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.

HOME POSSIBLE® BY FREDDIE MAC

Home Possible
30 Year Fixed Rate

<table>
<thead>
<tr>
<th>LTV</th>
<th>CLTV</th>
<th>Purpose</th>
<th>Units</th>
<th>Occupancy</th>
<th>Credit Score</th>
<th>DTI Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>971,2</td>
<td>1052</td>
<td>Purch, R&amp;T</td>
<td>1</td>
<td>O/O</td>
<td>620</td>
<td>50</td>
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<tr>
<td>952</td>
<td>953</td>
<td>Purch, R&amp;T</td>
<td>2-4</td>
<td>O/O</td>
<td>6204</td>
<td>504</td>
</tr>
</tbody>
</table>

1. If LTV > 95% with Borrower Paid MI and using Radian MI, borrower will be provided with Job Loss Protection at no additional cost (see Mortgage Insurance Section)
2. If the LTV is > 80% review Mortgage Insurance section for specific MI company requirements
3. Maximum 105% CLTV only with Affordable Second approved for Freddie Mac’s Home Possible program (see Down Payment Assistance Section), otherwise max CLTV 97%
4. For 3-4 Units >80% LTV, due to MI restrictions, 720 minimum credit required and max 45% DTI
| PRODUCT NAME | Standard Products:  
| | • Home Possible 30 Year Fixed  
| | Lender Paid MI Products:  
| | • Home Possible No MI (Lender Paid) 30 Year Fixed  
| | Effective 10/29/18: Freddie Mac combined the requirement for Home Possible and Home Possible Advantage into one program, so Home Possible Advantage requirements were rolled into Home Possible and Home Possible Advantage product code was retired  
| ALLOWABLE ORIGINATION CHANNELS | Wholesale  
| | Retail  
| | Correspondent  
| AGENCY LINKS | In addition to any Product Profile requirements, you must always meet the published Agency guidelines. If published Agency guidelines are more restrictive then 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](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/](http://www.freddiemac.com/) or  
| HOME POSSIBLE® PROGRAM REQUIREMENTS | Homebuyer Education (See Homebuyer Education section below)  
| | Landlord Education (for 2-4 unit properties) (See Landlord Experience/Education)  
| | Income Restrictions (See Home Possible® Specific Income Requirements/Limits section below)  
| MINIMUM LOAN AMOUNT | $30,000  
| MAXIMUM LOAN AMOUNT | Refer to PRMG’s “Eligible States” list for states currently available for business  
| | For all loans on or after 11/28/2018: All States, except AK and HI:  
| | • 1 Unit $484,350  
| | • 2 Units $620,200  
| | • 3 Units $749,650  
| | • 4 Units $931,600  
| | For all loans on or after 11/28/2018: AK and HI:  
| | • 1 Unit $726,525  
| | • 2 Units $930,300  
| | • 3 Units $1,124,475  
| | • 4 Units $1,397,400  
| | For all loans prior to 11/28/2018: All States, except AK and HI:  
| | • 1 Unit $453,100  
| | • 2 Units $580,150  
| | • 3 Units $701,250  
| | • 4 Units $871,450  
| | For all loans prior to 11/28/2018: AK and HI:  
| | • 1 Unit $679,650  
| | • 2 Units $870,225  
| | • 3 Units $1,051,875  
| | • 4 Units $1,307,175  
| DOWN PAYMENT | Available  

Home Possible Product Profile  
Guidelines Subject to Change
| PROTECTION OPTION (PRMG +PLUS) | • 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 |
| GEOGRAPHIC RESTRICTIONS | • Please refer to PRMG’s “Eligible States” list, which can be found at this link: [http://www.eprmg.net/guidelines/Eligible%20States.pdf](http://www.eprmg.net/guidelines/Eligible%20States.pdf)  
• If the property is in Texas, please refer to the addendum at the end of this product profile.  
• 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 and is not allowed  
• 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:  
  • 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. |
| DOCUMENTATION | • Full/Alt 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.

- For a borrower who is qualified using either (1) base pay, (2) bonus, (3) overtime, or (4) commission income, then unreimbursed employee business expenses are not required to be analyzed or deducted from the borrower’s qualifying income, or added to monthly liabilities.

- 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.

- 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, 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 of Freddie Mac’s Seller Guide.

- 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

- 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.

- 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.

### FULL/ALT DOC

- Standard FHLMC full or alternative documentation may be provided

- 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

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_Home Possible Product Profile_  
_Guidelines Subject to Change_
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.

- Amended tax returns must have been filed at least sixty (60) days prior to the earliest of the purchase agreement, initial credit report date, or mortgage application date, unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. When using the amended returns if filed within sixty (60) days to the earliest of the purchase agreement, initial credit report date, or mortgage application date, or after, the Underwriter must provide justification and commentary regarding its use, including that borrower does not require use of amended income for qualification. Regardless of when the amended returns were filed, 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, 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’ 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.

- Year-to-date earnings must cover the most recent 30-day period

- Requires at least two months bank statements evidencing receipt of income in addition to documentation of the income source for Retirement, Pension, Annuity Income and IRA Distributions and Social Security Income when using that income to qualify.

- 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 (as applicable)
- Number of years self-employed/business tax returns is allowed per AUS findings (one year acceptable if findings allow for it).
- Self-employed borrowers must provide at least page 1 and 2 of tax returns
- 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.
- A signed IRS 4506-T is required at application and closing.
- Letter of explanation for all inquiries in the past 90 days is required
- Photo ID not required for file
- 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.

**DOCUMENT EXPIRATIONS**
- 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**
- If loan was ever submitted to another AUS (DU or LPA) that is not used for approval, the unused AUS findings must be in the loan file.
- 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.
- 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.)

**DESKTOP UNDERWRITER (DU)**
- Not allowed

**LOAN PRODUCT ADVISOR (LPA)**
- Must receive an Accept or Accept Plus
- Must indicate eligible for Home Possible financing
- Must indicate Offering Identifier, and Freddie Mac’s Affordable Lending Product “HomePossible” must be selected
- All conditions outlined in the Findings Report must be satisfied.
- Formerly known as Loan Prospector (LP)
- When using LPA, the broker’s credit report can be used in the vendor is on PRMG’s approved Freddie Mac LPA Approved Credit Vendor List: [https://www.eprmg.net/ResourceCenter/TrainingInstructionalMaterial/FreddieMacLoanProductAdvisorApprovedCreditVendorsList.pdf](https://www.eprmg.net/ResourceCenter/TrainingInstructionalMaterial/FreddieMacLoanProductAdvisorApprovedCreditVendorsList.pdf). If it is not an acceptable Credit Vendor, it 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/](http://www.freddiemac.com/loanadvisorsuite/loanproductadvisor/)
<table>
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<tr>
<th>PROPRIETARY U/W ENGINE</th>
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</thead>
<tbody>
<tr>
<td>MANUAL UNDERWRITING</td>
<td>Not allowed</td>
</tr>
</tbody>
</table>
| ELIGIBLE PROPERTY TYPES | - Single Family Residence.  
- 1-4 Units  
- Modular Homes (see section below)  
- Log Homes (See section below for additional requirements)  
- Warrantable Condos Attached and Detached  
- PUDs Attached and Detached |
| INELIGIBLE PROPERTY TYPES | - Hawaii properties in lava zones 1 and 2  
- Hawaii Homeland Leasehold properties  
- Mobile homes  
- Manufactured homes  
- Condotels  
- Properties with deed restrictions (except Age Restricted Properties, see section below)  
- Mixed-Use (see below for properties with business use per tax returns or appraisal)  
- Co-ops  
- Geodesic dome, Earth or Geothermal homes  
- Community Land Trusts  
- Non-Warrantable Condos  
- Illinois Land Trusts  
- Working farm, ranch, or orchard  
- Assisted Living Projects  
- Builder Model Leaseback  
- Houseboats  
- 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  
- 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  
- Properties in a Community Development District (CDD)  
- Tax-sheltered syndicate  
- Timeshares  
- Unimproved land  
- Common Interest Apartments  
- Properties that do not meet local health and safety standards  
- Multi-family dwellings over 4 units  
- Commercial properties  
- Homes purchased using HomeStyle Financing  
- 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 boarding house)
- 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

**MODULAR HOMES**

- 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.

