



FREDDIE MAC HOME POSSIBLE

POLICY	GUIDELINE															
GENERAL DESCRIPTION	Home Possible mortgages offer flexibility and options to meet a variety of borrower’s needs: low down payments and flexible sources of funds. Home Possible is financing where the LTV/TLTV/HTLTV is less than or equal to 97%. For transactions with an Affordable Second, a TLTV is allowed up to 105%															
PRODUCT TYPE & TERMS	Fixed rate with amortization from 10 to 30 years.															
ENCOMPASS CODES	Utilize one of the following Encompass Loan Programs: <ul style="list-style-type: none"> Conventional Freddie Mac Home Possible Fixed 															
OCCUPANCY	Primary Residence only. (All borrowers must occupy the mortgaged premises as their primary)															
MINIMUM FICO / CREDIT HISTORY	620 minimum credit score															
LOAN PURPOSE	<ul style="list-style-type: none"> Purchase loans No cash-out refinance loans <p style="background-color: yellow; margin-left: 20px;"><i>Note: Refinance Transactions not permitted in Texas</i></p>															
MAXIMUM MORTGAGE AMOUNT	<ul style="list-style-type: none"> Standard Conforming Super Conforming Limits are permitted with an LP “Accept” Risk Class up to 95% LTV. A TLTV is permitted up to 105% when there is an Affordable Second. 															
MAX LTV / TLTV RATIOS	<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #F4A460;"> <th>Number of Units</th> <th>Product</th> <th>Maximum LTV</th> <th>Maximum TLTV</th> <th>Maximum HTLTV</th> </tr> </thead> <tbody> <tr> <td>1 unit*</td> <td>Home Possible</td> <td>97%</td> <td>105%**</td> <td>97%**</td> </tr> <tr> <td>2-4 units</td> <td>Home Possible</td> <td>95%</td> <td>95%</td> <td>95%</td> </tr> </tbody> </table> <p style="margin-left: 20px;">*Super conforming transactions secured by 1-unit properties must have LTV, TLTV and HTLTV not exceeding 95%. A 105% TLTV ratio is permitted when secondary financing is an Affordable Second ** When the TLTV ratio exceeds 97%, the secondary financing subordinated to a Home Possible transaction must be an Affordable Second. The Affordable Second financing cannot be a HELOC.</p>	Number of Units	Product	Maximum LTV	Maximum TLTV	Maximum HTLTV	1 unit*	Home Possible	97%	105%**	97%**	2-4 units	Home Possible	95%	95%	95%
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MINIMUM BORROWER CONTRIBUTION	<ul style="list-style-type: none"> Minimum Contribution from Borrower Personal Funds: <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #A0C0E0;"> <th rowspan="2">Property Type</th> <th colspan="3">LTV/TLTV/HTLTV RATIOS</th> </tr> <tr style="background-color: #A0C0E0;"> <th>≤ 80%</th> <th>> 80% & ≤ 95%</th> <th>> 95%</th> </tr> </thead> <tbody> <tr> <td>1 unit</td> <td>None</td> <td>None</td> <td>None</td> </tr> <tr> <td>2-4 unit</td> <td>None</td> <td>3%</td> <td>N/A</td> </tr> </tbody> </table>	Property Type	LTV/TLTV/HTLTV RATIOS			≤ 80%	> 80% & ≤ 95%	> 95%	1 unit	None	None	None	2-4 unit	None	3%	N/A
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SECONDARY FINANCING	<p>Subordinate financing must comply with: The terms for the Affordable Seconds option, which allow among other provisions, a maximum TLTV of 105% (see eligibility matrix above) or standard Freddie guides.</p> <p>MLS will not participate in any state bond program, Seconds that require the lender to be registered or approved where a fee must be paid or an agreement must be signed.</p> <p>Review of Affordable Second Obtain a fact sheet or copies of the documents the borrower will need to sign with respect to the secondary financing so that the financing can be reviewed to determine if it can be classified as an Affordable Second.</p> <p>An Affordable Second that does not require a monthly payment before the Due Date of the 61st payment (1st 5 yrs.) under the Home Possible Mortgage will be considered and entered in Encompass as a gift.</p> <p>Subordinate financing from a seller/ or other interested party-held mortgage is not permitted.</p> <p><u>Financing Structure</u> The Affordable Second financing cannot be a HELOC.</p>															
ELIGIBLE PROPERTY TYPES	<p>Home Possible:</p> <ul style="list-style-type: none"> 1-4 unit primary residence Condominiums – must be FHLMC warrantable PUDs <p>Ineligible property types:</p> <ul style="list-style-type: none"> Manufactured Homes Co-Ops <p>Occupying Borrower must not have an ownership interest in more than two financed residential properties including the subject, property as of the note date or the effective date of permanent financing for construction conversion or renovation transactions.</p>															

