. Only Limited Common Elements may be financed along with the Condominium Unit. Facilities serving the Condominium Unit which are made available to the Condominium Unit by a permit, license or lease (other than in a leasehold condominium), must not be financed as part of a Mortgage, and the cost of the use of such facilities may not be included when determining the sale price and LTV ratio. • The Lender must not be aware of any change in circumstances since its review of the project that would result in the project no longer satisfying Freddie Mac requirements. • The Lender must retain all documentation related to the review of the Condominium Project. Upon request, the Lender must provide Freddie Mac the project information and documentation.
<p>FREDDIE MAC (LPA) DETACHED CONDO REVIEW</p>	<ul style="list-style-type: none"> • Detached condos may not require a limited review questionnaire if information needed to perform the limited review is available on the appraisal or other documentation. However, project approval via limited review is required for detached condos. If there is no association, there must be evidence it never existed or was officially dissolved. See Appraisal Guidelines for specific requirements. • Limited review questionnaire may be used in conjunction with additional information that is found in the file in order to perform the review for detached and/or attached condos. • All detached condo reviews are performed by the underwriter • Condominium Units in Detached Condominium Projects must meet the following requirements and underwriter must complete a condo warranty as described in the Freddie Mac Sellers Guide, which can be found at the following link: http://www.freddiemac.com/sell/guide/. Underwriter must always comply with requirements as stated in the Freddie Mac Seller guide on detached condos for this review, and are summarized here but should be verified to the Freddie Mac Seller Guide: <ul style="list-style-type: none"> • The Condominium Project must meet the definition of a Detached Condominium Project, which is a Condominium Project comprised solely of detached, 1-unit dwellings

	<ul style="list-style-type: none"> • The Condominium Project must not include Manufactured Homes • If the Condominium Project is on a leasehold estate, the lease must comply with the requirements of Chapter 5704 • The project has insurance that meets the applicable insurance requirements of Section 8202 of Freddie Mac Seller Guide. • The Condominium Unit must be covered by a title insurance policy that meets requirements of Section 4702 of Freddie Mac Seller Guide.
<p>CPM/FULL LENDER REVIEWS</p>	<ul style="list-style-type: none"> • When using a Full Lender Review, LTV/CLTV allowed to product guidelines in all states • Must be used if transaction is not eligible for streamline review or has not been approved through PERS • If project is not eligible through CPM/Full Lender Review process, terms of loan (i.e., larger down payment) can be made to allow the project to be reviewed using the Streamline Review requirements. Project must then be eligible under the Streamline Review requirements. • CPM/Full Lender Reviews are only eligible when submitted by the fulfillment center or retail branch to condoreviews@prmg.net with the Condo Review Submission form and required documentation and an approval on the project is issued through Condo Reviews. • Request for CPM/Full Lender condo review should be submitted by the fulfillment center or retail branch when all required documentation has been obtained (loan does not have to be in an underwritten or approved status). • The Condo Review Submission form can be found on the Resource Center or at the following link: • http://www.eprmg.net/ResourceCenter/GeneralForms/HOA%20Full%20Lender%20Condo%20Review%20Submission%20Form.pdf • When a CPM/Full Lender Review is used, the following documentation is required: condo review submission form (from Resource Center or above link), condominium questionnaire (from Resource Center, Condo Certs or similar), appraisal of subject unit (can be submitted after condo review is completed, but final project approval will not be issued until appraisal is received), current annual budget, insurance certificate for applicable types and AUS findings (showing approved); For New Construction or New Gut Rehab conversions only: all above listed documentation, copy of Declaration of Condominium including Amendments and Bylaws, presale form (available in the Resource Center)
<p>CONDO CONVERSIONS</p>	<ul style="list-style-type: none"> • Condo conversions (new and established) allowed • New conversions (not meeting the definition of an established product - at least 90% of the total units in the project have been conveyed to the unit purchasers; the project is 100% complete, including all units and common elements; the project is not subject to additional phasing or annexation; and control of the HOA has been turned over to the unit owners) in the State of Florida must be Fannie Mae PERS approved • The licensed engineer must state that the project is structurally sound, and the condition and remaining useful life of the major project components are sufficient to meet the residential needs of the project, and that the licensed engineer has found no evidence that any of these conditions are not met. Major components include the roof, elevators and mechanical systems such as HVAC, plumbing and electricity. • All rehabilitation work involved in a Condominium Project conversion must be completed in a professional manner • If the conversion was a partial rehabilitation, must verify that all repairs affecting soundness and habitability are complete, replacement reserves have been allocated for all capital improvements, and the underwriter has determined that the reserves

	<ul style="list-style-type: none"> are sufficient to fund the improvements • Must comply with all Agency guidelines • For new conversions that are not required to be PERS approved, CPM/Full Lender Review is required. See CPM/Full Lender Reviews section for submission instructions.
NON-WARRANTABLE CONDOS	<ul style="list-style-type: none"> • Not Allowed.
PLANNED UNIT DEVELOPMENTS (PUDS)	<ul style="list-style-type: none"> • Detached PUDs are not subject to project review and information regarding the HOA such as project certs, letters from the HOA (with the exception of letter regarding ownership in regards the common elements, areas/facilities of a project for insurance purposes) must not appear in the file. • See below for Attached PUDs in monetary litigation • Attached PUD lender reviews are performed by underwriter • Documentation, as determined by underwriter, to verify the attached PUD is warrantable is required and the Attached PUD Warranty must be completed (if required by underwriter). • Attached PUD/Condo Warranty form is available in the Resource Center • The underwriter must complete the PRMG Attached PUD/Condo Warranty Form which can be found in the Resource Center, and that is the only document that should go to the investor. The underwriter should include the project information used for the condo review in the loan file, but it should not be sent to the investor with the closed loan file. Please use the Imaging label “Condo/PUD Review Supporting Documentation (Do not send to investor)” for this information. • Must meet Freddie Mac PUD requirements • A Planned Unit Development is a real estate project in which each unit owner holds title to a lot and the improvements on the lot, and the homeowners association holds title to the Common Elements. The unit owners have a right to the use of the Common Elements, and pay a fee to the homeowners association to maintain the Common Elements for their benefit • If a Condominium Unit is located in a PUD, must comply with the Condominium requirements and warranties in Section 5701 of Freddie Mac Seller Guide and the PUD requirements and warranties in Section 5702. • If the PUD unit or any PUD Common Element is on a leasehold estate, must comply with the leasehold estate requirements in Section 5704 of Freddie Mac Seller Guide and the PUD requirements and warranties in Section 5702. • The appraiser must report the Planned Unit Development 's legal name, the Homeowners Association assessments, and the property rights for each comparable sale; and must compare them to the subject Planned Unit Development. The appraiser must also identify the Common Elements/Amenities available to the unit owners, comment on their condition, and analyze how they compare to the Common Elements/Amenities of competing Planned Unit Developments. • Comparable sales for a unit in a Planned Unit Development may be detached 1-unit dwellings that are not subject to CC&Rs, are in the same market, and compete for the same purchasers. The appraiser must support the use of 1-unit dwellings not subject to CC&Rs as comparable sales, and must analyze and report the impact the deed restrictions have on marketability and value. • The property insurance requirements in Section 8202 of Freddie Mac Seller Guide must be met.
CONDO/ATTACHED PUDS IN MONETARY LITIGATION	<ul style="list-style-type: none"> • Condo projects or attached PUDs involved in monetary litigation may be eligible, if litigation is acceptable to the Agencies as reviewed and approved through condoreviews@prmg.net. Documentation regarding the litigation (i.e., court documents) must be submitted to condoreviews@prmg.net for review and approval.
INELIGIBLE CONDO	<ul style="list-style-type: none"> • See Freddie Mac Seller Guide for additional information. Mortgages secured by units

**PROJECT TYPES PER
FREDDIE MAC'S SELLER
GUIDE**

in any of the following types of projects are not eligible for sale to Freddie Mac:

- Project required to be registered with a federal or State securities agency: Any project that is required to be registered with the U. S. Securities and Exchange Commission or any State securities agency, regardless of the project type.
- A Condominium Hotel is a project that is operated and managed as a hotel or similar type of transient property, even though the units are individually owned. Projects that have one or more of the following characteristics are considered a Condominium Hotel or similar type of transient property, and are ineligible projects: (1) Projects that include hotel type services and characteristics such as registration services, rentals of units on a daily basis, daily cleaning services, central telephone service, central key systems and restrictions on interior decorating; (2) Projects that are conversions of a hotel (or a conversion of a similar type of transient housing); (3) Projects with mandatory or voluntary rental-pooling and revenue-sharing agreements (or similar agreements that restrict the unit owner's ability to occupy the unit) to assure an inventory of units for rent on a frequent basis, such as daily, weekly, monthly or seasonally (see Section 5701 for further guidance), and (4) Projects with names that include the words "hotel," "motel," "inn," "lodge" or a branded hotel chain or name. If owners of Condominium Units in projects in resort locations rent their units (either individually or through a rental management company) on a short-term basis, this alone does not indicate that the project is to be considered a Condominium Hotel. Sellers must fully analyze all the characteristics of the project and related information to determine if the project is a Condominium Hotel. Section 5701 provides additional details on determining whether a project is a Condominium Hotel.
- Project with multi-dwelling units: A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit.
- Project in which more than 35% of the total above and below grade square footage of the project (or more than 35% of the total above and below grade square footage of the building in which the project is located) is used as commercial or non-residential space.
- Tenancy-in Common apartment project: A tenancy-in-common apartment project is owned by several owners as tenants-in-common or by a Homeowners Association (HOA). Individuals have an undivided interest in the residential apartment building (including the units) and land on which the building is located, and may or may not have the right of exclusive occupancy of a specific apartment unit in the building.
- Timeshare project or project with segmented ownership: A project in which there is an arrangement under which a purchaser receives an interest in real estate and the right to use a unit or Amenities, or both, for a specified period and on a recurring basis such as the 15th week of the year, or ownership that is for a limited period such as for the subsequent five years.
- Houseboat project: A project comprised of boats that have been designed or modified to be used primarily as dwelling units.
- Project that is a legal nonconforming use: A Condominium Project with legal non-conforming use and the jurisdiction in which the project is located does not allow the rebuilding of the improvements to current density in the event of their partial or full destruction. This restriction does not apply to Detached Condominium Projects or if the jurisdiction in which the project is located allows the rebuilding of the improvements to their current density in the event of their partial or full destruction.
- Project in litigation in which (i) the HOA is named as a party to pending litigation, or (ii) the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, functional use or habitability of the project. If the Seller determines that the reason for the pending litigation involves

minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible if the litigation is limited to one of the following: 1. The litigation amount is known, the insurance company has committed to provide the defense and the litigation amount is covered by the insurance policy; 2. The litigation amount is unknown, the Seller has documented the Mortgage file with a copy of the complaint, or the most recent amended complaint, and with an attorney letter that supports the Seller's determination that the litigation involves minor matters. The attorney letter must state: (i) the reason for the litigation; (ii) that the insurance company has committed to provide the defense; and (iii) that any potential monetary judgment against the HOA, or settlement with the HOA, including punitive damages, will likely be covered by the HOA's insurance policy. If the attorney indicates the matter will not likely be covered by the HOA's insurance policy, then the project is ineligible; or 3. The matter involves: i. A non-monetary neighbor dispute or right of quiet enjoyment, or ii. The HOA is the plaintiff in a foreclosure action or action for past due HOA assessments, or iii. The HOA is the plaintiff in the litigation seeking reimbursement for expenditures made to repair the project's component(s) which may have included items that related to the safety, structural soundness, functional use or habitability of the project, the repair permanently resolved the defect or issue and the expenditures did not significantly impact the financial stability or future solvency of the HOA. The Seller must retain documentation to support its analysis that the reason for the dispute meets Freddie Mac's requirements for minor matters as described above.