**DEED RESTRICTED PROPERTIES**

- “55 and Older” restricted properties only
- Primary residence, second home or non-owner-occupied properties allowed
- 1-2 units only
- Full appraisal required
- Must meet all applicable Agency requirements
- The appraisal must include at least three comparable sales with similar resale restrictions.
- If the loan has one of the following attributes, Underwriter must add a “note” using the following text on the loan approval (not to FastTrac notes) to assist Post-Closing’s delivery process
  - LPA with Resale Restrictions

**PROPERTIES WITH BUSINESS USE**

- 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:
  - 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

**PRIVATE TRANSFER FEE COVENANTS**

- 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
| LOG HOMES                                                                 | 1. Log Homes are allowed with the following requirements:  
|                                                                         |   • 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.  
|                                                                         |   • Property type of “Log Home” must be entered in Loan Program Comments section of Investor Overlay Screen in FT306 and Secondary must be notified of property type if the loan is locked prior to approval  
|                                                                         |   • Full appraisal required.  
| PROPERTIES WITH GAS, OIL AND/OR SUBSURFACE MINERAL RIGHTS                | 2. 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                                                                   | 3. 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. Check with manager if you need information on how to verify this information with the investor  
|                                                                         |   • Condo projects must be warrantable with a Streamline Review, CPM/Full Review, FHA HRAP approvals or PERS Approval. The following steps must be used to document warrantability:  
|                                                                         |     • 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 Limited Project Review criteria, the unit is eligible for purchase by PRMG. No further steps are required.  
|                                                                         |     • If the project does not meet Streamline Project 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 and the unit is in an established condominium project which has been approved by FHA’s HUD Review and Approval Process (HRAP) it is eligible if the following is met.  
|                                                                         |  |
Important, projects approved through an FHA Direct Endorsement Lender Review and Approval Process (DELRAP) are not eligible. For LPA approvals: (1) The Condominium Project must meet the definition of an Established Condominium Project; (2) The Condominium Project is not an ineligible project (FHLMC Guide Section 5701.3); (3) All general project eligibility requirements in FHLMC Guide Section 5701.2(b) must be met, and (4) The Mortgage must comply with all other applicable requirements of the Guide. Additionally, when the loan is secured by a unit in a project that meets the requirements for an FHA HRAP approved condo, the following must apply as of the FHLMC purchase date. The project is in the "approved" status, complies with any FHA-approval conditions noted on the FHA website, the approval has not yet expired and has not been rescinded or modified in any way. The loan file contains documentation of FHA's approved status (for example, a copy of the appropriate web page showing that the project is approved and that the approval is current) and the lender is not aware of any circumstances that would make the project ineligible for approval.

- 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 regarding CPM/Full Lender Reviews).
- Insurance allowed per Freddie Mac requirements. See Seller Guide Chapter 58
- See section below for condos in monetary litigation
- For condos properties with an appraisal waiver, additional documentation must be provided to ensure the project is warrantable. For properties eligible for a limited review, this will generally require, at minimum, the FNMA/FHLMC Short Form Condo Questionnaire to be completed (which is available on the Resource Center). For properties requiring a full review, a full HOA condo questionnaire as well as additional supporting documentation is needed (see full lender condo review section).
- 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.

<table>
<thead>
<tr>
<th>STREAMLINE REVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTV/OCCUPANCY LIMITS</td>
</tr>
<tr>
<td>• Streamlined 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. A streamlined review is performed with an LPA approval.</td>
</tr>
<tr>
<td>• <strong>Detached</strong> Condos – All States:</td>
</tr>
<tr>
<td>• Eligible for all LTV/CLTV/HCLTV and occupancy types</td>
</tr>
<tr>
<td>• <strong>Attached Established Condos</strong> - <strong>Non-Florida Properties:</strong></td>
</tr>
<tr>
<td>• Max 90% LTV/CLTV/HCLTV for owner occupied properties</td>
</tr>
<tr>
<td>• Max 75% LTV/CLTV/HCLTV for second homes</td>
</tr>
<tr>
<td>• Max 75% LTV/CLTV/HCLTV for investment properties</td>
</tr>
<tr>
<td>• <strong>Attached Established Condos</strong> – <strong>Florida Properties:</strong></td>
</tr>
<tr>
<td>• Max 75% LTV/CLTV/HCLTV for owner occupied properties</td>
</tr>
<tr>
<td>• Max 70% LTV/CLTV/HCLTV for second homes</td>
</tr>
<tr>
<td>• Max 70% LTV/CLTV/HCLTV for investment properties</td>
</tr>
</tbody>
</table>
| **Freddie Mac (LPA)**  
| **Attached Condo**  
| **Streamline Review Requirements**  |

- 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/](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/](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.
  - 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.
  - 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 of 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.

**Freddie Mac (LPA) Detached Condo Review**

- 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/](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:
  - The Condominium Project must meet the definition of a Detached Condominium Project, which is a Condominium Project comprised solely of detached, 1-unit dwellings
  - 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.

**FREDDIE MAC (LPA) 2-4 UNIT CONDO REVIEW**

- Established Projects
  - No units can be 60 or more days’ delinquent in the payment of the homeowners association assessments.
  - All units in the project must have been conveyed to the unit purchasers.
  - If the unit is an investment property in a project comprised of either 2 units or 4 units at least 50% of the project must be occupied as primary residence or second home.
  - If the unit is an investment property in a project comprised of 3 units all but one unit in the project must be occupied as primary residence or second home.
  - There are no occupancy requirements if the property is a primary residence.
- New Projects
  - No units can be 60 or more days’ delinquent in the payment of the homeowners association assessments.
  - All but one of the units in the project must have been conveyed to the unit purchasers who will occupy as their primary residence or second home.
  - Project must be complete and with no additional phasing.

**CPM/FULL LENDER REVIEWS**

- When using a Full Lender Review, LTV/CLTV allowed to product guidelines in all states
- Must be used if transaction is not eligible for limited/streamline review or has not
<table>
<thead>
<tr>
<th><strong>PLANNED UNIT DEVELOPMENTS (PUDs)</strong></th>
<th><strong>PUDs With LPA Approval</strong></th>
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<tbody>
<tr>
<td>- 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.</td>
<td>- Must meet Freddie Mac PUD requirements</td>
</tr>
<tr>
<td>- See below for Attached PUD review requirements</td>
<td>- 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</td>
</tr>
<tr>
<td>- Attached PUD lender reviews are performed by underwriter</td>
<td>- 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.</td>
</tr>
<tr>
<td>- Documentation, as determined by underwriter, to verify the attached PUD is warrantable is required and Attached PUD Warranty must be completed (if required by underwriter).</td>
<td>- If the PUD unit or any PUD Common Element is on a leasehold estate, must comply</td>
</tr>
<tr>
<td>- Attached PUD/Condo Warranty form is available in the Resource Center</td>
<td>with</td>
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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 IN MONETARY LITIGATION

- Condo projects 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 PROJECT TYPES PER FREDDIE MAC’S SELLER GUIDE

See Freddie Mac Seller Guide for additional information. Mortgages secured by units in any of the following types of projects are not eligible for sale to Freddie Mac:
- Condo projects in which, when control of the HOA has been or will be turned over to the unit owners, the unit owners do not have either: (1) an undivided ownership interest in the land on which the project is located; or (2) a leasehold interest in the land on which the project is located are ineligible.
- Condo projects in which the unit owners are not the sole owners of, and do not have the right to the use of, the common elements, including all buildings, roads, parking, facilities and amenities is not eligible except as specified below. A project with shared amenities is eligible if two or more HOAs share the amenities (such as recreational or fitness facilities, swimming pools and clubhouses) for the sole use of the unit owners, and the HOAs have an agreement specifying: (1) A description of the shared amenities and the terms of the unit owners' permitted use of the shared amenities (2) How the shared Amenities will be funded, managed and maintained, and (3) The method for resolving disputes between the HOAs regarding the shared amenities.
- 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.
guidelines to change

to be use

Housing project is ineligible; or

ii. The project sponsor or the insurance company has committed to provide the defense for a non-monetary dispute or the project is ineligible for coverage by the insurance policy; or iii. The matter involves: i. A non-monetary neighbor dispute or right of quiet enjoyment, or ii. 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. 4. The valid estimation of or known litigation amount is not expected to exceed 10% of the project's funded reserves, provided that this does not violate the applicable jurisdiction's laws and regulations. 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
<table>
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<tr>
<th>CONDO CONVERSIONS</th>
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<tr>
<td>• Condo conversions (new and established) allowed</td>
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<tr>
<td>• 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</td>
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<tr>
<td>• New conversions that are non-gut rehabs (in all states) that contain more than 4 residential units must be Fannie Mae PERS approved</td>
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<tr>
<td>• Must comply with all Agency guidelines</td>
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<tr>
<td>• 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.</td>
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<thead>
<tr>
<th>NON-WARRANTABLE CONDOS</th>
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<tbody>
<tr>
<td>• Not Allowed.</td>
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<tr>
<th>MANUFACTURED HOME REQUIREMENTS</th>
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<tbody>
<tr>
<td>• N/A – Not allowed</td>
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<tr>
<th>LEASED LAND</th>
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<tr>
<td>• Allowed, but must meet all FHLMC requirements</td>
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<tr>
<td>• All leasehold documents must be submitted with the loan file</td>
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<tr>
<td>• The remaining term on the lease may not terminate earlier than five years after the maturity date of the loan</td>
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<tr>
<td>• Appraisal must show market acceptance of leasehold estates</td>
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<tr>
<td>• The leasehold agreement must not have any servicing reporting requirements to the lessor.</td>
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<tr>
<td>• The lender must not be required to sign a subordination agreement.</td>
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</table>
- Indian leased land is not acceptable

### MAXIMUM ACREAGE

- 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.
  - 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

- The subject property may consist of more than one adjoining parcel subject to all of the following requirements:
  - 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 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.

