



### CONVENTIONAL Underwriting Guidelines Requirements (Loans must be submitted through LPA and receive Accept)

#### COLLATERAL

<b>General</b>	Property condition C5 or below is not eligible. Final condition rating must be C4 or better.
<b>Appraisal</b>	Transferred or ported appraisals are permitted with proof the appraisals comply with Appraisal Independence Requirements (AIR). Re-use of an appraisal report is not permitted. HPML loans may require second appraisal. If the appraisal report is marked "subject-to" a final inspection 1004D will always be required, processor certifications will not be accepted in lieu of.
<b>Appraisal Waiver</b>	Permitted. Follow FHLMC Appraisal Waiver requirements. Not eligible for manufactured homes, investment or 2-4 unit properties, TX Home Equity 50(a)(6) or 50(a)(6) Conversion, values of \$1m or greater, leaseholds, properties with resale restrictions, non-arm's length transactions, when satisfying construction financing, using rental income from the subject property to qualify, or an appraisal has been obtained within 120 days of the note date.
<b>Ineligible Properties</b>	Single-wide manufactured homes, Land Contracts, Co-ops, properties serviced by hauled water, and State-approved medical marijuana producing properties are not eligible.
<b>Resale/Deed Restrictions</b>	Age-based restrictions are permitted. See guidelines for requirements and restrictions.
<b>Manufactured Housing</b>	No single wide manufactured allowed.

#### TYPES OF FINANCING

<b>Eligible Mortgages</b>	Home Possible must be First Lien Conventional Mortgages (Includes Super Conforming*) that are fully amortizing. Must be fixed rate mortgages with an original maturity not greater than 30 years. *Super conforming Mortgages permitted, when the Mortgage: <ul style="list-style-type: none"> <li>• Is submitted through Loan Product Advisor and receives an Accept Risk Class and,</li> <li>• Has an LTV/TLTV/HTLTV ratio less than or equal to 95% (A TLTV ratio of less than or equal to 105% is permitted for Mortgages with an Affordable Second)</li> </ul>
<b>Ineligible Mortgages</b>	Affordable Merit Rate Mortgages, A-minus Mortgages, Seasoned Mortgages, Financed Permanent Buydown Mortgages, Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages, Mortgages with capitalized balances as described in FHLMC Seller Guide Chapter 4403, Section 502 GRH Mortgages, Section 184 Native American Mortgages, Freddie Mac Relief Refinance Mortgages <sup>SM</sup> - Same Servicer and Freddie Mac Relief, Refinance Mortgages - Open Access, and properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations.
<b>Listed For Sale or Purchase &lt; 6 Months</b>	Properties listed for sale are ineligible for refinance. Property must be taken off the market prior to the loan application date.
<b>Down Payment Assistance</b>	Down payment assistance is allowed with EPM's approval of the agency providing funds.



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### TYPES OF FINANCING

<b>Texas Overlay</b>	<p>No Cash out permitted. If existing 1st &amp; 2nd to be paid are Texas Section 50(a) (6), all subsequent financing is considered cash out and is not eligible. This rule applies whether or not the borrower is getting cash back. If the 1st mortgage is not (never was) a Texas Section 50 (a)(6) loan and the 2nd mortgage is a Texas Section 50(a)(6), the 2nd lien must subordinate. Borrower cannot receive any cash back from 1st mortgage refinance - not even \$1.</p> <p>Transactions with subordinate financing subject to Section 50(a)(6) provisions are limited to max LTV/TLTV/CLTV of lesser of 80% or max program allowed.</p> <p>Refer to separate matrix for Texas 50(a) (6) program requirements.</p>
<b>Rate &amp; Term Refinance/ Limited Cash-Out</b>	<p>The settlement statements are required from any transaction within the past 6 months. If the previous transaction was a cash-out or if it combined a first and non-purchase money subordinate into a new first, the loan is not eligible for this program. If this new transaction combines a 1st and non-purchase money 2nd into a new 1st loan, the loan is not eligible for this program. If a new transaction combines a purchase money 2nd used in whole to acquire the property, a copy of the Closing Disclosure (CD) must be obtained. Closing costs and prepaids may be financed into loan amount. Disburse cash out to the borrower (or any other payee) up to the greater of 1% of the new refinance mortgage or \$2,000.</p>
<b>Property Flip</b>	<p>Property flips are not permitted unless one of the following exists: 1) The seller has been on title at least 90 days. 2) The seller is a State or Federally chartered financial institution or government sponsored enterprise. 3) The seller is HUD or a non-profit approved to purchase HUD REO properties. 4) Sale of a property acquired through inheritance and the seller's inheritance of the property can be documented.</p>
<b>All Refinances</b>	<p>Must have Net Tangible Benefit to Borrower and Continuity of Obligation.</p>

