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Program Description

Home Possible™ is designed for credit worthy, low-to-moderate income borrower with expanded eligibility for financing homes in designated low-income, minority and disaster impacted communities. Specific guidelines for the Home Possible™ are referenced below. If the parameter you are looking for is not mentioned, refer back to the FHLMC Sellers Guide for additional information.

Eligible Programs 4501.3	Fixed Rate Adjustable Rate Mortgage
Amortization Type	Fully amortizing
Maximum Loan Amount 4501.3 4501.8	Conforming High Balance
Loan Terms	15 and 30 year
Adjustable Rate Terms 4501.3	<p> Term: 5/6, 7/6, and 10/6 Index: SOFR Caps: 5/6 = 2/1/5 7/6 and 10/6 = 5/1/5 Margin: 2.75% Floor: 2.75% </p> <p> Property eligibility: 1-4 unit property: 5/6, 7/6, or 10/6 Manufactured homes: 7/6 or 10/6 only </p>
Loan Purpose 4501.4	Purchase Rate and Term Refinance
Occupancy 4501.7	At least one Borrower must occupy the property as their primary residence. Non-occupying Borrowers are permitted subject to: <ul style="list-style-type: none"> • 1-unit property • Maximum LTV 95%

	<ul style="list-style-type: none"> • Maximum CLTV 105% • Funds used to qualify may come from the occupying and/or non-occupying Borrower. 																																										
<p>LTV / CLTV 4501.10</p>	<p>Loan Prospect Advisor (LPA) approval only.</p> <table border="1" data-bbox="435 430 1401 884"> <thead> <tr> <th colspan="5">Fixed Rate</th> </tr> <tr> <th>Occupancy</th> <th>Transaction Type</th> <th>Property Type</th> <th>Maximum Conforming LTV/CLTV²</th> <th>Maximum Super Conforming and all ARM's LTV/CLTV</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Primary Residence</td> <td rowspan="3">Purchase and Rate and Term Refinance</td> <td>1 Unit</td> <td>97%/105%¹</td> <td>95%</td> </tr> <tr> <td>2 Units</td> <td>95%</td> <td>85%</td> </tr> <tr> <td>3-4 Units</td> <td>95%</td> <td>80%</td> </tr> </tbody> </table> <p>¹ A CLTV ratio exceeding 97% and up to 105% is permitted when secondary financing is an affordable second. ² A CLTV ratio exceeding 95% and up to 105% is permitted when secondary financing is an affordable second.</p> <table border="1" data-bbox="435 1062 1401 1516"> <thead> <tr> <th colspan="5">Adjustable Rate (SOFR)</th> </tr> <tr> <th>Occupancy</th> <th>Transaction Type</th> <th>Property Type</th> <th>Maximum Conforming LTV/CLTV²</th> <th>Maximum Super Conforming and all ARM's LTV/CLTV</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Primary Residence</td> <td rowspan="3">Purchase and Rate and Term Refinance</td> <td>1 Unit</td> <td>95%/105%¹</td> <td>95%</td> </tr> <tr> <td>2 Units</td> <td>95%</td> <td>85%</td> </tr> <tr> <td>3-4 Units</td> <td>75%</td> <td>75%</td> </tr> </tbody> </table> <p>¹ A CLTV ratio exceeding 95% and up to 105% is permitted when secondary financing is an affordable second.</p>	Fixed Rate					Occupancy	Transaction Type	Property Type	Maximum Conforming LTV/CLTV²	Maximum Super Conforming and all ARM's LTV/CLTV	Primary Residence	Purchase and Rate and Term Refinance	1 Unit	97%/105% ¹	95%	2 Units	95%	85%	3-4 Units	95%	80%	Adjustable Rate (SOFR)					Occupancy	Transaction Type	Property Type	Maximum Conforming LTV/CLTV²	Maximum Super Conforming and all ARM's LTV/CLTV	Primary Residence	Purchase and Rate and Term Refinance	1 Unit	95%/105% ¹	95%	2 Units	95%	85%	3-4 Units	75%	75%
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<p>Borrower Eligibility</p>	<p>Eligible</p> <ul style="list-style-type: none"> • U. S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens • Non-occupying borrowers – see Occupancy section above for requirements. <p>The Borrower’s income converted to an annual basis must not exceed 80% of the area median income (AMI) or the percentages (income multipliers) in the designated high-cost areas (See section 4501.7 of FHLMC Sellers Guide).</p> <p>To determine whether the Borrower's income exceeds the income limits, the file maybe ran through LPA for determination.</p>												
<p>Credit Score 4501.8</p>	<p>Per LPA findings Non-Traditional credit is not eligible.</p>												
<p>Credit History</p>	<p>Per LPA findings. Significant delinquent credit as follows:</p> <table border="1" data-bbox="435 898 1429 1896"> <thead> <tr> <th data-bbox="435 898 714 968">Derogatory Event</th> <th data-bbox="714 898 1429 968">Waiting Period Requirements</th> </tr> </thead> <tbody> <tr> <td data-bbox="435 968 714 1360">Bankruptcy – Ch. 7 or 11</td> <td data-bbox="714 968 1429 1360"> 4 years from discharge or dismissal date Whenever a Borrower has had a bankruptcy within the last seven years, the Mortgage file must also contain: <ul style="list-style-type: none"> ○ Copies of the bankruptcy petition, schedule of debt and discharge or dismissal ○ Evidence to indicate that all debts not satisfied by the bankruptcy have been paid or are being paid ○ Any other evidence necessary to support the Seller determination that the Borrower has reestablished and maintained