### UNPERMITTED ADDITIONS

- Allowed
  - The subject addition, improvement or conversion must comply with all Agency guidelines
  - The appraiser demonstrates the property’s conformity to the neighborhood and marketability
  - The appraiser must also comment on any effect on value, marketability, zoning and safety.
  - The appraiser comments on quality of the work of the addition, improvement or conversion and it is described in the appraisal and deemed acceptable (“workmanlike
The appraiser considers the contributory value or obsolescence of the addition, improvement or conversion. In some cases, the addition, improvement or conversion may not be part of the gross living area (GLA) and may be assigned no value or a negative value.

- If the appraiser gives the unpermitted addition value, the appraiser should indicate the following in the appraisal:
  - 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.
  - Non-permitted additions that are NOT typical for the market area cannot be included in the GLA, basement or other living area.

**ACCESSORY UNITS**

- One-unit property with an accessory dwelling unit is eligible
- See Rental Income section for using ADU rental income
- 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:
    - 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.
  - 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:
    - 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**

- Not allowed

**OCCUPANCY**

- Primary Residence (O/O)

**PRIMARY RESIDENCE**

- 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 least one year.

**SECOND HOME**

- Not Allowed

**NON-OWNER OCCUPIED**

- Not Allowed

**ELIGIBLE BORROWERS**

- U.S. Citizens, Permanent and Non- Permanent Resident Aliens
- 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 or Inter Vivos Revocable “Living” trusts (see below for trust requirements)
- No irrevocable trusts, corporations, LLCs, 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**

- Any non U.S. citizen who is lawfully in the United States as a permanent resident alien is now eligible for a mortgage on the same terms as a U.S. citizen.
- Borrowers with diplomatic immunity are not eligible
- 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.
  - Permanent Resident Alien Card (USCIS Form I-551) that is valid for 2 years, accompanied by the applicable INS receipts.
  - A Permanent Resident Card with no expiration date (issued between 1964 and 1989)
- A valid Social Security number is required.
- Document legal residency with one of the following:
  - A copy of a valid and current Permanent Resident card (Green Card – Form I-551) front and back.
  - A passport stamped “processed for I-551, temporary evidence of lawful admission for permanent residence, valid until _____, employment authorized”. This evidences that the holder has been approved for, but not issued, a Permanent Resident card.
- Document legal residency with one of the following:
  - A copy of a valid and current Permanent Resident card (Green Card – Form I-551) front and back.
  - A passport stamped “processed for I-551, temporary evidence of lawful admission for permanent residence, valid until _____, employment authorized”. This evidences that the holder has been approved for, but not issued, a Permanent Resident card.
- Credit and income history allowed in accordance with Agencies

**NON-PERMANENT RESIDENT ALIENS**

- 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, Deferred Enforced Departure or Humanitarian Parole are not eligible
- All non-permanent resident aliens must provide evidence of one of the following:
- One of the following Visas: E-1, E-2, E-3, G-1, G-2, G-3, G-4, H-1, H-1B, L1, TC, TN-1, required. For further information see [http://www.uscis.gov/](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:
  - 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:
    - 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.

<table>
<thead>
<tr>
<th>FOREIGN NATIONALS</th>
<th>• Not Allowed</th>
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| NON-OCCUPYING CO-BORROWERS | • Non-occupant borrowers allowed for 1-unit properties when the:  
  - LTV/CLTV*/ Home Equity Line of Credit (HELOC) CLTV (HCLTV) ratio is less than or equal to 95% with LPA approval (*A CLTV ratio of less than or equal to 105% is permitted for Mortgages with Affordable Seconds) |
| Eligible Trusts | • Inter Vivos Revocable “Living” trusts only  
  - Must meet all requirements as outlined in the Instructions for Closing in a Trust, which is available on the Resource Center, or can be found at the following link: [http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/Instructions](http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/Instructions) |
• Process for submitting a loan in a trust are summarized here:
  • Email trust document to compliancegroup@prmg.net. Be sure to include the Loan Number and full borrower name. Subject line of the email to read: Trust Documentation Review. Please allow 24 hours for review.
  • Compliance will email the Fulfillment Center Manager and Funding Manager to advise that a loan with trust vesting was just approved and attach the Encompass instructions for drawing docs held in a trust.
  • Doc drawer to notify compliance via email at compliancegroup@prmg.net that the docs are drawn and pending review and approval. Subject line of the email to read: Closing Docs in Trust pending review. Be sure to include the Loan Number and full borrower name.
  • If you have questions with the way the docs need to read, feel free to reach out to compliancegroup@prmg.net.

POWER OF ATTORNEY

  • Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG’s Compliance Group
  • Allowed with the following requirements:
    • Power of Attorney (POA) must be limited or specific to the transaction
    • Purchase or rate and term only allowed.
    • 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.
    • Must met all Agency requirements

LEXIS-NEXIS SEARCH REQUIREMENT

  • 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):
    • Short Sale Purchase
    • Property Flips <= 180 days
    • Contractors on a 203K loan
### QC AUDIT REQUIRED

- 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):
  - 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

- 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:
    - 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:
    - 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.

### HOME POSSIBLE® SPECIFIC INCOME REQUIREMENTS/LIMITS

- Qualifying income from all borrowers who will be on the note must be included
- Only the income used to qualify the borrowers must be included in the income limits
- For LPA casefiles run under Home Possible prior to 7/28/19: No income limits for properties located in low-income census tracts
- For LPA casefiles run under Home Possible prior to 7/28/19: Borrower’s income, converted to an annual basis, must not exceed 100% of the area median income (AMI)
- For LPA casefiles run on and after 7/28/19: Borrower’s income, converted to an annual basis, must not exceed 80% of the area median income (AMI)
- See Income Eligibility Lookup Tool to determine eligibility which can be found at: http://www.freddiemac.com/homepossible/eligibility.html
- Income from a boarder (related or non-related) can be included in the calculation of the borrower’s stable monthly income if the following are met:
  - One unit
- The boarder must have resided with (and paid rent to) the borrower for the last 12 months.
- Must be provided by a person who (1) is not obligated on the mortgage and does not have an ownership interest in the subject property and (2) is not the Borrower’s spouse or domestic partner
- Provide documentation to evidence residency with the borrower (i.e. copy of driver’s license, monthly bills, bank statement that shows the boarder’s address as being the same as the borrower’s address)
- Evidence of receipt of regular payments (such as cancelled checks) of rental income for at least nine of the past 12 months, is required. The income must be averaged over 12 months when fewer than 12 months of payments are documented
- Payment of rent by the boarder directly to a third party is not acceptable
- The boarder will continue to reside with the borrower in the new residence
- The amount of rental income may not exceed 30% of the total qualifying income for the mortgage.
- The borrower must provide a written statement affirming (1) The source of rental income and (2) The fact that the person providing the rental income has resided with the borrower for the past year and intends to continue residing with the borrower in the new residence for the foreseeable future

