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## Program Description

Fixed rate and ARM products for Primary Residence, Second Home and Investment property transactions utilizing Loan Product Advisor engine. This product also offers energy efficient improvement options for your borrower. Please refer to the Freddie Mac Sellers Guide for those topics not covered in these guidelines.

<b>Eligible Programs</b>	Fixed Rate Adjustable Rate
<b>Amortization Type</b>	Fully amortizing
<b>Maximum Loan Amount</b>	Conforming High Balance
<b>Loan Terms</b>	15, 20, and 30 year
<b>Eligible ARM Products</b>	<p><b>Term:</b> 5/6, 7/6, and 10/6</p> <p><b>Index:</b> SOFR</p> <p><b>Caps:</b> 5/6 = 2/1/5 7/6 and 10/6 = 5/1/5</p> <p><b>Margin:</b> 2.75%</p> <p><b>Floor:</b> 2.75%</p>
<b>Loan Purpose</b>	Purchase Rate and Term Refinance Cash Out Refinance
<b>Occupancy</b> 4201.14 4201.15 4201.16	Primary Residence Second Home Investment

<b>LTV / CLTV</b> 4203.4	<b>AUS approval only.</b> Refer to the FHLMC Sellers Guide for Manual Underwriting LTV/CLTV requirements.			
	Occupancy	Transaction Type	Property Type	Maximum LTV/CLTV
	Primary	Purchase and Rate and Term Refinance	1 Unit, Condo, PUD & Manufactured Home <sup>1</sup>	95%
		Cash Out Refinance	1 Unit, Condo & PUD	80%
		Purchase and Rate and Term Refinance	2-Unit	85%
			3-4 Units	80%
		Cash Out Refinance	2-4 Units	75%
			Manufactured Home <sup>1</sup> must have term ≤ 20 years	65%
	Second Home	Purchase and Rate and Term Refinance	1 Unit, Condo, PUD	90%
			Manufactured Home <sup>1</sup>	85%
Cash Out Refinance		1 Unit, Condo & PUD	75%	
Investment Property	Purchase and Rate and Term Refinance	1 Unit, Condo & PUD	85%	
	Purchase and Rate and Term Refinance	2-4 Unit, Condo & PUD	75%	
	Cash Out Refinance	1 Unit, Condo & PUD	75%	
		2-4 Unit	70%	
<sup>1</sup> Manufactured home is eligible for 15, 20 or 30-year fixed rate, or 7/6 or 10/6 ARM only – no exceptions.				
<b>Borrower Eligibility</b> 5103	U. S. Citizens Permanent Resident Aliens Non-Permanent Resident Aliens – See acceptable visa classifications list. Non-occupant Borrowers			

	<ul style="list-style-type: none"> <li>○ No separate calculation of the DTI ratio for the occupying borrower will be required, as the DTI ratio calculation will be based on the income and liabilities of <u>all</u> borrowers on the mortgage loan.</li> </ul> <p>A Borrower may be considered an occupying Borrower, for purposes of the Guide, if the Mortgaged Premises is occupied as a Primary Residence by an individual(s) who:</p> <ul style="list-style-type: none"> <li>• Is the Borrower's parent(s), or</li> <li>• Has a disability and the Borrower is the individual(s)'s parent or legal guardian</li> </ul>		
<p><b>Credit History</b> 5202.5</p>	<p>Per AUS findings. Significant delinquent credit as follows:</p>		
	<p><b>Derogatory Event</b></p>	<p><b>Waiting Period Requirements</b></p>	<p><b>Waiting Period with Extenuating Circumstances</b></p>
	<p>Bankruptcy – Ch. 7 or 11</p>	<p>4 years from discharge or dismissal date</p> <p>Whenever a Borrower has had a bankruptcy within the last seven years, the Mortgage file must also contain:</p> <ul style="list-style-type: none"> <li>○ Copies of the bankruptcy petition, schedule of debts and discharge or dismissal</li> <li>○ Evidence to indicate that all debts not satisfied by the bankruptcy have been paid or are being paid</li> <li>○ Any other evidence necessary to support the Seller's determination that the</li> </ul>	<p>2 years</p> <p>Whenever a Borrower has had a bankruptcy within the last seven years, the Mortgage file must also contain:</p> <ul style="list-style-type: none"> <li>○ Copies of the bankruptcy petition, schedule of debts and discharge or dismissal</li> <li>○ Evidence to indicate that all debts not satisfied by the bankruptcy have been paid or are being paid</li> <li>○ Any other evidence necessary to support the Seller's determination that the</li> </ul>

FHLMC Conventional

		Borrower has reestablished and maintained an acceptable credit reputation	Borrower has reestablished and maintained an acceptable credit reputation
	Bankruptcy – Ch. 13	2 years from discharge date 4 years from dismissal date	2 years from discharge 2 years from dismissal
	Multiple Bankruptcy Filings	5 years from the most recent discharge or dismissal date	2 years from the most recent discharge or dismissal date
	Foreclosure	7 years	3 years  Additional requirements after 2 years up to 7 years: 90% maximum LTV/CLTV Purchase, primary residence Rate/Term, all occupancy types
	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: ◦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 the transaction, or ◦A "no cash-out" refinance Mortgage that meets the requirements of Chapter 4301	2 years  Additional requirements after 2 years up to 7 years: 90% maximum LTV/CLTV Purchase, primary residence Rate/Term, all occupancy types

