Homebridge Wholesale
A division of Homebridge Financial Services, Inc.

Freddie Mac Home Possible

Conforming and Super Conforming Loan Amounts

Fixed Rate

Owner-Occupied Primary Residence [4]					
Transaction Type	***Units*** [8]	***LTV*** [4]	***CLTV/HCLTV***	***Loan Amount*** [3]	***Credit Score*** [6]
Purchase and Limited Cash-Out	1	97%[1,2,5]	97%/105% [5,7]	Conforming loan amounts **only**	Per LPA
Purchase and Limited Cash-Out	1	95% [2]	95%/105% [7]	Conforming and Super Conforming loan amounts	Per LPA
Purchase and Limited Cash-Out	2-4 [6,7,8]	95% [2]	95%	Conforming loan amounts **only**	Per LPA
Purchase and Limited Cash-Out	2	85% [2]	85%	Super conforming loan amounts	Per LPA
Purchase and Limited Cash-out	3-4 [6]	80%	80%	Super conforming loan amounts	Per LPA

Footnotes:

1. 95.01% - 97%/105% LTV/CLTV/HCLTV:
   - Conforming loan amounts, **1-unit only**; super conforming loan amounts ineligible > 95% LTV
   - **97% CLTV/HCLTV**: Standard subordinate financing eligible including HELOC
   - **97.01% - 105% CLTV**: Subordinate financing **must be provided by an Affordable Seconds** program and the Affordable Second **cannot be a HELOC**. All other subordinate financing **ineligible.**
   - Manufactured homes ineligible
   - Rate/term transactions do **not** require the loan to currently be owned by Freddie Mac to utilize 97% LTV
2. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
3. Minimum loan amount $60,000
4. New condominium projects located in Florida require PERS approval. Established condominium projects in Florida with PERS approval or Full Review no LTV restrictions; projects using a Streamlined Review maximum 75%/ 75% LTV. Condominium projects converted in the previous 3 years are not eligible regardless of location.
5. Manufactured home maximum 95% LTV/CLTV. 1-unit only and must meet all manufactured home requirements
6. Minimum 700 FICO for 3-4 units when LTV is > 80% (MI requirement)
7. Standard subordinate financing eligible up to 97% LTV/CLTV (1-unit only > 95%); 105% CLTV requires Affordable Second
8. Non-occupant co-borrowers eligible on 1-unit properties only; 2-4 units **ineligible**

Home Possible Overview

Freddie Mac's Home Possible program is available for the following types of borrowers:

- First-time homebuyers, move-up borrowers, retirees, families in underserved areas, and very low and low-to-moderate income borrowers

Income Requirements – All Home Possible Loans

The borrower's total annual **qualifying income** cannot exceed 80% of the area medium income (AMI) of where the property is located (including property located in low-income census tracts)

Any income **not used to qualify the borrower** (O.T., bonus, etc.) is not included when determining if the borrower's annual income meets the above requirement.

NOTE: When there is a non-occupant co-borrower on a transaction the **combined total qualifying income** (occupant **and** non-occupant's qualifying income) **cannot exceed the applicable income limit.**

Loan Product Advisor will indicate income eligibility. Income eligibility may also be determined by entering the complete address of the subject property in Freddie Mac's Home Possible Income & Property Eligibility tool. The Home Possible Eligibility tool will indicate the Home Possible income limit in addition to the AMI.

Program Highlights

Home Possible	
1-unit primary residence 95.01% to 97% LTV/97% CLTV/HLTV/105% CLTV (97% CLTV/HCLTV: Standard subordinate financing eligible including HELOC) (105%: Subordinate financing **must be** Affordable Second; HELOC **ineligible**)	
• 1-unit: Maximum 97% LTV: **Conforming loan amounts only** • **1-unit: Maximum 95% LTV: Super conforming loan amounts** • 2-4 units: Maximum 95% LTV; **Conforming loan amounts only** • 2-units: Maximum 85% LTV/CLTV: **Super conforming loan amounts** • 3-4 units: Maximum 80% LTV/CLTV: **Super conforming loan amounts**	
Rental income (aka boarder income) allowed on 1-unit property (see guides)	
Manufactured homes eligible ≤ 95% LTV; ineligible >95% LTV	
Loan Terms > 20 Years • 25% MI coverage 85.01% LTV to 97% LTV • 12% MI coverage 80.01% LTV to 85% LTV	**Loan Terms ≤ 20 Years** • 25% MI coverage 90.01% LTV to 97% LTV • 12% MI coverage 85.01% LTV to 90% LTV • 6% MI coverage 80.01% LTV to 85% LTV
Any required reserves determined by LPA	
1-unit: Borrower own funds not required for down payment 2-4 units ≤ 80% LTV/CLTV/HLTV: Borrower own funds not required 2-4 units > 80% LTV/CLTV/HCLTV: 3% borrower personal funds required	
2-4 units: Landlord education required on purchase	
Purchase and rate/term refinance transactions	
Non-occupant co-borrower eligible on 1-unit properties; ineligible on 2-4 units	
95.01% - 97% LTV: Conforming loan amounts only ≤ 95% LTV: Conforming and Super Conforming loan amounts eligible	
Borrower is allowed to have an ownership interest in other properties without restrictions	
Cash-on-hand eligible for 1-4 units	
First time homebuyers*: One borrower is required to receive homebuyer education/counseling	

*First time homebuyer is defined as a borrower who has had no ownership interest (sole or joint) in a residential property during the 3-year period preceding the date of the purchase of the subject property

2022 Maximum Loan Limits

2022 Conforming Loan Limits		
Units	**Contiguous States**	**Alaska, Hawaii**
One	$647,200	$970,800
Two	$828,700	$1,243,050
Three	$1,001,650	$1,502,475
Four	$1,244,850	$1,867,275
2022 High-Cost Area Loan Limits		
Units	**Contiguous States**	**Alaska, Hawaii**
One	$970,800	N/A
Two	$1,243,050	N/A
Three	$1,502,475	N/A
Four	$1,867,275	N/A

*Actual loan limits for certain high-cost counties may be **lower** than the maximum amount listed above
Alaska/Hawaii do **not have high-cost areas in 2022; the applicable conforming limit applies

To view the 2022 loan limits by county click here FHFA 2022 Loan Limits

Freddie Mac Home Possible

Topic	Guideline
COVID-19 Temporary Policies	Refer to the Freddie Mac Conforming and Super Conforming guidelines posted on the Homebridge Wholesale website for COVID-19 temporary policies
Home Possible Required Documents	• Freddie Mac Exhibit 23 Monthly Budget and Residual Analysis Form if borrower using cash-on-hand funds • **1-unit purchase transactions** (required when all borrowers are first time homebuyers): - Freddie Mac Exhibit 20 Homeownership Education Certification signed by the counselor and the borrowers did not take the Freddie Mac online CreditSmart course, **or** - The Freddie Mac CreditSmart Certificate of Completion • **2-4 unit purchase transaction**: - Certificate of Completion of a landlord education course on 2-4 unit primary residence purchase transaction
Freddie Mac Guidelines and Resources	• Freddie Mac guidelines may be accessed at Freddie Mac under “Access the Guide” • Additional resources are available by selecting “The Learning Center” from the menu on the left side of the page • The Loan Product Advisor Documentation Matrix provides information for documenting an LPA loan • Freddie Mac’s Home Possible Mortgage Overview • Freddie Mac’s Home Possible At-a-Glance • Freddie Mac’s Home Possible Income & Property Eligibility tool Reminder: Homebridge guidelines apply when more restrictive
4506-T	• Signed 4506-T required prior to loan closing for both personal and business tax returns (if applicable) • Tax transcripts are **not** required NOTE: At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by family member, etc.) • Homebridge will order transcripts at random for quality control purposes
Age of Documents	• All credit, employment, income and asset documentation must be dated within 120 days of the Note date • Preliminary title policies must be dated within 120 days of the Note date • Appraisal documents must have an effective date within 120 days from the Note date

Appraisals	• Appraisal requirement determined by LPA.
	• Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Freddie Mac's Appraiser Independence Requirements (AIR).
	• A Freddie Mac Submission Summary Report (SSR) is required on all appraisals.
	• Manufactured homes: The appraisal must be completed on Freddie Mac Form 70B and the appraiser must address the marketability of the property. Refer to the Appraisals - Manufactured Housing topic in the Freddie Mac Conforming and Super Conforming guidelines for additional appraisal requirements for manufactured housing
	• If an applicable law, regulation or Homebridge policy requires more than one (1) appraisal be obtained, the single most accurate appraisal must be used for underwriting and submission to the Uniform Collateral Data Portal (UCDP).
	• A full appraisal must provide legible interior and exterior photos of the subject property:
	- The exterior photos of the subject must contain photos of the front, back and street scene.
	- The interior photos, at minimum, must include:
	  - Kitchen, (free-standing stove/range or refrigerator not required)
	  - Main living area,
	  - All bathrooms,
	  - Examples of physical deterioration, if present,
	  - Examples of any recent updates, if present (i.e. remodel, renovation, restoration)
	- Comparable sales photos require the front view of all properties used as comparable sales. The photos must be clear electronic images, which may include copies of MLS photographs, in lieu of original photographs.
	• The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required:
	- A Multiple Listing Service (MLS), or
	- MRIS www.mris.com or
	- Midwest Real Estate Dated (MRED) www.medredllc.com or
	- North Texas Real Estate Information Systems, Inc. (NTREIS) at www.ntreis.net or
	- San Antonio Board of Realtors www.sabor.com or
	- GeoData at www.geodateaplus.com , or
	- Comps Inc. at www.compsny.com.
	NOTE: Comparables from a public independent source are only eligible in the states of Maine, New Hampshire, and Vermont.
	• Comparable sales used for new construction properties (subdivisions, PUDs, condo projects, newly converted) are subject to the following:
	- If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.
	- If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, bill board signs, website, etc.)
	- Additionally, the following applies:
	  - One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. or public source (public source Maine/New Hampshire, and Vermont only).
	  - Two of the comparable sales must be from sources other than the subject property builder.
	  NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value