**INCOME REQUIREMENTS/LIMITS**

- 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.
- For any loan with LPA results run by PRMG Underwriters after 5/1/19, LoanBeam must be used if the borrower is self-employed and eligible for Automated Income Assessment, using the LoanBeam Form 91 template and results must be linked to LPA findings (via Freddie Mac Additional Data.LeanBeam field). See [http://www.freddiemac.com/singlefamily/aim_self_employed.html](http://www.freddiemac.com/singlefamily/aim_self_employed.html) for more information.
- 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.
- Housing or Parsonage Allowance must be received for 12 months and be likely to continue for the next three years.
- Future (Projected) income is not acceptable for qualifying purposes
- For borrowers with rental income, if a lease agreement is required then the lease agreement must executed by the landlord and the tenant and all pages of the lease agreement must be included.
- For all subject 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 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
- 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.
- 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.
- If assets were used in any part of a Borrowers Qualifying Income (as allowed by Agency), Underwriter must add a “note” with the following text on the loan approval (not to FastTrac notes) to assist Post-Closing’s delivery process “Assets were used in any part of a Borrowers Qualifying Income”
- If the borrower is employed by a relative or a family business, the following documentation must be obtained:
  - Documentation as required by AUS
  - Borrower’s signed and completed personal federal income tax returns for the most recent two-year period.
  - A 4506-T must be included in the submission package requesting the most recent 2 years tax transcripts and will be processed for comparison between tax transcripts and income documentation. A 4506-T must be signed at application and at closing.
  - Note: Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current VOE or pay stub, further investigation is needed to determine whether income 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 2 years U.S. Federal Tax Returns along with the most recent YTD paystub(s) and two years W-2s, or Written Verification of Employment and most recent YTD paystub(s) covering 30 days of 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 U.S. dollars. The income must also be verified in the same manner as U.S. income sources. Cannot be self-employed income. Regardless of AUS findings, if foreign income is from business income the business tax returns cannot be waived.
- Income from gambling not allowed.
- 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...
<table>
<thead>
<tr>
<th>CREDIT</th>
<th>HOMEBUYER EDUCATION</th>
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<tbody>
<tr>
<td>averaged based on the most recent W-2 over 12 months. Stipends or</td>
<td>• When all the occupying Borrowers are First-Time Homebuyers on purchase transaction, at least one qualifying Borrower must participate in a homeownership education program before the Note Date.</td>
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<td>supplemental income must be documented as regular and continuous.</td>
<td>• Homeownership education must not be provided by an interested party to the</td>
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<td>Borrowers with a contract for their first year of employment who</td>
<td>transaction, the originating lender or by the seller.</td>
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<td>have started work but have not received a paystub must provide a</td>
<td>• Homeownership education programs may use different formats and require different</td>
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<td>copy of contract, written verification of employment, and verbal</td>
<td>lengths of time to complete. The following are acceptable:</td>
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<td>verification of employment. Borrowers with a contract for their</td>
<td>• Programs developed by HUD-approved counseling agencies, Housing Finance Agencies</td>
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<td>first year of employment with the school district must be on the job</td>
<td>(HFAs) or Community Development Financial Institutions (CDFIs)</td>
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<td>prior to closing. For teacher income paid over a less than 12-month</td>
<td>• Homeownership education programs developed by mortgage insurance companies or</td>
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<td>period and obtaining financing during the summer months when income</td>
<td>other providers' programs that meet the standards of the National Industry Standards</td>
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<td>is not being received, provide a final year-end paystub from the</td>
<td>for Homeownership Education and Counseling (<a href="http://www.homeownershipstandards.com">www.homeownershipstandards.com</a>)</td>
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<td>school, verbal verification of employment, and copy of the contract</td>
<td>• As an alternative to the programs listed above, Freddie Mac's free financial</td>
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<td>indicating that the borrower is paid over a the applicable number of</td>
<td>literacy curriculum, CreditSmart, meets the homeownership education requirements,</td>
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<td>month period. Qualify the borrower based on the income received on</td>
<td>provided:</td>
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<td>the final year-end paystub.</td>
<td>• The Borrower completes the on-line Credit Smart – Steps to Homeownership Tutorial,</td>
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<td>which includes Module 1 (Your Credit and Why It is Important), Module 2 (Managing</td>
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<td>Your Money), Module 7 (Thinking Like a Lender), Module 11 (Becoming a Homeowner),</td>
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<td></td>
<td>and Module 12 (Preserving Homeownership: Protecting Your Investment)</td>
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<td>• The financial literacy curriculum is not provided by an interested party to the</td>
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<td>transaction, the originating lender or by the Seller</td>
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<td>• A Homeownership Education Certification (sample available from FHLMC’s seller</td>
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<td>guide) or another document (such as the CreditSmart – Steps to Homeownership</td>
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<td>certificate of completion) containing comparable information must be retained in the</td>
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<td>Mortgage file.</td>
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<td>• Use underwriting guidelines as per AUS recommendation. Must also comply with</td>
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<td>requirements listed in Credit Reestablishment Periods for Agency Loans which</td>
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<td>provides information regarding derogatory credit seasoning, including bankruptcy,</td>
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<td>deed-in lieu of foreclosure, short sales, foreclosures and loan modifications.</td>
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<td>• Borrowers who are on title only to a property (not on the note) that has a major</td>
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<td>derogatory credit event (i.e. foreclosure) are not subject to seasoning on that</td>
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<td>event</td>
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<td>• The use of a U.S. address to obtain a credit report for a borrower who resides in</td>
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<td>another country is not permitted.</td>
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<td>• If the borrower’s credit report contains a FACTA credit alert, the completed</td>
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<td>Fraud Alert Confirmation form must be in the file (available via Resource Center).</td>
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<td>• All borrowers must have a minimum of 2 qualifying FICO scores.</td>
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<td></td>
<td>• Borrower must have sufficient credit experience, as determined by underwriter</td>
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<td>review, to ensure scores are reflective of borrower’s credit history</td>
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</table>
- 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.
- MERS search must be run on borrower
- Credit documentation must not be more than 120 days old from the note date
- 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.
- For disputed accounts with LPA approval: 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.
- 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.
- 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.
- 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.
- 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.
- See “Credit Reestablishment Periods for Agency Loans” for additional information (can be found in the Product Profiles in FastTrac.).
- PRMG does not allow use of extenuating circumstances in the credit decision for reduced seasoning or satisfactory credit requirements.

<table>
<thead>
<tr>
<th>LDP/GSA REQUIREMENT</th>
<th>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 <a href="https://www5.hud.gov/ecpcs/main/ECPCIS_List.jsp">https://www5.hud.gov/ecpcs/main/ECPCIS_List.jsp</a> and the General Services Administration’s (GSA) Excluded Party List at <a href="https://www.sam.gov/portal/public/SAM/">https://www.sam.gov/portal/public/SAM/</a></th>
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<tbody>
<tr>
<td></td>
<td>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.</td>
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<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

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<tr>
<th>RATIOS</th>
<th>The Maximum DTI is 50% with a LPA Accept.</th>
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<tr>
<td></td>
<td>Loans with DTI exceeding 50% regardless of AUS decision are ineligible.</td>
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<tr>
<th>QUALIFYING</th>
<th>Qualify at note rate.</th>
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<tbody>
<tr>
<td></td>
<td>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.</td>
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<td>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.</td>
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<td></td>
<td>Installment debt may be paid down to qualify, but overall use of credit and credit history must be closely evaluated.</td>
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<td></td>
<td>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.)</td>
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|                               | 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. In general, you cannot pay off the lease to qualify and the payment must be included in the ratios. However, an auto lease payment can be omitted from the ratios if it has been paid and closed and there is evidence of the borrower has another vehicle (evidence and documentation to show this must be in the loan file and if the borrower still has the vehicle in their possession the lease is not considered closed and the payment cannot be excluded).

- For loans using LPA approvals, alimony payments with more than 10 payments remaining must be deducted from the borrower’s gross monthly income instead of being treated as a debt. Child support must still be treated a debt when calculating the monthly DTI ratio.

- 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.

- 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 loan is a Corporate Relocation, Underwriter must add a “note” on the loan approval (not to FastTrac notes) to assist Post-Closing’s delivery process

- 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/debt paid by others 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/debt paid by others requirements.

**PAYMENT SHOCK**

- N/A

**LANDLORD EXPERIENCE/EDUCATION**

- Landlord education (2- to 4-unit Primary Residences)
  - **Purchase Transactions** — At least one qualifying Borrower must participate in a landlord education program before the Note Date. Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller.
  - A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.
  - **Refinance Transactions** — Landlord education is not required but is recommended for Borrowers who have not previously attended a program.
  - Landlord education through a mortgage insurance company is acceptable. [https://www.essent.us/training/education-homebuyers](https://www.essent.us/training/education-homebuyers)
  - [http://www.radian.biz/page?name=HomeownershipCounselingCenter](http://www.radian.biz/page?name=HomeownershipCounselingCenter)

**NEGATIVE CASH FLOW/POSITIVE CASH FLOW**

- 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 coverage is not required

- Follow standard FHLMC rental income requirements for non-subject properties with rental income.
- Follow Freddie Mac for rental income calculations, there are no overlays to Freddie Mac for calculation. The following link is provided by Freddie Mac as a reference for rental income: [http://www.freddiemac.com/learn/pdfs/uw/rental.pdf](http://www.freddiemac.com/learn/pdfs/uw/rental.pdf)

### CASH RESERVES
- O/O: Per LPA
- All reserves entered into LPA must be verified.
- Gifts are an allowable source of funds for reserves
- Cash-out proceeds from the subject refinance transaction as not eligible for reserves

### REQUIRED DOWN PAYMENT/ SOURCE OF FUNDS
- LTV/CLTV/HCLTV >80%, Primary Residence 1 units 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 or from other acceptable source of funds.
- LTV/CLTV/HCLTV >80%, Primary Residence 2-4 units: a minimum borrower contribution from the borrower’s own personal funds of 3% is required. Afforable Seconds and other acceptable sources of funds can be used after the minimum borrower contribution has been met.
- LTV/CLTV/HCLTV <=80% Primary Residence 1-4 units: 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 or from other acceptable source of funds.
- Access letter is not required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse)
- 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.
- 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 not allowed
- See below for cash on hand
- 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 assets/funds (either gift funds or the borrowers own funds) for closing, like all assets, they must be appropriately and completely documented.
- If the wire is for gift funds and does not show the donor’s name and account number then a statement/transaction history documenting the outgoing wire would be needed. The statement/transaction history would need to contain the account owner’s information.
- 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, not gift funds.