		<p>Additionally, the Mortgage file must contain evidence of the completion of the foreclosure, deed-in-lieu of foreclosure or short sale.</p>	
	<p>Other significant adverse or derogatory credit information</p>	<p>4 years from the most recent significant adverse or derogatory credit information</p>	<p>2 years from the most recent significant adverse or derogatory credit information</p>
<p><b>Minimum Credit Score</b> 5201 5202.3 5202.4</p>	<p>Minimum 620 or as determined by AUS.</p>		
<p><b>Documentation</b></p>	<p>Full / Alt doc, as determined by AUS. 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. The most recent available tax transcripts are required to support the income used to qualify the borrower. See Tax Transcripts Policy for additional guidance.</p> <p>Effective 3/23/2020 – Temporary Change</p> <p><b>Credit Document Expiration</b> The maximum age of credit documents (income and asset statements) is 60 days from the note date. If an asset account is reported on a quarterly basis, the file must contain the most recently issued quarterly statement.</p> <p><b>Verbal Verifications of Employment</b> A Verbal Verification of Employment is required within ten (10) days prior to the Note date or Funding, whichever is later.</p> <p>For Self-Employed individuals, verification must be obtained within ten (10) days prior to the Note date of Funding, whichever is later, to show that the business is currently operational.</p> <p>If the Bond or DPA is tied to an On Q Agency loan the most conservative guideline should be used.</p> <p>Borrowers who are on Furlough, please refer to FHLMC guidelines for Temporary Leave income.</p>		

	<p><b>Continuance of Income</b> Due diligence must be completed to insure that the borrower’s qualifying income used will continue to show that the borrower has the ability to repay the Mortgage. A confirmation e-mail from the employer identifying the likeliness of continuance of employment is an example for employed employees.</p> <p><b>4506-C IRS Tax Transcript</b></p> <ul style="list-style-type: none"> <li>• There is no change to the current requirement that the form 4506-C be executed by the borrower(s) and contained in the file so that income can be verified with the IRS at a later date. <u>Please continue to request the order from the IRS to get into the queue</u></li> <li>• When a 4506-C Tax Transcript cannot be obtained in a timely manner, Underwriters can waive or adjust the tax transcript requirement if there is sufficient information to support income validation of salaried and wage earner borrower who show stability year over year.</li> <li>• For loans where the underwriter does not have sufficient information (as indicated above) to support income validation, the underwriter may use the following alternative methods to confirm the borrower(s) income.             <ul style="list-style-type: none"> <li>➤ Copy of cancelled check(s) matching amount due the IRS</li> <li>➤ Copy of deposit matching exact amount of any return using bank statement, deposit receipt, or direct bank verification indicating the transaction</li> <li>➤ Electronic filing receipt from IRS indicating the Declaration Number (DCN), and AGI that matches the return.</li> </ul> </li> </ul>
<p><b>Income</b> 5300 5301.1 5303.2-5303.4</p>	<p>In most instances, a two-year history of receiving a consistent level of income is required in order for the income to be considered stable and used for qualifying. While the source of income may vary, the Borrower must have a consistent level of income despite changes in the sources of income. If 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 that is used to qualify the Borrower is stable.</p> <p>The Underwriter may consider all income for qualifying the Borrower, provided On Q Financial does not have knowledge, information or documentation that contradicts a reasonable expectation of continuance or probability of consistent <u>receipt over at least the next three years</u>.</p> <p><b>Fluctuating Hours:</b> For the purpose of determining stable monthly income, fluctuating hourly employment earnings are considered to be employment earnings with hours that may fluctuate each week or pay period. The hours are not pre-</p>

	<p>determined; however, the employer and the Borrower may have a general expectation of weekly hours. The hourly pay rate is a pre-determined and agreed upon fixed amount.</p> <ul style="list-style-type: none"> <li>• Fluctuating hourly earnings may be determined by a review of the year-to-date (YTD) income verification documentation with analysis focused on hours per pay period and YTD earnings in relation to hours worked</li> <li>• Fluctuating hourly earnings are not considered base or salaried earnings</li> <li>• Fluctuating hourly employment earnings are typically representative of non-exempt earnings</li> </ul> <p>The Underwriter must review all year-to-date (YTD) earnings and compare those earnings with the earnings <u>from the last one or two years</u>, depending upon the documentation requirements. If a significant degree of volatility or irregularity is present, (e.g., year over year, quarter over quarter), additional analysis is required and additional documentation may be necessary to determine income stability. The analysis and documentation must support the amount of income used to qualify the Borrower. Refer to section 5303.4</p> <p><b>RSU Income</b> – Refer to section 5303.3 and 5303.4</p> <p>See On Q Loan Quality Initiative (LQI) Policy located on the intranet for required verbal verifications of employment requirements. Standard FHLMC documentations requirements apply depending on the type of income used to qualify.</p>
<p><b>Liabilities</b> 5401.2</p>	<p><b>Alimony Payments to be subtracted from Income:</b> If the Borrower is obligated to pay alimony and has more than 10 months remaining, the amount of the monthly alimony payment must be deducted from the stable monthly income. See Section 5401.2(a)(3). When entering an alimony obligation in Loan Product Advisor®, select "Alimony/Child Support" under "Income Type" and enter it as a negative number. If the Borrower also receives alimony or child support income, add those amounts together and then subtract the alimony obligation. Enter the result in the income amount field.</p> <p><b>Student Loans:</b> Underwriters may exclude a Borrower's monthly student loan payment from the DTI ratio if:</p> <ul style="list-style-type: none"> <li>• The student loan has 10 or less monthly payments remaining until the full balance is forgiven, canceled, discharged or paid by an employment-contingent repayment program, or</li> <li>• The monthly payment of the student loan is deferred or in forbearance and the full balance will be forgiven, canceled,</li> </ul>