an acceptable credit reputation </td> </tr> <tr> <td data-bbox="435 1360 714 1430">Bankruptcy – Ch. 13</td> <td data-bbox="714 1360 1429 1430"> 2 years from discharge date 4 years from dismissal date </td> </tr> <tr> <td data-bbox="435 1430 714 1499">Multiple Bankruptcy Filings</td> <td data-bbox="714 1430 1429 1499">5 years from the most recent discharge or dismissal date</td> </tr> <tr> <td data-bbox="435 1499 714 1541">Foreclosure</td> <td data-bbox="714 1499 1429 1541">7 years</td> </tr> <tr> <td data-bbox="435 1541 714 1896">Deed-in-Lieu of Foreclosure, Pre-foreclosure Sale and Short Sale</td> <td data-bbox="714 1541 1429 1896"> 4 years Whenever a Borrower has had a previous deed-in-lieu of foreclosure or a short sale within the last seven years, the Mortgage must either be: <ul style="list-style-type: none"> ◦A purchase transaction Mortgage secured by a Primary Residence with a maximum LTV/TLTV/HTLTV ratio of the lesser of 90%, or the maximum LTV/TLTV/HTLTV ratio for th transaction, or ◦A "no cash-out" refinance Mortgage that meets the requirements of Chapter 4301 </td> </tr> </tbody> </table>	Derogatory Event	Waiting Period Requirements	Bankruptcy – Ch. 7 or 11	4 years from discharge or dismissal date Whenever a Borrower has had a bankruptcy within the last seven years, the Mortgage file must also contain: <ul style="list-style-type: none"> ○ Copies of the bankruptcy petition, schedule of debt and discharge or dismissal ○ Evidence to indicate that all debts not satisfied by the bankruptcy have been paid or are being paid ○ Any other evidence necessary to support the Seller determination that the Borrower has reestablished and maintained an acceptable credit reputation 	Bankruptcy – Ch. 13	2 years from discharge date 4 years from dismissal date	Multiple Bankruptcy Filings	5 years from the most recent discharge or dismissal date	Foreclosure	7 years	Deed-in-Lieu of Foreclosure, Pre-foreclosure Sale and Short Sale	4 years Whenever a Borrower has had a previous deed-in-lieu of foreclosure or a short sale within the last seven years, the Mortgage must either be: <ul style="list-style-type: none"> ◦A purchase transaction Mortgage secured by a Primary Residence with a maximum LTV/TLTV/HTLTV ratio of the lesser of 90%, or the maximum LTV/TLTV/HTLTV ratio for th transaction, or ◦A "no cash-out" refinance Mortgage that meets the requirements of Chapter 4301
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		<p>Additionally, the Mortgage file must contain evidence of the completion of the deed-in-lieu of foreclosure or short sale.</p>
<p>Documentation</p>	<p>Full / Alt doc, as determined by LPA. A 4506T signed at application and closing is required. Tax transcripts are required for each borrower whose income is utilized as a source of repayment unless validated through LPA. See Tax Transcripts Policy for additional guidance.</p>	
<p>Income 4501.7 4501.9</p>	<p>The Borrower's qualifying income converted to an annual basis must not exceed 80% of the area median income (AMI) or the percentages (income multipliers) in the designated high-cost areas listed below for the location of the Mortgaged Premises. There is no income limit if the subject property is located in a low-income census tract, which is a census tract where the median tract income is at or below 80% AMI.</p> <p>To determine whether the Borrower's income exceeds the income limits, the income used to qualify and submitted through LPA will determine the income level.</p> <p>The income limits can also be looked up under: http://www.freddiemac.com/homepossible/eligibility.html . No other published AMI versions to determine Mortgage or product eligibility is allowed.</p> <p><u>Rental income from 1-unit Primary Residence</u></p> <p>Rental income from a 1-unit Primary Residence may be considered as stable monthly income (as defined in Section 5301.1) provided it meets the requirements in Section 5306.1 or the following:</p> <ul style="list-style-type: none"> • Connection with Borrower. The person providing the rental income and the Borrower: <ul style="list-style-type: none"> ◦ Have resided together for at least one year ◦ Will continue residing together in the new residence, and ◦ The person providing the rental income provides appropriate documentation to evidence residency with the Borrower (i.e., copy of a driver's license, bill, bank statement, etc., that shows the address of that person to be the same as the Borrower's address) • Rental payment. Rental income from the person residing in the Mortgaged Premises: <ul style="list-style-type: none"> ◦ Has been paid to the Borrower for the past 12 months on a regular basis ◦ Can be verified by the Borrower with evidence showing receipt of regular payments of rental income to the Borrower for at least 9 of the past 12 months (i.e., copies of cancelled checks) ◦ Must be averaged over 12 months for qualifying purposes when fewer than 12 months of payments are documented. ◦ Does not exceed 30% of total income used to qualify for the Mortgage 	