**CASH ON HAND**

- Cash on hand allowed for borrower contribution, down payment, closing costs and prepaids, and reserves, if the following requirements are met:
  - The underwriter reasonably concludes, and can support, that the Borrower is a cash-basis individual and that the cash on hand is not borrowed and could be saved by the borrower.
  - The mortgage file contains the following documents supporting the underwriter’s conclusion:
    - Freddie Mac’s Monthly Budget and Residual Analysis Form (available from FHLMC’s seller guide), or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number.
    - Copies of six months’ cash receipts (e.g., rent or utility receipts) or other alternative documentation (e.g., direct verifications or wire transfers) meeting the requirements of Section 5202.2(b) to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash.
    - A credit report, obtained at the time of loan application, meeting the requirements of Section 5203.1. The credit report must not show more than three Tradelines.
    - Copies of three months’ statements for any open revolving account that reveal cash advances are not the source of Borrower Funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency situation).
    - An updated credit report obtained approximately one week before closing that does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the Borrower.
    - The Mortgage file must have no indication that the Borrower typically uses checking, savings or similar accounts.
    - Evidence that funds for the down payment, Closing Costs, Financing Costs, Prepaids/Escrows and reserves are deposited in a financial institution or are held in an institutional escrow account prior to closing.

**1031 TAX DEFERRED EXCHANGE**

- Not allowed

**GIFT FUNDS**

- 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:
  - 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.
- 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 minimum down payment as required by the transaction. **If the LTV/CLTV/HCLTV is <= 80% then the entire down payment can come from a gift.** See Source of Funds section 100% gift option on LTV/CLTV/HCLTV >80%.
- Gifts of equity allowed, see Gifts of Equity section

### GIFTS OF EQUITY

- A gift of equity is permitted for purchase of a primary residence.
- 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 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.
- To be eligible as a source of funds for down payment, the following requirements must be met:
  - The gift of equity must be provided by an acceptable donor 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

- If using some sort of option that provides a lender or realtor credit at closing (i.e., Local Heroes Program or Homes for Heroes Program), a condition (like 3669 or 3721) must be added to the file indicating it is using the program/option, and reflect the
amount of the lender or realtor credit on the condition. The credit must also be reflected on CD Page 3 and be within any IPC limits.

- Contributions by an interested party may be used for closing costs, prepaid and other financing costs.
  - Primary Residence:
    - 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%.
    - 3% of the lesser of the sales price or appraised value for LTV/CLTV > 90%.
  - 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

- To determine if DPA is approved, send an email to DPArequests@prmg.net with the property state, DPA program name, DPA contact name and phone number or review the list posted with the product Profiles in the Resource Center. If it is determined the DPA is not already approved, the DPA can be submitted for approval using the DPA Submission form (found in the Resource Center). Required information must be submitted for approval and a determination regarding the DPA will be made regarding acceptability.
- Access the PRMG Eligible DPA list and a link to the synopsis that must be reviewed by the loan officer, processor and underwriter to ensure all requirements for the DPA are met at the following link:
- Additionally, for use with this product, the PRMG DPA approval must specifically indicate it is eligible for the Home Possible® product. If it does not indicate as such, it must be resubmitted to DPArequests@prmg.net for reconsideration and approval.
- The underwriter must verify the DPA used on the loan is the same program that is confirmed in the email/list and that it is eligible with the product and enter the information in FastTrac. Instructions for this can be found at the following link:
  [http://www.eprmg.net/DPA-Training.pdf](http://www.eprmg.net/DPA-Training.pdf)
- May be funded by a federal agency, municipality, state, county or local housing finance agency, non-profit organization, a regional Federal Home Loan Bank or an employer
- Must be Affordable Second and PRMG must approve subordinate financing programs and mortgage documents, and any subsequent changes in advance.
- Maximum 105% CLTV for 30-year fixed rate Home Possible
- May be used to fund all or part of the down payment or closing costs
- The more restrictive down payment requirement between the product and the second mortgage will apply.
- For all 1 unit properties and 2-4 units with <=80% LTV A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction can come from Affordable Seconds.
- For 2-4 units with >80% LTV, the borrower must make a 3% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, an Affordable Seconds and other acceptable sources of funds can be used to supplement the down payment and closing costs.
- Income limits imposed by the Affordable Seconds provider apply
- No reporting requirements permitted
- Additionally, the following are requirements of the program and if any evidence appears that it cannot be met, it will no longer be eligible.
  - The DPA, UCAP or HAP must meet the applicable Freddie Mac requirements
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<tr>
<th><strong>Guidelines Subject to Change</strong></th>
<th><strong>Home Possible Product Profile</strong></th>
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<td><strong>FINANCING</strong></td>
<td><strong>SUBORDINATE FINANCING</strong></td>
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| • The first Mortgage is not subject to any terms or conditions of a bond program; and
• The DPA, UCAP or HAP does not restrict the transfer of servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage’s servicing rights. | • Secondary financing must meet FHLMC secondary financing guidelines, with the following additional restrictions:
• Standard secondary financing, including HELOCs, for a Mortgage with a CLTV/HTLTV ratio of less than or equal to 97% (when the CLTV ratio is greater than 97%, the secondary financing must be an Affordable Second) |
| **MORTGAGE CREDIT CERTIFICATES (MCC)** | **MORTGAGE CREDIT CERTIFICATES (MCC)** |
| • Mortgage Credit Certificates (MCC) are payment subsidies issued by a government entity to qualifying homebuyers. It may be in the form of direct payments or tax rebates/credits.  
• The MCC cannot restrict the transfer of ownership or servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage’s servicing rights.  
• When qualifying the borrower and calculating the borrower’s debt-to-income ratio, treat the maximum possible MCC income as an addition to the borrower’s income, rather than as a reduction to the amount of the borrower’s mortgage payment. Use the following calculation when determining the available income: \[
\frac{\text{[(Mortgage Amount) x (Note Rate) x (MCC %)]}}{12} = \text{Amount added to borrower’s monthly income.}
\]
• If the borrower obtaining the MCC needs the monthly subsidy to qualify, then the loan file must contain all of the following:
  • Copy of the Mortgage Credit Certificate (A Commitment in lieu of the Certificate will not satisfy this requirement), Copy of the W-4 and worksheet (must include calculations and adjustments to income), MCC Worksheet
  • PRMG is responsible for compliance with all requirements of the issuing authority and must verify PRMG is approved to participate as a lender in the program.
  • On wholesale transactions, broker to verify that PRMG is approved with the issuing MCC and that no specific training is required by the lender. Additionally, broker must provide evidence (i.e., email from authority or excerpt from MCC guidelines) that the MCC authority will allow wholesale originations. If PRMG needs to be approved (provided additional training is not required), broker can provide information to Account Executive who can request the application be submitted to the MCC by PRMG for approval. Broker is responsible for obtaining any paperwork, etc. from the MCC. On retail transactions, Loan Officer to verify that PRMG is approved with the issuing MCC and if specific training is required by the lender, the Loan Officer must complete the training. If any training is required by other staff (besides the loan officer) it must be approved by management. If PRMG needs to be approved by issuing MCC, Loan Officer can request application be submitted by PRMG for approval. Loan Officer is responsible for obtaining any paperwork, etc. from the MCC.
  • If an MCC is used, “MCC” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval
  • Must complete the MCC screen in FastTrac and review the below document.
  • Additional information about Mortgage Credit Certificates can be found here: [http://www.eprmg.net/MortgageCreditCertificates.pdf](http://www.eprmg.net/MortgageCreditCertificates.pdf) |
• 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.
• 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.
• For loans combined with a down payment assistance program (i.e. city seconds, etc) the income is limited to the more restrictive of the DPA requirements or the Home Possible product.
• All additional guidelines required by the specific second mortgage/down payment assistance program must be met.
• Seller carrybacks are not allowed
• 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 subordinated 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 | • See below  
• For loans with Fixed/Closed End subordinated financing, CLTV/HCLTV must be calculated using the current unpaid principal balance (UPB)  
• Loans with HELOC subordinated financing not allowed |
| PURCHASE | • Use lesser of current appraised value or acquisition cost. |
| LIMITED CASH-OUT | • Use current appraised value. |
| MAXIMUM CASH PROCEEDS | • N/A |
| PURCHASE | • 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. Bail outs not allowed.  
• 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 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 | • 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: |
• 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;
• 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.