	<p>discharged or paid by an employment-contingent repayment program at the end of the deferment or forbearance period. Additionally, the Underwriter must document in the Mortgage file that the Borrower currently meets the requirements for the student loan forgiveness, cancelation, discharge or employment-contingent repayment program.</p> <p><b>Effective with Closing on or after January 2, 2020</b>, for the monthly student loan payment to be excluded from the DTI ratio as stated above, the Mortgage file must contain documentation indicating that the Borrower is <u>eligible or approved</u> for the student loan forgiveness, cancelation, discharge or employment-contingent repayment program. Evidence of eligibility or approval must come from the student loan program, as applicable.</p> <p><b>Flood Insurance and Special Assessments:</b> Flood insurance and special assessments with more than 10 monthly payments remaining be included in the monthly housing expense-to-income ratio for the subject property and in the monthly DTI ratio for any other property owned.</p>
<p><b>Reserves</b> 5501.2</p>	<p>Follow AUS findings. Primary Residence –</p> <ul style="list-style-type: none"> <li>○ 1 Unit – None</li> <li>○ 2-4 Units – 6 months for the subject property</li> </ul> <p>Second Home –</p> <ul style="list-style-type: none"> <li>○ 2 months for the subject property</li> </ul> <p>Investment –</p> <ul style="list-style-type: none"> <li>○ 6 months for the subject property</li> </ul> <p>Additional Required Reserves</p> <ul style="list-style-type: none"> <li>○ 2 months for each additional second home and/or 1-4-unit</li> </ul> <p>Investment Properties:</p> <ul style="list-style-type: none"> <li>▪ In which the borrower has an ownership interest or on which the borrower is obligate, and</li> <li>▪ That is financed</li> </ul>
<p><b>Ratio Requirements</b> 5401.2</p>	<p>Per AUS findings</p>
<p><b>Secondary Financing</b> 4204</p>	<p>Secondary financing is allowed and must meet all Freddie Mac requirements.</p>
<p><b>Underwriting</b> 4401.8</p>	<p>Loan Product Advisor with an Accept Mortgage is required. Manual underwriting:</p> <ul style="list-style-type: none"> <li>○ Reviewed on an exception basis.</li> <li>○ Different guidelines, LTV/CLTV and reserves apply.</li> </ul>

	<ul style="list-style-type: none"> <li>○ Additional pricing will apply.</li> <li>○ Conforming loan amounts only, no exceptions.</li> <li>○ No Manufactured homes, no exceptions.</li> </ul> <p><b>Qualifying Payment Requirements:</b></p> <table border="1" data-bbox="500 426 1419 646"> <thead> <tr> <th style="background-color: #003366; color: white;">Amortization Type</th> <th style="background-color: #003366; color: white;"><sup>1</sup>Qualifying Interest Rate</th> </tr> </thead> <tbody> <tr> <td>Fixed Rate Terms</td> <td>Note Rate</td> </tr> <tr> <td>5/6 SOFR ARM</td> <td>Greater of Note Rate + 2% or the Fully Indexed Rate</td> </tr> <tr> <td>7/6 &amp; 10/6 SOFR ARM</td> <td>Greater of Note Rate or the Fully Indexed Rate</td> </tr> </tbody> </table> <p><sup>1</sup>The fully indexed rate is defined as the index plus the margin.</p>	Amortization Type	<sup>1</sup> Qualifying Interest Rate	Fixed Rate Terms	Note Rate	5/6 SOFR ARM	Greater of Note Rate + 2% or the Fully Indexed Rate	7/6 & 10/6 SOFR ARM	Greater of Note Rate or the Fully Indexed Rate
Amortization Type	<sup>1</sup> Qualifying Interest Rate								
Fixed Rate Terms	Note Rate								
5/6 SOFR ARM	Greater of Note Rate + 2% or the Fully Indexed Rate								
7/6 & 10/6 SOFR ARM	Greater of Note Rate or the Fully Indexed Rate								
<p><b>Interested Party Contributions</b> 5501.5</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. The following is the maximum percentages for both Primary Residence and Second Home:</p> <ul style="list-style-type: none"> <li>➤ &gt;90% = 3%</li> <li>➤ &gt;75% - &lt;/=90% = 6%</li> <li>➤ &lt;/=75% = 9%</li> </ul>								
<p><b>Loan Purpose</b> 4301.4 4301.5</p>	<p>Purchase Rate and Term Refinance</p> <ul style="list-style-type: none"> <li>● When an existing Mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:             <ul style="list-style-type: none"> <li>○ At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced; or</li> <li>○ At least one Borrower on the refinance Mortgage held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12-month period and the Mortgage file contains documentation evidencing that the Borrower, either:                 <ul style="list-style-type: none"> <li>▪ Has been making timely Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or</li> <li>▪ Is a Related Person to a Borrower on the Mortgage being refinanced; or</li> </ul> </li> <li>○ At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises (for example), in the case of divorce, separation or dissolution of a domestic partnership)</li> </ul> </li> </ul>								