- Project sold with excessive Seller contributions: Any project that complies with the definition of a New Condominium Project where the builder, developer or property seller is offering contributions that do not comply with the requirements of the Purchase Documents, including Section 4204. Examples include, but are not limited to, rent-backs or leasebacks, payments of principal, interest, taxes and insurance (PITI) or HOA assessments for any period of time, and undisclosed contributions.
- Project in which an individual or a single entity such as an investor group, partnership or corporation owns more than the following total number of units in the project: Number of units in the project is two to four and Total number of units owned by individual or single entity is one. Number of units in the project is five to 20 and Total number of units owned by individual or single entity is two. Number of units in the project is 21 or more and Total number of units owned by individual or single entity is 10*. Vacant units being actively marketed by the developer are not included in the calculation of the developer's percentage of ownership. Any units leased by the developer must be included in the calculation of the developer's percentage of ownership. For developer leased units used for low- or moderate-income rental purposes in accordance with State or local law or regulation, the calculation and requirements listed below for units owned by a Housing Finance Agency (HFA), or similar entity based on State or local law or regulation, apply. For all other developer leased units, the calculation and limits listed in the above apply. *For projects with 21 or more units, an HFA, or similar entity based on State or local law or regulation, can own no more than 25% of the total number of units in the project without that ownership being considered an excessive single investor concentration provided that: The units owned by the HFA, or similar entity based on State or local law or regulation, are used for low- or moderate-income rental purposes, and The HFA, or similar entity based on State or local law or regulation, that owns the units must be current in paying unit assessments and any other financial obligations to the HOA with no delinquencies on these payments within the past 12 months

	<ul style="list-style-type: none"> Continuing Care Retirement Community (CCRC): A CCRC is a residential project designed to meet the health and housing needs of seniors as their needs change over time. CCRCs are distinguished from age-restricted communities in that residents in CCRCs contract in advance for a lifetime commitment from the facility to care for them, regardless of the future health or housing needs. CCRCs may also be known as Life-Care Facilities. Manufactured Homes: Mortgages secured by Manufactured Homes, except when approved through the Fannie Mae Project Eligibility Service (PERS) process. New Condominium Projects in Florida: Mortgages secured by attached units in New Condominium Projects in Florida, except when approved through the Fannie Mae Project Eligibility Service (PERS) process.
MANUFACTURED HOME REQUIREMENTS	<ul style="list-style-type: none"> N/A
LEASED LAND	<ul style="list-style-type: none"> Not Allowed
MAXIMUM ACREAGE	<ul style="list-style-type: none"> Maximum 40 acres More than 10 acres require very strong comparables More than 20 acres requires additional value review and close analysis by the underwriter. Must enter "Over 10 Acres" in Loan Program Comments section of Investor Overlay Screen in FT360 if property is over 10 acres Working farms, commercial operations, or any other income producing properties are not allowed. Special consideration must be given to properties with outbuildings. <ul style="list-style-type: none"> Minimal Outbuildings: Small barn or stable, that are of relatively insignificant value in relation to the total appraised value of the subject property, are acceptable if they are typical of other residential properties in the subject area. Atypical Minimal Outbuildings: Small barn or stable not representing typical residential improvements for the location and property type are acceptable as long as the appraiser attributes no value to them. Significant Outbuildings: A property that has significant outbuildings, such as a large barn, large storage area, stable, or silo, might indicate that the property is agricultural in nature. It must be determined if the improvements are residential or agricultural in nature, regardless of whether the appraiser assigns any value to the outbuildings. The acreage of the subject property must be supported by similar comparables that are limited to strictly residential use. Excess land is unacceptable for inclusion in value (i.e. the subject is considerably larger than typical lots in the neighborhood and the excess is capable of separate use) The appraiser must consider all acres of the subject property and the comparables must be of similar size.
MULTIPLE PARCELS AND TAX ID NUMBERS	<ul style="list-style-type: none"> The subject property may consist of more than one adjoining parcel subject to all of the following requirements: <ul style="list-style-type: none"> Each parcel must be conveyed in its entirety. Each parcel must have the same basic zoning (for example; residential, agricultural). Only one parcel may have a dwelling unit (adjoining parcel may not have an additional residence). The mortgage must be a valid first lien on each parcel Two separate deeds are not permitted. The site description must accurately describe the land and any improvements included in each of the parcels. When differences in sites exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for

	<p>significant differences must be explained in the comments area or on an attached addendum. The appraisal must explain the effect these differences have on the subject property's value or marketability.</p>
UNPERMITTED ADDITIONS	<ul style="list-style-type: none"> • Allowed • The subject addition complies with all Freddie Mac guidelines • The quality of the work is described in the appraisal and deemed acceptable ("workmanlike quality") by the appraiser; • 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: <ul style="list-style-type: none"> • 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. • The appraiser has no reason to believe the addition would not pass inspection for a permit
ACCESSORY UNITS	<ul style="list-style-type: none"> • One-unit property with an accessory dwelling unit is eligible • An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit, and analyze any effect it has on the value or marketability of the subject property. • If the property contains an accessory unit, the property is eligible under the following conditions: <ul style="list-style-type: none"> • The property is one-unit. • The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use. • For loans that are not investment property (subject or non-subject): The borrower qualifies for the mortgage without considering any rental income from the accessory unit. • For loans that are investment property (subject or non-subject): rental income can be used • If it is determined that the property contains an accessory dwelling unit that does not comply with zoning, the property is eligible under the following additional conditions: <ul style="list-style-type: none"> • The lender confirms that the existence will not jeopardize any future hazard insurance claim that might need to be filed for the property. • The use conforms to the subject neighborhood and to the market. • The property is appraised based upon its current use. • The appraisal must report that the improvements represent a use that does not comply with zoning. • The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three comparable properties that have the same non-compliant zoning use.
CONSTRUCTION TO PERMANENT FINANCING	<ul style="list-style-type: none"> • Not allowed
OCCUPANCY	<ul style="list-style-type: none"> • Primary Residence (O/O), Second Homes (SH), Investment Properties (N/O/O).
PRIMARY RESIDENCE	<ul style="list-style-type: none"> • At least one borrower must occupy the property as their principal residence within 60 days of signing the security instrument and intend to continue occupancy for at

	<p>least one year.</p>
SECOND HOME	<ul style="list-style-type: none"> • Borrowers may not be affiliated with builder, developer, or seller of the property. • Must be suitable for year-round occupancy • May not belong to a rental pool • Rental income from the property is allowed to be reflected on the 1040s, as long as the income is not used for qualifying purposes, and all other Agency requirements for second homes are met. • Expenses relating to the borrower's current primary residence must be used in calculating the borrower's monthly housing ratio. Documentation of the primary residence housing expense must be provided. This includes borrowers who are currently renting or who own a primary residence.
NON-OWNER OCCUPIED	<ul style="list-style-type: none"> • Borrowers may not be affiliated with builder, developer, or seller of the property. • See cash reserves section for reserve requirements • Expenses relating to the borrower's current primary residence must be used in calculating the borrower's monthly housing ratio. Documentation of the primary residence housing expense must be provided. This includes borrowers who are currently renting or who own a primary residence. • Temporary buydowns are not allowed. • Rent loss insurance is not required • All required minimum down payment plus all prepaids, escrow items and reserves are from borrower's own cash. No gift funds allowed. • See Negative Cash Flow and Landlord Experience Sections for additional information.
ELIGIBLE BORROWERS	<ul style="list-style-type: none"> • U.S. Citizens, Permanent and Non- Permanent Resident Aliens, Non-Occupying Co-Borrowers. • A maximum of 4 borrowers per loan application is allowed. • ITIN (Individual Tax Payer Identification Numbers) are not allowed • Borrower must take title in individual names, no trusts, etc. allowed • Life estates are not eligible for financing. A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, upon whose death the right reverts to the grantor or his heirs • Illinois Land Trust Vestings are not eligible • Registered Domestic Partners are treated the same as spouses • The borrower must permanently reside in the United States. In addition, an accurate and successful AUS submission requires the borrower currently reside in the U.S. and have a U.S. address or an APO military address within the U.S. for active deployed military, regardless of citizenship. Adequate documentation must be provided to substantiate such residency in the U.S.
PERMANENT RESIDENT ALIENS	<ul style="list-style-type: none"> • Any non U.S. citizen who is lawfully in the United States as a permanent resident alien is eligible for a mortgage on the same terms as a U.S. citizen. • A copy of the front and back of the green card is required. Note, while the Green Card itself states "Do Not Duplicate" for the purpose of replacing the original card, U.S. Citizenship and Immigration Services (USCIS) allows photocopying of the Green Card. Making an enlarged copy or copying on colored paper may alleviate any concerns the borrower may have with photocopying. • One of the following must be provided: A Permanent Resident Card/Alien Registration Receipt Card (USCIS Form I-551) with an original term of 10 years or Permanent Resident Alien Card (USCIS Form I-551) that is valid for 2 years, accompanied by the applicable INS receipts. • A valid Social Security number is required. • A green card that is expired or will expire within five months of funding (funds being disbursed to the borrower) may be considered as long as the borrower provides

	<p>evidence of renewal or extension including, but not limited to, an Application to Replace Permanent Resident Card (USCIS Form I-90).</p> <ul style="list-style-type: none"> • Credit and income history allowed in accordance with Agencies • Borrowers with diplomatic immunity are not eligible.
<p>NON-PERMANENT RESIDENT ALIENS</p>	<ul style="list-style-type: none"> • Any non-U.S. citizen who is lawfully in the United States as a non-permanent resident alien is now eligible for a mortgage on the same terms as a U.S. citizen or a permanent resident alien. • A non-permanent resident is a non-U.S. citizen who lawfully enters the United States for specific time-periods under the terms of a Visa. A non-permanent resident status may or may not permit employment. Asylees and refugees may also be eligible under this classification. • Individuals classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure or Humanitarian Parole are not eligible • All non-permanent resident aliens must provide evidence of one of the following: <ul style="list-style-type: none"> • Unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS). If using an EAD card without an allowable visa, underwriter must enter “EAD Card Used” in Loan Program Comments section of Investor Overlay Screen in FT360. • One of the following Visas: E-1, E-2, E-3, G-1, G-2, G-3, G-4, G-5, H-1, H-1B, L1, TC, TN-1, required. For further information see http://www.uscis.gov/ • Form I-797C, Notice of Action, issued by the United States Citizenship and Immigration Services (USCIS) itself is not sufficient to document that a non-U.S. Citizen is legally present in the United States. • A borrower with a resident visa that has expired or will expire within five months of funding (funds being disbursed to the borrower) may be considered, subject to each of the following: <ul style="list-style-type: none"> • Visa classification is one of the eligible visas listed in this section. • Confirmation that the borrower has submitted an application for extension or renewal of the visa, or an application for permanent status (green card), is provided. USCIS documentation includes, but is not limited to: <ul style="list-style-type: none"> • Form I-485: Application to Register Permanent residence or Adjust Status or electronic verification of receipt from the USCIS website • Approval of the application or petition, Form I-797: Notice of Action • Status of application (must not state the application has been declined), Form I-797C: Notice of Action or Form I-797E: Notice of Action • If the borrower is sponsored by the employer, the employer may verify that they are sponsoring the visa renewal. • Note: Not all visa types are eligible for renewal within five months of the expiration date. Visa types that cannot be renewed within five months of the expiration date are eligible, without evidence of renewal, as long as the date printed on the Note is before the visa holder can apply for renewal. • All standards for determining stable monthly income, adequate credit history, and sufficient liquid assets must be applied in the same manner to each borrower – including borrowers who are nonpermanent resident aliens. • A valid SSN is required. A Tax ID number is not acceptable. • Credit and income history allowed in accordance with Agencies • Employment should be expected to continue for 3 years from closing date. • Borrowers under Deferred Action, the Dreamer’s Act or DACA (EAD Code C33, C14, etc.) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA/Deferred Action does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically

	2 year history and likely to continue for 3 years as applicable.) A borrower with DACA/Deferred Action status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible.
FOREIGN NATIONALS	<ul style="list-style-type: none"> • Not Allowed
NON OCCUPYING CO-BORROWERS	<ul style="list-style-type: none"> • Non-occupying co-borrowers are acceptable when the following can be met: • Non-occupant co-borrower may either be an immediate family member or a non-family member as long as there is an established relationship and motivation is not equity participation for profit and may not be an interested third party in the transaction (e.g., builder or real estate agent) • There is no specific ratio for occupant borrower's ratios • The occupant and non-occupant borrowers' ratios, combined (blended), may not exceed 50%. • Non-owner occupied properties are not allowed.
FIRST TIME HOMEBUYERS	<ul style="list-style-type: none"> • Allowed
POWER OF ATTORNEY	<ul style="list-style-type: none"> • Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group • Allowed with the following requirements: <ul style="list-style-type: none"> • Power of Attorney (POA) must be limited or specific to the transaction • Allowed on all transaction types • Power of Attorney may not be used to sign loan documents if no other borrower executed such documents unless, the Attorney in Fact is a relative or Attorney at Law. • POA can be used only for closing documents • The attorney-in-fact may not be the seller, appraiser, broker, etc. or have any other direct or indirect financial interest in the transaction • A statement that the POA is in full force and effect on the closing date, survives subsequent disability (durable), and has to be revoked in writing, or gives a specific expiration date which survives the closing date • A statement of the borrower's name exactly as it will appear on all closing documents • Notarized signature of borrower (if executed outside the U.S., it must be notarized at a U.S. Embassy or a military installation) • Recorder's stamp, if previously recorded • The attorney-in-fact must execute all closing documents at settlement • Title policy must not contain any exceptions based on use of POA • POA must be recorded along with or immediately prior to the closing documents • If a lender determines a Power of Attorney is required by applicable law (so cannot be restricted by investor requirements), lender must include a written statement explaining use of the Power of Attorney and may also be required to provide supporting documentation. • A written statement that explains the circumstances of the use of the POA must be included in the loan file. Only allowed in case of hardship. • Must met all Agency requirements
LEXIS-NEXIS SEARCH REQUIREMENT	<ul style="list-style-type: none"> • For any of the following transaction types an email request (which includes a screenshot or snip of the loan in the FastTrac pipeline) must be sent to QC to have a LexisNexis search run on involved parties to the transactions to ensure there is no relationship between the buyer and seller. (Not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • Short Sale Purchase • Property Flips <= 180 days