Appraisals (cont.)	• The appraisal must identify and address properties located within a declining market.
	• The property must have legal, appropriate ingress and egress. The streets that allow access to the subject property must be maintained in a manner that generally meets community standards. The comparable sales should include street maintenance similar to the subject property. When differences exist between the ownership or maintenance of the subject property street and the comparable sale's streets, adjustments must be applied as applicable and an explanation is required and the appraisal must address the effect any differences might have on the subject property's value and marketability.
	NOTE: A private road maintenance agreement is not required.
	• Modular/Prefabricated homes: The appraiser must address the marketability of the property
	• Homebridge requires properties to be, at minimum, in average condition. Additionally, the following applies:
	  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing.
	  - Any broken glass that is a health hazard must be removed and the opening closed.
	• Properties with an unpermitted addition are eligible subject to the following:
	  - The appraiser comments in the appraisal that the addition was completed with "workmanlike quality"
	  - The addition does not result in a change in the number of units comprising the property (e.g. a one unit converted to two unit)
	  - If the appraiser gives the unpermitted addition value, the appraiser must demonstrate market acceptance by the use of comparable sales with similar additions and address the following in the appraisal:
	    - Unpermitted additions are typical for the market area and a typical buyer would consider the unpermitted additional square footage to be part of the overall square footage of the property, and
	    - The appraiser has no reason to believe the addition would not pass inspection for a permits
	• Appraisal transfers are considered on a case-by-case basis.
	• A new appraisal will be required when the appraisal is dated more than 120 days from the Note date.
	• Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review.
	• **Freddie Appraisal Form Numbers**:
	  - Uniform Residential Appraisal Report (Freddie Mac Form 70/Fannie Mae Form 1004)
	  - Individual Condominium Unit Appraisal Report (Freddie Mac Form 465/Fannie Mae Form 1073)
	  - Small Residential Income Property Appraisal Report (Freddie Mac Form 72/Fannie Mae Form 1025)
	  - Exterior-Only Inspection Residential Appraisal Report (Freddie Mac/Fannie Mae Form 2055)
	  - Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Freddie Mac Form 466/Fannie Mae Form 1075
	  - Manufactured Home Appraisal Report (Freddie Mac Form 70B/Fannie Mae Form 1004C)

Appraisal Management Companies (AMC)	Appraisals must be ordered from the AMC assigned by Homebridge by region/territory as follows: • Colorado, New Mexico, Oklahoma, and Texas: Nationwide Property & Appraisal Services • Northeast/Midwest: Nationwide Property & Appraisal Services • Northwest/Southwest/Central: Axis Management Solutions • Southeast: Nationwide Appraisal Network • West: Golden State AMC Brokers assigned to the Homebridge Inside Sales team are required to order appraisals as follows: • Inside Sales Team – East: Nationwide Property & Appraisal Services • Inside Sales Team – West: Golden State AMC To view a map of the territories, broken down by state, click here: Homebridge Wholesale
Appraisal – Automated Collateral Evaluation (ACE)	If LP issues an Automated Collateral Evaluation (ACE) offer the following applies: • The LPA Feedback Certificate must indicate the transaction is eligible for collateral representation and warranty relief with an appraisal waiver • The appraisal waiver offer is valid for 120 days. The loan must be resubmitted to LPA if the appraisal waiver offer is more than 120 days old as of the Note date to determine if the appraisal waiver is still eligible NOTE: If the loan criteria changes (e.g. address of the property, loan amount, loan type, occupancy, etc.) in a subsequent LPA submission, the original appraisal waiver offer may **no longer be eligible**. **Eligible for ACE (appraisal waiver) Option** The following are eligible for the PIA option: • 1-unit primary residence and second home • Purchase and limited cash-out (rate/term) refinance transactions; **cash-out ineligible** • Maximum LTV: 80% **Ineligible for ACE (appraisal waiver) option regardless of LPA Findings**: • Condominiums • 2-4 units • Leaseholds • Loans where the value of the subject property provided to LPA is ≥$1,000,000 • Non-arm's length transactions • Properties subject to resale/deed restrictions • Manufactured • Construction-to-perm • Purchase transactions involving REO properties • Texas Section 50(a)(6) transactions • Freddie Mac Relief Refinance Mortgage • Properties located in a disaster impacted area, • Transactions where, by law, an appraisal is required to be obtained • A transaction where an appraisal for the subject property has already been uploaded to the Freddie Mac portal • Transactions where the Freddie Mac settlement date for the mortgage was more than 120 days from the Note date • The sales contract/property inspection identifies adverse physical property conditions

Assets	Asset documentation is generally per LPA. • All funds used to close the transaction must be disclosed on the 1003 and input into LPA. • All funds used to qualify the borrower, including but not limited to, earnest money deposit, funds for down payment, closing costs, and reserves, **must be verified to ensure they came from eligible sources** • **A VOD is ineligible as stand-alone documentation.** • The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve (if applicable) requirements. Evidence required: - Two months most recent bank or financial statements, all pages. The statements must: - Identify the financial institution, - Identify the account owner(s) - Identify the account number (minimum acceptable ID is last four digits) - Show all transactions and the ending balance - Show period covered - Indicate any outstanding loans secured by the asset - Computer-generated statements downloaded from the internet or from the financial institution's computer system, are acceptable provided all of the above information is provided and the financial institution's name and the source is included (unless used on combination with other asset verifications containing the missing information and it clearly establishes the transaction history pertains to the same account) NOTE: If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up and including the date the earnest money check cleared the bank. • Refinance transactions require verification of funds to close. • If the borrower uses a credit card, cash advance, or unsecured line of credit to pay for fees associated with the loan application process (e.g. appraisal, credit report, etc.) the following is required: - A copy of the account statement showing the amount charged/advanced, **and** - Verify the borrower has sufficient funds to pay the charges/advance, **or** - Include the payment for the amount charged/advanced in the monthly DTI calculation.

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Assets (cont.)	• Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:
	- The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation:
	  - Letter from the bank confirming borrower is an authorized signer, or
	  - Online documentation that confirms borrower is an authorized signer
	- If the account is held jointly, an access letter, stating the borrower has access to 100% of the business funds, is required when the business funds are being used for down payment and/or costs. An access letter is **not required** if business funds are being used to satisfy reserve requirements, however at underwriter discretion, may be requested.
	NOTE: Use of business funds when the borrower does not own a significant percentage of the business will be at underwriter discretion (e.g. borrower has a 10% ownership interest and is using a significant amount of the business funds for down payment/closing costs).
	- A cash flow analysis, based on 3 months business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis:
	  - Must indicate that the average running balance in the account for the previous 3 months stayed the same or was better, and
	  - The amount of funds used for the transaction must not deplete the account i.e. the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal
	• Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement, issued by the insurance company, is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated.
	• Proceeds from the sale/refinance of a property currently owned by the borrower (including a 1031 exchange or bridge loan) are eligible for down payment and closing costs. The final CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. If a cash-out refinance, the proceeds from the subject refinance cannot be used to satisfy reserve requirements.
	• Funds received as a wedding gift from related and/or unrelated persons are an acceptable source of funds for down payment and closing costs. The following applies:
	- The funds must have been deposited into the borrower's account within 60 days of the date on the marriage license/certificate. A copy of the license/certificate and acceptable documentation the funds are in the borrower's account is required.
	• Deposits that represent funds awarded to the borrower (e.g. disaster relief funds, lottery winnings, court-awarded settlements are eligible as long as the source providing the funds is not an interested party to the transaction.
	• Real estate commissions earned by a borrower who is a licensed real estate agent are eligible for down payment/closing costs when purchasing a property. The CD must reflect the commission earned and the credit toward the transaction.
	• Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation.
	• Large unsourced deposits must be explained and verified.