- Pay off the first, regardless of its age; for Construction Conversion Mortgages and Renovation Mortgages, the amount of the Interim Construction Financing secured by the Mortgaged Premises is considered an amount used to pay off the first Mortgage.
- Proceeds can be used to pay off subordinate liens used in their entirety to **purchase** the subject property.
- Financing the payment of closing costs, points, and prepaid items. With the exception of real estate taxes that are more than 60 days' delinquent, the borrower can include real estate taxes in the new loan amount as long as an escrow account is established. If an escrow account is not being established, see Cash Out Refinance below.
- Disburse incidental cash to the borrower in the amount not to exceed the greater of 1% or \$2000.
  - In the event there are remaining proceeds higher than the above the mortgage amount must be reduced or the excess amount must be applied as a principal curtailment to the new mortgage at closing and must be clearly reflected on the Closing Disclosure.
- 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 Asses Clean Every (PACE) or Pace-like obligation, subject to the additional requirements in Section 4301.8.
- The subject property must not be currently listed for sale. If must be taken off the market before the application date, and the borrower must confirm their intent to occupy the subject property (for principal residence transactions).

Cash Out Refinance

- When an existing Mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:
  - At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced; or
  - At least one Borrower on the refinance Mortgage held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12-month period and the Mortgage file contains documentation evidencing that the Borrower, either:
    - Has been making timely Mortgage payments, including the payments for any

	<p>secondary financing, for the most recent 12-month period; or</p> <ul style="list-style-type: none"> <li>▪ Is a Related Person to a Borrower on the Mortgage being refinanced; or</li> <li>○ At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises (for example), in the case of divorce, separation or dissolution of a domestic partnership)</li> </ul> <ul style="list-style-type: none"> <li>• Proceeds can be used to pay off an existing first mortgage</li> <li>• Proceeds can be used to pay off any subordinate financing not used for the purchase of the subject property and/or any age.</li> <li>• Financing the payment of closing costs, points, and prepaid items. The borrower can include real estate taxes in the new loan amount. Delinquent real estate taxes (taxes past due by more than 60 days) can also be included in the new loan amount, but if they are, an escrow account must be established.</li> <li>• Excessive cash back to borrower, i.e. more than the lesser of 1% or \$2000.</li> <li>• The subject property must not be currently listed for sale. If must be taken off the market before the application date, and the borrower must confirm their intent to occupy the subject property (for principal residence transactions).</li> <li>• A cash-out letter is required to ensure the borrower will not be incurring any new additional debt with the net proceeds. If the borrower does plan on incurring new debt with the proceeds, the new payments must be included in the DTI ratios for qualifying purposes.</li> <li>• At least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date, except as specified below.</li> <li>• If none of the Borrowers have been on the title to the subject property for at least six months prior to the Note Date of the cash-out refinance Mortgage, the following requirement(s) must be met:             <ul style="list-style-type: none"> <li>○ At least one Borrower on the refinance Mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership)</li> </ul> </li> </ul> <p>OR, all of the following:</p> <ul style="list-style-type: none"> <li>○ The Settlement/Closing Disclosure Statement from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property. If the Mortgage</li> </ul>
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	<p>has an Application Received Date prior to October 3, 2015, the Settlement/Closing Disclosure Statement must be an executed version. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement was not used for the purchase transaction.</p> <ul style="list-style-type: none"> <li>○ The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property</li> <li>○ The source of funds used to purchase the subject property must be fully documented</li> <li>○ If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the Settlement/Closing Disclosure Statement for the refinance transaction</li> <li>○ The amount of the cash-out refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs, Financing Costs and Prepaid/Escrows as documented by the Settlement/Closing Disclosure Statement for the purchase transaction, less any gift funds used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement was not used for the purchase transaction.</li> <li>○ There must have been no affiliation or relationship between the buyer and seller of the purchase transaction</li> </ul>												
<p><b>Mortgage Insurance</b> 4700</p>	<p>Standard Covered is required:</p> <table border="1" data-bbox="594 1352 1330 1608"> <thead> <tr> <th>LTV</th> <th>&gt;20 Years, ARM's, and Manufactured Homes</th> <th>Fixed Rate and &lt;/= 20 Years</th> </tr> </thead> <tbody> <tr> <td>&gt;90% - 95%</td> <td>30%</td> <td>25%</td> </tr> <tr> <td>&gt;85% - 90%</td> <td>25%</td> <td>12%</td> </tr> <tr> <td>&gt;80% - 85%</td> <td>12%</td> <td>6%</td> </tr> </tbody> </table> <p>Please refer to the individual Mortgage Insurance Companies guidelines for additional requirements.</p> <p>Eligible Mortgage Insurance Companies:</p> <ul style="list-style-type: none"> <li>● Radian</li> <li>● MGIC</li> <li>● Enact</li> <li>● Essent</li> </ul>	LTV	>20 Years, ARM's, and Manufactured Homes	Fixed Rate and </= 20 Years	>90% - 95%	30%	25%	>85% - 90%	25%	12%	>80% - 85%	12%	6%
LTV	>20 Years, ARM's, and Manufactured Homes	Fixed Rate and </= 20 Years											
>90% - 95%	30%	25%											
>85% - 90%	25%	12%											
>80% - 85%	12%	6%											