### CREDIT

<b>Collections/Charge Offs</b>	Follow LPA feedback certificate findings
<b>Judgments/Liens</b>	Outstanding judgments and liens must be paid at or prior to loan closing. Documentation required.
<b>Mortgage History</b>	Mortgage History evaluated by LPA



### INCOME / ASSETS

<p><b>Borrower Income Limits</b></p>	<p>LPA will determine the income eligibility of the mortgage.</p> <p>Income eligibility: Home Possible loans may not exceed 80% AMI for the property's location. (This includes properties in low income census tracts.)</p> <p>In determining whether a mortgage is eligible under the Borrower income limits, the lender must count the income from all of the Borrowers who will be listed on the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.</p> <p>For Income limits, see the link: <a href="https://sf.freddiemac.com/working-with-us/affordable-lending/home-possible-eligibility-map">https://sf.freddiemac.com/working-with-us/affordable-lending/home-possible-eligibility-map</a>.</p>
<p><b>Residual Income</b></p>	<p>Residual Income is required on HPML loans only.</p>
<p><b>Boarder Income</b></p>	<p>Permitted if the boarder has resided with the Borrower for at least 1 year, will continue to reside together in the new residence, and the boarder provides appropriate documentation to evidence residency with the Borrower. EPM must document at least the most recent 9 of the last 12 months of rent received by the Borrower which can be verified by showing evidence of receipt of regular payments of rent to the Borrower. e.g. canceled checks. The rent must be averaged over 12 months for qualifying purposes when fewer than 12 months of payments are documented. The boarder rental income cannot exceed more than 30% of the total qualifying income. The file must contain a written statement from the Borrower affirming: the source of the rental (boarder) income, the fact that the person providing the rental (boarder) income has resided with the Borrower for the past year and intends to continue to reside with the Borrower in the new residence into the foreseeable future.</p>
<p><b>Rental Income from Subject Property 2-4 Unit</b></p>	<p>Rental income from a 2- to 4-Unit primary residence that meets Guide may be used as qualifying income. See FHLMC guide, rental income from subject property. Rental income from Accessory Dwelling Unit (ADU) is not permitted.</p>
<p><b>Documentation - 4506C or 2907 Puerto Rico Tax Returns</b></p>	<p>Full income documentation loans only; must follow LPA stipulations. IRS form 4506C must be executed on all loans prior to closing. Borrowers with income from Puerto Rico must: Sign form Modelo SC 2907 to obtain tax transcripts, returned Modelo SC 2903 transcripts for 2 years, and transcripts must be translated to English and notarized by 3rd party. The 4506C must be in the file with confirmation that states "no records found" when using Puerto Rico tax returns. The confirmation must be from the IRS website and contain the Borrowers name and SSN. If tax returns are being used to verify income, IRS tax transcripts will be required. W2 transcripts not required.</p>
<p><b>Income from Departure Residence - Converting primary to investment</b></p>	<p>Permitted: See FHLMC guidelines for rental income</p>
<p><b>Future Income</b></p>	<p>Future earnings that exceed 20% of the Borrower(s) current income cannot be used for qualifying. Any recent pay increases that exceed 20% of the Borrower(s) current income must be documented with a current paystub and proof of deposit into the Borrower(s) bank account.</p>



### PURCHASE MONEY

**Seller Contribution**

Owner Occupied: CLTV >90% = 3%, CLTV >75% = 6%, CLTV <=75% = Max 9%

### GENERAL

**Occupancy**

Owner Occupied: primary residence only (Non-Occupant Borrowers are permitted)

**Homebuyer Education**

At least one Borrower must complete homebuyer education when all Borrowers are first-time homebuyers, regardless of the LTV.