	<ul style="list-style-type: none"> • The Mortgage file must contain a written statement in the form of a signed letter or e-mail directly from the Borrower affirming: <ul style="list-style-type: none"> ◦ The source of the rental income ◦ 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. <p>Rental income that meets the above requirements may be generated from an accessory unit. In addition, refer to Chapter 5601 for property eligibility and appraisal requirements.</p> <p><u>Rental income from 2- to 4-unit Primary Residences</u></p> <p>Rental income from a 2- to 4-unit Primary Residence that meets the requirements of Section 5306.1 may be considered as stable monthly income.</p> <p>See On Q Loan Quality Initiative (LQI) Policy located on the intranet for required verbal verifications of employment requirements.</p>
<p>Down Payment 4501.10</p>	<p>There are not any minimum contribution requirements that the borrower is required to have for 1-units and manufactured homes. The minimum contribution requirements for 2-4 unit properties when the LTV/CLTV is >80% is 3% of the appraised value of their own personal funds.</p> <p><u>Sources of funds</u></p> <p>Borrower personal funds include:</p> <ol style="list-style-type: none"> 1. Borrower personal funds as described in Section 5501.3(b) 2. Cash on hand, if the following requirements are met: <ul style="list-style-type: none"> • The Seller 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: <ul style="list-style-type: none"> ◦ A completed Exhibit 23, Monthly Budget and Residual Analysis Form, or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number ◦ 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 Trade lines.

- 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 all funds used to qualify the Borrower for the Mortgage transaction are deposited in a financial institution or are held in an institutional escrow account prior to closing

Other eligible sources of funds

1. Other eligible sources of funds as described in Section 5501.3(c)

2. For purchase transactions, proceeds from an unsecured loan from the following sources:

- Except as stated in item 6 below, an Agency that is not:
 - The Seller or has participated in any aspect of the Mortgage origination process
 - Affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process

For these purposes, "affiliated with" means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

- A Related Person, or
- A Community Savings System (funds in excess of the Borrower contribution to the Community Savings System)

An unsecured loan must meet the following requirements:

- Must not contain provisions that allow or could result in negative amortization
- Must have a maturity date that:
 - Does not exceed the maturity date of the Mortgage
 - Is at least five years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing

- Must have an interest rate that is no greater than the Note Rate on the Mortgage
- Must not be a cash advance from a credit card or unsecured line of credit
- Must have its source, terms and conditions documented on the Form 65, Uniform Residential Loan Application

If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.

4. Sweat equity, if the following conditions are met:

Sweat equity is credit for labor performed on the Mortgaged Premises or materials furnished for the Mortgaged Premises by the Borrower. Such credit must be fully explained and documented. Any labor performed must be completed in a skillful, workmanlike manner in order to support the appraised value. Completion in a skillful, workmanlike manner must be certified by the appraiser.