	<ul style="list-style-type: none"> • Contractors on a 203K loan • For Sale by Owner (FSBO) required for all except: <ul style="list-style-type: none"> • If the borrower and seller are related or are landlord and tenant, and the relationship is disclosed and is acceptable per PRMG guidelines • An investor, such as HUD, FNMA, FHLMC, etc. • REO lender who acquired the subject property by Trustee Sale as the Beneficiary
QC AUDIT REQUIRED	<ul style="list-style-type: none"> • A QC audit is required if the loan has any of the following high risk characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • 5-10 financed properties for second home and investment transactions. • 3-4 Units • 2-4 Unit properties in New Jersey • Renovation (203K/Homestyle) loans (Lexis Nexis is required on all contractors as well) • VOE only used (when allowed by AUS) and not supported by paystub/W2 for Wholesale and Correspondent channels only (not required for retail channel) • If the borrower is employed by a party to the transaction • When the borrower is also a Real Estate Agent for the loan transaction • Retail loans referred to the AFS department any time the referring Loan Officer or the AFS Loan Officer are in “New” or “Watch” status • When the Real Estate Agent is also the Loan Officer on the transaction (not allowed on retail). • NOTE: The above list applies to credit qualifying loans only.
QC REVALIDATION REQUIRED	<ul style="list-style-type: none"> • A QC validation is required if the loan has any of the following characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): • A revalidation of the VOE (in addition to the audit) is required by the QC Department if the following is used: <ul style="list-style-type: none"> • VOE only used (when allowed by AUS) and not supported by paystub/W2 and • Wholesale and Correspondent channels only (not required for retail channel) • A revalidation of the VOD is required by the QC Department for the if the following is used: <ul style="list-style-type: none"> • VOD only used (when allowed by AUS) and not supported by bank statements and • Wholesale and Correspondent channels only (not required for retail channel) • Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution.
INCOME REQUIREMENTS/ LIMITS	<ul style="list-style-type: none"> • Underwriter has the discretion when evaluating the loan file to utilize a more conservative approach to income/expenses for qualification purposes based on the circumstances of the loan. • All income sources used to qualify borrowers must be legal at the local, state, and federal level. Any income derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company. • When required to verify a self-employed borrower’s business is solvent in order to use the business income to qualify and the Schedule L on the business tax returns is not completed, additional documentation will be required to support solvency of the business. Documentation may include P&L, balance sheets, business bank statements and business credit report. Specific documentation will be determined at underwriter’s discretion.

- Distributions from an investment (non-employment/non-retirement related) account are not an acceptable source of income but dividends earned from those investment accounts and reported on the 1040s are an acceptable source of income.
- Assets as a basis of qualification is acceptable in accordance with Freddie Mac (see section 5300 and is subject to specific requirements including transaction types, occupancy and units. Eligible assets are retirement assets, lump-sum distribution funds (from a retirement account) not deposited to an eligible retirement asset and assets from the sale of the borrower's business.
- Follow Agency requirements for non-reimbursed business expenses calculations. If the borrower has claimed automobile depreciation on Form 2106, this expense should be added to the borrower's income. Vehicle depreciation can be calculated one of two ways – by using the standard mileage deduction or actual depreciation expense. The method used by the borrower will be disclosed on the second page of Form 2106. If the borrower used the standard mileage deduction, multiply the business miles driven by the depreciation factor for the appropriate year and add the calculated amount to Total Income. If the borrower claimed the actual depreciation expense, add this amount to Total Income.
- For borrowers with rental income, if a lease agreement is required then the lease agreement must be executed by the landlord and the tenant and all pages of the lease agreement must be included.
- Housing or Parsonage Allowance must be received for 12 months and be likely to continue for the next three years.
- Future income is not acceptable for qualifying purposes
- Housing Assistance Payments (HAPs), which are often known as Section 8 Homeowner Vouchers, where a portion of the mortgage payment is paid directly to the borrower/lender as a subsidy for the mortgage payment on the subject property is not allowed.
- Section 8 rents where borrower is paid a rent subsidy for other tenants from the government for the property (either for rents on units 2-4 on subject property or on other rental property) is allowed. Must have documentation of new executed leases, or lease addendums to the new owner and to show that the Section 8 income will transfer to the new owner. Additionally there may be no obligation to the servicer to receive the Section 8 funds. Borrowers must follow standard guideline requirements to determine if rents are allowed to be used for qualifying.
- For all investment properties and all 2-4 unit primary residences, when rental income is not used to qualify, the gross monthly rental income for each unit must be documented with one of the following:
 - If the subject property is currently rented: Form 1007, Form 1025, or Current Lease Agreement(s)
 - If the property is not currently rented: an opinion of market rents by the appraiser or borrower to provide the gross monthly rent being charged or to be charged for the property. Monthly rental amounts must be stated separately for each unit. The disclosure from the borrower must be in the form of a written statement from the borrower or an addition to the loan application
- When the borrower has less than a two-year history of receiving income, the underwriter must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.
- Foreign Income: Foreign income (income generated from non-U.S. sources) may be used only if its stability and continuance can be verified, and is supported by a signed 4506 and meets standard documentation requirements per LPA as needed to support income. If the income is paid in a foreign currency the file must contain a printout evidencing the source used for the conversion of the foreign currency into

	<p>U.S. dollars. The income must also be verified in the same manner as U.S. income sources.</p> <ul style="list-style-type: none"> Income from gambling should be documented with 2 years tax returns, documented YTD earnings (i.e., 1099 or formal receipt from casino and income must be in line with prior gross income), proof of deposit of YTD earnings (i.e., bank checking/savings statements), CPA letter supporting how borrower earns income. Underwriter to exercise caution and carefully review for itemized deduction for gambling losses (typically shown on the 1040 Schedule A). Any reported gambling loss would need to be considered in the income analysis. Tax transcripts should be obtained for each tax year. Underwriter must document rationale for using current income if there is a variance. Gambling winnings/earning may only be used if borrower is a self-employed professional gambler, and self-employed income documentation requirements are followed, (gambling income will typically be filed on a schedule C). Teacher Income: when a borrower is employed as a teacher, the annual salary must be verified. If monthly or weekly base pay is provided, the employer must verify the number of pay periods per year if the payout is not clear or the income must be averaged based on the most recent W-2 over 12 months. Stipends or supplemental income must be documented as regular and continuous. Borrowers with a contract for their first year of employment who have started work but have not received a paystub must provide a copy of contract, written verification of employment, and verbal verification of employment. Borrowers with a contract for their first year of employment with the school district must be on the job prior to closing. For teacher income paid over a less than 12 month period and obtaining financing during the summer months when income is not being received, provide a final year-end paystub from the school, verbal verification of employment, and copy of the contract indicating that the borrower is paid over the applicable number of month period. Qualify the borrower based on the income received on the final year-end paystub.
HOMEBUYER EDUCATION	<ul style="list-style-type: none"> N/A
CREDIT	<ul style="list-style-type: none"> Use underwriting guidelines as per LPA recommendation; with the derogatory credit seasoning as it appears in the Derogatory Credit section in this profile (this product does not use Credit Reestablishment Periods for Agency Loans document which includes information regarding derogatory credit seasoning.) The use of a U.S. address to obtain a credit report for a borrower who resides in another country is not permitted. If the borrower's credit report contains a FACTA credit alert, the completed Fraud Alert Confirmation form must be in the file (available via Resource Center). All borrowers must have a qualifying credit score from at least 1 national repository. See below for derogatory credit requirements Borrower must have sufficient credit experience, as determined by underwriter review, to ensure scores are reflective of borrower's credit history Use of credit repair vendors designed to help a borrower falsely repair their credit profile by intentionally manipulating data to improve their credit score for purposes of loan eligibility, pricing improvement, and/or creditworthiness is prohibited. Legitimate scenarios when corrections to a borrower's credit profile are required (e.g., public records information does not belong to the borrower) are acceptable. Corrections to the borrower's credit profile should be made at the credit repository level to ensure the credit score is representative of a borrower's true creditworthiness. Payment histories on all mortgage tradelines, regardless of occupancy, including first and second mortgage liens, home equity lines of credit, land without improvements,

mobile homes, and manufactured homes are considered mortgage credit, even if reported as an installment loan.

- MERS search must be run on borrower
- Credit documentation must not be more than 120 days old from the note date
- Unless a specific disputed message is received in the finding (i.e., incomplete 21/multiple disputes or similar) the disputed accounts can be disregarded. However, supporting documentation and a written explanation from the borrower must be provided for Underwriter consideration. If there is a disputed message in the findings (i.e., incomplete 21/multiple disputes or similar) that indicates action must be taken on the accounts, unless other specific guidance is given within the LPA findings, the borrower must have the disputes removed at the bureau level, then re-pull credit, and run through LPA without the disputes.
- In addition to other listed requirements regarding disputed accounts, if a disputed account is a borrower's verified previously delinquent mortgage trade line, which may affect the credit decision of the AUS, information regarding the dispute must be obtained. The underwriter must verify that the AUS is considering the previously delinquent mortgage in the credit decision. If it is unclear if the previously delinquent mortgage is being considered (and based on underwriter discretion, the delinquent mortgage may impact the credit score/AUS decision), the dispute should be removed at the bureau level, credit report re-run to reflect accurate credit message without dispute, and the AUS re-run to include account in the AUS decision. For instance, a zero balance where the last activity is more than 3 years prior to the credit report date may be determined by the underwriter to not require the dispute to be removed
- If a borrower has purchased or refinanced their current primary residence in the last 12 months and is retaining the residence they are not eligible for a purchase transaction on a new primary residence without Operations Management or Corporate Underwriting review and approval of the circumstances unless the existing lender has agreed to allow the borrower to purchase a new primary residence.
- Borrowers with a housing payment history, including mortgage and/or rental payment history, showing excessive delinquencies (60 day or greater late in the past 12 months) are not eligible.
- Existing mortgages must be current.
- The credit report for the mortgage history must be updated to include the payment made for the most recent month due.
- All private non-construction mortgages require cancelled checks or proof of payment for 12 months or for the number of months the mortgage has been open if less than 12 months
- Judgments, garnishments and liens must be paid off at or prior to closing. Documentation of the satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations, must also be obtained
- If a judgment or tax lien is being paid off and AUS/Agency Guidelines are requiring proof of satisfaction or if it is paid off prior to closing, evidence the judgment is satisfied or the tax lien has been released is required. If the AUS/Agency Guidelines will allow a judgment or tax lien to be paid off with the transaction all AUS/Agency Guidelines must be met (i.e., must be paid through the transaction and funds must be verified and documented).
- For past-due collection and charge-off accounts, always comply with AUS requirements. Additionally, accounts that are reported as past-due (not reported as collection accounts) must be brought current. If any lien threatens the first trust deed position it must be satisfied.

	<ul style="list-style-type: none"> • Any debt not reported on the credit report must be documented as being repaid in a satisfactory manner. • Must meet derogatory credit seasoning listed below. • For all other credit requirements: Follow underwriting guidelines as per LPA recommendation.
DEROGATORY CREDIT	<ul style="list-style-type: none"> • Bankruptcy, Foreclosure and Deed-in-Lieu seasoning allowed per LPA approval • Short Sales must have 48 month seasoning to the application date, documented in the loan file • Foreclosure, Deed-in-lieu or Short Sale – if derogatory event occurred within the last seven years to the application date, then the transaction must be (1) a primary residence purchase with max LTV/CLTV of the lessor of 90% or the maximum for the transaction OR (2) a no cash out (limited rate/term) refinance (all occupancies) • If subject or non-subject property is a restructured (modified) mortgage loan (in which the terms of the original transaction had been changed, resulting in the forgiveness or restructure of debt through a modification or origination of a new loan), borrower is eligible with no additional seasoning requirements. • Extenuating circumstances are not allowed to be used in credit decisions • Borrowers who are on title only to a property (not on the note) that has a major derogatory credit event (i.e. foreclosure) are not subject to seasoning on that event
LDP/GSA REQUIREMENT	<ul style="list-style-type: none"> • All parties involved with and who handle the loan file (see instructions in the Resource Center for additional information) must be checked against HUD’s Limited Denial of Participation (LDP) list at <ul style="list-style-type: none"> • https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp and the General Services Administration’s (GSA) Excluded Party List at <ul style="list-style-type: none"> • https://www.sam.gov/portal/public/SAM/ • Any entity noted on either of the LDP and GSA lists must be removed from the transaction or will cause the loan to be ineligible. • The parties to verify include, but are not limited to, Buyers (including AKAs on the credit report), Sellers, Loan Officer, Buyers Agent, Sellers Agent, Escrow Officer, Title Officer, Appraiser, Processor, and Underwriter.
RATIOS	<ul style="list-style-type: none"> • See qualification matrix on page 1 for details.
QUALIFYING	<ul style="list-style-type: none"> • Fixed Rate: Qualify at note rate. • 5/1 ARM: Qualify at the Fully Amortized Payment (PITIA) using the greater of the Note Rate + 2% or the Fully Indexed Rate (Index + Margin). • 7/1 ARM and 10/1: Qualify at the Fully Amortized Payment (PITIA) using the Note Rate. 7/1 ARMs and 10/1 ARMs that are HPML are qualified at the greater of the note rate or the fully indexed rate. • Minnesota Properties: All ARMS qualify at the greater of the product’s qualifying requirement or the loans fully indexed fully amortized rate • To calculate DTI for loans with subordinate HELOCS (for all properties): If there is a balance, use the payment that is reflected on the credit report. If not shown on the credit report, payments on a HELOC with an outstanding balance may be calculated at the greater of \$10.00 or 5% of the outstanding balance or payment reflected on the borrower’s billing statement. If there is no balance, a payment does not need to be included. If the subject property will have a HELOC that will have a draw taken with the transaction, obtain a copy of the note or other documentation to determine what the payment will be at close and use that for qualifying. • Paying off revolving debt to qualify is allowed. The debt includes any revolving debt (including American Express) that is being paid off and not included in the ratios. Account must be paid in full prior to or at closing and documentation must be provided evidencing repayment. Source of funds must be documented (proceeds on a cash out transaction are acceptable.) Accounts are not required to be closed.