Borrowers may:

- Complete Freddie Mac’s free homeownership education curriculum, CreditSmart® Homebuyer U (<https://creditsmart.freddiemac.com/homebuyer-u>); or
- Receive homebuyer education provided by HUD-approved counseling agencies, housing finance agencies (HFAs), community development financial institutions (CDFIs), mortgage insurance companies or other programs that meet National Industry Standards for Homeownership and Counseling

Homeownership education certificate must be dated before the note date and retained in the mortgage file.

**Landlord Education**

For purchase transaction mortgages secured by 2- to 4-unit Primary Residences, at least one qualifying Borrower must participate in a landlord education program before the Note Date. For refinance transactions, Freddie Mac does not require landlord education, but recommends it for Borrowers who have not previously attended a program.

**Early Delinquency Counseling**

EPM, as Servicer, must provide (at no cost to the Borrower) Early Delinquency Counseling to all Borrowers who experience problems meeting their Mortgage obligations, in accordance with FHLMC Seller Guide Sections 9101.2(c) and 9102.5(c)

**Loan Terms Available**

30, 20, 15 Year Fixed Rate

**Qualifying Fixed Products**

Qualify at Note Rate

**Temporary Subsidy Buydowns**

Not permitted (EPM Overlay)

**Assumptions**

Not permitted



### GENERAL, continued

<b>Borrower Eligibility</b>	Permanent and Non-Permanent Resident Aliens allowed with supporting documentation. Foreign Nationals or Borrowers with Diplomatic Immunity are not permitted.																											
<b>Underwriting Path</b>	LPA Accept Streamlined/Standard Only																											
<b>Non-occupant Borrower</b>	Permitting non-occupant Borrower(s) on Mortgages secured by 1-unit properties when the LTV/TLTV*/(HTLTV) ratio is less than or equal to 95%. *A TLTV ratio of less than or equal to 105% is permitted for Mortgages with Affordable Seconds ®																											
<b>Mortgage Insurance (MI) Coverage and Levels</b>	<p>EPM requires full files to be sent to one of our approved Mortgage Insurance providers to obtain the mortgage insurance certificate. The use of “delegated” mortgage insurance must be approved by Corporate Underwriting as an exception basis only.</p> <table border="1"> <thead> <tr> <th colspan="6">Home Possible Mortgages</th> </tr> <tr> <th rowspan="2">Transaction Type</th> <th rowspan="2">MI Coverage</th> <th colspan="4">LTV</th> </tr> <tr> <th>&gt;80% and &lt; 85%</th> <th>&gt;85% and &lt; 90%</th> <th>&gt;90% and &lt; 95%</th> <th>&gt;95% and &lt; 97%</th> </tr> </thead> <tbody> <tr> <td>Fixed rate term &lt; 20 years</td> <td rowspan="2">Standard</td> <td>6%</td> <td>12%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>Fixed rate term &gt; 20 years</td> <td>12%</td> <td>25%</td> <td>25%</td> <td>25%</td> </tr> </tbody> </table> <p>Lender Paid Mortgage insurance is eligible. See CMS Freddie Conventional Guide.</p> <p>Financed Mortgage insurance is not permitted.</p>	Home Possible Mortgages						Transaction Type	MI Coverage	LTV				>80% and < 85%	>85% and < 90%	>90% and < 95%	>95% and < 97%	Fixed rate term < 20 years	Standard	6%	12%	25%	25%	Fixed rate term > 20 years	12%	25%	25%	25%
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<b>*First Time Homebuyer</b>	<p>A First-Time Homebuyer is an individual who meets all of the following requirements:</p> <ol style="list-style-type: none"> <li>1) Is purchasing the Mortgaged Premises, and</li> <li>2) Will reside in the Mortgaged Premises as a Primary Residence, and</li> <li>3) Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the Mortgaged Premises.</li> </ol> <p>In addition, a displaced homemaker or a single parent may also be considered a First-Time Homebuyer if the individual had no ownership interest in a residential property during the preceding three-year period other than an ownership interest in the marital residence with a spouse. If a displaced homemaker or a single parent solely owned the marital residence, or solely or jointly owned a second home or Investment Property, the individual may not be considered a First-Time Homebuyer.</p>																											