LIMITED CASH-OUT CAN BE DEFINED AS FOLLOWS:
• Pay off the outstanding principal balance of existing first loan, plus any required per diem interest
• Pay off of the outstanding principal balance of any existing subordinate liens that were used in whole to acquire the subject property.
• Closing costs and prepaids
• Prepayment penalties associated with the existing mortgage
• On limited cash out (rate/term) refinances cash back up to the greater of 1% of the Mortgage amount or $2,000 is permitted.
• The subject loan is considered a cash-out refinance if the previous first mortgage transaction combined a first and non-purchase money subordinate lien into a new first or if the subsequent refinance of that loan occurred within the past 6 months. Provide Closing Disclosure or HUD-1 Settlement Statement(s) from any prior transaction.
• 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.
• If refinancing a loan that was a refinance of a 1st lien and non-purchase money second lien, the loan must be seasoned for a minimum of 6 months (disbursement date of existing loan to disbursement date of new loan) old. Otherwise, the loan must be considered a Cash Out refinance. There is no specific loan seasoning requirement for a cash out 1st lien being refinanced to a rate and term refinance.
• Buyout of a spouse/co-owner is considered a cash out transaction, and not eligible
• Delinquent real estate taxes may not be included in the loan amount.
• Owner occupied properties located in Texas: A copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50(a)(6) (also known as Home Equity Deed of Trust, Home Equity Installment Contract or Residential Home Loan Deed of Trust)
• If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is restricted to the Texas Home Equity product
• If the first mortgage is not a Texas Section 50(a)(6) loan and the second mortgage is a Texas Section 50(a)(6) loan, the second lien may be subordinated and is considered a
rate and term refinance. The second lien must be subordinate to the first mortgage. Borrower cannot receive any cash back from the first mortgage 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.

### SUBORDINATION OF EXISTING SECONDARY FINANCING:

- 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”**

### DELAYED FINANCING

- Not Allowed

### SEASONING REQUIREMENTS

- See below

### RECENTLY DELISTED PROPERTIES

- The property must have been removed from the MLS at least 1 day prior to the application date for Rate & Term refinances.
- Full Appraisal is required for recently listed properties
- Evidence of listing cancellation is required.
- Borrower must provide written confirmation of the intent to occupy

### TITLE SEASONING/LOAN SEASONING

- For Rate and Term refinances, title must be held in the name of at least one borrower prior to disbursement/closing of new loan
- There must be an acceptable Continuity of Obligation (Freddie Mac calls it “general requirements for all refinance mortgages”). When an existing mortgage will be satisfied as a result of a refinance transaction, there must be an acceptable Continuity of Obligation. An acceptable Continuity of Obligation exists with any of the following situations:
  - 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.)

### ANTI-FLIPPING POLICY

- Guidance for underwriting flips can be found here:
  - [http://www.eprmg.net/ConfFlips.pdf](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.

- 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.
- 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-arms-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.

**CURRENT PROPERTIES PENDING SALE OR**

- 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
<table>
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<tr>
<th>PRIMARY RESIDENCES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES</th>
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<tr>
<td>the new mortgage transaction. If the mortgaged property owned by the borrower is</td>
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<td>• an existing second home or a current principal residence converting to a second</td>
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<td>home, the PITIA of the second home must also be counted as part of the</td>
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<td>borrower’s recurring monthly debt obligations; or</td>
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<td>• the borrower’s current principal residence that is pending sale but will not close</td>
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<td>(with title transfer to the new owner) prior to the subject transaction, the lender</td>
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<td>must comply with the below.</td>
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<tr>
<td>• If the Borrower's current Primary Residence is being converted to a rental property,</td>
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<td>rental income can only offset the full monthly payment (the principal, interest, taxes</td>
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<td>and insurance (PIITI) and when applicable, mortgage insurance premiums, leasehold</td>
</tr>
<tr>
<td>payments, homeowners association dues (excluding unit utility charges) and</td>
</tr>
<tr>
<td>payments on secondary financing) of that Primary Residence. If the rental income</td>
</tr>
<tr>
<td>exceeds the full monthly payment of the converted Primary Residence, as applicable,</td>
</tr>
<tr>
<td>the excess rental income cannot be added to the Borrower's gross monthly income to</td>
</tr>
<tr>
<td>qualify unless the file documentation demonstrates the Borrower has a minimum of</td>
</tr>
<tr>
<td>one-year investment property management experience.</td>
</tr>
<tr>
<td>• If the borrower's current principal residence is pending sale, but the transaction will</td>
</tr>
<tr>
<td>not close with title transfer to the new owner prior to the subject transaction, and</td>
</tr>
<tr>
<td>the borrower is purchasing a new principal residence, the current PITIA and the</td>
</tr>
<tr>
<td>proposed PITIA must be used in qualifying the borrower for the new mortgage loan.</td>
</tr>
<tr>
<td>However, the current principal residence's PITIA does not have to be used in</td>
</tr>
<tr>
<td>qualifying the borrower as long as the following documentation is provided:</td>
</tr>
<tr>
<td>• the executed sales contract for the current residence, and</td>
</tr>
<tr>
<td>• confirmation that any financing contingencies have been cleared.</td>
</tr>
<tr>
<td>• See Rental Income section for additional requirements when using rental income</td>
</tr>
<tr>
<td>from the converted property to qualify.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APPRAISAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Additional appraisal requirements can be found in the PRMG Appraisal Guidelines</td>
</tr>
<tr>
<td>which is available in the Resource Center or at the following link</td>
</tr>
<tr>
<td>• Transferred or Ported appraisals are allowed but must meet all requirements as</td>
</tr>
<tr>
<td>described in PRMG’s Transfer Policy, which is posted in the Appraisal section of the</td>
</tr>
<tr>
<td>Resource Center or at the following link:</td>
</tr>
<tr>
<td>• Additionally, if using a Transferred or Ported appraisal, “Transferred Appraisal” must</td>
</tr>
<tr>
<td>be entered in the Loan Program Comments section of Investor Overlay Screen in</td>
</tr>
<tr>
<td>FT360 and Secondary must be notified of the transferred appraisal if the loan is</td>
</tr>
<tr>
<td>locked prior to approval.</td>
</tr>
<tr>
<td>• If the transferred appraisal does not meet the requirements as outlined in the</td>
</tr>
<tr>
<td>PRMG’s Appraisal Guidelines document, the appraisal must be ordered identifying</td>
</tr>
<tr>
<td>PRMG as the client/lender on the appraisal report.</td>
</tr>
<tr>
<td>• Residential appraisal reports must be dated no more than 12 months prior to the</td>
</tr>
<tr>
<td>note date. An Appraisal Update is required on all appraisals dated more than 120</td>
</tr>
<tr>
<td>days prior to the note date.</td>
</tr>
<tr>
<td>• The Update Appraisal Form (1004D) must be used. If the value of the property is less</td>
</tr>
<tr>
<td>than the original appraised value then a new appraisal will need to be ordered. If the</td>
</tr>
<tr>
<td>value of the property has not declined, then the loan may process without requiring</td>
</tr>
<tr>
<td>any additional fieldwork. The appraisal update must occur within the four months</td>
</tr>
<tr>
<td>that precede the date of the note and mortgage. The original appraiser should</td>
</tr>
<tr>
<td>complete the appraisal update; however, lenders may use substitute appraisers.</td>
</tr>
<tr>
<td>When updates are completed by substitute appraisers, the substitute appraiser must</td>
</tr>
</tbody>
</table>

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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.
- 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.
- 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 improvements, the appraiser must analyze and explain.
- Traditional appraisal report completed by a state-licensed or state-certified appraiser required.
- Freddie Mac’s Automated Collateral Evaluation (ACE) is allowed when offered by LPA (see section below)
- 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
- Freddie Mac’s Automated Collateral Evaluation (ACE) is not allowed.
- PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion.
- Follow agency requirements in regards to addressing appraisal deficiencies.
- 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%. For properties where a rebuild letter is not required and the appraiser indicates that it cannot be rebuilt to 100% the property is not eligible.

<table>
<thead>
<tr>
<th>REVIEW/SECOND APPRAISAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review appraisals must be completed by a PRMG approved Appraisal Company.</td>
</tr>
<tr>
<td>AUS warnings/warning 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</td>
</tr>
<tr>
<td>AUS warnings for rapid appreciation or rapid appreciation with valuation risk do not require a desk review</td>
</tr>
<tr>
<td>If Freddie Mac’s SSR Appraisal Quality Risk returns a score of 5 the loan must have, at minimum, a desk review performed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FREDDIE MAC’S LOAN COLLATERAL ADVISOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once it becomes available in LCA, the following will apply:</td>
</tr>
<tr>
<td>For all loans using LPA where Loan Collateral Advisor (LCA) results are returned:</td>
</tr>
<tr>
<td>• LCA Findings must be imaged into system</td>
</tr>
<tr>
<td>• Underwriter must review findings and address any concerns or issues</td>
</tr>
<tr>
<td>• LCA should be used when underwriting the appraisal to take advantage of the analysis tools</td>
</tr>
<tr>
<td>• Appraisal with a score of 4 or 5 requires underwriter to access the LCA system, perform a thorough analysis using the tools within LCA and ensure</td>
</tr>
</tbody>
</table>
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.
  - Freddie Mac's LCA site can be accessed at the following link: [https://las.freddiemac.com/](https://las.freddiemac.com/)

### Once loans are available in LCA:

- 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)

- 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
- For condos properties with an appraisal waiver, additional documentation must be provided to ensure the project is warrantable. For properties eligible for a limited review, this will generally require, at minimum, the FNMA/FHLMC Short Form Condo Questionnaire to be completed (which is available on the Resource Center). For properties requiring a full review, a full HOA condo questionnaire as well as additional supporting documentation is needed (see full lender condo review section).