	<ul style="list-style-type: none"> <li>• National MI</li> <li>• Arch MI</li> </ul> <p>If reduced MI is being used, a loan level price adjustment must be identified on the lock.</p> <p>Ineligible:</p> <ul style="list-style-type: none"> <li>• Lender paid single premium is ineligible for loans with the following features:             <ul style="list-style-type: none"> <li>○ Condominium in Miami-Dade County, FL, Broward County, FL and Clark County, NV</li> <li>○ Investments properties</li> </ul> </li> </ul>									
<p><b>Property Type</b></p>	<p>Eligible:</p> <ul style="list-style-type: none"> <li>➤ 1-4-unit dwelling</li> <li>➤ Attached or detached</li> <li>➤ PUD</li> <li>➤ Warrantable Condominium</li> <li>➤ Single Wide Manufactured Homes (in or not in a PUD)             <ul style="list-style-type: none"> <li>○ LPA findings may reflect purchase eligibility as ineligible due to the single wide not in a PUD. As long as the ineligible is only due to the single wide not in a PUD we can proceed.</li> </ul> </li> <li>➤ Double Wide Manufactured Homes</li> </ul> <p>Ineligible:</p> <ul style="list-style-type: none"> <li>➤ Non-warrantable Condominiums</li> <li>➤ Manufactured Homes on Leasehold</li> <li>➤ Manufactured Homes located in a Condominium project</li> <li>➤ Fannie Mae Special Designation Condominiums in Florida</li> <li>➤ Cooperatives</li> <li>➤ Condominium Conversions less than 3 years</li> <li>➤ Condo-hotels</li> <li>➤ Timeshares</li> <li>➤ Working Farms and Ranches</li> <li>➤ Condition Rating of C5 or C6 or a Quality Rating of Q6</li> </ul>									
<p><b>Condominiums in Florida - FHLMC</b> 5701.4 5701.6 5701.9</p>	<p>The following are restrictions with all condominiums in the state of Florida:</p> <ol style="list-style-type: none"> <li>1. New and newly converted condominium projects consisting of attached units             <ol style="list-style-type: none"> <li>a. Must be submitted to PERS for eligibility.</li> <li>b. Not eligible for CPM review.</li> <li>c. Not eligible for Lender Full Review.</li> <li>d. Not eligible for Limited Review.</li> </ol> </li> </ol> <p>The following table provides the project review requirements for loans secured by units in condo projects located in Florida. The required project review type depends on the LTV/CLTV ratio of the mortgage loan.</p> <table border="1" data-bbox="500 1751 1412 1856"> <thead> <tr> <th colspan="3">Florida – Attached Units in Established Condo Projects</th> </tr> <tr> <th></th> <th>Maximum LTV Ratios</th> <th>Maximum LTV/CLTV Ratios</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Florida – Attached Units in Established Condo Projects				Maximum LTV Ratios	Maximum LTV/CLTV Ratios			
Florida – Attached Units in Established Condo Projects										
	Maximum LTV Ratios	Maximum LTV/CLTV Ratios								

		PERS Approved	Lender Full Review (with or without CPM)	Streamlined Review
	Primary Residence	97% - LPA 95% - Manual		75%
	Second Home	85%		70%
	Investment	85%		70%
<b>Florida – New and Newly Converted Condominium Projects</b>				
	PERS Approved	Lender Full Review	CPM Expedited Review	Streamlined Review
Primary Residence	95%	Not Eligible		
Second Home	85%			
Investment	85%			
<b>Manufactured Home Requirements</b> 5703	<p>A Manufactured Home is a one-unit dwelling built on a permanent chassis in accordance with the National Manufactured Construction and Safety Standards Act as develop by the Department of Housing and Urban Development (HUD) and affixed to a permanent foundation. The following are for all manufactured home transactions. Additional guidance can also be located in FHLMC’s Sellers Guide Chapter 5703 and the Conventional Manufactured Home Checklist.</p> <ul style="list-style-type: none"> <li>➤ Eligible MI Companies are <ul style="list-style-type: none"> <li>○ Radian</li> <li>○ MGIC</li> <li>○ Enact</li> <li>○ National MI</li> <li>○ Arch MI</li> </ul> </li> </ul> <p>Please refer to the MI company specific guidelines for any further restrictions.</p> <ul style="list-style-type: none"> <li>➤ Property type must be identified as a manufactured home and recognized by the AUS engine.</li> <li>➤ Appraisal Form 1004C must be completed.</li> <li>➤ Eligible loan terms are 15, 20 and 30 years.</li> <li>➤ Fixed rate or adjustable 7/1 or 10/1 only.</li> <li>➤ Primary and Second Homes only.</li> <li>➤ Maximum LTV is 95%.</li> <li>➤ A Single-Wide Manufactured home may be in or out of a PUD. <ul style="list-style-type: none"> <li>○ LPA findings may reflect purchase eligibility as ineligible due to the single wide not in a PUD. As long as the ineligible is only due to the single wide not in a PUD we can proceed.</li> </ul> </li> </ul>			