NON-OCCUPANT CO-BORROWER	<ul style="list-style-type: none"> • Non-Occupant Co-Borrowers are allowed on mortgages secured by 1-unit properties when the: <ul style="list-style-type: none"> ○ LTV/TLTV*/HTLTV ratio is less than or equal to 95% with an LP Accept ○ A TLTV ratio of less than or equal to 105% is permitted for mortgages with Affordable Seconds. ○ Non-Occupant Co-Borrowers are not required to complete Homebuyer Education
AUTOMATED UNDERWRITING	<ul style="list-style-type: none"> • The file must be submitted to LPA with file identified as Home Possible. In the Encompass Borrower Summary screen/FHLMC Product drop down, "241 - Home Possible". <p>When submitting a loan with an Affordable Second:</p> <ul style="list-style-type: none"> • That <u>does not require a payment</u> before the due date of the 61st monthly payment enter the amount of the Affordable Second in the "Total Gift Fund" field • That <u>does require a payment before 61st</u> payment then we must include the Affordable Second as a secondary financing in all circumstances including: <ul style="list-style-type: none"> ○ Calculating the TLTV ratio and include in PITI /Ratios ○ Complying with delivery requirements including providing details of the Affordable Second, and ○ Documenting the Affordable Second in the mortgage file. • Manual underwriting is not permitted. • The LP Feedback Certificate will reflect these remarks <ul style="list-style-type: none"> ○ JR – "this loan meets Home Possible income limits based on property location for address entered. This loan must also meet all other Home Possible product requirements for delivery to Freddie Mac." ○ K9 – (AMI Amount) is the area median income for the Address submitted
DEBT RATIOS	As determined by LP.
CALCULATION OF QUALIFYING INCOME	All income must meet Freddie mac guidelines for stable monthly income.
INCOME LIMITS	<p>In determining whether a mortgage is eligible under the borrower income limits, the lender must count all income used to qualify.</p> <p>For all Home Possible loans the Borrower's income, converted to an annual basis, must not exceed 80% of the AMI.</p> <p>LP will determine the income eligibility of the mortgage.</p> <p>To view the income limits, visit Freddie Mac's Affordable Income & Property Eligibility webpage: http://www.freddiemac.com/homepossible/eligibility.html</p>
USE OF RENTAL INCOME	<p>Rental income (from boarder) from a 1-unit primary residence may be considered as stable monthly income if:</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 • Rental payment – rental income from the person residing in the mortgaged premises: <ul style="list-style-type: none"> ○ Evidence of receipt of regular payments of rental income for at least nine of the last 12 months is required. ○ The income must be averaged over 12 months when fewer than 12 months payments are documented. ○ Represents no more than 30% of the total qualifying income • Affidavit and other documentation: Borrower must attest, by affidavit executed at application: <ul style="list-style-type: none"> ○ Source of the rental income ○ Fact that the person providing the rental income has resided with the borrower for the past year and intends to continue to reside with the borrower in the new residence for the foreseeable future. ○ The affidavit not required to be notarized. <p style="text-align: right;"><i>Continued on next page</i></p>
USE OF RENTAL INCOME (continued)	<p>Rental income from a 1-4 Investment property may be considered with the following:</p> <ul style="list-style-type: none"> • Borrower's most recent year tax return with Schedule E