### Eligible Transactions:

- 1-unit Primary Residence or second home
- Loan-to-Value (LTV) ratio/total LTV (CLTV) ratio less than or equal to 80%
- Purchase transaction or a no cash-out refinance

### Ineligible Transactions (Requires a full appraisal):

- Loan for which an appraisal has already been obtained.
- Manufactured home, or leasehold estate
- Properties with resale restrictions, including age and income-based restrictions,
- 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:
  - 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**
- Purchase agreements renegotiated after the completion of the appraisal that increase the sales price are only acceptable under the following circumstances:
  - 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**
- No additional restrictions

**NON-ARMS LENGTH TRANSACTIONS/IDENTITY OF INTEREST**
- A non-arm’s length transaction occurs when a personal or business relationship exists between the borrowers and the builder or seller. For example:
  - 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
  - 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 own property; Realtor/broker acting as listing/selling agent as well the mortgage broker
  - Property flips are not allowed
  - Non-arm’s length transactions with family members (or acceptable gift donors) are generally acceptable if the following requirements are met:
    - The family member is the borrower’s spouse, child, parent, or any other
| INELIGIBLE INTERESTED PARTIES TRANSACTIONS | 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.  
|Flip Transactions. |
| BORROWERS EMPLOYED BY PARTY TO TRANSACTION OR IS A PART OF THE TRANSACTION | 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 | 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. |
**MORTGAGE INSURANCE**

- Loans with LTVs above 80% require mortgage insurance.
- For 3-4 units >80% LTV, must use Genworth.
  - Minimum 720 credit score
  - No lender paid MI for 3-4 units
- Delegated MI approval is allowed, certain restrictions 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.
- For all borrower paid mortgage insurance: Acceptable mortgage insurers are Radian, Essent, Arch MI, National MI (NMI), and Genworth except for specific scenarios below.
  - Genworth: [https://new.mortgageinsurance.genworth.com/rate-express?orgId=8VMJ](https://new.mortgageinsurance.genworth.com/rate-express?orgId=8VMJ)
  - Radian: [http://www.radian.biz](http://www.radian.biz)
  - Essent: [www.essent.us](http://www.essent.us)
  - National MI (NMI): [https://www.nationalmi.com/](https://www.nationalmi.com/)
  - Arch MI: [https://mi.archcapgroup.com/](https://mi.archcapgroup.com/)
- If LTV > 95% with Borrower Paid MI and using Radian MI, borrower will be provided with Job Loss Protection at no additional cost
  - Job Loss Protection offered for borrowers in a single family home where at least one borrower is not self-employed
  - Borrowers must acknowledge the program by “opting in”. They will receive a letter after funding and will have 60 days to register for their free job loss protection
  - Up to six months of mortgage payments, not required to be consecutive
  - A monthly payment benefit of up to $1,500
  - Total benefit of $9,000 during the coverage period
  - Coverage period of 2 years from the loan closing date
- 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.
- 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
Home Possible Product Profile
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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)
- Level coverage required (declining coverage not allowed)
- Financed, custom and reduced MI is not allowed.
- 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.

- Lender Paid MI (Single Premium) allowed with following:
  - Must use following program codes:
    - Home Possible No MI (Lender Paid) 30 Year Fixed
    - Only Essent allowed for Lender Paid MI
- Discounted coverage requiring additional premium per AUS is not eligible
- 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.

<table>
<thead>
<tr>
<th>LTV</th>
<th>30 Year Fixed</th>
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<tbody>
<tr>
<td>95.01% - 97.0%</td>
<td>25%</td>
</tr>
<tr>
<td>90.01% - 95.0%</td>
<td>25%</td>
</tr>
<tr>
<td>85.01% - 90.0%</td>
<td>25%</td>
</tr>
<tr>
<td>80.01% - 85.0%</td>
<td>12%</td>
</tr>
</tbody>
</table>

- Automatic Cancellation Requirements for Borrower Paid MI:
  - LPA Loans 1 Unit OO: 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: 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
  - 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 following guidelines options:
    - Radian: One Underwrite
    - Essent: Clear2Close
    - Genworth: Simply Underwrite
    - National MI: True Guide
      [https://www.nationalmi.com/guidelines-summary/](https://www.nationalmi.com/guidelines-summary/)
    - Arch MI: Underwriting Manual
  
- LPA Loans 2-4 Unit OO: Not eligible for automatic cancellation
### PROPERTY INSURANCE

- See PRMG’s Resource Center for PRMG Insurance Requirements and Additional Information
- For refines 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:
  - 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.)

### TITLE INSURANCE REQUIREMENTS FOR CONDOS/PUDS

- The Title Insurance policy for Condo and Planned Unit Developments (PUDs) must include coverage that provides protection by:
  - 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 policy;
  - 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;

[https://mi.archcapgroup.com/Guidelines](https://mi.archcapgroup.com/Guidelines)
- 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.

<table>
<thead>
<tr>
<th>REPAIR ESCROWS/ ESCROW HOLDBACKS</th>
<th>Not allowed</th>
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<tbody>
<tr>
<td>TEMPORARY BUYDOWNS</td>
<td>Not allowed</td>
</tr>
<tr>
<td>INTEREST ONLY</td>
<td>Not allowed</td>
</tr>
<tr>
<td>PRE-PAYMENT PENALTY</td>
<td>N/A</td>
</tr>
<tr>
<td>SECOND LIEN BALLOON</td>
<td>N/A</td>
</tr>
<tr>
<td>MULTIPLE LOANS</td>
<td>The number of financed properties is limited to two (2), including subject property.</td>
</tr>
<tr>
<td>OWNERSHIP OF OTHER PROPERTY</td>
<td>Allowed</td>
</tr>
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**RESIDUAL INCOME EVALUATION**
- All loans meeting RebuttablePresumption 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:
  - 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):
    - Principal Residence:
      - 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

**HIGHER PRICED MORTGAGE LOAN (HPML)**
- Allowed within the parameters of Section 35 of CFPB Regulation Z
- Must comply with all limitations and requirements of HPML loans as described in PRMG’s Compliance Policy regarding HPML-Section 35 loans
- Not allowed on 5/1 ARMs
- HPML loans must have an escrow account, regardless of LTV
- Property inspection waiver not allowed, full appraisal required
- If loan is a HPML, “HPML” must be entered in Secondary Loan Notes section of FastTrac. This should occur each time the HPML test is run and should be updated if
| **SECTION 32 / HIGH COST LOAN** | • 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; and  
• Loan is not a high cost loan as defined by applicable state laws and/or regulations. |
| **REAL ESTATE COMMISSIONS** | • The maximum real estate commission allowed is 8%. |
| **SERVICING OPTIONS** | • N/A |
| **ESCROW ACCOUNT** | • HPML loans must have an escrow account, regardless of LTV  
• CA: Escrows are required for LTVs ≥ 90%  
• NM: Escrows are required for LTVs ≥ 80% for Owner Occupied and LTVs >80% for Second Homes or Non-Owner Occupied  
• Other States: Escrows are required for LTVs > 80%  
• 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** | • Loans must be underwritten by Level 4 underwriters  
• All loans must receive an “Accept” from LPA. |
| **ASSUMABILITY** | • Not Assumable |
| **INDEX** | • N/A |
| **MARGIN** | • N/A |
| **INTEREST RATE CAPS** | • N/A |
| **INTEREST RATE CHANGES** | • N/A |
| **MINIMUM FLOOR** | • N/A |
| **ARM DOCUMENTS** | • N/A |
Texas Addendum

The following guidelines refer to loans in Texas only. If a topic is not addressed in this addendum, the standard Agency guidelines above should be followed. Also, please note that no underwriting exceptions are allowed on properties located in Texas.