- If the revolving account is not paid off in full prior to or at closing, the borrower must qualify with the payment as it appears on the credit report, a reduced monthly payment may not be used for qualifying.
- Installment debt may be paid down to qualify, but overall use of credit and credit history must be closely evaluated.
- Installment debt with less than 10 months remaining does not need to be included in ratios unless the payment may affect the borrower's ability to meet their credit obligations after closing, with additional consideration if the borrower has limited or no cash after closing. (Lease payments are not considered installment debt and must be included in the ratios.)
- Lease payments must be included in the ratios regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house. You cannot pay off the lease to qualify in any circumstance and the payment must be included in the ratios.
- For installment loans other than a student loan, if it is not reported on the credit report or is listed as deferred or in forbearance, obtain documentation verifying the monthly payment amount.
- For student loans in repayment, deferment or forbearance, if the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or
- For student loans in repayment, deferment or forbearance, if the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding balance, as reported on the credit report
- If a credit report shows an asterisk next to the payment, it can be an indication that the payment listed is not the required monthly minimum payment amount, and as such will require supplemental documentation to support a payment of less than 5%. If supporting documentation is not able to be provided, use 5% of the outstanding balance as the borrower's recurring monthly debt obligation
- For non-HELOC loans, when qualifying a borrower that has a non-subject negative amortization or interest only loan, use the fully amortized payment
- For any additional properties, obtain a recent payment coupon or other documentation to ensure the loan is qualified using the full PITIA.
- When the current housing payment is required for qualifying (for instance, renting primary and the subject is Second/NOO) and is not reported on the credit report, provide third party verification of payment amount to verify the housing expense on the borrower's principal residence. If living rent free, a rent free letter from landlord or person obligated on lease required.
- If the borrower is on a payment plan with the IRS for prior tax years, the underwriter must condition for proof the money owed has been paid in full or verify the borrower has been in a payment plan that has been paid on time for at least 6 months (or less, but at least one payment must be made, based on underwriter's discretion) and count the debt in the DTI. There is no requirement for a record of account or other documentation to reflect tax payment status. For the current tax year (most recent tax filing), if the borrower is in a payment plan, the monthly tax payment amount must be included in the calculation of the borrower's DTI ratio, with at least one month payment required to have been made. Even if the 1040s shows payment due as long as there is no other evidence of an outstanding tax debt (i.e., tax liens, payments to the IRS) no additional evidence to reflect payment of the taxes is required. For Amended Tax Returns, see the guidance in the Product Profile for further requirements.

	<ul style="list-style-type: none"> • Tax liens must be paid off prior to, or at closing, regardless of if the borrower has a satisfactory payment plan and the government will allow subordination of the lien. • At minimum, an interest only payment must be included in the debt ratio for borrowers with a single payment Note. A single payment Note is one in which the loan, including principal and interest, is due in one lump sum payment. A single payment Note would be an unsecured Note which is not tied to the property in any way. Reserves and loan proceeds may not be used to offset payments. • When commercial properties are reflected on the Schedule E they must be documented/treated the same as a residential property for determining rental income, per agency guidelines. If there is mortgage interest reflected on Schedule E, must determine if borrower is personally obligated on the note and if so, obtain a mortgage rating that meets guidelines for mortgage payment history. • If borrower or non-occupant co-borrower will not be occupying the subject property (i.e., borrower on second home or investment property and any non-occupying co-borrower) does not have a current housing expense, because they state they live rent free on the 1003, proof they live rent free must be provided. Acceptable documentation would include, but is not limited to, an LOE from the owner/landlord of the residence where they currently live. • For loans secured by financial assets, evidence the loan is collateralized by the financial asset is required (i.e., 401K statement showing loan) or payment must be included in the ratios. • Co-signed leases may follow standard contingent liability requirements. • If borrower is on title (has ownership interest) and is on the note to other properties besides the subject property, follow agency guidelines for co-signed/contingent liabilities for both the P&I payment as well as the TIA. If the PITIA is excluded because it is paid by another party, the mortgaged property must still be included in the borrower's property count, and the property must be included in the reserve calculation for multiple financed properties. If borrower is just on title, and not obligated on the note for non-subject properties, the TIA does not have to be included in borrower's ratios as long as documentation is provided to show 12 months satisfactory payment by the other party on title, in alignment with co-signed/contingent liability requirements. • All loans meeting Rebuttable Presumption under QM/ATR requirements must have the Residual Income Evaluation worksheet/requirements met. See Residual Income Evaluation section for requirements.
PAYMENT SHOCK	<ul style="list-style-type: none"> • N/A
LANDLORD EXPERIENCE	<ul style="list-style-type: none"> • No minimum landlord history required • See Negative Cash flow for information on qualifying
NEGATIVE CASH FLOW/ POSITIVE CASH FLOW	<ul style="list-style-type: none"> • Negative Cash Flow from investment properties and from 2-4 unit primary residences must be considered a liability for qualification purposes. • Properties with negative cash flow are closely reviewed to ensure an overall acceptable risk. • Rent loss insurance is not required • Follow Freddie Mac for rental income calculations, the below provides a summary but there are no overlays to Freddie Mac for calculation. The following link is provided by Freddie Mac as a reference for rental income: <ul style="list-style-type: none"> • http://www.freddiemac.com/learn/pdfs/uw/rental.pdf When reviewing FHLMC rental income guide, be sure to check funding date and document revision date, at new version that includes changes published in Bulletin 2017-12 may not be published until on or after 2/9/2018 • Form 1000 is required if you consider rental income from the subject property in qualifying the borrower, and the borrower has owned subject property less than 1

	<p>year, and/or does not report rental income on Schedule E.</p> <ul style="list-style-type: none"> • Must meet all of FHLMC requirements as announced in Bulletin 2017-12, including that borrowers who do not have a documented one-year history of investment property management experience, underwriter may only consider net rental income in an amount up to 30% of the sum of the net rental income and all other stable monthly income that is used to qualify the borrower and should use FHLMC Form 92 to calculate rental income • For non-subject properties: <ul style="list-style-type: none"> • Must be shown in the "Schedule of Real Estate Owned" in Section VI of the loan application • When rental income owned by the borrower in the previous tax year is reported on the borrower's individual federal tax returns, 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. • Additionally, signed leases may be used to substantiate gross rents that are higher than the rental income documented on the tax returns; however, no more than 75% of the gross rental income from the signed leases may be used, unless the prior two years' individual federal tax returns clearly support the use of a higher percentage. • The aggregate net rental loss must be considered a liability for qualification purposes. • Aggregate net rental income may be counted as stable monthly income, provided the reliability of receipt is clearly supported by the documentation in the file • Must meet all of FHLMC requirements as announced in Bulletin 2017-12, including use of FHLMC Form 92 • All rental real estate income and expenses reported on IRS Form 8825 from partnerships and S Corporations are to be treated as self-employed income, regardless of whether or not the borrower is personally obligated on the nor or percentage of ownership interest to calculate rental income
<p>CASH RESERVES</p>	<ul style="list-style-type: none"> • Owner Occupied: Per LPA • Second Home and N/O/O up to 6 financed proeprties: Per LPA for the subject property, plus 2 months of the PITIA on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the Borrower is obligated • Second Home and N/O/O 7-10 financed proeprties: Per LPA for the subject property, plus 8 months of the PITIA on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the Borrower is obligated • Gifts are an allowable source of funds for reserves (Except on NOO) • Business funds cannot be used for reserves • Cash-out proceeds from the subject refinance transaction as not eligible for reserves • All reserves entered into LPA must be verified
<p>1031 TAX DEFERRED EXCHANGE</p>	<ul style="list-style-type: none"> • Allowed if the following requirements are met. • Section 1031 of the Internal Revenue Code allows investors to defer payment of state and federal capital gain taxes by exchanging investment property rather than selling investment property. This code section provides a strategy for the deferral of capital gains taxes, which in turn provides a property owner with substantially more proceeds to reinvest in a replacement property. • A tax deferred exchange, therefore, is the process of rolling over funds from one investment property into another, without having access to those funds. In a taxable sale, the property owner is taxed on any gain realized by the sale of the property. In an exchange; however, the tax is deferred. This section of the IRS code does not

apply to primary residences.

- Statement of borrower's equity, calculated as the lower of: (1) Sales price from the sales contract or (2) Gross trade value from the sales contract less the sum of the transfer fees and all lien balances on the currently owned property, and transfer fees on the new property or (3) Appraised value of the borrower's currently owned property plus any new transfer fees on the new property.
- 1031 exchanges to be used towards down payment for investment property purchases only with the following restrictions:
 - Reverse exchanges are not allowed because the borrower is not in title to the property at the time of closing.
 - No Seller provided subordinate financing.
 - The 1031 Exchange cannot be an exchange of a partnership or limited liability corporation interest;
 - The purchaser of the subject property must be eligible for use of the 1031 funds in compliance with IRS requirements.
 - Relinquished property sale must close before or simultaneously with the property acquired;
 - The Loan closing must be handled by a qualified intermediary. A qualified intermediary is an entity (usually a subsidiary of a title company) who enters into a written agreement with the taxpayer. The qualified intermediary cannot be an agent, attorney, accountant, investment banker or broker. This Exchange Agreement requires the qualified intermediary to acquire and transfer the relinquished property and to acquire and transfer the replacement property. The relinquished property is the property "sold" and the replacement property is the property "acquired".
 - The following documentation is required for both properties in simultaneous closings: Sales contract or escrow instructions, Appraisal, Preliminary title report, Exchange agreement identifying the holder of funds, buyer and seller, expiration date, agreed upon value, closing date, closing costs, conditions of transfer and repairs, if required.
 - All of the following documentation is required for 1031 Exchange transactions occurring prior to the purchase of the new property: Closing Disclosure for both properties, Exchange agreement, Sales contract or escrow instructions for both properties, Verification of funds from the Exchange holder, as well as copies of all closing documents and Purchase Agreement on the relinquished property must be obtained. Settlement Statement, Title Transfer, Both Purchase Agreements (relinquished and replacement properties) must contain appropriate language to identify the 1031 exchange. An example of satisfactory language is:
 - Phase I (Sale): "Buyer is aware that Seller is to perform a 1031 Tax Deferred Exchange. Seller requests Buyer's cooperation in such an exchange and agrees to hold Buyer harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Buyer agrees to an assignment of this contract by the Seller."
 - Phase II (Buy): "Seller is aware that Buyer is to perform a 1031 Tax Deferred Exchange. Buyer requests Seller's cooperation in such an exchange and agrees to hold Seller harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Seller agrees to an assignment of this contract by the Buyer."
- Seller Accommodation: If a borrower is purchasing a Seller's 1031 investment property to occupy as a primary residence, the borrower is accommodating the Seller. The transaction is not considered a 1031 Tax Deferred Exchange and is not

	<p>eligible financing.</p> <ul style="list-style-type: none"> • Down Payment: Equity from exchange can be used for all or part of the down payment • Reserves: Proceeds from a 1031 tax deferred exchange are not an eligible source of funds for cash reserves. • Information from the IRS on 1031 exchanges can be found at the following link: https://www.irs.gov/uac/like-kind-exchanges-under-irc-code-section-1031
<p>REQUIRED DOWN PAYMENT/SOURCE OF FUNDS</p>	<ul style="list-style-type: none"> • LTV/CLTV/HCLTV <=80% primary residence 1-4 units and second homes: a minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift. • LTV/CLTV/HCLTV >80%, Primary Residence 1-4 units: a minimum borrower contribution from the borrower's own funds is not required as long as the gift is from an acceptable gift donor (called a Related Person by FHLMC). • LTV/CLTV/HCLTV >80%, Second Homes: require 5% minimum down must be from the borrower's own resources • All LTVs for non-owner occupied properties require the entire down payment must be from the borrower's own funds (no gifts) • Access letter is <u>not</u> required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse) • On non-owner occupied transactions, provided a joint account with a non-borrowing party is an established account and the borrower has unrestricted access, the funds in the account can be used for the transaction even if the joint account owner is not on the loan (the funds will <u>not</u> be considered a gift.) However, any large deposits must be sourced to the borrower. • Custodial accounts are not an acceptable asset type • The following are required to document the sale of personal assets for funds to close: the borrower's ownership of the asset, the value of the asset, as determined by an independent and reputable source, the transfer of ownership of the asset, as documented by either a bill of sale or a statement from the purchaser, the borrower's receipt of the sale proceeds from documents such as deposit slips, bank statements, or copies of the purchaser's canceled check. Depending on the significance of the funds in question, the lender may accept alternatives to this required documentation, particularly when the proceeds of the sale represent a minor percentage of the borrower's overall financial contribution. • All asset sources used to qualify borrowers must be legal at the local, state, and federal level. Any assets derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company. • Cash on hand, including cash deposits that are typical for the borrower's line of work, are not allowed to be used for down payment, closing costs and reserves unless they are sourced or seasoned. • Cryptocurrency, digital currencies or altcoins (i.e. Bitcoins, Litecoin, Ethereum, etc.) may not be included as financial assets for mortgage qualification purposes and is an ineligible source of funds for down payment, closing costs or reserves unless being converted into U.S. currency. To be used as a source of funds for down payment, closing costs, or reserves, cryptocurrency, digital currencies or altcoins must be converted into U.S. currency and be held within a U.S. Financial Institution and verified prior to underwriting final approval. In addition to the verification of U.S. currency, the borrower(s) must be able to provide acceptable documentation for the source of funds used to initially acquire the cryptocurrency prior to the conversion. • If the borrower's source of funds are from a country included on the OFAC Sanctioned Countries List that is found in the Resource Center, the funds are not

eligible for use in the transaction.