Assets (cont.)	• Requirements for documenting large deposits are as follows: - **Refinance transactions**: Large deposits are not required to be sourced and explained however, at underwriter discretion, explanation and sourcing may be necessary as Freddie Mac requires any payment on borrowed funds be included in the DTI ratios. - **Purchase transactions**: If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any undocumented large deposit will be deducted from the amount of verified funds and the reduced asset amount will be used for qualification *Examples:* 1. The borrower has a monthly income of $4,000 and a bank account with a balance of $20,000. A deposit of $3,000 was made but $2,500 of the deposit is documented as the borrower's tax refund (sourced). In this example only the $500 is considered "unsourced" ($3000 total deposit minus $2500 tax refund) and is included in the large deposit calculation. The unsourced $500.00 is only 12.5% of the borrower's monthly income therefore it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire $20,000 balance in the borrower's bank account may be used for underwriting purposes. 2. The same borrower has a deposit of $3,000 but only $500 is documented as the borrower's tax refund (sourced) leaving $2,500 has unsourced. In this example the unsourced $2,500 is 63% of the borrower's $4,000 monthly income which does meet the definition of a large deposit. The unsourced $2,500 must be deducted from the borrower's $20,000 bank account balance leaving $17,500 that may be used for underwriting purposes. 3. The same borrower has 3 separate unsourced deposits of $1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than $2,000 (50% of $4,000) however at underwriter discretion sourcing/documentation may be required. • Funds from outside the United States that will be needed for closing are eligible subject to the following requirements: 1. Funds must be transferred into a U.S. financial institution (cannot go directly to closing agent/escrow) and funds must be verified in U.S. dollars prior to loan closing, **OR** 2. The combined value of the assets must be at least 20% greater than the amount from these assets need for closing, **AND** - All documents of foreign origin must be filled out in English or the originator must provide a translation, attached to each page that warrants the translation is complete and accurate, and - All foreign currency amounts must be converted to U.S. dollars at the time of translation

Assets (cont.)	**Eligible Sources of Funds**
	The chart below identifies Freddie Mac's requirements for the use and permitted source of funds.
	• ***Cash-on-hand***
	In addition to standard allowable sources of funds, borrower personal funds for Home Possible includes cash-on-hand which is eligible for **down payment, closing and financing costs, prepaids, escrows and reserves** subject to the following verification and documentation requirements:
	- The underwriter must be able to reasonably conclude and support that the borrower consistently is a cash-basis individual and the cash-on-hand is not borrowed and could be saved by the borrower, **and**
	- The underwriter must complete Freddie Mac Exhibit 23 Monthly Budget and Residual Analysis Form confirming the total monthly residual income available for savings is a positive number, **and**
	- There can be no indication the borrower typically uses checking, savings, or similar accounts
	Documentation Required for Cash-on-hand:
	- Copies of 6 months' cash receipts (e.g. rent, utility, etc.) or other alternative documentation (e.g. direct verifications, wire transfers,) to verify the borrower customarily pays cash for recurring obligations, including the payment of any revolving and installment debt, **and**
	- Copies of 3 months' statements for any open revolving account to document the source of the cash-on-hand is not from a cash advance is required. If any cash advances are shown the borrower must explain and document the reason for the cash advance (e.g. cash advance was used for an emergency situation), **and**
	- The credit report obtained at time of loan application validates the borrower's limited or no use of credit and does not show more than 3 tradelines, **and**
	- An updated credit report, obtained approximately one week prior to loan closing, is required that does not show any new accounts or any substantial increase to an existing account that is at or above the amount of cash-on-hand provided by the borrower, **and**
	- Evidence the funds were deposited in a financial institution or acceptable escrow **prior to loan closing**
	• ***Other Borrower Funds***
	In addition to gifts, gifts of equity, or grants eligible on standard Freddie loans Home Possible allows the following additional other borrower funds:
	- Proceeds from an unsecured loan from the following sources:
	  - An Agency (i.e. a sponsor or provider such as an agency of the federal, state, local or municipal government, non-profit community or religious organization (excluding credit unions), the borrower's employer or a regional Federal Home Loan Bank under one of its affordable housing programs), **or**
	  - A relative
	- Proceeds from an Affordable Second or other acceptable secondary financing.
	Reminder: Any secondary financing on transactions with a CLTV 97.01% to 105% **must be an Affordable Second**
	- Financing concessions that meet Freddie Mac requirements are eligible

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<td>Assets Used for Repayment of Obligations</td>
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Assets may be used as the source for repayment of monthly obligations subject to the following:

The transaction involves a 1-2 unit primary residence or second home, and
Eligible on purchase and rate/term refinance transactions only, and
Maximum 80% LTVCLTV

Types of Assets Eligible for Repayment of Obligations

Retirement Assets

Eligibility:

The retirement asset must be in a retirement account recognized by the IRS (e.g. IRA, 401(k) account, etc.), and
The borrower must be the sole owner of the account and the account is fully vested
The account is not currently used as a source of income by the borrower, and
As of the Note date, the borrower has access to withdraw the funds in their entirety without being subject to a penalty or additional early distribution tax (less any portion pledged as collateral for a loan or otherwise encumbered)

Documentation:

Documentation evidencing the account meets the above requirements must be provided along with the most recent account statement for the retirement account

Lump-Sum Distribution (Funds <u>Not</u> Deposited in an Eligible Retirement Asset)

Eligibility:

The lump-sum distribution funds must be from a retirement account recognized by the IRS (e.g. IRA, 401(k) account) and must be deposited into a depository or non-retirement securities account, and
The borrower on the mortgage must have been the recipient of the lump-sum distribution, and
Any party that has an ownership interest in the account holding the lump sum payment must also be obligated on the mortgage or the funds are ineligible, and
The entire amount of the funds from the lump-sum distribution must be immediately accessible and cannot have been or currently be subject to a penalty or early distribution tax

Documentation:

Documentation evidencing all of the following required:

Receipt and type of lump-sum distribution funds (e.g. employer distribution letter(s), or check-stub(s), or IRS 1099-R), and
The funds were derived from an eligible retirement asset, and
The funds were not, or are currently not, subject to a penalty or early distribution tax

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Assets Used for Repayment of Obligations (cont.)	• **Depository Accounts and Securities** - ***Definitions*** - Depository accounts are defined by Freddie Mac as accounts used to deposit and withdraw cash (e.g. checking, savings, money market, certificates of deposit, etc.) - Securities accounts are defined by Freddie Mac as accounts that are traded on an exchange or marketplace (e.g. stocks, vested stock options, bonds, mutual funds, U.S. government securities, etc.) - ***Eligibility*** - The borrower must be the sole owner of the asset or, if owned jointly, the joint owner must also be a borrower on the loan and/or on title to the subject property, **and** - At least one borrower who is an account owner **must be at least 62 years old**, **and** - As of the Note date, the borrower has access to withdraw the funds in their entirety **without being subject to a penalty or additional early distribution tax** (less any portion pledged as collateral for a loan or otherwise encumbered), **and** - The account must be located in as U.S. or state regulated financial institution and the funds must be verified in U.S. dollars - ***Documentation*** - Documentation evidencing the account meets all of the above requirements, **and** - An account statement covering one or two months as required by LPA, **and** NOTE: For securities only if the borrower does not receive a stock/security statement evidence the borrower owns the security and verification of the value of the stock using stock prices from a financial publication or web site is acceptable - Any deposit exceeding 10% of the borrower's total eligible assets in depository and/ or securities account must be verified to ensure the deposit does not include gifts or borrower funds. If verification cannot be provided the borrower's eligible assets must be reduced by the amount of the deposit. NOTE: If the source of the deposit can be clearly identified on the account statement (e.g. direct deposit, etc.) no further documentation is required. • **Assets from the Sale of the Borrower's Business** - ***Eligibility*** - The borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited in the depository or non-retirement securities account (see definitions under Depository Accounts and Securities account above), **and** - The borrower must be the sole owner of the account where the proceeds from the sale of the business is deposited or, if owned jointly, the joint owner(s) must also be a borrower on the loan or the funds are ineligible - The entire proceeds from the sale of the business must be immediately accessible, **and** - The sale of the business cannot have resulted in any of the following - Retention of business assets, **or** - Existing secured or unsecured debt, **or** - An ownership interest, **or** - Seller-held notes to buyer of the business - ***Documentation*** - The most recent three months' depository or securities account statements, **and** - Copy of the contract for the sale of the business, **and** - Copy of the fully executed closing documents for the final sale of the business that includes the sales price and net proceeds, **and** - Most recent tax return for the business prior to the sale of the business, **and** - Evidence that the funds in the non-retirement account that are being used for qualification were derived from the sale of the business

<table>
<tr><td>Assets Used for Repayment of Obligations (cont.)</td><td>Calculation of Assets Used for Repayment of Obligations
Asset calculation is determined by taking the net eligible assets (see below) and dividing by 360 months (regardless of loan term) which equals the eligible asset amount::
• Net eligible assets divided by 360 = asset amount eligible for qualification
The following must be subtracted from the total amount of eligible assets to determine net assets used as the basis for the DTI calculation:
• Funds required to be paid by the borrower to close the transactions (e.g. down payment, closing costs, etc.), and
• Any gift or borrowed funds, and
• Any portion of the assets that are pledged as collateral for a loan or otherwise encumbered</td></tr>
<tr><td>Assumptions</td><td>Not allowed</td></tr>
<tr><td>AUS</td><td>• LPA “Accept” is required. Documentation requirements are generally determined by LPA.
• Manual underwriting is ineligible.</td></tr>
<tr><td>Available Markets</td><td>• All 50 states
• Guam, Puerto Rico and the Virgin Islands are ineligible.</td></tr>
<tr><td>Borrowers – Eligible</td><td>• Natural persons
• U.S. citizens
• Revocable inter vivos trust that meets Freddie Mac guidelines. Trusts are eligible on:
- 1-unit transactions only
NOTE: Trusts are ineligible on 2-4 unit primary residence
A Power of Attorney is ineligible with an inter vivos trust.
• Non-U.S. Citizens:
Borrowers who are lawful permanent or lawful non-permanent resident aliens are eligible subject to the following:
- Freddie Mac does not specify the documentation required to determine if the borrower is legally present in the United States. Homebridge will make the determination of the non-U.S. citizens status on a case-by-case basis using documentation Homebridge deems appropriate
- If a borrower is a non-permanent resident alien, Homebridge will determine visa eligibility. Refer to the Visa Eligibility for Non-Citizens (Non-Permanent Resident Aliens) document on the Homebridge website for visa eligibility and documentation requirements
- All loans delivered to Freddie Mac require Homebridge to rep and warrant the borrower is legally present in the U.S.
- Borrowers with a Deferred Action for Childhood Arrivals (DACA) status, are not eligible
• Non-Occupant Co-Borrowers (eligible on 1-unit properties only and maximum 95% LTV)
- Income is included when determining if transaction meets applicable income limit
- Liabilities are included in the DTI calculation
• All borrowers are required to have a valid social security and meet legal residency documentation requirements</td></tr>
<tr><td>Borrower Contribution</td><td>• The minimum borrower contribution from borrower personal funds is as follows:
- 1-unit regardless of LTV/CLTV: None
- 2-4 unit > 80% LTV/CLTV to 85% LTV/CLTV: 3%</td></tr>
<tr><td>Borrowers – Ineligible</td><td>• Foreign Nationals
• Borrowers with diplomatic immunity
• Borrowers without a social security number or a number that cannot be validated with the SSA
• Borrowers with non-traditional credit
• Borrowers that receive Government/Public Assistance Income (Section 8 income)
• Borrowers previously convicted of mortgage fraud</td></tr>
</table>