	<ul style="list-style-type: none"> <li>➤ The manufactured home must be legally classified as real property under applicable state law, including relevant statutes, regulations, and judicial decisions.</li> <li>➤ The mortgage must be covered under a standard real property title insurance policy that insures that the manufactured home is part of the real property that secures the loan. American Land Title Association® (ALTA®) Endorsement 7, 7.1, or 7.2 or any other endorsement required in the applicable jurisdiction for manufactured homes to be treated as real property must be included in the file.</li> <li>➤ Must be approved through LPA.</li> <li>➤ Leaseholds are not eligible.</li> <li>➤ A Mortgage securing a Manufactured Home that was moved from its original site and was previously occupied or installed on a permanent foundation is not eligible.</li> <li>➤ A Mortgage with proceeds that are used to pay the outstanding balance under a land contract or contract for deed is not eligible.</li> <li>➤ Loan Purpose <ul style="list-style-type: none"> <li>Purchase <ul style="list-style-type: none"> <li>▪ New Manufactured Homes – A purchase transaction is one in which the loan proceeds are used to finance the purchase of the Manufactured Home. The proceeds may also be used to purchase the land, or the Borrower may separately own the land. The purchase price may include documented costs for delivery and setup, site development, installation, and permanent utility connections, including well and/or septic systems. Credits for wheels and axles, and any Manufactured Home retailer rebates, must be deducted from the purchase price along with any sales concessions in accordance with Section 5501.5. Financing of any forms of insurance, except for mortgage insurance, or other costs is not allowed for purchase transactions. The LTV/CLTV will be based on the lower of: <ul style="list-style-type: none"> <li>• The sale price of the manufactured home plus: <ul style="list-style-type: none"> <li>○ The lowest sales price at which the land was sold during that 12-month period if the land was purchased in the 12 months preceding the loan application date; or</li> <li>○ The current appraised value of the land if the land was purchased more</li> </ul> </li> </ul> </li> </ul> </li> </ul> </li> </ul>
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	<p>than 12 months preceding the loan application date.</p> <ul style="list-style-type: none"> <li>➤ The “as completed” appraised value of the manufactured home and the land.</li> <li>➤ Existing Manufactured Homes – The LTV/CLTV will be based on the lower of: <ul style="list-style-type: none"> <li>➤ The sale price of the manufactured home and land;</li> <li>➤ The current appraised value of the manufactured home and land; or</li> <li>➤ If the manufactured home was built and affixed to a permanent foundation in the 12 months preceding the loan application date, the lowest price at which the home was previously sold during that 12-month period, plus the lower of: <ul style="list-style-type: none"> <li>○ The current appraised value of the land, or</li> <li>○ The lowest price at which the land was sold during that 12-month period (if there was such a sale).</li> </ul> </li> </ul> </li> <li>➤ Rate/Term Refinance</li> <li>➤ The maximum LTV/CLTV will be based on the lower of: <ul style="list-style-type: none"> <li>○ The current appraised value of the manufactured home and land; or</li> </ul> </li> <li>➤ If the Borrower has owned the Manufactured Home for less than 12 months prior to the application date, and if the Manufactured Home and land are secured by separate liens, the value is the lower of: <ul style="list-style-type: none"> <li>○ The current appraised value of the Manufactured Home and land</li> </ul> <p style="text-align: center;"><b><u>OR</u></b></p> <ul style="list-style-type: none"> <li>○ The lowest price at which the Manufactured Home was previously sold during the 12-month period preceding the application date, and</li> <li>○ The lower of the current appraised value of the land or the lowest purchase price at which the land was sold during the 12-month period preceding the application date (provided there was such a sale)</li> </ul> </li> <li>➤ If the Borrower has owned the Manufactured Home and land for less than 12 months prior to the application date, and the Manufactured Home and land are secured by a single lien, value is the lower of: <ul style="list-style-type: none"> <li>○ The purchase price at which the Manufactured Home and land were previously sold during the 12-month period preceding the application date, or</li> <li>○ The current appraised value of the Manufactured Home and land</li> </ul> </li> <li>➤ Proceeds of a rate/term refinance may be used to: <ul style="list-style-type: none"> <li>○ Pay off the outstanding principal balance of an existing first lien mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered by separate first liens);</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>○ Pay off the outstanding principal balance of an existing subordinate mortgage or lien secured by the manufactured home and/or land, but only if it was used to purchase the manufactured home and/or land.</li> <li>○ Finance closing costs (included prepaid expenses); and</li> <li>○ Provide cash back to the borrower in an amount not to exceed the lesser of 1% of the balance of the new refinance mortgage or \$2000.</li> </ul> <ul style="list-style-type: none"> <li>➤ For a new Manufactured Homes, whether it is affixed to a permanent foundation prior to or after the application date, a copy of the manufacturer’s invoice and Manufactured Homes Purchase Agreement must be obtained.</li> <li>➤ Proceeds may not be used to pay the outstanding balance under a land contract or contract for deed. Cash Out Refinance</li> <li>➤ To be eligible for a cash out refinance, the borrower must have owned both the manufactured home and land for at least 12 months preceding the date of the loan application.</li> <li>➤ The value for a cash out refinance mortgage is based on the current appraised value of the home and land.</li> <li>➤ Proceeds may not be used to pay the outstanding balance under a land contract or contract for deed.</li> </ul>
<p><b>Temporary Buydowns</b> 4204.4</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&amp;I at the buydown rate.</p> <p><b>Eligible Buydown Types</b></p> <p><u>2/1 Buydown</u></p> <ul style="list-style-type: none"> <li>• Payment calculated at 2% below the Note Rate for the first year.</li> <li>• Payment calculated at 1% below the Note Rate for the second year.</li> <li>• Payment calculated at the Note Rate for the years three through full term.</li> </ul> <p><u>1/0 Buydown</u></p> <ul style="list-style-type: none"> <li>• Payment calculated at 1% below the Note Rate for the first year.</li> <li>• Payment calculated at the Note Rate for the years two through full term.</li> </ul> <p><b>Eligible Products</b></p> <ul style="list-style-type: none"> <li>• 30 year fixed rate</li> </ul>