- Any allowable fees paid by credit card or unsecured line of credit, must comply with Agency requirements, including ensuring the borrower has sufficient verified funds to pay these fees and the amount charged for the fee is included in the borrower's DTI, as appropriate.
- All borrower funds and reserves used in the evaluation of the mortgage must be from eligible sources of funds meeting the requirements of the guidelines. Asset documentation must always meet the requirements as stated in the guidelines. File must be included in the mortgage file. The following requirements apply when evaluating deposits on the borrower's account statements: except as stated below, the underwriter is not required to document the sources of unverified deposits for purchase or refinance transactions. However, when qualifying the borrower, the underwriter must consider any liabilities resulting from all borrowed funds. For purchase transactions, the underwriter must document the source of funds for any single deposit exceeding 50% of the total monthly qualifying income for the mortgage if the deposit is needed to meet the requirements for borrower funds and/or reserves. When a deposit that is covered by for purchase transactions as indicated previously, is not documented and is not needed for borrower funds and/or required reserves, the underwriter must reduce the funds used for qualifying purposes by the amount of the unverified deposit. The underwriter must enter the reduced amount of the asset into Loan Product Advisor. When a single deposit consists of both verified and unverified portions, the underwriter may use just the unverified portion when determining whether the deposit exceeds the 50% requirement in state regarding purchases previously. 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 (e.g. tax refund amounts appearing on the tax returns in the file), the underwriter is not required to obtain additional documentation. The underwriter must document the source of a deposit of any amount regardless of the transaction type if the underwriter has any indication that the funds are borrowed or are not from an eligible source as described in the guidelines.
- Sweat equity and cash on hand not allowed
- When using foreign assets, funds must be transferred into a U.S. bank/deposit account prior to closing, proof the transferred funds belonged to borrower(s) prior to transfer and verification of the source for large deposits is required
- When using a rent credit for option to purchase, property must be primary residence
- When business funds are used, the following requirements must be met: Assets must be related to the business that the Borrower owns that is documented in the loan file and if borrower is not 100% owner, evidence that borrower has access to use the funds is required; Borrower must be at least 25% owner in the business (to be considered self-employed and eligible to use the assets); Verification of funds in the account is required. (Note: Large deposits that are not in line with business revenue/income stream should be explained and verified.) Regardless of the documentation required for the process type, the underwriter must perform a cash flow analysis based on the tax returns provided, as well as analyzing, at minimum, the most current three month's business bank statements to determine that the withdrawal of funds will not have a detrimental effect on the business. The file must contain the underwriter's written analysis and conclusions and documentation (such as a CPA letter (preferred) or 12 months bank account statements) to support the decision. The cash flow analysis must provide enough detail/support so that anyone reviewing the file would come to the same conclusion.
- When wiring borrower's assets/funds for closing, like all assets, they must be

	<p>appropriately and completely documented.</p> <ul style="list-style-type: none"> Funds that are brought to closing (i.e., cashier's checks or wire) by the borrower must be verified as belonging to the borrower. The required funds from the borrower do not have to be from an institution that was sourced in the loan file, as long as the borrower has sufficient funds in the sourced accounts to cover the amount of funds brought to closing. If the funds are not able to be confirmed as belonging to the borrower, the funds would be ineligible. This guidance is only in regards to borrower funds, <u>not</u> gift funds.
<p>GIFT FUNDS</p>	<ul style="list-style-type: none"> Donor may be a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction Gift letter required and must include: donor's name and relationship to borrower, donor's mailing address and telephone number, identify the transaction (property address, borrower's name), state the amount of the gift, specifically state that the funds are a gift and it does not need to be repaid, and letter must be signed by the donor. The transfer of the gift funds to the borrower must be documented in one of the following ways: <ul style="list-style-type: none"> Copy of the donor's cancelled check and the borrower's deposit receipt or bank statement; or Copy of the donor's withdrawal slip and the borrower's deposit receipt or bank statement. If the transferred occurred with certified funds, a letter from the bank that issued the certified check must be provided stating that the funds came from the donors account and the borrower's deposit receipt or bank statement Verification of a wire transfer from donor's account into borrower's account If the funds have not been transferred prior to settlement, documentation must be provided that shows that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, other official check or wire, and must be evidenced on the Closing Disclosure. For any wire transfer of gift funds, a copy of the wire confirmation form also needs to be included and the depository institution where the wire came from must be identified, as well as donor information (name, account number, etc.) The information must match the institution, gift amount and additional information on the gift letter. Not permitted on N/O/O Acceptable after a minimum down payment has been made by the borrower from their own resources. Gift funds may not be used for meeting down payment requirements unless borrower has made the required minimum down payment. If the LTV/CLTV/HCLTV is $\leq 80\%$ then the entire down payment can come from a gift Gifts of equity allowed, see Gifts of Equity section
<p>GIFTS OF EQUITY</p>	<ul style="list-style-type: none"> A gift of equity is permitted for purchase of a primary residence and second homes. No cash may change hands; instead the seller agrees to donate a portion of the equity in the subject property in lieu of all or a portion of the down payment. Additional equity in the property not gifted in the transaction can go to the seller. All gift policy criteria must be met. Seller agrees to donate a portion of the equity in the subject property in lieu of all or a portion of the down payment. Additional equity in the property not gifted in the transaction can go to the seller. All gift policy criteria must be met. A 1004, 1025, or 1073 is required for transactions involving a gift of equity, and the

	<p>appraiser must acknowledge the use of a gift of equity on the appraisal. The subject property sales price must not exceed the market rate as determined by the appraisal. The LTV should be based on the lesser of the purchase price or appraised value. The gift may not be deducted from the sales price before calculating the LTV.</p> <ul style="list-style-type: none"> • To be eligible as a source of funds for down payment, the following requirements must be met: <ul style="list-style-type: none"> • The gift of equity must be provided by a relative and • The donor may not be, or may not have any affiliation with, the builder, developer, real estate agent or any other interested party to the transaction; and • Gift letter explaining the type of gift is required; and • For all LTVs equity gifts are only allowed after the required minimum down payment has been made from the borrower's own funds. • The gift of equity must be identified in the Sales Contract; and • The subject property sales price must not exceed the market rate as determined by the appraisal; and • The gift of equity must be shown as a credit on the Closing Disclosure and the dollar amount of the gift must match the amount on the gift letter.
CONTRIBUTIONS BY AN INTERESTED PARTY	<ul style="list-style-type: none"> • Contributions by an interested party may be used for closing costs, prepaids and other financing costs. <ul style="list-style-type: none"> • Primary Residence and Second Home: <ul style="list-style-type: none"> • 9% of the lesser of the sales price or appraised value for LTV/CLTV ≤ 75%. • 6% of the lesser of the sales price or appraised value for LTV/CLTV > 75% and ≤ 90%. • Investment Property: 2% for all LTV/CLTV • Value is lessor of appraised value or purchase price • Property seller can pay up to 12 months future HOA dues per Freddie Mac's guidelines. Amount of HOA dues must meet IPC limits.
DOWN PAYMENT ASSISTANCE	<ul style="list-style-type: none"> • Not allowed
MORTGAGE CREDIT CERTIFICATES (MCC)	<ul style="list-style-type: none"> • Not allowed
SUBORDINATE FINANCING	<ul style="list-style-type: none"> • Secondary financing must meet FHLMC standard secondary financing guidelines. <ul style="list-style-type: none"> • Subordinate financing must not have negative amortization, no wrap around terms, no balloon of less than five years, no maturity of less than five years unless it is fully amortizing, no financing of judgments or tax liens. • If there is/will be an outstanding balance at the time of closing, the payment on the subordinate financing must be included in the calculation of the borrower's debt-to-income ratio(s). • Equity share or shared appreciation is not allowed. • Subordinate financing from the borrower's employer may not include a provision requiring repayment upon termination. • A copy of the note must be obtained for subordinating HELOC mortgages • All subordinate financing must provide documentation to show the subordinate financing repayment terms by providing a copy of mortgage deed of trust, note, and proof of the current monthly payment (i.e., current statement). For existing subordinate financing, the subordination agreement is also required. For new subordinate financing, must provide instructions to closing to ensure any subordinate financing records after/behind first lien. • The following documentation from the subordinate financing is required on LPA loans with subordinate financing:

- Final Truth-in-Lending Disclosure Statement
- Good Faith Estimate
- HUD-1 Settlement Statement, Closing Disclosure, or other closing statement
- HELOC statement (if applicable)
- The terms of any subordinate financing must be verified. The following sources of verification are acceptable:
 - Existing subordinate loans (loans that will be re-subordinated):
 - A copy of the credit report, or
 - A copy of the mortgage note, or
 - A direct verification from the lender, or
 - A copy of the loan statement
 - Reminder for home equity lines of credit (HELOC): If an existing HELOC is reduced without modifying the original Note, the original line limit must be used to calculate the Combined-Loan-to-Value ratio.
 - New subordinate loans obtained prior to or at closing:
 - A copy of the mortgage note, or
 - A direct verification from the lender, or
 - A copy of the commitment letter from the lender or
 - A copy of the HUD-1 or Closing Disclosure evidencing proceeds
 - The borrower must contribute a minimum of 5% from their own funds.
 - Seller carrybacks are allowed with the following requirements:
 - Owner Occupied principal residence properties only.
 - Borrower must have made a 5% minimum down payment/cash investment.
 - The maximum CLTV is the lesser of 95% or the published CLTV limits for the product.
 - Must meet all standard FNMA/FHLMC subordinate financing requirements.
 - All payments related to secondary financing must be included in the debt ratio.
 - The lien must be recorded and clearly subordinated.
 - A copy of the note must be obtained to verify the amount secured against the property.
 - Regular payments must cover at least the interest at the market rate. If financing provided by the property seller is more than 2% below the current standard rates for second mortgages, it must be considered a sales concession and the subordinate financing amount must be deducted from the sale price or appraised value, whichever is lower.
 - The subordinate loan cannot have a maturity date or a balloon or call provision of less than five years from the Note date of the new mortgage, unless the junior lien is fully amortizing
 - The subordinate loan must permit pre-payment at any time without a penalty.
 - Scheduled payments under the secondary financing must be due on a regular, monthly basis
- Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) unless the lien will subordinate via a subordination agreement where the lien is no longer part of the property taxes that can take first lien priority (note, the HERO subordination agreement does not provide for this and is not eligible) and meets all Agency requirements

VALUE FOR LTV/CLTV CALCULATION	<ul style="list-style-type: none"> • See below. • For loans with Fixed/Closed End subordinated financing, CLTV/HCLTV must be calculated using the current unpaid principal balance (UPB). • For loans with HELOC subordinated financing, CLTV/HCLTV must be calculated using the amount designated on the recorded lien (original mortgage/deed of trust or a recorded modification of lien amount.) A statement from the lender agreeing to a reduced line amount is not sufficient unless it is a properly recorded modification agreement. <ul style="list-style-type: none"> • If a HELOC has been permanently modified and the outstanding unpaid principal balance (UPB) is less than the permanently modified HELOC, the modified HELOC amount must be used when calculating the HCLTV. • If the outstanding unpaid principal balance is greater than the permanently modified HELOC, the outstanding unpaid principal balance must be used to calculate the HCLTV. • The loan file must contain evidence that the HELOC has been permanently modified with a copy of the recorded lien (modification agreement).
PURCHASE	<ul style="list-style-type: none"> • Use lesser of current appraised value or acquisition cost.
LIMITED CASH-OUT	<ul style="list-style-type: none"> • Use current appraised value.
CASH OUT	<ul style="list-style-type: none"> • Use current appraised value.
MAXIMUM CASH PROCEEDS	<ul style="list-style-type: none"> • No Limit
PURCHASE	<ul style="list-style-type: none"> • If there is evidence that borrower, a member of the borrower’s family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower’s family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure and current owner. • Non-borrowing parties may be on the purchase contract and title. However, additional scrutiny should be taken if there is no relationship to the borrower, as it may present a red flag as to occupancy. • Purchase contract assignment (assignment of the sales contract) not allowed. • Purchase Transaction Seller Rent Backs of the subject property for owner occupied or second home properties are limited to 60 days, must be reflected on the sales contract and Closing Disclosure, and are not counted towards borrowers minimum investment requirements. For condos, not allowed between borrower and developer. • On auction transactions, auction terms must be included as part of the purchase contract provided to the appraiser for review
RATE/TERM REFINANCE	<ul style="list-style-type: none"> • For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program unless the following requirements are met to make it a Section 50(f)(2) transaction: <ul style="list-style-type: none"> • Application date is on or after 1/1/18 • The refinance will be closed no less than one year from the closing of the previously funded home equity loan; • The loan proceeds do not exceed any existing liens on the property being refinanced plus any costs associated to the refinance (i.e. no cash back to the borrower); • The loan proceeds cannot be used to pay off other debts; • The refinanced loan cannot exceed 80% loan to value;