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Borrower Types	• **Co-Borrower:** - An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt - Signs all loan documents - Income, assets and debt used for loan qualification • **Co-Signer:** - An individual who has no ownership interest in the property, but is liable for the debt. - Signs all loan documents (**except** Mortgage/Deed of Trust) - Income, assets, and income are used for qualification - Cannot have an interest in the transaction (seller, builder, real estate broker, etc.) - The co-signer must occupy the property • **Non-Borrowing/Non Purchasing Spouse:** - Generally has no ownership interest in the property and is not liable for the debt. - In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin
Construction to Perm	The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence. • Construction-to-permanent financing can be structured as a transaction with one or two separate closings; **however Homebridge will not provide the construction financing (a one closing transaction).** The borrower must hold title to the lot, which may have been previously acquired or be purchased as part of the transaction. • All construction work, including any work that could entitle a party to file a mechanics' lien or materialmen's lien, must be completed and paid for, and all mechanics' liens, and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Homebridge. Homebridge will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to-perm mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Homebridge will retain a certificate of occupancy or an equivalent from the applicable government authority. • Units in a condo project are not eligible for construction-to-permanent financing. **Two-Closing Transactions** - The first closing is to obtain the interim construction financing (and may include the purchase of the lot). **Construction financing is not eligible through Homebridge.** - The second closing (aka "end" loan) is to obtain the permanent financing upon completion of the improvements **and is eligible** through Homebridge. - A modification may not be used to update the original Note; a new Note must be completed and signed by the borrowers. - The borrower is underwritten based on the terms of the permanent mortgage. - Transactions are subject to the limited cash-out refinance maximum LTV/CLTV/HCLTV ratios, as applicable.

<table>
<tr><td>Contingent Liabilities</td><td>

Business Debt
- Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business.
- Business debt does not need to be considered as part of the borrower's individual recurring monthly debt when:
  - The account does not have a history of delinquency, and
  - Documentation is provided that the debt was paid from the borrower's business funds (e.g. 12 months cancelled business checks), and
  - The tax returns evidence that the business expenses associated with the debt (e.g. interest, lease payments, taxes, insurance, etc.) have been reported and support that the debt has been paid by the business
If documentation of payment from the business funds cannot be provided, or there is history of delinquency on the account the debt must be considered as part of the borrower's individual recurring debt obligation.
Co-Signed Debt - Mortgage
- Co-signed debt is not required to be included in the borrower's DTI calculation if all of the following applies:
  - The debt is current and the other party has been making the entire payment for the most recent 12 months, and
  - The party making the payments is obligated on the Note for the mortgage, and
  - The borrower is not on the title of the mortgaged property, and
  - 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower), and
  - The party making the payment is not an interested party to the subject transaction
- Co-signed debt must be included in the borrower's DTI calculation if all of the above requirements are not met.
Refer to the Credit - Installment/Revolving/Student Loan topic for non-mortgage debt paid by others
Assumed Mortgage Debt
- The monthly payment may be excluded from the DTI calculation if there is evidence the borrower no longer owns the property and a copy of the fully executed assumption agreement is provided
Court Ordered Assignment of Debt
- Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations as follows:
  - Evidence of the transfer of title, and
  - A copy of the court order is provided

</td></tr>
<tr><td>Credit History</td><td>

Trade line requirements per LPA Feedback Certificate.
Authorized user trade lines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history.

</td></tr>
</table>

<table>
<tr>
<td>Credit - Installment/Revolving/ Student Loans</td>
<td>
All debts will be run through LPA to ensure accurate LPA Feedback Certificate

Installment Debt

Installment debt is considered as a recurring monthly debt obligation and included in the borrower’s long-term debt when there are more than 10 months payments remaining.
Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower’s ability to meet their credit obligations.

NOTE: All lease payments (auto, furniture, appliances, etc.) regardless of the number of payments remaining, must be included in the borrower’s monthly debt (solar panel lease payments may be excluded)

If the installment debt payment is not listed on the credit report or is listed as deferred, documentation of the payment amount is required (i.e. direct verification from the creditor, or a copy of the installment loan agreement)

Revolving Debt

Revolving debt is considered part of the borrower’s recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:

If the monthly payment is not included on the credit report or no other documentation indicating the actual payment is available, 5% of the outstanding balance will used to determine the monthly payment. The actual payment must be used if known.
If the revolving account is to be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. The account does not need to be closed as a condition of excluding the payment from the borrower’s debt ratio.

If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified.
If the revolving account is to be paid off at closing, the payoff must be shown on the Closing Disclosure.

Open 30 Day Charge Account

Open 30 day charge accounts require sufficient assets to pay off the debt in order to be excluded from the debt ratio. If the monthly payment must be included in the DTI calculation the actual payment, from the credit report or documentation verification will be used. If the actual payment is not known, 5% of the outstanding balance will be used.

Alimony/Child Support/Separate Maintenance Payments
Alimony/child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or other legal document must be included in the borrower’s monthly debt obligations if they will continue for > 10 months. Voluntary payments are not required to be considered in the DTI calculation.
Debt Paid by Others – Non-Mortgage
When the borrower is obligated on non-mortgage debt (i.e. installment loans, revolving accounts, lease payments) but is not making the payment the debt may be excluded from the DTI calculation subject to the following:

The other party has been paying the entire monthly payment for a minimum of 12 months (the other party is not required to be obligated on the debt)
12 months cancelled checks or bank statements from the party making the payments are required to document 12 months’ pay history.

NOTE: The above does not apply if the party paying the debt is an interested party to the subject transactions.

</td>
</tr>
</table>

Credit - Installment/Revolving/ Student Loans (cont.)	• **Student Loans – Repayment, Deferment, Forbearance** All student loans payments must be included in the DTI calculation when there are more than 10 months of payments remaining. The following applies: - **Payment Amount greater than Zero**: If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other documentation provided, **OR** - **Payment Amount Zero:** If the monthly amount reported on the credit report is zero, use 0.5% of the outstanding loan balance as reported on the credit report • **Student Loans – Forgiveness, Cancellation, Discharge, Employment-Contingent** A loan in one of these categories may be **excluded** from the DTI if documentation is provided that indicates the following: - The loan has 10 months or less of payments remaining until the full balance of the loan is forgiven, cancelled, discharged or, if employment-contingent, paid, **OR** - The monthly payment is deferred or in forbearance and the full balance of the student loan will be forgiven, cancelled, discharged, or, if employment-contingent, paid at the end of the deferment or forbearance period, **AND** - The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program. Evidence of eligibility/approval must be provided by the student loan program or the employer

Credit Report/Scores	• Credit score per LPA Findings • A minimum of 3 tradelines must be used to generate a credit score for the credit score to be usable. • Borrowers using cash-on-hand as a source of funds are limited to a maximum of 3 tradelines. Refer to the Borrower Personal Funds – Cash-on-Hand topic for specific requirements when the borrower is using cash-on-hand. • When not all the borrowers have a usable credit score all of the following applies: - The transaction must be a purchase or rate/term refinance, - The property securing the loan must be a 1-unit primary residence - The borrower(s) with the usable credit score must contribute more than 50% of the total monthly income - The borrower(s) without a credit score are not self-employed. NOTE: Any debt not reported on the credit report requires documentation that it has been paid satisfactorily • Homebridge will re-issue credit report when provided by a Homebridge **approved** Freddie Mac credit vendor. - Approved vendors include: - Credit Plus - CIS - Credit Technologies - CBC Innovis - Equifax - Universal Credit Services - Credit reports provided by a Freddie Mac credit vendor **not approved** by Homebridge will require Homebridge to re-pull credit. • A tri-merged credit report is required for all borrowers. NOTE: Borrowers with frozen credit, no more than one of the national credit repositories can have frozen credit information • The representative credit score is determined as follows: - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. - If there are two (2) valid scores, the lower of the two is used - If there is one (1) valid score, that score is used The representative score for the loan is the lowest representative score for all borrowers. • Credit report inquiries within the previous 120 days require a letter from the creditor stating whether new credit was obtained. If a letter from the creditor cannot be obtained a signed letter from the borrower, indicating the reason for, and result of, the inquiry (i.e. was new credit obtained or not) is required. • The credit report must be dated within 120 days of the Note date
Deed / Resale Restrictions	Properties with age related restrictions (55+ communities) are eligible subject to Freddie Mac requirements. All other properties subject to deed/resale restrictions are ineligible.