The maximum LTV/CLTV ratios apply, as described in Section 4501.10(c).

1-Unit = 97% / 105%

2-4 Units and Manufactured Homes = 95% / 95%

The borrower must not receive any cash back at closing. All excess funds must result in a reduction of the principal balance and reflected on the Closing Disclosure.

5. Proceeds from an Affordable Second or other secondary financing that meets the requirements in Chapter 4204. Any secondary financing subordinated to a Home Possible Mortgage must be an Affordable Second.

6. Funds provided by an Agency that is affiliated with, under contract to, or financed (directly or indirectly) by the Seller as the originating lender, when:

- The source of funds is an eligible source meeting all applicable Guide requirements (for example, a gift or grant from an Agency must meet the requirements in Section 5501.3(c))
- A contribution of at least 3% of value (as described in Section 4203.1) is made from Borrower personal funds and/or other eligible sources of funds as described in this section; and

	<ul style="list-style-type: none"> The source of funds is not funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering <p>Flexible sources of funds</p> <ol style="list-style-type: none"> Financing concessions as described in Section 5501.5(b) meeting the applicable requirements of Section 5501.5 Lender credit, as documented on the Settlement/Disclosure Statement Proceeds from an unsecured loan from the Seller as originating lender meeting the following requirements: <ul style="list-style-type: none"> Must not contain provisions that allow or could result in negative amortization Must have a maturity date that: <ul style="list-style-type: none"> Does not exceed the maturity date of the Mortgage Is at least five years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing Must have an interest rate that is no greater than the Note Rate on the Mortgage Must not be a cash advance from a credit card or unsecured line of credit Must have its source, terms and conditions documented on Form 65 <p>If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.</p>
<p>Reserves 4501.10</p>	<p>The greater of the LPA findings requirements or the following:</p> <ul style="list-style-type: none"> ➤ 1-Unit: None required ➤ 2-4 Units: 2 months
<p>Ratio Requirements 4501.9</p>	<p>Per LPA findings</p>
<p>Secondary Financing 4501.5, 4501.10</p>	<p>Standard secondary financing is allowed up to the maximum LTV/CLTV, including HELOC's. When the CLTV is greater than 97% for conforming or 95% for super conforming the secondary financing must be an affordable second.</p> <p>If a Home Possible Mortgage with a temporary subsidy buydown plan is subject to secondary financing, including an Affordable Second[®] that requires repayment to</p>

	<p>begin before the Due Date of the 61st monthly payment under the Home Possible Mortgage, the secondary financing must have a fixed-interest rate.</p>
<p>Underwriting 4501.3</p>	<p>Loan Prospect Advisor Accept is required.</p> <p>Ineligible Mortgages:</p> <ul style="list-style-type: none"> • A-minus Mortgages • FHLMC HomeOne Mortgages • Affordable Merit Rate® Mortgages • Seasoned Mortgages • Financed Permanent Buydown Mortgages • Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages • Mortgages with capitalized balances as described in Chapter 4403 • FHA and VA Mortgages • Section 502 GRH Mortgages • Section 184 Native American Mortgages • Freddie Mac Enhanced Relief Refinance® Mortgages
<p>Age of Credit and Appraisal Documents</p>	<p>Verifications of employment, income, current receipt of income, source of funds and payment history must be dated no more than 120 days before, as applicable the Note Date.</p> <p>If the effective date of the appraisal report is more than 120 days but not more than 12 months before the Note Date, an appraisal update is required. The effective date of an appraisal update must be no more than 120 days before the Note Date.</p> <ul style="list-style-type: none"> • If the effective date of the appraisal report is more than 12 months before the Note Date, a new appraisal with an interior and exterior inspection is required. <p>Appraisal updates must be reported on Form 442, Appraisal Update and/or Completion Report.</p> <ul style="list-style-type: none"> • If the update indicates that the value of the subject property has not declined, a new appraisal is not required • If the update indicates that the value of the subject property has declined, the file must contain a new appraisal, based on either: <ul style="list-style-type: none"> ◦ An exterior-only inspection reported on the appropriate Freddie Mac form for the property type (Form 2055 or 466, as applicable), or ◦ An interior and exterior inspection reported on the appropriate Freddie Mac form for the property type (Form 70, 70B, 72 or 465, as applicable) <p>The original appraiser should perform the appraisal update. If the original appraiser is not available to perform the update, another appraiser may be used.</p>