	<p><b>Eligible Source of Subsidy</b></p> <ul style="list-style-type: none"> <li>• Seller funded subject to interested party contribution limits.</li> <li>• Lender funded.</li> <li>• Borrower funded buydowns are not eligible.</li> </ul> <p><b>Borrower Qualification</b></p> <ul style="list-style-type: none"> <li>• The Note Rate must be used for the principal and interest qualification.</li> </ul> <p><b>Transaction Types</b></p> <ul style="list-style-type: none"> <li>• Purchase</li> </ul> <p><b>Occupancy Type</b></p> <ul style="list-style-type: none"> <li>• Primary Residence</li> <li>• Second Home</li> </ul> <p><b>Reserves</b></p> <ul style="list-style-type: none"> <li>• If reserves are required they must be calculated at the Note Rate.</li> </ul> <p><b>Property Type Restrictions</b></p> <ul style="list-style-type: none"> <li>• Manufactured Homes not eligible.</li> </ul> <p><b>Required Documentation Prior to Funding</b></p> <p>The buydown plan must be a written agreement between the party providing the buydown funds and the borrower.</p> <ul style="list-style-type: none"> <li>• <u>Buydown Agreement</u> - to be signed at closing identifying the terms. <ul style="list-style-type: none"> <li>○ The calculation of the total cost of the temporary subsidy buydown</li> <li>○ And interest party contributions, and</li> <li>○ The annual percentage increase in the borrower’s monthly principal and interest payment.</li> <li>○ 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.</li> <li>○ All the terms of the buydown agreement must be disclosed in LPA and to the appraiser.</li> </ul> </li> </ul>
<p><b>GreenCHOICE Feature</b> 3401.30 4606 5401.1, 5401.2</p>	<p>The GreenCHOICE feature is for those borrowers who want to finance energy and/or water efficiency improvements.</p> <p><b>Loan Purpose:</b></p>

	<ul style="list-style-type: none"> <li>➤ Purchase</li> <li>➤ No Cash-Out Refinance</li> </ul> <p><b>Property Type:</b></p> <ul style="list-style-type: none"> <li>➤ 1-4 Unit Property</li> <li>➤ Warrantable Condominiums</li> <li>➤ Manufactured Homes, provided the improvements do not impact the structural integrity of the property.</li> </ul> <p><b>Maximum LTV/CLTV:</b></p> <ul style="list-style-type: none"> <li>➤ Standard LTV/CLTV ratios apply.</li> </ul> <p><b>Determining Value:</b></p> <ul style="list-style-type: none"> <li>➤ A full interior and exterior appraisal is required.</li> <li>➤ Purchase Value is the lesser of: <ul style="list-style-type: none"> <li>▪ The “as completed” appraised value of the subject property; or</li> <li>▪ The total acquisition cost (i.e., the price paid for the subject property plus the costs of the energy and/or water efficiency improvements). The Mortgage file must contain sufficient documentation to calculate the total acquisition cost.</li> </ul> </li> <li>➤ No Cash-Out Refinance – to finance energy and/or water efficiency improvements. The value is the “as completed” value of the subject property.</li> </ul> <p><b>Underwriting Method:</b></p> <ul style="list-style-type: none"> <li>➤ LPA approval only.</li> <li>➤ Special Characteristic Code (to be entered in ULDD screen): J08</li> <li>➤ Escrow information to be entered into the Secondary Marketing/Post Closing screen.</li> </ul> <p><b>Escrow Holdback for Improvements:</b> The proceeds from a purchase or no cash-out refinance transaction may be used to finance energy and/or water efficiency improvements completed after the Note Date subject to the following requirements:</p> <ul style="list-style-type: none"> <li>▪ The maximum amount of the proceeds that may be used for the purchase and installation of energy and/or water efficiency improvements is <u>limited to 15% of the “as completed” value</u> of the subject property. The file must contain copies of all invoices and/or receipts, as applicable, related to the cost of the energy and/or water efficiency improvements.</li> <li>▪ Proceeds sufficient to cover the cost of the energy and/or water efficiency improvements must be deposited into a completion escrow account on the Note Date.</li> </ul>
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- On Q may reimburse the Borrower from funds in the escrow account for costs associated with materials purchased to complete improvements being made. On Q will not reimburse the Borrower for any labor performed by the Borrower. Any funds remaining in the escrow account after the cost of all improvements has been paid to the appropriate party must be used to reduce the principal, unless the Mortgage is delinquent. If the Mortgage is delinquent, the On Q will apply such funds in accordance with the application of payment requirements in the Note and Security Instrument. If any funds remain after the Mortgage is brought current, then On Q will apply the funds to principal.
- A final inspection of the improvements must be completed that includes photographs of all improved items.
- All energy and/or water efficiency improvements must be completed within 120 days of the note date. The loan can be delivered prior to completion and the lock does not need to be extended to cover the completion date.