<table>
<tr>
<td>Derogatory Credit</td>
<td>Derogatory credit waiting periods subject to the following:
<table>
<tr><th>Derogatory Event Type</th><th>Waiting Period Requirements*</th></tr>
<tr><td>Bankruptcy – Chapter 7, 11, 13</td><td>Per LPA</td></tr>
<tr><td>Foreclosure</td><td>Per LPA</td></tr>
<tr><td>Deed-in-Lieu of Foreclosure</td><td>Per LPA</td></tr>
<tr><td>Short Sale</td><td>Per LPA</td></tr>
</table>
*Measured from the applicable event end date to application date
Judgments and Tax Liens
Must be paid prior to close
Delinquent Child Support
Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review</td>
</tr>
<tr>
<td>Down Payment Assistance – Affordable Second</td>
<td>If using an Affordable Second, the program must currently be approved by Homebridge. Refer to the Available DPA/Community Seconds Program list located under Working With Us on the Homebridge website at www.HomebridgeWholesale.com for eligible programs.
The Affordable Second must meet all Freddie Mac requirements as detailed in Freddie Mac Seller Guide Chapter 4204 and cannot be:

Provided by the property seller or other interested party to the transactions, or
A HELOC
</td>
</tr>
<tr>
<td>DTI</td>
<td>
Per LPA with an “Accept” approval
3-4 units > 80% LTV maximum 45% DTI (MI requirement)
All borrower liabilities must accurately be entered into LPA including the non-occupant co-borrower’s liabilities (if applicable)
The monthly housing expense is based on the full monthly payment amount for the property including principal and interest, hazard insurance, taxes, and, as applicable, mortgage insurance premium, flood insurance, leasehold payment, HOA dues, and payment on any secondary financing, bridge loan payment (if applicable), and any special assessments with more than 10 monthly payments remaining. This guidance applies to any other properties the borrower owns
</td>
</tr>
<tr>
<td>Employment – General Requirements</td>
<td>
A two year employment history is required for both wage earner and self-employed borrowers.
Self-employed borrowers with a 12-24 month history of self-employment may be eligible subject to Homebridge management review and the following:

Borrower has a 2 year history of receipt of income at the same or greater level in a field that provides the same products or services as the current business or an occupation with similar responsibilities as the current business, and
The borrower’s level of experience and the amount of business debt will be considered, and
The service or product provided are well accepted in the market

The underwriter must review a YTD financial statement for the business and/or the most recent 3 months bank statements to determine if the income is stable.
Borrowers who re-entered the workforce and have less than a 2 year employment and income history, income may be used for qualifying if documentation is provided indicating the borrower has been at their current employer for a minimum of 6 months and there is documented prior employment history.
Borrowers who are newly employed with less than a 2 year employment history, income may be used for qualifying if it can be documented the borrower was attending school or a vocational/training program immediately prior to employment.
A verbal verification of employment (VVOE) is required within the 10 business days prior to the Note date for salaried borrowers and within the 30 calendar days prior to the Note date for self-employed borrowers.
A military Leave and Earnings Statement dated within the 120 days prior to the Note date is acceptable for active duty military in lieu of a VVOE.
A current paystub with YTD income and most recent W-2s are required for wage earners.
Self-employed borrowers require verification of the business by a third party source (e.g. CPA, or Federal Tax ID Certificate, or Business License, etc.). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business
</td>
</tr>
</table>

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Employment History	**Newly Employed** The income earned by a borrower with less than a 2-year employment history may be used for qualifying if documentation is provided the borrower was attending school or in a vocational/ training program immediately prior to their current employment. **Re-Entering the Workforce** If the borrower is re-entering the workforce after an extended absence, for any reason, the employment may be considered stable if documentation is provided to support a stable employment history that directly preceded the extended absence. **Gaps in Employment** Any gaps in employment (> 30 days) the borrower must provide documentation explaining the circumstances surrounding the gap
Escrow Holdbacks	Homebridge offers the Home Fixer-Repair Escrow Option Program which allows escrow holdbacks subject to the following: • Repairs cannot effect the safety or habitability of the property • Repair work is limited to a maximum of $5,000 • An estimate from a licensed contractor or qualified professional is required, detailing all repairs • Homebridge will hold 1.5 times of the repair estimate. Borrower's using their own funds to establish the escrow holdback account must have sufficient documented assets to cover the down payment, closing costs and escrow holdback funds. • All repairs must be completed within 14 calendar days of closing and the final inspection must be completed within 72 hours of completion. NOTE: Properties that do not meet the "average condition" appraisal requirement may be eligible for an Escrow holdback. If an escrow holdback is approved, the appraiser must confirm the work completed will bring the property up to average condition.
Escrow/Impound Account	• > 80% LTV required unless prohibited by state law; CA loans ≥ 90% LTV • < 80% LTV not required; refer to rate sheet for pricing adjustment
Financed Properties	The occupying borrower may own **one additional financed property** in addition to the subject property for a maximum of two (2) financed properties. NOTE: Financed properties owned by a non-occupant borrower are **not** included in the financed property count

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Gift Funds	• Gift funds, from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements as long as the borrower meets the minimum contribution requirements. • Gift funds may be provided by any of the following: - A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or - A fiancé or fiancée, or domestic partner. • The gift fund donor **cannot** be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction. • The gift must be evidenced by a gift letter, signed by the donor and it must: - Specify the dollar amount, - Be signed by the donor and the borrower, - Specify the date the funds were transferred, - Indicate the donor(s) name, address, phone number, and relationship to the borrower, and - Include a statement by the donor that no repayment of the gift funds is expected. • The transfer of the gift funds must be documented. Acceptable documentation includes: - Copy of the donor's cancelled check and the borrower's deposit slip - Copy of the donor's withdrawal slip and the borrower's deposit slip - Copy of the donor's check to the closing agent, or - The settlement statement showing receipt of the donor's check. • If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check
Gift of Equity	• Allowed from an immediate family member only. • Eligible on primary residence purchase transactions. • A gift letter must be provided (refer to gift funds above for gift letter requirements). • The Closing Disclosure must indicate "gift of equity". If the above requirements are met, the gift of equity is not subject to the interested party contribution requirements.
Higher Priced and High Cost Loans	• Higher priced mortgage loans (HPML) are eligible subject to the following: - Establishment of an escrow account for taxes and insurance on primary residence transactions, and - The loan must meet all applicable and/or federal compliance requirements, and - The loan must be fixed rate • High cost loans are **ineligible**

Homeownership Education/Counseling and Landlord Education	

Homeownership Education/Counseling and Landlord Education

Homeownership Education/Counseling

When **all** borrowers on a purchase transaction are **first time homebuyers***, **at least one borrower** must complete homeownership education **prior to the Note date**.

Education/Counseling Options

The following options are eligible to satisfy the homeownership education requirement:

1. Education/counseling programs developed by:
   - HUD Approved Counseling Agencies,
   - Housing Finance Agencies (HFAs), or
   - Community Development Financial Institutions (CDFIs)
2. Homeownership education programs developed by mortgage insurance companies or other provider programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com)
3. Freddie Mac's free online CreditSmart curriculum provided the borrower completes **all** of the following modules under the ***CreditSmart – Steps to Homeownership Tutorial:***
   - Your Credit and Why It is Important
   - Managing Your Money
   - Thinking Like a Lender
   - Becoming a Homeowner
   - Preserving Homeownership – Protecting Your Home Investment.

Documenting Homeownership Education/Counseling

- **Option 1 or 2**: If the borrower completes one of the programs under Options 1 or 2 above completion of the program must be documented with:
  - Freddie Mac Exhibit 20 Homeownership Education Certification or similar document signed by the counselor.
- **Option 3:** If the borrower completes Option 3, CreditSmart – Steps to Homeownership tutorial completion of the program must be documented with:
  - The Certificate of Completion generated once the borrower successfully completes the quiz.

Landlord Education (2-4 unit Primary Residence)

- **Purchase Transactions:** A minimum of one borrower must participate in landlord education **prior the Note date** when purchasing a 2-4 unit primary residence. A copy of a Completion Certificate must be provided.
- **Refinance Transactions:** Not required however Freddie Mac recommends landlord education if the borrower has not previously received

Eligible Landlord Education Providers

- Genworth Mortgage Insurance
- Radian Mortgage Insurance

NOTE: Homebridge will be required to register the borrower for landlord training in order for the borrower to receive the Completion Certificate

* First time homebuyer is defined as a borrower who has had no ownership interest (sole or joint) in a residential property during the 3-year period preceding the date of the purchase of the subject property

Ineligible

Homeownership education/counseling and landlord education **cannot** be provided by any interested party to the transaction including the broker or the lender

Income	• Income documentation is determined by LPA however, at underwriter discretion, additional documentation may be required. NOTE: The use of assets to pay obligations is eligible. Refer to the Assets Used for Repayment of Obligations topic for details • **Wage Earner Borrowers**: - At minimum, a current paystub with YTD earnings and the most recent W-2 is required • **Self-Employed Borrowers Tax Return Requirements – Loans disbursing on or after July 1, 2017 must use the below guidance:** - An income analysis (Freddie Mac Form 91 or similar) must be completed for self-employed borrowers - **Businesses operating 5 or more years:** - 1 year of tax returns (business and personal) is required. The tax returns must reflect **a full 12 months self-employment income.** Example: If 2016 tax returns used for qualification, documentation must be provided the borrower's business was in existence **on or before** 12/31/15 to meet the full 12 months self-employment requirement. Refer to the Employment topic for length of self-employment requirements and to the Self-Employed Documentation Requirements topic required documents - **Businesses operating < 5 years**: - 2 years of tax returns (business and personal) are required. Copies of the most recent 2 years signed federal individual and business tax returns with all schedules. • **Self-Employed - Profit and Loss Statements** - A year-to-date Profit & Loss (P&L) statement and balance sheet are required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower (borrower prepared is acceptable) NOTE: A balance sheet is **not** required for Schedule C borrowers - Additionally, if the income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax returns obtained from the IRS are required

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Income (cont.)