	<ul style="list-style-type: none"> • The lender must provide the borrower with a notice about their rights associated with a home equity or non-home equity loan 12 more days prior to closing. • Note: for HELOC loans where the borrower has taken his/her last advance in under a year, in calculating the seasoning requirements, PRMG will look to the original advance of credit/HELOC Agreement Date. <p>LIMITED CASH-OUT CAN BE DEFINED AS FOLLOWS:</p> <ul style="list-style-type: none"> • The pay off of the outstanding principal balance of an existing first mortgage; • The pay off of the outstanding principal balance of any existing subordinate mortgage that was used in whole to acquire the subject property; • The financing of closing costs (including prepaid expenses); • On limited cash out (rate/term) refinances cash back up to the greater of 1% of the Mortgage amount or \$2,000 is permitted. • Refer to Mortgage Insurance section to determine if mortgage insurance is eligible for financing • This means that those refinance mortgages that involve the refinance of subordinate liens that were not used in whole to purchase the subject property (including home improvement, HELOC and second mortgages obtained for the purpose of taking equity out of the property, even if a portion of the subordinate lien was used to purchase the property) will be considered cash-out refinance mortgages. This requirement includes secondary financing seasoned greater than 12 months. Twelve months seasoning does not cure the “cash-out” classification. • Buyout of a spouse/co-owner must be considered must be considered a cash out transaction. • Pay-off of PACE loans cannot be included in a rate/term (limited cash out) refinance even if all agency requirements for payoff of that loan are met that will allow the transaction to be a rate/term (limited cash out) refinance when AUS findings returns an Approve/Ineligible. If all agency requirements are not met for a rate/term refinance (including that the PACE lien was originated prior to 7/6/10), then paying off a PACE loan the new transaction must be considered a cash out refinance. <p>SUBORDINATION OF EXISTING SECONDARY FINANCING:</p> <ul style="list-style-type: none"> • If the existing secondary financing (installment seconds or HELOCS) is subordinated to a new first mortgage and the new first mortgage is originated solely for the purpose and under the guidelines of a Rate/Term refinance (i.e. only paying off the existing first mortgage plus the addition of customary closing costs) then the transaction would be considered a Rate/Term Refinance. However, if ANY of the funds are used to payoff OR pay down the existing secondary financing, the transaction will be considered a cash-out refinance. Twelve months seasoning does not cure the “cash-out”
<p>CASH OUT REFINANCE</p>	<ul style="list-style-type: none"> • For owner occupied primary residence Texas loans, if this is a cash out loan, it must be processed under the Agency Texas Home Equity program. • The mortgage amount may include the present first mortgage payoff, subordinate liens, closing costs, and additional cash to the borrower. • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • Borrower must have owned the property for a minimum of 6 months (close of purchase/date of settlement to note date) unless using delayed financing option

	<p>below.</p> <ul style="list-style-type: none"> As long as continuity of obligation is met (or there is a qualifying exclusion for continuity of obligation), a co-borrower (occupying or non-occupying) can be added to a cash out transaction for qualifying purposes, subject to underwriter discretion.
DELAYED FINANCING	<ul style="list-style-type: none"> If none of the Borrowers have been on the title to the subject property for at least six months prior to the Note Date of the cash-out refinance Mortgage, the following requirements must be met: The executed HUD-1 Settlement Statement or Closing Disclosure from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property The source of funds used to purchase the subject property must be fully documented If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the Closing Disclosure for the refinance transaction The amount of the cash-out refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs, Financing Costs and Prepays/Escrows as documented by the HUD-1 Settlement Statement or Closing Disclosure for the purchase transaction There must have been no affiliation or relationship between the buyer and seller of the purchase transaction The cash-out refinance Mortgage must comply with the applicable LTV/TLTV/HTLTV ratio limits and all other Freddie Mac and product requirements If the appraised value has increased more than 10%, the underwriter must consider the reason for the increase and may reduce the loan amount or take other action to ensure that the value is supported. Loan amounts exceeding 80% of the purchase price of the transaction being refinanced are not eligible
SEASONING REQUIREMENTS	<ul style="list-style-type: none"> Use FHLMC underwriting guidelines as per LPA recommendation. See sub-sections below for additional requirements.
RECENTLY DELISTED PROPERTIES	<ul style="list-style-type: none"> The property must have been removed from the MLS at least 1 day prior to the application date for Rate & Term refinances. The property must have been removed from the MLS at least 1 day prior to the application date for Cash Out refinances. Borrower must provide explanation for listing and cannot be listed for sale at the time of application (must be cancelled at least 1 day prior to application). Full Appraisal is required for recently listed properties Evidence of listing cancellation is required. If a primary residence, borrower must provide written confirmation of the intent to occupy
TITLE SEASONING/LOAN SEASONING	<ul style="list-style-type: none"> For Rate and Term refinances, title must be held in the name of at least one borrower prior to or at the time of disbursement/closing of new loan The borrower must have been on title for a minimum of 6 months (close of purchase/date of settlement to note date) on all Cash Out refinance transactions, unless using the Delayed Financing option or the subject property was either inherited or was legally awarded (for example, in the case of divorce, separation or dissolution of a domestic partnership) to at least one of the borrowers. The property must be in the name of at least one of the borrowers for the six month seasoning (no LLCs or trusts). When an existing mortgage will be satisfied as a result of a refinance transaction,

	<p>there must be an acceptable Continuity of Obligation (Freddie Mac calls it “general requirements for all refinance mortgages”). An acceptable Continuity of Obligation exists with any of the following situations:</p> <ul style="list-style-type: none"> • At least one borrower is obligated on the new loan who was also a borrower obligated on the loan being refinanced. • The borrower must have been on title and residing in the subject property as a primary residence for at least 12 months and, in addition, must have either paid the mortgage (making timely payments, including any secondary financing) for the last 12 months or can demonstrate a relationship (spouse, child, domestic partner, relative, etc.) with the current obligor. • The borrower recently inherited or was legally awarded the property through a court supervised transfer process (divorce, separation or dissolution of a domestic partnership.)
<p>ANTI-FLIPPING POLICY</p>	<ul style="list-style-type: none"> • Guidance for underwriting flips can be found here: • http://www.eprmg.net/ConfFlips.pdf • The following transactions would not be considered a flip and would not be subject to additional Anti-Flipping Requirements. However, the appraiser must report and analyze a minimum three-year sales history for the subject property AND if the value has increased by 15% or more in one year or 30% in three years from the original sales price the appraiser must analyze and explain the increase if due to a below market sale, such as a property in foreclosure. If the increase was due improvements, the appraiser must analyze and explain. <ul style="list-style-type: none"> • State and Federally chartered financial institutions and government sponsored enterprises (Fannie and Freddie) • Sales by HUD of its real estate owned • Sales of properties acquired through inheritance – Must document seller’s inheritance of the property • Sales of properties acquired by employers or relocation agencies in connection with relocations of employees (Must provide relocation agreement indicating the seller acquired the property as a result of company transfer of the previous owner). • The property Seller must have taken title to the subject property at least 1 day prior to the contract date on the sale of the property to the applicant. • Property flip transactions are assessed by the seller's date of acquisition as the date of settlement on the seller's purchase of that property and the execution of a sales contract to another party. • Any property that is involved in a re-sale that occurred within the last 6 months, must meet the following additional criteria: • PRMG will verify that the property seller on the Purchase Contract is “In Title” and Owner. This can be verified by including a property sales history report, a copy of the deed of conveyance, a copy of the property tax bill, a computer generated print out from the assessor’s website or the title commitment or binder indication legal ownership. For refinances, this would also include a copy of the current mortgage, Deed of Trust, or Contract for Deed. The name of the owner on the title report must match the seller's name on the purchase contract. • If the seller is an entity (LLC, trust, etc.) documentation showing legal registration of the entity such as articles of incorporation with the seal, or a business license. • The borrower(s) can have no affiliation with the entity of any kind. • Since the property seller has not owned the property for 12 months, then a chain of title for the last 12 months is required. Acceptable sources for the chain of title include copies of recorded deeds, tax statements, or a 12-month chain of title on the title commitment.

	<ul style="list-style-type: none"> • A transaction where the property has been sold within the last 12 months requires scrutiny to ensure the transaction is legitimate. Some characteristics of fraudulent transactions include but are not limited to foreclosure bailouts, distressed sales, and inflated values due to stated improvements that are unsupported. • The subject transaction cannot include a transfer of personal property or other special arrangement between buyer and seller. • Non-arm's length transactions are prohibited. Verification that there is no apparent relationship between the parties to the transaction, either on the current sale or previous sale. • A full appraisal is required • Appraisals must indicate required sales history information. • The appraiser must report and analyze a minimum three-year sales history for the subject property AND if the value has increased by 15% or more in one year or 30% in three years from the original sales price the appraiser must analyze and explain the increase if due to a below market sale, such as a property in foreclosure. If the increase was due improvements, the appraiser must analyze and explain. • If the property value has increased from the prior sale by more than 20%, additional diligence should be used by the underwriter
<p>CURRENT PROPERTIES PENDING SALE OR PRIMARY RESIDENCES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES</p>	<ul style="list-style-type: none"> • When the borrower owns mortgaged real estate, the status of the property determines how the existing property's PITIA must be considered in qualifying for the new mortgage transaction. If the mortgaged property owned by the borrower is <ul style="list-style-type: none"> • an existing investment property or a current principal residence converting to investment use, the borrower must be qualified in accordance standard Rental Income Requirements (which may include a copy of the lease and other evidence as required by Freddie Mac), Reserve Requirements, and Multiple Loans requirements, as well as another other Agency requirements for qualifying. Rental income from the converted property is eligible, as long as the borrower qualifies using standard rental income documentation, requirements and calculations. There is no equity requirement in the converted property in order to use rental income to qualify • an existing second home or a current principal residence converting to a second home, the PITIA of the second home must also be counted as part of the borrower's recurring monthly debt obligations; or • the borrower's current principal residence that is pending sale but will not close (with title transfer to the new owner) prior to the subject transaction, the lender must comply with the below. • If the borrower's current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the subject transaction, and the borrower is purchasing a new principal residence, the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan. However, the current principal residence's PITIA does not have to be used in qualifying the borrower as long as the following documentation is provided: <ul style="list-style-type: none"> • the executed sales contract for the current residence, and • confirmation that any financing contingencies have been cleared.
<p>APPRAISAL</p>	<ul style="list-style-type: none"> • Additional appraisal requirements can be found in the PRMG Appraisal Guidelines which is available in the Resource Center or at the following link • http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf • Transferred or Ported appraisals are allowed but must meet all requirements as described in PRMG's Transfer Policy, which is posted in the Appraisal section of the Resource Center or at the following link: • http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Tra

[nsfer%20Policy.pdf](#)

- Additionally, if using a Transferred or Ported appraisal, "Transferred Appraisal" must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of the transferred appraisal if the loan is locked prior to approval.
- If the transferred appraisal does not meet the requirements as outlined in the PRMG's Appraisal Guidelines document, the appraisal must be ordered identifying PRMG as the client/lender on the appraisal report.
- Residential appraisal reports must be dated no more than 12 months prior to the note date. An Appraisal Update is required on all appraisals dated more than 120 days prior to the note date.
- The Update Appraisal Form (1004D) must be used. If the value of the property is less than the original appraised value then a new appraisal will need to be ordered. If the value of the property has not declined, then the loan may process without requiring any additional fieldwork. The appraisal update must occur within the four months that precede the date of the note and mortgage. The original appraiser should complete the appraisal update; however, lenders may use substitute appraisers. When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser's opinion of market value was reasonable on the date of the original appraisal report. The lender must note in the file why the original appraiser was not used.
- The use of an appraisal report (expired or unexpired) that was utilized for a different closed loan is not permitted.
- The appraiser performing the initial appraisal and the appraisal field review report must be qualified to perform appraisals without oversight or supervision by a "supervisory" appraiser
- Properties with a condition rating of C5 or C6 in "as is" condition or "subject to repairs" are not acceptable. A quality rating of Q6 is not acceptable.
- When the subject property is an attached condominium, the appraiser must provide at least two comparable sales from outside the subject project and outside the influence of the developer, builder or property seller.
- For all refinances, if the property has been owned less than 12 months and the appraisal shows a substantial increase in value from the purchase price, the appraiser should ensure that the increase in value is valid.
- The appraiser must report and analyze a minimum three-year sales history for the subject property AND if the value has increased by 15% or more in one year or 30% in three years from the original sales price the appraiser must analyze and explain the increase if due to a below market sale, such as a property in foreclosure. If the increase was due to improvements, the appraiser must analyze and explain.
- An exterior property inspection is required for properties located in an identified FEMA disaster area if the original appraisal was completed prior to the disaster being declared. For 90 days after the disaster date, a full appraisal will be required. See PRMG Disaster Guidance/Announcements for specific details and full requirements
- LPA Loans: Full appraisal with interior/exterior inspection required
- Freddie Mac's Automated Collateral Evaluation (ACE) is allowed when offered by LPA (see section below)
- Traditional appraisal report completed by a state-licensed or state-certified appraiser required on all loans.
- PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion.
- Follow agency requirements in regards to addressing appraisal deficiencies.