<p>Interested Party Contributions 4501.10</p>	<p>Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or any other party with an interest in the real estate transaction. Interested party contributions may only be used to cover closing costs and prepaid expenses. If the builder will be paying for the construction loan interest, this amount must be included in the IPC calculations.</p> <ul style="list-style-type: none"> ➤ >90%-97% = 3% ➤ >75% - </=90% = 6% ➤ </=75% = 9% 															
<p>Loan Purpose 4501.4</p>	<p>Purchase Rate and Term Refinance</p> <ul style="list-style-type: none"> • Pay off the first Mortgage, regardless of its age; • Pay off any junior liens secured by the Mortgaged Premises, that were used in their entirety to acquire the subject property • Pay related Closing Costs • Disburse cash out to the Borrower (or any other payee) not to exceed 1% of the new refinance Mortgage or \$2,000, whichever is less • Pay off the outstanding balance of a land contract or contract for deed if the requirements in Section 4404.1 are met • Pay off a Property Assessed Clean Energy (PACE) or PACE-like obligation, subject to the additional requirements in Section 4301.8 <p>In the event there are remaining proceeds from the "no cash-out" refinance Mortgage after the proceeds are applied as described above:</p> <ul style="list-style-type: none"> • The Mortgage amount must be reduced, or • The excess amount must be applied as a principal curtailment to the new refinance Mortgage at closing and must be clearly reflected on the Settlement/Closing Disclosure Statement. <p>Under no circumstances may cash disbursed to the Borrower (or any other payee) exceed the maximum permitted for "no cash-out" refinance Mortgages.</p> <p>Cash Out Refinance – Not eligible</p>															
<p>Mortgage Insurance 4501.11 4701.1 4701.2</p>	<p>Standard Coverage is required:</p> <table border="1" data-bbox="532 1388 1268 1646"> <thead> <tr> <th>LTV</th> <th>Fixed Rate, and Term of </= 20 Years</th> <th>Fixed Rate, Term > 20 Years,</th> </tr> </thead> <tbody> <tr> <td>>95% - 97%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>>90% - 95%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>>85% - 90%</td> <td>12%</td> <td>25%</td> </tr> <tr> <td>>80% - 85%</td> <td>6%</td> <td>12%</td> </tr> </tbody> </table> <p>Custom MI is available as identified by LPA. An additional cost by the Lock Desk is required to be obtained for this option. The premiums for custom mortgage insurance may not be financed as part of the principal amount of the Mortgage. The lender-paid mortgage insurance option may not be used in conjunction with custom mortgage insurance.</p> <p>Please refer to the individual Mortgage Insurance Companies guidelines for additional requirements.</p>	LTV	Fixed Rate, and Term of </= 20 Years	Fixed Rate, Term > 20 Years,	>95% - 97%	25%	25%	>90% - 95%	25%	25%	>85% - 90%	12%	25%	>80% - 85%	6%	12%
LTV	Fixed Rate, and Term of </= 20 Years	Fixed Rate, Term > 20 Years,														
>95% - 97%	25%	25%														
>90% - 95%	25%	25%														
>85% - 90%	12%	25%														
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	<p>Eligible Mortgage Insurance Companies:</p> <ul style="list-style-type: none"> • MGIC • Radian • National MI • Arch MI • Essent • Enact <p>Eligible:</p> <ul style="list-style-type: none"> • Borrower paid monthly • Financed (Gross LTV must not exceed 97%) • Split premium • Borrower or Lender Paid Single Premium MI
<p>Homeownership Education and Landlord Education 4501.12</p>	<p><u>Homeownership Education</u> At least one occupying Borrower must participate in a homeownership education program before the Note Date for:</p> <ul style="list-style-type: none"> • purchase transactions when all occupying Borrowers are First-Time Homebuyers; or • For any transaction when the credit reputation for all Borrower is established using only noncredit payment references. <p>See below for requirements related to homeownership education.</p> <p><u>Landlord education (2- to 4-unit Primary Residences)</u></p> <ul style="list-style-type: none"> • 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. <p><u>Homeownership education (06/26/17)</u> Homeownership education programs may use different formats and require different lengths of time to complete. The following are acceptable:</p> <ul style="list-style-type: none"> • Programs developed by HUD-approved counseling agencies, Housing Finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs)