- **Self-Employed Documentation Requirements**
  - **Partnerships/S Corp/Corporations**: Tax returns must indicate the number of years the business has been in existence
  - **Sole Proprietorship**: Any documentation provided must not contradict the information provided on the loan application regarding the number of years the business has been in existence.

Business Structure	Business Operating ≥ 5 years	Business Operating < 5 years
Sole Proprietorship (100% Owner)	Signed individual federal tax return for most recent year	Signed individual federal tax returns for most recent 2 years
Partnership	Signed individual and business federal tax returns (Partnership IRS Form 1065) including K-1s for the most recent year	Signed individual and business federal tax returns (Partnership IRS Form 1065) including K-1s for the most recent 2 years
S Corp	Signed individual and business federal tax returns (S-corp IRS Form 1120S) including K-1s, Form 1125-E and W-2s for the most recent year	Signed individual and business federal tax returns (S-corp IRS Form 1120S) including K-1s, Form 1125-E and W-2s for the most recent 2-years
Corporation	Signed individual and business federal tax returns (Corporation IRS Form 1120) including K-1s, Form 1125-E and W-2s for the most recent year	Signed individual and business federal tax returns (Corporation IRS Form 1120) including K-1s, Form 1125-E and W-2s for the most recent 2-years

- Rental income and expenses reported on Rental Real Estate Income and Expenses of a Partnership or an S Corporation (IRS Form 8825) will be treated as self-employment income, regardless of whether or not the borrower is personally obligated on the Note

Temporary Leave

- Temporary leave is generally short in duration and is used for circumstances such as family and medical reasons, maternity, short-term disability, etc. The income from a borrower who is on temporary leave is eligible for qualification subject to the following:
  - The borrower's employment and income meet standard eligibility requirements,
  - The borrower must provide written confirmation of the intent to return to work and indicate the return date,
  - Documentation must be provided verifying the borrower's pre-leave income (i.e. regular base pay, commission, bonus income, etc., as applicable)
  - Documentation generated by the employer confirming the borrower's eligibility to return to work after the leave (e.g. employer-approved leave request, Family Medical Leave Family, etc.). Documentation may be provided by the employer or a third party vendor.
  - The borrower must demonstrate their ability to repay the mortgage and all other monthly obligations.

  Calculation of the income is as follows:
  - Borrower **returning to work** by the first mortgage payment due date: The borrower's pre-leave gross monthly income is used for qualifying
  - Borrower **is not returning to work** by the first mortgage payment due date:
    - The borrowers temporary leave income that will be received for the duration of the leave, or
    - In the event the temporary leave income is reduced or interrupted the temporary leave income may be combined with the borrower's available liquid assets.

    NOTE: Assets required for down payment, closing/financing costs, prepaids/escrows and reserves are ineligible to use for qualification.
  - The total qualifying income cannot exceed the borrower's pre-leave gross monthly income amount.

Income (cont.)	**Temporary Leave** (cont.)
	- In addition to the documentation noted above, the following documentation is also required for borrower's returning to work after the first mortgage payment is due:
	    - Documentation evidencing the amount, duration and consistency of all temporary leave income sources used to qualify the borrower (e.g. short-term disability, insurance, sick leave benefits, temporarily reduced income from the employer, etc.) that is being received by the borrower during the leave, **and**
	    - Documentation that substantiates and verifies any liquid assets used to supplement the reduced income due to the leave, **and**
	    - A written statement from the underwriter explaining the analyses used to determine the qualifying income.
	Union Workers
	• Union workers are subject to the following:
	    - Union workers employed full time through their employer and has a W-2, employment verification is per LPA Feedback Certificate.
	    - Union workers employed through the union (i.e. contract employees, tradesmen) and/or receive variable sources of income from assigned union jobs, additional verification may be required to evidence stability of employment/income (e.g. 2 years tax returns)
	• **Employment Contracts:** Borrowers with employment contracts are eligible subject to Homebridge management approval and the following:
	    - Eligible for 1 unit primary residence transaction only, and
	    - The employment offer must be non-contingent and the offer letter, which includes salary information, must be included in the loan file, and
	    - The borrower's written acceptance of the employment offer must be included in the loan file, and
	    - The borrower's previous employment and income history must be documented, and
	    - The borrower's employment must begin within 60 days of the Note date, and
	    - The borrower must have a minimum of **3 months PITIA** reserves in addition to any other reserve requirements, and
	    - A letter, signed by the borrower(s) is required, certifying that a paystub or other acceptable documentation to validate the borrower has started employment, will be provided as soon as received by the borrower
	Other Sources of Income
	• Other sources of income are eligible for qualifying the borrower. LPA determines the documentation, verification and continuation requirements for other sources of income.
	• Freddie Mac requires **a 2 year consecutive history of receipt**, with 3 years likely continuance, on the following types of income when used for qualifying:
	    - Capital gains,
	    - Commission and bonus income,
	    - Overtime,
	    - Foster care,
	    - Tip income,
	    - Automobile allowance,
	    - Dividend and interest documented by signed individual federal tax returns
	    - Income from a second/additional job and seasonal employment requires 2 year consecutive history **and** must be likely to continue for a minimum of 3 years.

Income (cont.)

Other Sources of Income (cont.)

- **Restricted Stock (RS) and Restricted Stock Units (RSU)** income is eligible subject to determining the stability of the income and the guidance below.

  The stability of the RS and/or RSU income must be determined; the following applies:
  - An analysis of changes in the company's stock price as well as past and future distributions detailed in a vesting schedule is required
  - If the YTD earnings are consistent with prior years or trending upward, the applicable calculation, detailed in the charts below, are used to determine eligible monthly income
  - If the YTD earnings are not consistent (i.e. the value of the vested share distributions has decreased substantially) additional analysis and documentation is required to determine eligibility

Income Type	Requirements
Restricted Stock (RS) and Restricted Stock Units (RSU) Subject to: **Performance-Based Vesting Provisions**	**History of Receipt** • Requires 2 years consecutive receipt • The RS and RSU must be vested and have been distributed to the borrower from their current employer without restriction • Must be likely to continue for a minimum of the next three (3) years **Documentation** • YTD paystub which includes YTD earnings including the RS and RSU payouts • W-2s for the most recent 2 years • Evidence the stock is publicly traded • Copy of the RS and/or RSU Agreement, • The most recent vesting schedule(s) detailing past and future vesting • Evidence of receipt of previous years payouts of RS/RSU (e.g. year-end paystub, employer-provided statement paired with a brokerage or bank statement) showing transfer of shares or funds that at minimum include: - Date(s) of the payout(s), **and** - The number of vested shares or its cash equivalent distributed to the borrower (pre-tax) **Calculation** • **RS/RSU Distributed as Shares –** calculate as follows: - Multiply the 52-week average stock price as of the application date by the total number of vested shares distributed (pre-tax) to the borrower in the previous 2 years and divide by 24 *Example*: If 200 vested shares were distributed (pre-tax) in the past 2-years and the 52-week average stock price as of the application date is $10, multiply 200 by $10 then divide by 24 = $83.33 monthly income • **RS/RSU Distributed as Cash Equivalent** - The total dollar amount distributed (pre-tax) from the cash equivalent of vested shares for the previous 2-years is divided by 24

<table>
<tr><td>Income (cont.)</td><td>
Other Sources of Income (cont.)
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<tr><th>Income Type</th><th>Requirements</th></tr>
<tr><td>Restricted Stock (RS) Restricted Stock Units (RSU) Subject to:
Time-Based Vesting</td><td>
History of Receipt

One year minimum
The RS and RSU must be vested and have been distributed to the borrower from their current employer without restriction
Must be likely to continue for a minimum of the next three (3) years

Documentation

YTD paystub which includes YTD earnings including the RS and RSU payouts
W-2 for the most recent year
Evidence the stock is publicly traded
Copy of the RS and/or RSU Agreement,
The most recent vesting schedule(s) detailing past and future vesting
Evidence of receipt of previous year’s payout of RS/RSU (e.g. year-end paystub, employer-provided statement paired with a brokerage or bank statement) showing transfer of shares or funds that at minimum include:

Date(s) of the payout(s), and
The number of vested shares or its cash equivalent distributed to the borrower (pre-tax)

Calculation

RS/RSU Distributed as Shares – calculate as follows:

Multiply the 52-week average stock price as of the application date by the total number of vested shares distributed (pre-tax) to the borrower in the past year and divide by 12

Example: If 50 vested shares were distributed (pre-tax) in the past year and the 52-week average stock price as of the application date is $10 multiply 50 by $10 and divide that by 12 = $41.67
RS/RSU Distributed as Cash Equivalent

The total dollar amount distributed (pre-tax) from the cash equivalent of vested shares for the past year is divided by12

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Income (cont.)