	<ul style="list-style-type: none"> • When adjustments are made to the appraisal for the year built, whether they are made for the actual age or the effective age of the subject property, the appraiser must provide an explanation for the adjustments and the condition of the property. • If property is legal, non-conforming and a rebuild letter is required (see Appraisal Guidelines for requirements), property must be able to be rebuilt to 100%. If a rebuild letter is not required, property is not required to be rebuilt to 100%, but must meet requirements as described in Appraisal Guidelines (found in the Resource Center).
REVIEW/SECOND APPRAISAL	<ul style="list-style-type: none"> • AUS warnings for excessive value (cash-out and limited cash-out refinance) or excessive value with valuation risk (cash-out and limited cash-out refinance) require a desk review • AUS warnings for rapid appreciation or rapid appreciation with valuation risk do not require a desk review • Review appraisals must be completed by a PRMG approved Appraisal Company. • If using LP and Freddie Mac's SSR Appraisal Quality Risk returns a score of 5 the loan must have, at minimum, a desk review performed.
FREDDIE MAC'S LOAN COLLATERAL ADVISOR	<ul style="list-style-type: none"> • For all loans using LP: <ul style="list-style-type: none"> • Use of Loan Collateral Advisor not currently available • Freddie Mac's SSRs must be imaged into system • Underwriter must review Freddie Mac's SSR findings and address any concerns or issues • Although the messages are different between Freddie Mac and Fannie Mae SSRs, underwriters must utilize the tools in Fannie Mae's Collateral Underwriter (CU) to analyze an appraisal with a Freddie Mac's SSR Appraisal Quality Risk returns a score of 4 or 5, performing a thorough analysis using the tools within Fannie Mae's CU and ensure the value is supported. • Appraisal with a score of 5, requires, at minimum, a desk review to support value • A score of 4 may require a desk review at underwriter discretion.
AUTOMATED COLLATERAL EVALUATION (ACE)	<ul style="list-style-type: none"> • An automated collateral evaluation (ACE) is a LPA recommendation that results in the waiver of both the property inspection and appraisal report for low risk transactions. There is no fee for acceptance of an appraisal waiver. • LPA findings must return option for waiver • Full appraisal is required for other specific scenarios as outlined in the product profile (i.e., deed restrictions, etc.) and in that case a ACE is not eligible • The value entered into LPA is the value used for LTV/CLTV calculation • Underwriter must mark file as using PIW/ACE in FT360 • An ACE offer may not be exercised if an appraisal has already been obtained. • HPML loans not eligible for ACE • Unless there is evidence the property does not comply with state, local and federal regulations, no other inspections are required • Must be dated within 120 days from the LPA offer date to the note date. As the appraisal waiver offer 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 ongoing appraisal waiver eligibility. • If loan data changes (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, the original offer will be invalidated and Loan Product Advisor may provide a different appraisal waiver eligibility determination <p>Eligible Transactions:</p> <ul style="list-style-type: none"> • 1-unit Primary Residence or second home • Loan-to-Value (LTV) ratio/total LTV (TLTV) ratio less than or equal to 80%

	<ul style="list-style-type: none"> • Purchase transaction or a no cash-out refinance <p>Ineligible Transactions (Requires a full appraisal):</p> <ul style="list-style-type: none"> • Loan for which an appraisal has already been obtained. • Manufactured home, or leasehold estate • Non-arm's length transactions • Purchases of REO properties (as identified in the sales contract) • Mortgages with an estimate of value or purchase price greater than \$1,000,000 • Properties subject to resale restrictions • Construction Conversion and Renovation Mortgages • Mortgages with Freddie Mac Settlement Dates more than 120 days from the Note Date • When required by law or regulation to obtain an appraisal • Properties located in a disaster-impacted area • The lender is aware of conditions it believes warrant an appraisal being obtained. Examples include, but are not limited to: <ul style="list-style-type: none"> • The property is located in an area recently impacted by a disaster • 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.
SALES CONTRACT CHANGES	<ul style="list-style-type: none"> • Purchase agreements renegotiated after the completion of the appraisal that increase the sales price are only acceptable under the following circumstances: <ul style="list-style-type: none"> • The sales price adjustment is due to price overruns that impact the tangible value of the property on new construction. An updated appraisal must be obtained to verify the value of the modifications. • A renegotiation of only seller paid closing costs and/or prepaids occurs where seller paid closing cost/prepaids are common and customary for the market and supported by comparables. • Changes in the purchase contract resulting from renegotiating terms of sale will require additional review and consideration by the appraiser.
TOTAL FINANCING ≥ \$1MM	<ul style="list-style-type: none"> • Subject must be in a strong market of similarly priced homes. The relationship between final value and predominant value should be reasonable.
NON-ARM'S LENGTH TRANSACTIONS/IDENTITY OF INTEREST	<ul style="list-style-type: none"> • A non-arm's length transaction occurs when a personal or business relationship exists between the borrowers and the builder or seller. For example: <ul style="list-style-type: none"> • Family sales or transfers • Corporate sales or transfers • Mortgagors employed in the real estate or construction trade who are involved in the construction, financing or sale of the subject property. Mortgagors employed in the real estate or construction trade who are involved in the construction, financing or sale of the subject property (see restriction on borrower who are employed by party to transaction) • Some transactions involving principals/sellers/other vendors (such as, an appraiser, settlement agent, title company, etc) who are involved in the lending process of the subject property. • Sales between landlord/tenant • An at-interest transaction involves persons who are not closely tied or related but may have a greater vested interest in the transaction, such as a party who plays more than one role in the same transaction (selling/listing agent and mortgage broker, for example). At-interest transactions carry increased risk due to the greater vested interest in the transaction by one of the parties. Examples of at-interest transactions include: Builder also acting as Realtor/broker; Realtor/broker selling

	<p>own property; Realtor/broker acting as listing/selling agent as well the mortgage broker</p> <ul style="list-style-type: none"> • Property flips are not allowed • Non-Arm’s length transactions with family members are generally acceptable if the following requirements are met: <ul style="list-style-type: none"> • The family member is the borrower’s spouse, child, parent, or any other individual related to the borrowers by blood, adoption, or legal guardianship • An executed purchase agreement between the purchaser and the family member is in the file • The source and ownership of funds for the down payment, closing costs, and reserves are well documented. • The appraised value of the property is well supported, particularly any gifts of equity or gifts of more than 20% of the LTV. • If the loan is a non-arm’s length transaction, the relationship must be disclosed on the purchase contract. Purchase contract must be closely reviewed. • Purchase may not be a short sale • Borrower must provide a copy of the canceled earnest money check to verify payment to the Seller. • Verification that the borrower is not now, nor has been in the previous 24 months, in title to the property. • A payment history for the existing mortgage (verification of seller’s mortgage) on the subject property must be obtained and show no pattern of delinquency within the past 12 months. (does not apply to identity of interest/at-interest transactions) • Full documentation is required for income, employment and assets • Full appraisal is required, regardless of AU findings • The appraiser must be informed of the non-arm’s length transaction and address whether or not the market value has been affected by the relationship of the parties. • Appraiser must verify last sale date and sales price of the subject property, and must provide recent listing and/or marketing materials. (does not apply to identity of interest/at-interest transactions) • Not allowed on new construction second homes or new construction non-owner occupied properties • Allowed all owner occupied properties, existing construction second home and existing construction 1 unit non-owner occupied properties. • Not allowed 2-4 unit non-owner occupied properties. For NAL on 2-4 unit non-owner occupied properties see Agency Portfolio Product. • Transactions cannot be for bail-out purposes • “Non-Arm's Length Transaction" must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of the Non-Arm's Length Transaction if the loan is locked prior to approval. • For purchases, Title must not evidence a foreclosure or Notice of Default. • For refinances, if the borrower has been on title less than 6 months from the date of application, the payoff demand from the purchase transaction must reflect the mortgage was current at the time the borrower purchased the property.
<p>INELIGIBLE INTERESTED PARTIES TRANSACTIONS</p>	<ul style="list-style-type: none"> • Borrower is purchasing a property from a builder who is also taking the borrower’s existing residence as trade for equity or may be purchasing the borrower’s existing residence. • Any type of transaction where the builder, property seller, and/or any party currently on title is a company owned by the borrower. • When the seller is the builder, if a borrower is related to and/or affiliated with the builder, property seller, or on title as a registered agent, sales agent, partner or employee.

	<ul style="list-style-type: none"> • Flip Transactions.
BORROWERS EMPLOYED BY PARTY TO TRANSACTION OR IS A PART OF THE TRANSACTION	<ul style="list-style-type: none"> • Extra diligence should be exercised • The relationship should be disclosed • The borrower cannot be involved in the processing or origination of the loan • QC Audit is required
REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER	<ul style="list-style-type: none"> • The real estate agent for the subject property may act as the loan officer or broker for the borrowers purchasing the same subject property and does not have to be for the same company as long as it is allowed by the state in which the property is located. • Not allowed on retail transactions. • QC Audit required
MORTGAGE INSURANCE	<ul style="list-style-type: none"> • Loans with LTVs above 80% require mortgage insurance. • Delegated MI approval is allowed, certain restriction apply, see Delegated Mortgage Insurance section below for requirements • When obtaining Mortgage Insurance in states that require an assessment/tax on the mortgage insurance, such as KY or WV, be sure to use the “Rate with Assessment/Tax”, which is the standard MI factor plus the additional factor for the assessment/tax. Do not use the standard MI factor listed on the certificate, you must use the combined factor. • Acceptable mortgage insurer is Radian, Genworth, Arch MI, National MI (NMI), or Essent, subject to the restriction listed below. <ul style="list-style-type: none"> • Genworth: https://new.mortgageinsurance.genworth.com/rate-express?orgId=8VMJ • Radian: http://www.radian.biz • Essent: www.essent.us • National MI (NMI): https://www.nationalmi.com/ • Arch MI: https://mi.archcapgroup.com/ • For Correspondent channel only, United Guaranty Residential Insurance (UG), National Mortgage Insurance (NMI), MGIC or Arch MI allowed in addition to the other MI companies listed above for all MI products allowed in the profile except with the “No MI” program. UG, NMI, MGIC or Arch MI not allowed with the “No MI” program. Correspondent is responsible for ensuring all UG, MGIC or Arch MI requirements are met and, as such, all program parameters may not be eligible with UG, MGIC or Arch MI. • When using Essent, investment properties must have greater of at least six months reserves or reserves as outlined in Cash Reserves section. • When using Genworth for investment properties max 45% DTI • For loans submitted for MI prior to 2/11/2019 and using Essent: For any MI policy (Single Premium, Monthly Premium, etc.), max 45% DTI if the credit score is <700. (for loans submitted on or after 2/11/19, restriction no longer applies) • For loans submitted for MI on or after 3/19/18 and using Radian: For any Single Premium MI policy, max 45% DTI if the credit score is <700 or if the LTV is >95% (no restriction on DTI for monthly MI premiums) • As of 6/4/18, Genworth MI will allow all DTIs of scores <700 for all MI types (Single Premium, Monthly Premium etc.) • Monthly Borrower Paid allowed (Select “Deferred Monthly”/”Zero Monthly”) • Borrower Paid Single Premium is allowed (any portion of the MI premium paid by the borrower must be included the QM fee calculations but portion paid by seller, lender

- or other interested party would be excluded from QM calculations)
- Seller Paid Single Premium allowed (portion paid by seller would not be included in QM calculations)
- Split Premium MI (Borrower Paid) allowed (upfront premium must be included in QM fee calculations). “Split Premium MI” must be written in the comment section of the 1008. Proof of payment of the full upfront premium is required. This can be evidenced by one of the following: (1) On the Closing Disclosure (for Loans with applications date on and October 3, 2015) (paid at closing), or (2) by paid receipt for paid outside of Closing, or (3) if the MI certificate indicates the premium is paid in full.
- Level coverage required (declining coverage not allowed)
- Standard coverage is required
- Custom, and reduced MI is not allowed
- Financed MI not allowed
- Lender Paid MI (Single Premium) allowed with following:
 - Must select “No MI” program code
 - For loans locked on or after 7/24/17: Only Essent allowed for Lender Paid MI
 - For loans locked prior to 7/24/17: Radian, Essent and Genworth allowed for Lender Paid MI
 - Investment properties not allowed
- Mortgage Insurance commitments are issued with a commitment term of 120 days. Coverage must be activated (i.e. loans must be certified) by reporting the loan closing date and/or payment of the initial premium prior to the commitment expiration date (this process is handled by PRMG). Commitment expiration dates cannot be extended.