<table>
<thead>
<tr>
<th>PURCHASE</th>
<th>RATE/TERM REFINANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Allowed</td>
<td>• Proceeds from a rate/term refinance may only pay off the following:</td>
</tr>
<tr>
<td>• Purchase transactions that include subordinate financing subject to</td>
<td>• 1st liens that are not considered Section (a)(6) and second liens used entirely</td>
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<tr>
<td>Section 50(a)(6) provisions are limited to a maximum LTV/CLTV of the</td>
<td>for the purchase of the property.</td>
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<td>lesser of 80% or the maximum allowed by product or loan amount.</td>
<td>• When a prepayment penalty fee is assessed on an existing NON Section 50 (a) (6)</td>
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<td></td>
<td>loan and is included in the payoff amount, the new loan can be considered a</td>
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<td>rate/term refinance if the title company agrees and issues a new title policy for</td>
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<td></td>
<td>the full loan amount (including prepayment penalty fees)</td>
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<td></td>
<td>• HOA dues may be paid off if the title company requires them to be paid. If the</td>
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<tr>
<td></td>
<td>title company does not require them to be paid, the borrower must pay the dues</td>
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<td></td>
<td>outside of closing, and they must NOT be included in the loan amount.</td>
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<td></td>
<td>• Proceeds from a rate/term refinance may NOT pay off the following:</td>
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<td></td>
<td>• Any loan that is considered a Section (a) (6) loan unless the below requirements</td>
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<tr>
<td></td>
<td>are met that make it a Section (f)(2) transaction. Section (f)2 transactions are</td>
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<td></td>
<td>eligible with application dates on or after 1/1/18.</td>
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<td></td>
<td>• Any loan that the borrower received cash back on</td>
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<td></td>
<td>• Federal tax debt liens</td>
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<td>• Liens for delinquent property taxes on the property securing the new loan</td>
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<td></td>
<td>• Any previous Section 50(a)(6) must be processed as a Section 50(a)(6) unless the</td>
</tr>
<tr>
<td></td>
<td>following requirements are met to make it a Section 50(f)(2) transaction:</td>
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<td></td>
<td>• Application dated on or after 1/1/18</td>
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<td></td>
<td>• The refinance will be closed no less than one year from the closing of the</td>
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<td>previously funded home equity loan;</td>
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<td></td>
<td>• The loan proceeds do not exceed any existing liens on the property being</td>
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<td>refinanced plus any costs associated to the refinance (i.e. no cash back to the</td>
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<tr>
<td></td>
<td>borrower);</td>
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<td></td>
<td>• The loan proceeds cannot be used to pay off other debts;</td>
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<td></td>
<td>• The refinanced loan cannot exceed 80% loan to value;</td>
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<td></td>
<td>• The lender must provide the borrower with a notice about their rights</td>
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<td>associated with a home equity or non-home equity loan 12 more days prior to</td>
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<td></td>
<td>closing.</td>
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<td>• Note: for HELOC loans where the borrower has taken his/her last advance in</td>
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<td>under a year, in calculating the seasoning requirements, PRMG will look to the</td>
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<td>original advance of credit/HELOC Agreement Date</td>
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<td>• Rate/term refinances may NOT receive any cash back to the borrower, even incidental</td>
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<td></td>
<td>cash. Limited cash out refinances that allow the borrower to receive cash back are</td>
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<td></td>
<td>NOT eligible under the Texas rate/term refinance program.</td>
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<td>• Incidental cash back to the borrower at Closing is not allowed, including incidental</td>
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<td>cash back as result of POC fees being refunded to borrower. Additionally, incidental</td>
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<td>cash back must either be handled by reducing/curtailing principal or reducing the</td>
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<td>loan amount and having the documents re-drawn.</td>
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<td>• For owner occupied primary residence Texas loans, if the property was ever</td>
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<td></td>
<td>refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance</td>
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<td>is considered a Section 50(a)(6) loan and is not allowed.</td>
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</tbody>
</table>
• Total financed Closing costs are limited to those costs that are reasonable and actually required to close the transaction. Prepaids/escrows can’t be financed into the new loan when grossed up in loan payoff. The documents should be redrawn reflecting the new loan amount. POC fees can’t be financed into the loan amount. Special title insurance coverage must be obtained when impounds for prepaid expenses* are included in the new loan amount. Note that prepaids can only be included in the new loan amount if netted from the payoff of the existing loan. The following must be included as a Schedule B Exception: Possible defect in lien of the insured mortgage because of the Insured’s inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage. * Prepaid expenses are defined as real estate taxes (includes non-delinquent taxes which are due and payable, as well as reserves), hazard insurance premiums, and monthly MI premiums covering any period after the settlement date.

• The following P-39 Express Insurance Coverage endorsement is recommend: Company insures the Insured against loss, if any, sustained by the Insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right, claim or interest. Company agrees to provide the defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to divest the Insured of its interests as Insured because of this right, claim or interest.

• Certain restrictions apply to Rate/Term refinance transactions that include subordinate liens. These restrictions include: (1) Only one loan subject to Section 50(a)(6) provisions may be secured by the subject property at any given time, regardless of lien position. (2) When the subordinate lien is subject to Section 50(a)(6) provisions, the maximum LTV/CLTV/CLTV is the lesser of 80% or the maximum allowed by product or loan amount. Subordinate liens used entirely to purchase the subject property may be eligible for payoff as a rate/term refinance, subject to the following requirements: (1) The HUD-1 Settlement Statement or Closing Disclosure from the transaction must be provided evidencing all funds were used to purchase the subject property. (2) The commitment for title insurance may not reflect that the loan was originated as a home equity/cash-out Section 50(a)(6) loan. (3) The financing may be paid off, paid down or re-subordinated with the refinance. (4) The borrower may not have received any cash back from the subordinate financing. If the borrower received cash back and the loan is being paid off or paid down, the lien is subject to Section 50(a)(6) provisions and considered a home equity/cash-out transaction, and therefore, ineligible.

• Refinance transactions documentation must be provided (commitment for title insurance, mortgage/deed of trust and/or HUD-1 or Closing Disclosure) in each loan package to verify that a home equity/cash-out loan under Section 50(a)(6) has not previously been originated against the subject property. If the purpose of the loan is not clearly identified on the commitment for title insurance, it will be necessary to provide previous mortgage/deed of trust, Closing Disclosure, or HUD-1 for each transaction originated on or after 1/1/98 to verify the purpose of the existing Loan.

**CASH OUT REFINANCE**
- Not allowed

**ELIGIBLE COSTS**
- A rate/term refinance of a primary residence may include only the following costs:
  - Pay off of the old loan plus points
  - Pre-paid items, such as escrow funds and interest (See Additional Documentation section below)
  - Taxes due
- The closing costs, whose total may not exceed 5% of the loan amount, must be deemed “necessary and reasonable”. Closing costs that may be included are noted below:
  - Loan Origination
  - Tax Service
- Recording
- Escrow Waiver
- Processing
- Appraisal
- Credit Report
- Final Inspection
- Underwriting
- Application
- Survey
- Title Insurance Premiums (Lender Policy)
- Commitment
- Express Mail
- Flood Certification
- Closing

### ADDITIONAL DOCUMENTATION

- All rate/term refinances require a completed Texas Refinance Worksheet (See Exhibit A)
- All rate/term refinances require a completed Borrower Acknowledgement Form (See Exhibit B) when the borrower is receiving a refund check at closing.
- If impounds for prepaid expenses are included in the new loan amount, special title insurance coverage must be obtained as a Schedule B Exception.
- For rate/term refinances, a copy of the commitment for title insurance, mortgage/deed of trust, Closing Disclosure, or HUD-1 is required in order to verify that a Section 50 (a) (6) loan has not previously been originated against the subject property.
Exhibit A

**TEXAS REFINANCE**

**Worksheet**

1. Is the loan being refinanced a “low-rate home loan*?”  Y/N
   - If yes, continue.
   - If no, stop. This worksheet is not required.

2. Did a government or non-profit lender make the “low-rate home loan?”  Y/N
   - If yes, continue.
   - If no, stop. This worksheet is not required.

3. When was the “low-rate home loan” closed? ___________ (Anniversary Date)
   - If the anniversary date is less than seven years, continue.
   - If the anniversary date is equal to or greater than seven years, stop. This worksheet is not required.

4. What was the initial interest rate on the “low-rate home loan?”  __________ %
   A. In the case of a loan with a discounted introductory rate, what was the initial fully indexed rate? __________ %
   B. Is the interest rate on the new loan less than the rate referenced in 4A?  Y/N
      - If yes, continue.
      - If no, this loan is not eligible.

5. A. What were the total points and fees paid by the borrower on the “low-rate home loan?”  $ ___________
   B. Are the points and fees being paid by the borrower on the new loan less than the points and fees referenced in 5A?  Y/N
      - If yes, this loan is eligible.
      - If no, the loan is not eligible.

*A “low-rate home loan” is a loan with an initial rate that is two percentage points or more below the yield on treasury securities with maturities comparable to the loan term. If the loan had a discounted introductory rate, then the fully indexed rate should be used to determine whether the loan is a “low-rate home loan”.*
TEXAS REFINANCE
Borrower Acknowledgement

Borrower's Name: ____________________________  Loan #: ____________________________

BORROWER ACKNOWLEDGEMENT

The undersigned acknowledge(s) that any refund check received as part of today’s real estate settlement is a partial or full reimbursement of funds paid to the lender prior to or at the closing of the loan and does not constitute proceeds of the loan from lender.

________________________________________  ____________
Borrower  Date

________________________________________  ____________
Borrower  Date