- **Other Sources of Income** (cont.)
  - **Social Security Retirement Income, Long-Term Disability**, **Survivor and Dependent and Social Security Supplement Security Income (SSI)**
    - Documentation and likelihood of continuance requirements are determined based on the type of benefit as detailed in the table below and on the following page
    - A history of receipt is **not** required for the income to be considered stable

Income Type	Requirements
Retirement **(Social Security/Pension/ Annuity)** Does **not** apply to retirement account distributions	**Currently Received** • Document the type, source, amount, frequency received with: - Award letter, benefit verification letter, or equivalent documentation • Document current receipt with: - 1 month bank statement, pay statement • A 3-year likely continuance is required **Newly Established Benefit** • If newly established the following applies: - Current receipt verification is not required - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes: - An award letter, benefit verification letter or equivalent documentation - The income must begin prior to or on the first payment due date of the mortgage
Long-Term Disability **(Social Security/VA/Workers Comp/Private Disability)**	**Currently Received** • Document the type, source, amount, frequency received with: - Award letter, benefit verification letter, or equivalent documentation • Document current receipt with: - 1 month bank statement, pay statement • Continuance may be assumed unless there is a pre-determined insurance/benefit expiration date that is less than 3 years (e.g. stated expiration on a private insurance policy) **Newly Established Benefit** • If newly established the following applies: - Current receipt verification is not required - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes: - An award letter, benefit verification letter or equivalent documentation - The income must begin prior to or on the first payment due date of the mortgage

Income (cont.)

- **Other Sources of Income** (cont.)

Income Type	Requirements
Survivor/Dependent Benefit **(Social Security/VA or other similar benefits)**	**Currently Received** • Document the type, source, amount, frequency received with: - Award letter, benefit verification letter, or equivalent documentation • Document current receipt with: - 1 month bank statement, pay statement • A 3-year likely continuance is required **Newly Established Benefit** • If newly established the following applies: - Current receipt verification is not required - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes: - An award letter, benefit verification letter or equivalent documentation - The income must begin prior to or on the first payment due date of the mortgage
Social Security Supplemental Security Income (SSI)	**Currently Received** • Document the type, source, amount, frequency received with: - Award letter, benefit verification letter, or equivalent documentation • Document current receipt with: - 1 month bank statement, pay statement • Continuance may be expected unless there is evidence of a pre-determined expiration date **Newly Established Benefit** • If newly established the following applies: - Current receipt verification is not required - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes: - An award letter, benefit verification letter or equivalent documentation - The income must begin prior to or on the first payment due date of the mortgage

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Income – Rental from 1-Unit Primary Residence Subject Property	Rental income (aka boarder income) from a 1-unit primary residence may be used for qualifying subject to all the following:
	• The person providing the rental income:
	  - Cannot be obligated on the mortgage or have an ownership interest in the property, **and**
	  - Cannot be the borrower's spouse or domestic partner, **and**
	  - Must have resided with the borrower for a minimum of one year and can provide evidence of residency (e.g. copy of driver's license, bank statement, bill, etc.), **and**
	  - Must intend to continue residing with the borrower in the new residence for the foreseeable future, **and**
	• The rental income has been received for at least nine (9) of the past 12 months documented with copies of cancelled checks. **If income received less than 12 months, they income received must be averaged over 12 months**, **and**
	• The rental income cannot exceed 30% of the total gross income used for qualifying, **and**
	• A written statement, signed by the borrower, confirming the source of the rental income and that the person providing the income intends to continue residing with the borrower for the foreseeable future, is required.
	NOTE: If rental income is received it must also be included when determining if the borrower's income is below the maximum AMI (if applicable) where the property is located

Income – Rental Income from 2-4 Unit Primary Residence	Rental income may be used to qualify the borrower for 2-4 unit primary residence. • When rental income is used to qualify the borrower, reasonable adjustments to gross rental income must be made to compensate for vacancies, operating and maintenance expenses and rental income received for furniture. • If the borrower has owned the rental property for at least one year, the borrower must provide the individual federal tax return, including Schedule E, showing the net rental income or loss. • If the rental income reported on the tax return provided does not reflect the current rental value (e.g. the tax returns show a large one-time expense, the property was under renovation, etc.) an Operating Income Statement (Form 998) may be used to determine rental income. The underwriter must document the reason for not using the individual tax return to determine the rental income. • An Operating Income Statement (Form 998) is required when considering the rental income from the subject property and the borrower has owned the property less than one year and/or the rental income is not supported on Schedule E. The OIS must be completed up to the Monthly Operating Income reconciliation section. NOTE: The OIS is **not** required if renal income is **not** used for qualification. • Copies of current, signed lease agreements are required. • The current lease agreements and the income approach on the appraisal must substantiate the rental income that was used for qualifying. • Current leases, by themselves, may not be used for documenting rental income but must be used to support the rental income used to qualify • Rent loss insurance not required
Inspections	• Septic inspections are only required when the appraiser indicates there is evidence the septic system be failing. • Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation. • Well inspections are only required when state or local regulations require, or if there is indication the well may be contaminated.

Interested Party Contributions

Interested party contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:

- Seller,
- Builder/developer,
- Real estate agent,
- Broker, or
- Any affiliate of the above who will benefit from the sale of the property and/or at the highest possible sales price.

IPC's can be either financing concessions or sales concessions and include:

- Funds paid directly from the interested party to the borrower
- Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower,
- Funds that flow to the transactions on the borrower's behalf from an interested party, (includes third party organization and nonprofit agency),
- Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction.
- If the borrower is a realtor purchasing a home, the realtor's commission funds from the transaction are an acceptable IPC, subject to the limits below, but they cannot be used for down payment, reserves, and/or minimum borrower contribution requirements.

Interested party contributions are limited as follows:

Occupancy Type	LTV/CLTV	Maximum Allowable Contribution*
Primary Residence	> 90%	3%
	75.01% - 90%	6%
	75% or less	9%

- IPC's cannot be used to make the borrower's down payment, reserve requirements or to meet any minimum borrower contribution requirement.
- Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing concessions that exceed the limits above **must be** deducted from the sales price when calculating the LTV/CLTV ratios.
- Financing concessions are subject to the IPC limits noted above. Financing concessions include:
  - Financial contributions from an interested party that benefits the borrower in the financing transaction,
  - Payments or credits related to acquiring the property, and
  - Payments or credits for financing term, closing costs, or prepaids, including up to 12 months HOA dues. HOA dues must be collected at closing and transferred directly to the HOA and documented on the Closing Disclosure

  Financing concessions generally include origination fee, discount points, commitment fee, appraisal cost, transfer taxes, attorney's fees, title insurance premiums, etc. They may also include prepaid items such as interest charges (no more than 30 days), real estate taxes covering any period after the settlement date, hazard insurance premiums (≤ 14 months), HOA dues (≤ 12 months), mortgage insurance premiums and escrow accruals for borrower paid MI.

  NOTE: Fees and/or closing costs paid by the seller that are considered common and customary are not subject to IPC limits e.g. owner's title and transfer tax.
- Undisclosed IPCs are ineligible i.e. borrower paid closing costs moved to the seller side of the HUD

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LDP/GSA and Mortgage Fraud	• **LDP / GSA** **LDP** / **GSA** All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. - Borrower(s) and Borrower(s) AKA name (if applicable) - Seller(s), - Real Estate Listing and Selling Agent(s), - Appraiser, - Appraisal Company (**not** the AMC) - Broker - Loan Officer, Loan Officer Assistant - Loan Processor, - Underwriter, - Closing/Settlement Agent, - Title/Settlement Company, and - 203(k) Consultant • Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.
Manufactured Housing	Refer to the Freddie Mac Conforming and Super Conforming guidelines located on the Homebridge website at www.HomebridgeWholesale.com on the Products and Guidelines page for manufactured housing requirements. **Reminder**: Maximum 95% LTV/CLTV for loans secured by a manufactured home on the Home Possible program.

Mortgage Insurance	• Loans with > 80% LTV, mortgage insurance is required and are subject to MI guidelines. **The more restrictive of Homebridge or MI company guidelines apply**. Links to review individual MI Company guidelines are provided below.
	• Eligible MI products:
	- Borrower paid mortgage insurance (BPMI). Monthly or single premiums are eligible.
	- Lender paid mortgage insurance (LPMI). Single premium only.
	• Eligible MI options:
	- Financed MI eligible for BPMI single premium
	- Non-refundable
	- Refundable (eligible with BPMI single premium only)
	- Renewal type, as applicable
	  - Level/constant
	  - Declining/amortized
	• Homebridge approved MI companies are:
	- Arch
	- Essent
	- Genworth
	- Radian
	• **Manufactured housing: MI must be obtained from Radian**
	• **3-4 Units: MI for 3-4 units is available through Radian and Genworth**
	- **Radian:** Minimum 700 FICO and DTI per LPA
	- **Genworth:** Minimum 720 FICO and maximum 45% DTI
	• Mortgage insurance coverage is determined by LTV and loan term as detailed below. Standard coverage is required; custom MI coverage is **ineligible**.