**Energy and Water Efficient Eligible Improvements:**

For basic energy and/or water efficiency improvements with an aggregate cost less than or equal to \$6,500, all requirements must be met with the exception that an energy report is not required. The file must document the cost of the energy and/or water efficiency improvements by obtaining copies of all receipts and/or invoices, as applicable, and retain these in the file. Eligible basic energy and/or water efficiency improvements include the following:

- Programmable thermostats
- Caulking or weather stripping
- Adding ceiling, wall or floor insulation
- Air sealing
- Air conditioning/heating replacement to high efficiency
- Solar water heaters
- Low-flow water fixtures
- High efficient refrigerators/freezers, water heaters and light bulbs
- Replacement of windows and doors

Properties with Solar Panels are eligible provided they meet the eligibility requirements in section 5601.2(c). Please submit to the Project Review Team for review. Payment for solar panels subject to a lease agreement, power purchase agreement, or similar type of agreement may be excluded from the monthly DTI ratio provided certain conditions are met in section 5401.2(b)(iii).

**Energy Reports:**

- Eligible energy reports  
Energy reports must be one of the following:

	<ul style="list-style-type: none"> <li>■ A Home Energy Rating Systems (HERS) report completed by a certified Residential Energy Services Network (RESNET<sup>®</sup>) home energy rater</li> <li>■ A Department of Energy Home Energy Score Report completed by a Home Energy Score Certified Assessor<sup>™</sup></li> <li>■ Comparable rating report or audit completed by a certified home energy rater or consultant indicating the property is a high-performing energy-efficient property</li> </ul> <p>➤ <u>Energy report requirements</u></p> <p>Energy reports must:</p> <ul style="list-style-type: none"> <li>■ Identify the recommended energy improvements and expected costs of the completed improvements</li> <li>■ Specify the actual or expected monthly or annual energy savings, and</li> <li>■ Verify that the recommended energy improvements are cost effective. Energy improvements are determined to be cost effective when the cost of the improvements, including maintenance, is less than the present value of the energy saved over the useful life of the improvements</li> <li>■ Be dated no earlier than 120 days prior to the Note Date. The cost of the energy report may be included in the total cost of the improvements and must be identified on the Settlement Statement if the Borrower is to be reimbursed.</li> </ul> <p><b>File Must Contain:</b></p> <ul style="list-style-type: none"> <li>➤ Documentation of the cost of the proposed energy and/or water efficiency improvements, such as receipts and/or invoices.</li> <li>➤ Documentation that the property has a level of energy efficiency greater than that of a “standard” (i.e., non-energy efficient) property as required by Section 5401.1, and</li> <li>➤ Except as permitted in Section 4606.7, the documentation must be an energy report meeting the requirements in Section 4606.6.</li> </ul> <p><b>Restrictions:</b></p> <ul style="list-style-type: none"> <li>➤ Cannot be combined with Construction or Renovation mortgages.</li> <li>➤ Follow LPA feedback on the type of valuation required.</li> </ul>
<p><b>Appraisal Requirements</b> 5601</p>	<p><b>Properties with solar panels subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement</b></p> <ul style="list-style-type: none"> <li>➤ The solar panels must not be included in the appraised value of the property.</li> <li>➤ The property must maintain access to electrical utilities consistent with community standards; and</li> </ul>

	<ul style="list-style-type: none"> <li>➤ The lease agreement, PPA, or other similar agreement must provide that:             <ul style="list-style-type: none"> <li>• The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowner’s insurance policy covering the property; and</li> <li>• In the event of foreclosure, the Seller/Servicer may:                 <ul style="list-style-type: none"> <li>○ Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment.</li> <li>○ Become the beneficiary of the Borrower’s lease agreement or PPA without insuring a transfer fee; or</li> <li>○ Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing lease agreement or PPA.</li> </ul> </li> </ul> </li> </ul> <p>Ineligible: Condition Rating of C5 or C6 or a Quality Rating of Q6</p>
<p><b>Maximum Number of Financed Properties</b></p>	<ul style="list-style-type: none"> <li>➤ Primary Residence: Unlimited</li> <li>➤ Second Home and Investment Properties: <u>Maximum of 6 financed properties.</u> <ul style="list-style-type: none"> <li>○ The financed property limit:                 <ul style="list-style-type: none"> <li>▪ Applies to the number of 1-4 unit residential properties where the borrower is personally obligated on the mortgage(s);</li> <li>▪ Applies to the total number of properties financed, not to the number of mortgages on the property or the number of mortgages sold to FNMA;</li> <li>▪ Includes the borrower’s principal residence if it is financed; and</li> <li>▪ Is cumulative for all borrowers (though jointly financed properties are only counted once).</li> <li>▪ The following property types are not subject to these limitations, even if the borrower is personally obligated on a mortgage on the property:                     <ul style="list-style-type: none"> <li>• Commercial real estate,</li> <li>• Multi-family property consisting of more than four units,</li> <li>• Ownership in a timeshare,</li> <li>• Ownership of vacant land (resident or commercial),</li> <li>• Ownership of manufactured home on a leasehold estate not title as real property (chattel lien on the home).</li> </ul> </li> </ul> </li> <li>○ Additional reserve requirements in section 5501.2 and 5501.3 must be met.</li> </ul> </li> </ul>

<b>Geographic Locations / Restrictions</b>	Texas 50(a)(6) are ineligible – Refer to On Q Texas Home Equity Guidelines