	<ul style="list-style-type: none"> • If the investment property was purchased in the current calendar year, current fully executed leases must be obtained and used to determine net rental income • Purchase date must be documented • 75% of the gross monthly rent may be used <p>Rental income from 2-4 unit primary residence – must meet standard FHLMC requirements except that the reserve requirements are reduced to 2 months.</p>												
BORROWER CONTRIBUTION	<ul style="list-style-type: none"> • 1 unit – no contribution required from borrower • 2-4 unit – 3% contribution required from borrower 												
SOURCE OF FUNDS	<table border="1" data-bbox="431 467 1529 946"> <thead> <tr> <th data-bbox="431 467 979 505">Use</th> <th data-bbox="979 467 1529 505">Permitted Sources of Funds</th> </tr> </thead> <tbody> <tr> <td data-bbox="431 505 979 602">Borrower contribution (No minimum contribution required for 1-unit primary residences)</td> <td data-bbox="979 505 1529 602"> <ul style="list-style-type: none"> • Borrower personal funds </td> </tr> <tr> <td data-bbox="431 602 979 669">Down Payment for purchase loans</td> <td data-bbox="979 602 1529 669"> <ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds </td> </tr> <tr> <td data-bbox="431 669 979 736">Additional equity if needed for no-cash-out refinance loan</td> <td data-bbox="979 669 1529 736"> <ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds </td> </tr> <tr> <td data-bbox="431 736 979 841">Closing costs, financing costs, prepaids/escrows</td> <td data-bbox="979 736 1529 841"> <ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds • Flexible sources of funds </td> </tr> <tr> <td data-bbox="431 841 979 946">Reserves for Home Possible</td> <td data-bbox="979 841 1529 946"> <ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds • Borrower reserves </td> </tr> </tbody> </table> <p data-bbox="431 983 727 1016">Borrower Personal Funds:</p> <ul data-bbox="431 1016 1510 1252" style="list-style-type: none"> • Depository Accounts • Sale of borrower asset • Pooled funds • Rent credits • Community savings deposited by the borrower • Credit card charges, cash advances, or unsecured line of credit to pay fees associated with the mortgage application process. • Loans secured by financial asset • Trust disbursement • IDA • Trade equity <p data-bbox="431 1274 688 1306">Other Borrower Funds</p> <ul data-bbox="431 1306 1468 1575" style="list-style-type: none"> • Gifts: related person – there is no requirement that there be a down payment of 5% from Borrower’s Personal Funds when a gift from a related person is used. • Gift/grant: Agency • Affordable Seconds • Employer Assisted Homeownership Benefit • IDA • Unsecured loan: Agency/Related Person or Community Savings Systems (funds in excess of borrower’s contribution) <p data-bbox="431 1596 711 1628">Flexible sources of funds</p> <ul data-bbox="431 1628 769 1698" style="list-style-type: none"> • Financing Concessions • Premium financing 	Use	Permitted Sources of Funds	Borrower contribution (No minimum contribution required for 1-unit primary residences)	<ul style="list-style-type: none"> • Borrower personal funds 	Down Payment for purchase loans	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds 	Additional equity if needed for no-cash-out refinance loan	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds 	Closing costs, financing costs, prepaids/escrows	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds • Flexible sources of funds 	Reserves for Home Possible	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds • Borrower reserves
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RESERVES	<ul style="list-style-type: none"> • 1 unit – reserves are not required • 2-4 units – 2 months reserves required 												

MORTGAGE INSURANCE

- Mortgage Insurance is required when the LTV exceeds 80%.

Mortgage Insurance can be provided by the following companies:

- Arch Mortgage Insurance Company (fka CMG Mortgage Insurance Company)
 - Essent Guaranty, Inc.
 - Genworth Mortgage Insurance Corporation®
 - Mortgage Guaranty Insurance Company® (MGIC)
 - National Mortgage Insurance Corporation
 - Radian Guaranty, Inc.
 - United Guaranty Residential Insurance Company® and United Guaranty Mortgage Indemnity Company®
- Loan must meet the guidelines of the MI Company which may differ from the Freddie Mac Home Possible guidelines. For example, UG will not insure files with subordinate gift/grant liens.
 - Lender-paid premiums are permitted.