LTV	≤ 20 Year Fixed	> 20 Year Fixed or ARM
90.01% - 95.0%	25%	30%
85.01% - 90.0%	12%	25%
80.01% - 85.0%	6%	12%

- Automatic Cancellation Requirements for Borrower Paid MI:
 - **LPA Loans 1 Unit OO or SH:** The earlier of (1) the date the mortgage balance is first scheduled to reach 78% of the original value; or (2) the month following the mid-point of the amortization period
 - **LPA Loans 2-4 Unit OO or NOO:** Not eligible for automatic cancellation

Delegated Mortgage Insurance

- The following loan scenarios are ineligible for delegated MI and must be sent to the MI company for prior approval (not all items listed may be applicable to this product, review product profiles for what is allowed):
 - Loans that require a manual underwrite by the MI company
 - LTV >95%
 - Manufactured housing
 - Housing Authority Products
 - 5-10 financed properties
 - Non-owner occupied properties
 - Non-traditional credit/no-score
 - Employment contracts (future income)
- At Underwriter’s discretion, the loan may be submitted to MI company for prior approval
- Underwriter to order delegated MI through FT360 and confirm MI cert is complete and correct
- Underwriter must confirm all requirements of MI company are met using the

	<p>following guidelines options:</p> <ul style="list-style-type: none"> • Radian: One Underwrite http://www.radian.biz/page?name=RatesAndGuidelinesNew • Essent: Clear2Close https://www.essent.us/rates-guidelines • Genworth: Simply Underwrite https://mortgageinsurance.genworth.com/RatesAndGuidelines/Guidelines.aspx • National MI: True Guide https://www.nationalmi.com/guidelines-summary/ • Arch MI: Underwriting Manual https://mi.archcapgroup.com/Guidelines
<p>PROPERTY INSURANCE</p>	<ul style="list-style-type: none"> • See PRMG’s Resource Center for PRMG Insurance Requirements and Additional Information • For refinances transactions, all insurance policies must have, at minimum, an expiration date after the first payment date as shown on the note. • Acceptable Proof of Flood Insurance: <ul style="list-style-type: none"> • Copy of Flood Insurance Policy • Copy of Declaration Page • Copy of the application for flood insurance with a paid receipt for the first year’s premium or if paid at closing, premium reflected on the HUD • Flood policies and applications provided for closing must indicate the flood zone of the property. This zone must match our flood determination provider’s zone. Otherwise, evidence that the borrower’s zone is “grandfathered” must be provided. If the improvements are in a split zone (partially in and partially out) the policy must be rated for the more hazardous zone. • Flood insurance is required if there is knowledge that the property is exposed to flood risks, even if the property is located in a community that does not have FEMA flood maps. • For hazard insurance, properties in an attached condominium and attached PUD project (including 2-4 unit projects) require 100 percent of the insurable replacement cost coverage for the complete condominium (interior and exterior of the condominium). The HO-6 policy must be sufficient to repair the interior of the condominium unit, including any additions, improvements and betterments to its original condition in the event of a loss. If the HOA Master Policy does not provide coverage for the interiors of the project units, an HO-6 (or its equivalent) Policy for the individual unit is required. An HO-6 policy should have replacement cost coverage, and if the policy does not reflect the coverage amount, then the amount of coverage should be determined by the insurer. • If the homeowners association owns the common elements, areas/facilities of a project separately (or holds them in a leasehold estate), insurance on those areas is required to insure that ownership (if there are no common areas owned by HOA a letter from them will suffice to prove it is not needed.)
<p>TITLE INSURANCE REQUIREMENTS FOR CONDOS/PUDS</p>	<ul style="list-style-type: none"> • The Title Insurance policy for Condo and Planned Unit Developments (PUDs) must include coverage that provides protection by: <ul style="list-style-type: none"> • Insuring that the mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date; • Insuring against any impairment or loss of title of PRMG’s first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. The title insurance policy must specifically insure against any loss that results from a violation that existed as of the date of the

	<p>policy;</p> <ul style="list-style-type: none"> • Insuring that the unit does not encroach on another unit or on any of the common elements, areas or facilities. This policy must also insure that there is no encroachment on the unit by another unit or by any of the common elements, areas or facilities; • Insuring that the mortgage is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes; • Insuring that real estate taxes are assessable and lien able only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole; and • Insuring that the owner of a PUD unit is a member of the homeowners association and that the membership is transferable if the unit is sold.
REPAIR ESCROWS/ ESCROW HOLDBACKS	<ul style="list-style-type: none"> • Not allowed
TEMPORARY BUYDOWNS	<ul style="list-style-type: none"> • Not allowed
INTEREST ONLY	<ul style="list-style-type: none"> • Not Available
PRE-PAYMENT PENALTY	<ul style="list-style-type: none"> • N/A
SECOND LIEN BALLOON	<ul style="list-style-type: none"> • N/A
MULTIPLE LOANS	<ul style="list-style-type: none"> • O/O: No limitations on the number of properties that the borrower can currently be financing • Second Home and N/O/O: Maximum of 10 financed properties, including subject property and principal residence. This limitation applies to the total number of properties financed and any combination of ownership in 1-4 family properties. See section below for additional requirements for any borrower with 5-10 financed properties. • This limitation applies to the number of 1-4 unit residential properties where the borrower is personally obligated on the mortgages; applies to the total number of properties financed, includes the borrower’s principal residence if it is financed; and is cumulative for all borrowers (though jointly financed properties are only counted once). • Financed commercial property are not include that in the total number of financed properties • PRMG or its investors will only finance up to 4 loans for all borrowers and/or \$2 million total in aggregate loan amounts. Therefore, if the aggregate loan amount (total with one lender/investor and subject loan amount combined) exceed \$2 million, or the borrower has 4 or more current loans with one lender/investor approval is required with PRMG.
5-10 FINANCED PROPERTIES FOR SECOND HOMES AND NON-OWNER OCCUPIED PROPERTIES	<ul style="list-style-type: none"> • Must comply with Fannie Mae requirements for “Multiple Financed Properties for the Same Borrower” • In FT360, must do the following: <ul style="list-style-type: none"> • Select “This is a 5+ Financed Property Loan” in FT360 Investor Overlay screen • Select 5-10 financed properties when locking in OB • Applies to Second Home and Non-Owner Occupied properties only • Requires or LPA Accept/Eligible • Requires QC Audit • <u>For LPA, the following applies:</u> <ul style="list-style-type: none"> • Requires QC Audit • Purchase, Rate/Term and Cash Out allowed • For borrowers with up to six (6) financed properties, there are no additional requirements (for example, standard LTV ratios and minimum credit scores apply), except that the reserves that are outlined in the Cash Reserves section (from the

	<p>CASH RESERVES section later in the profile) must be met</p> <ul style="list-style-type: none"> • If the borrower will have seven to ten (7-10) financed properties, must have a minimum credit score of 720 but all other standard eligibility policies (for example LTV ratios) apply, except that the reserves that are outlined in the Cash Reserves section must be met • Underwriter must ensure all Freddie Mac requirements as outlined in Sections 4201.15 (Second Home Mortgages), 4201.16 (Investment Property Mortgage) and 5501.2 (Reserves)
RESIDUAL INCOME EVALUATION	<ul style="list-style-type: none"> • All loans meeting Rebuttable Presumption under QM/ATR requirements (are a Higher Priced Covered Transaction (HPCT) - which is same calculation as HPML, but applies to all occupancy types) must contain the Residual Income Evaluation worksheet, which can be found as a tab within the Income Calculations worksheet in the Resource Center. The following is a summary of requirements that trigger Rebuttable Presumption: <ul style="list-style-type: none"> • The loan is underwritten to the Agency's u/w guidelines and is eligible for purchase or guarantee by the respective Agency • The points and fees do not exceed the QM limits • The loan term does not exceed 30 years • Fully-amortizing regular payments • No risky features • The loan is a HPCT (same calculation as HPML, but applies to all occupancy types) • Residual Income is the resulting sum when taking the gross income, less all housing and debt payments, (see worksheet for more details.) • Loans with an application date as of 1/10/14 that have Rebuttal Presumption (HPML/HPCT loans) must also meet the following requirements in regards to Residual Income (loans with an application date prior to 1/10/14 and are considered HPML should contain the document, but are not required to meet the following): <ul style="list-style-type: none"> • Principal Residence: <ul style="list-style-type: none"> • Residual Income \$2500 or greater: No minimum reserve requirement • Residual Income >= \$800 and < \$2500: Minimum reserves are the greater of three (3) months liquid (as defined by FNMA/FHLMC) PITIA reserves OR minimum program reserve requirements as described in Product Profile (Note: Underwriters should consider requiring additional reserves for loans with higher layered risks) • Residual Income < \$800: Loan is not eligible with PRMG • Second Homes and Investment Properties: <ul style="list-style-type: none"> • Residual Income \$2500 or greater: Minimum program reserve requirements as described in Product Profile • Residual Income < \$2500: Loan is not eligible with PRMG
HIGHER PRICED MORTGAGE LOAN (HPML)	<ul style="list-style-type: none"> • Allowed within the parameters of Section 35 of CFPB Regulation Z • Not allowed on 5/1 ARMs • HPML loans must have an escrow account, regardless of LTV • Must comply with all limitations and requirements of HPML loans as described in PRMG's Compliance Policy regarding HPML-Section 35 loans
SECTION 32 / HIGH COST LOAN	<ul style="list-style-type: none"> • Brokers are responsible for identifying loans that are considered high cost loans as defined by federal and/or state laws and/or regulations. High cost loans are not allowed: • Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; <i>and</i> • Loan is not a high cost loan as defined by applicable state laws and/or regulations.
REAL ESTATE	<ul style="list-style-type: none"> • The maximum real estate commission allowed is 8%.

COMMISSIONS	
SERVICING OPTIONS	<ul style="list-style-type: none"> • N/A
ESCROW ACCOUNT	<ul style="list-style-type: none"> • HPML loans must have an escrow account, regardless of LTV • CA: Escrows are required for LTVs $\geq 90\%$ • NM: Escrows are required for LTVs $\geq 80\%$ for Owner Occupied and LTVs $>80\%$ for Second Homes or Non-Owner Occupied • Other States: Escrows are required for LTVs $> 80\%$. • Payment of monthly private mortgage insurance must always be escrowed • Escrows may not be waived for the following (unless requiring an escrow account is not permitted by applicable law): <ul style="list-style-type: none"> • Rate/Term refinance when prepaid real estate taxes are included in the loan amount • Cash-out refinance when delinquent real estate taxes are included in the loan amount • Flood insurance must be impounded (escrowed) for all loans with a note date of 1/1/16 or later if the property is in a Special Flood Hazard Area (SFHA), designated as a flood zone beginning with A or V, regardless of LTV and/or federal exemptions and is required for the life of the loan. It is not required to be impounded if the flood insurance is paid through the condominium association, HOA dues, etc. Additionally, the escrow requirement needs to be stated in the Flood Notice that is provided to the borrower.
UNDERWRITING	<ul style="list-style-type: none"> • Delegated underwriting allowed. • All loans must receive an "Accept/Eligible" decision from LPA.
ASSUMABILITY	<ul style="list-style-type: none"> • Fixed: Not allowed • ARMs: Allowed
INDEX	<ul style="list-style-type: none"> • 1 Year LIBOR
MARGIN	<ul style="list-style-type: none"> • 2.25%
INTEREST RATE CAPS	<p><u>5/1 ARM:</u></p> <ul style="list-style-type: none"> • 2% Initial Adjustment Cap - On the first adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • 2% Adjustment Cap - Commencing with the second interest rate adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • 5% Lifetime Cap - There is a life of loan interest rate ceiling equal to the sum of the initial interest rate plus 5%. <p><u>7/1 & 10/1 ARMs:</u></p> <ul style="list-style-type: none"> • 5% Initial Adjustment Cap - On the first adjustment date, the interest rate cannot be increased or decreased by more than 5% from the interest rate in effect immediately prior to the interest rate adjustment date. • 2% Adjustment Cap - Commencing with the second interest rate adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • 5% Lifetime Cap - There is a life of loan interest rate ceiling equal to the sum of the initial interest rate plus 5%.
INTEREST RATE CHANGES	<p><u>5/1, 7/1, 10/1 ARM:</u></p> <ul style="list-style-type: none"> • Interest Rate - The initial interest rate will be set at time of lock-in and will remain constant for the first 5, 7, or 10 years of the loan. On the first interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin rounded to the nearest .125%, subject to the interest rate caps. On the second interest rate adjustment date and thereafter, the interest rate will be

	<p>the sum of the index plus the required margin rounded to the nearest .125% subject to the interest rate caps.</p> <ul style="list-style-type: none"> • Interest Rate Adjustment Date - The initial interest rate adjustment will take place on the first day of the 61st (5/1), 85th (7/1), or 121st (10/1) full month after closing and on the first day of every 12th calendar month thereafter.
MINIMUM FLOOR	<ul style="list-style-type: none"> • Margin
ARM DOCUMENTS	<ul style="list-style-type: none"> • 5531 Note and 5131 Rider