	<ul style="list-style-type: none"> • Programs developed by mortgage insurance companies • Programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com) <p>As an alternative to the programs listed above, Freddie Mac's free financial literacy curriculum, CreditSmart[®], meets the homeownership education requirements, provided:</p> <ul style="list-style-type: none"> • The Borrower completes the on-line Credit Smart – Steps to Homeownership Tutorial, which includes: <ul style="list-style-type: none"> ○ Module 1 (Your Credit and Why It Is Important) ○ Module 2 (Managing Your Money) ○ Module 7 (Thinking Like a Lender) ○ Module 11 (Becoming a Homeowner) and ○ Module 12 (Preserving Homeownership: Protecting Your Investment) • The financial literacy curriculum is not provided by an interested party to the transaction, the originating lender or by the Seller <p>Documentation</p> <p>A copy of <u>Exhibit 20, Homeownership Education Certification</u>, or another document (such as the CreditSmart[®]– Steps to Homeownership certificate of completion) containing comparable information must be retained in the Mortgage file.</p>
<p>Property Type 4501.6</p>	<p>Eligible:</p> <ul style="list-style-type: none"> ➤ 1-4 unit dwellings ➤ Detached ➤ PUD ➤ Warrantable Condominiums ➤ Double Wide Manufactured Homes ➤ Modular Homes ➤ Single-wide manufactured homes (does not need to be in a PUD) <p>Ineligible:</p> <ul style="list-style-type: none"> ➤ Non-warrantable Condominiums ➤ Manufactured Homes on Leasehold ➤ Manufactured Homes located in a Condominium project ➤ Fannie Mae Special Designation Condominiums in Florida ➤ Cooperatives ➤ Condominium Conversions less than 3 years ➤ Condo-hotels ➤ Timeshares ➤ Working Farms and Ranches ➤ Loans secured by on-frame modular construction ➤ Leaseholds ➤ Properties under construction prior to closing of the transaction

<p>Appraisal Requirements 4501.6</p>	<ul style="list-style-type: none"> ➤ Full Uniform Residential Appraisal Report (URAR) is required; or ➤ Desktop appraisal, as identified by LPA ➤ Property Inspection Alternative (PIA), when applicable.
<p>Ownership of Other Residential Property 4501.7</p>	<ul style="list-style-type: none"> • Allowed <p>The occupying Borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date.</p>
<p>Temporary Buydowns 4204.4, 4501.5</p>	<p>Interest rate buydowns are designed to reduce the borrower’s monthly payment during the early years of the mortgage. At settlement, an escrow account is established. Each month, the servicer draws down an amount equal to the difference between the principal and interest payment at the Note Rate, and the P&I at the buydown rate.</p> <p>Eligible Buydown Types</p> <p><u>2/1 Buydown</u></p> <ul style="list-style-type: none"> • Payment calculated at 2% below the Note Rate for the first year. • Payment calculated at 1% below the Note Rate for the second year. • Payment calculated at the Note Rate for the years three through full term. <p><u>1/0 Buydown</u></p> <ul style="list-style-type: none"> • Payment calculated at 1% below the Note Rate for the first year. • Payment calculated at the Note Rate for the years two through full term. <p>Eligible Products</p> <ul style="list-style-type: none"> • 30 year fixed rate <p>Eligible Source of Subsidy</p> <ul style="list-style-type: none"> • Seller funded subject to interested party contribution limits. • Lender funded. • Borrower funded buydowns are not eligible. <p>Borrower Qualification</p> <ul style="list-style-type: none"> • The Note Rate must be used for the principal and interest qualification. <p>Transaction Types</p> <ul style="list-style-type: none"> • Purchase <p>Occupancy Type</p> <ul style="list-style-type: none"> • Primary Residence

Reserves

- If reserves are required they must be calculated at the Note Rate.

Property Type Restrictions

- Manufactured Homes not eligible.

Required Documentation Prior to Funding

The buydown plan must be a written agreement between the party providing the buydown funds and the borrower.

- Buydown Agreement - to be signed at closing identifying the terms.
 - The calculation of the total cost of the temporary subsidy buydown
 - And interest party contributions, and
 - The annual percentage increase in the borrower's monthly principal and interest payment.
 - The buydown agreement must provide that the Borrower will not be relieved of the obligation to make the full monthly mortgage payments required by the terms of the Note if, for any reason, the buydown funds are not available of the buydown funds are not paid.
 - All the terms of the buydown agreement must be disclosed in LPA and to the appraiser.