LTV	COVERAGE AMOUNT	
	Amortization ≤ 20 years	Amortization ≥ 20 years
90.01% - 97%	25%	25%
85.01% - 90%	12%	25%
80.01% - 85%	6%	12%

HOMEOWNERSHIP EDUCATION**Homeownership Education**

- Homeownership education is required before the Note date for at least 1 qualifying borrower if all of the borrowers are first-time homebuyers
- Homeownership education must be provided by a party not involved in the sale or financing of the property.
- Homeownership education programs may use different formats and require different lengths of time to complete. The following are acceptable:
 - Programs developed by HUD-approved counseling agencies, Housing Finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs)
 - Homeownership education programs developed by mortgage insurance companies or others providers' programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com)
 - As an alternative to the program listed above, Freddie Mac's free financial literacy curriculum, CreditSmart, meets the homeownership education requirements provided:
 - The borrower completes the on-line Credit Smart-Steps to Homeownership Tutorial which includes 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). Visit <http://www.freddiemac.com/creditsmart/tutorial.html>
 - The financial literacy curriculum is not provided by an interested party to the loan including the lender.
- The following types of homeownership education are acceptable:
- A copy of Exhibit 20, Homeownership Education Certification or another document containing comparable information must be retained in the mortgage file.

Please note: If the borrower utilizes the Freddie Mac Credit Smart Homeownership Education Tool to complete the homeownership requirements, there is no fee to do so.

BUT, if the borrower chooses to go and find their own counselling for the homeownership requirement, the \$75 fee will apply.

LANDLORD EDUCATION**Landlord Education (2-4 unit properties)**

- Purchase loans – 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 loan, including the lender. A copy of a certificate evidencing successful completion of the landlord education program must be retained in the mortgage file.

Refinance loans – landlord education is not required but is recommended for borrowers who have not previously attended a program.

SPECIAL DOCUMENTATION	<p>In addition to standard conventional documentation, the following are required when applicable:</p> <ul style="list-style-type: none"> • Homeownership Education Certificate - for all purchase transactions <ul style="list-style-type: none"> • Underwriter will review and sign form prior to closing (signed form must be uploaded to the Encompass Efolder) 												
COLLATERAL ASSESSMENT	<ul style="list-style-type: none"> • 1 unit primary residences: Use Form 70, Uniform Residential Appraisal Report • Condominiums: Use Form 465, Individual Condominium Unit Appraisal Report • 2-4 unit: Use Form 72, Small Residential Income Property Appraisal Report 												
CONCESSIONS	<p>Financing concessions:</p> <ul style="list-style-type: none"> • LTV/TLTV > 90% - 3% concessions • LTV/TLTV > 75% but ≤ 90% - 6% concessions • LTV/TLTV ≤ 75% - 9% concessions 												
ESCROW WAIVERS	<p>Allowed on loans when the LTV is less than or equal to 80%. If the mortgage had an escrow account when it was sold to Freddie Mac, the Servicer cannot discontinue or waive collecting escrows.</p>												
INTERESTED PARTY CONTRIBUTION	<table border="1" data-bbox="513 755 1450 870"> <thead> <tr> <th data-bbox="513 755 829 809">Occupancy</th> <th colspan="3" data-bbox="829 755 1450 795">LTV/CLTV</th> </tr> <tr> <td data-bbox="513 809 829 835"></td> <th data-bbox="829 795 1029 835">>90%</th> <th data-bbox="1029 795 1256 835">75.01 – 90%</th> <th data-bbox="1256 795 1450 835">≤ 75%</th> </tr> </thead> <tbody> <tr> <td data-bbox="513 835 829 870">Primary Residence</td> <td data-bbox="829 835 1029 870">3%</td> <td data-bbox="1029 835 1256 870">6%</td> <td data-bbox="1256 835 1450 870">9%</td> </tr> </tbody> </table>	Occupancy	LTV/CLTV				>90%	75.01 – 90%	≤ 75%	Primary Residence	3%	6%	9%
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DOCUMENT AGE	<ul style="list-style-type: none"> • Credit Docs: 120 Days • Appraisal: 120 Days 												
ULDD DATA POINTS	<ul style="list-style-type: none"> • Loan Affordable Indicator: “true” • Loan Program Identifier: “Home Possible Mortgage” • IFI 532 – if mortgage satisfies minimum number of payment reference requirement using noncredit payment references • IFI 583 – Home Possible with an Affordable Second • IFI G18 – Home Possible with Affordable Second entered into LP in “total gift fund” field. 												