Required MI Coverage

Loan Term	LTV			
	80.01-85%	**85.01 - 90%**	**90.01-95%**	**95.01%-97%***
25/30 year	12%	25%	25%	25%
10/15/20 year	6%	12%	25%	25%

* Manufactured housing ineligible > 95% LTV

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Mortgage Insurance – New York	New York state statute supersedes Fannie Mae standard requirements for calculating the LTV used for determining the need for mortgage insurance. The following applies to loans secured by properties in New York: **Calculating the LTV to Determine if MI Required** • The **appraised value is always used** to calculate the LTV ratio to determine whether or not mortgage insurance is required. If MI required determine coverage as outlined below. **Determining the Required Amount of MI Coverage** • If mortgage insurance is required the **lesser of** the **appraised value or the sales price** is used to calculate the LTV ratio that determines the amount/percentage of mortgage insurance coverage required (see Required MI Coverage chart above for required coverage amounts by LTV/Loan Term)
Mortgage/Rental History	• Per LPA. If delinquencies are allowed, a satisfactory explanation is required and is subject to underwriter review. • Current mortgage must be current for the month closing • Third-party documentation, to verify the monthly payment amount, is required if the credit report does not provide the monthly housing payment. **Forbearance Plan Policy** The policy below applies to the subject property and to any other real estate mortgage loan where the borrower is in a forbearance plan, **<u>Subject Property Lien (Loan being Refinanced) and is Current</u>** • If the borrower is current **and** has not missed a payment, the loan is **eligible** **<u>Other REO OR Subordinating Second Lien and is Current</u>** • The loan is eligible if the borrower is current **and** has never missed a payment, **and** • Written evidence, **provided directly from the servicer**, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan required. NOTE: Documentation must be obtained for loans in a forbearance plan **and** for loans where borrower inquired about forbearance and the servicer flags the inquiry **<u>Subject Property, Subordinating Second Lien, AND Other REO NOT Current/Missed Payment AND Loan is Brought Current (Reinstatement)</u>** • If the borrower has brought the loan current (aka reinstatement), **using their own funds**, the loan is eligible subject to: - The funds used to bring the loan current must be the borrower's **own funds <u>and</u>** must be **sourced and seasoned, and** - The borrower **cannot** have entered into a forbearance repayment plan or loan modification agreement, **and** - Proceeds from a refinance cannot be used to bring the loan current or, if cash-out, to reinstate the mortgage on other REO, **and** - The payoff cannot include any deferred or missed payments - **Other REO or Subordinating Second ONLY**: Written evidence must be provided **directly from the servicer** confirming that the forbearance plan has been with withdrawn or otherwise close out/canceled prior to closing of our new Homebridge loan **<u>Subject Property AND Other REO NOT Current/Missed Payment AND Borrower in Forbearance Repayment Plan, Loan Modification, Payment Deferral, or Other Loss Mitigation Solution</u>** • The following applies to loans in a repayment plan, had a loan modification, payment deferral or any other loss mitigation solution. - The loan is eligible if the borrower has made three (3) on-time payments per the applicable agreement - When the above requirement is met for the existing mortgage being refinanced, the new loan amount may include the full amount required to satisfy the existing mortgage NOTE: The borrower is only required to have made the three (3) consecutive payments; completion of the applicable plan is not required

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Non-Arm's Length or Identity of Interest Transactions	• A non-arm's length transaction is a purchase transaction where the is a relationship or business affiliation between the buyer and seller of the property • Non-arm's length transactions are eligible for re-sale properties on all occupancy types. • When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. An identity of interest transaction involves parties who are not related and do not have close personal ties, however they have a strong interest in the transaction. Identity of interest transactions are eligible on owner-occupied transactions, however additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.
Occupancy	Owner-occupied primary residence only (1-4 units)
Power of Attorney	A durable Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rat/term refinance transactions in a hardship or emergency situation, or if an applicable law requires the use of a POA subject to all of the following: • The person acting as the attorney-in-fact should be a family member or have a personal or fiduciary relationship with the borrower. The attorney-in-fact cannot be employed by or affiliated with any party to the transaction. • Must be specific to the transaction • Must include the borrower name, property address and loan amount • The POA must be fully executed and notarized • Homebridge to review and approve prior to loan closing • The POA must be recorded along with the mortgage
Prepayment Penalty	Not permitted
Products	• **Fixed Rate:** 15, 20, and 30 year - A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 temporary buydown feature eligible on fixed rate purchase transactions; refer to the Temporary Buydown topic for complete eligibility requirements
Properties – Eligible	• Single family residences (attached/detached) • 2-4 units • PUDs (attached/detached) • Condominiums, low and high rise (attached/detached) Freddie Mac warrantable **or** Fannie Mae Warrantable with PERS approval or CPM acceptance. NOTE: Condo conversions ineligible if converted in the previous 3 years (all states) • Modular/prefabricated properties 1-unit only. Factory built but **not** built on a permanent chassis; built on site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems • Multi-wide (double/triple) manufactured home that is a minimum of 20 feet wide. Owner-occupied primary residence only (excluding manufactured homes on leasehold estates; manufactured homes on leasehold estates are **ineligible**. • Leaseholds meeting Freddie Mac guidelines (Freddie Mac Ground Lease Analysis (Form 461) required) eligible on a case-by-case basis subject to Homebridge Management review and approval. The lease term must extend a minimum of 5 years from the mortgage maturity date. • Rural properties • Properties in Hawaii in lava zones 2, 3, and 4. NOTE: If the property is located in lava zone 2 the property insurance coverage must be for 100% replacement cost

Properties – Eligible Condominiums	• Project review must be completed within 180 days prior to the Note date.
	• Projects with Fannie Mae PERS approval or projects with a project acceptance certification through CPM are eligible if documentation of the PERS or CPM acceptance is provided.
	• Freddie Mac Streamlined Review eligible for established projects subject to Freddie Mac guidelines. When a Streamlined Review is performed, the following LTV restrictions (**all states except Florida**) apply:
	  - Owner occupied maximum LTV 90%
	• Projects where the HOA (or developer if not turned over to the HOA) is a party to litigation, arbitration, mediation or other dispute are only eligible in the following circumstances:
	  - The litigation amount is known, the insurance company has committed to providing defense, and the litigation amount is covered by the insurance policy, or
	  - The litigation/arbitration involves non-monetary neighbor disputes regarding the rights of enjoyment, or
	  - The HOA is the plaintiff in the litigation but it can be determined that the matter is minor in nature with insignificant impact to the financial status of the condo project.
	• **Florida Specific**
	  - New condo projects require PERS approval
	  - Established Project Review is eligible for established projects
	  - Streamlined Review for established condo project eligible as follows:
	    - Maximum 75% LTV for owner-occupied

Properties - Ineligible	• Non-warrantable condominiums • New condominium projects in Florida without a PERS approval • Condominium conversions that were converted in the previous 3 years regardless of location • Condominiums < 450 square feet • Cooperative projects • Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) • Unique properties • Agricultural-type properties, farms, orchards, ranches • Properties zoned for agricultural use • Unimproved land • Rural property > 10 acres • Timeshares • Commercial property • Properties with Condition Rating of C5/C6 or Quality Rating of Q6 • Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic • Home Possible Financing • Land Trust • Properties in Hawaii located in lava zone 1 • Investment property secured by manufactured home • Single wide manufactured/mobile homes • Manufactured home located on a leasehold estate • Manufactured home located in a condo project • Manufactured home located in senior projects • A manufactured home moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site. • Second home or investment property
Property Acquired at Auction	If the subject property is purchased at auction, the buyer's premium may be included in the final sales price. The following applies: • The purchase contract, Closing Disclosure, and all loan documents must reflect the final purchase price which includes the premium • The purchase contract must break-out the auction price from the premium, and • The lesser of the final sales price or appraised value is used to establish the LTV/CLTV ratios.

Property with an Accessory Unit	A 1-unit property with an accessory unit (aka in-law/granny unit) is eligible as follows: • There is only one accessory unit; more than one accessory unit **ineligible, and** • The accessory unit is legal or legal non-conforming based on the applicable zoning and land use requirements (including any HOA restrictions), **and** • The accessory unit must include a kitchen and bathroom, **and** • The appraiser must describe the accessory unit and appraise the property based on its current use, **and** • The appraiser must analyze any effect the accessory unit has on the value or marketability of the subject property, **and** • The appraisal must contain a minimum of one (1) comparable sale with one (1) accessory unit and that accessory unit must comply with the zoning and land use requirements to demonstrate marketability of the subject property If the accessory unit does **not comply** with the zoning and land use requirements the following applies: • The appraiser must indicate the non-compliance in the “Site” section of the appraisal, **and** • The appraisal must contain a minimum of two (2) comparable sales, each with an accessory unit, that are also non-compliant with zoning/land use requirements (to demonstrate conformity/marketability of the subject property), **and** • The accessory unit cannot jeopardize any future hazard insurance claims, **and** • There is only one (1) accessory unit; multiple accessory units are ineligible. NOTE: Rental income received from an accessory unit may be considered subject to meeting the requirements in the Income – Rental from 1-Unit Primary Residence Subject Property topic

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Property Flips	Eligible subject to underwriter review and the following: • Appraisal must support any value increases. Additional documentation, a desk review or second appraisal may be required at underwriter discretion. • Borrower must have an excellent credit and employment history, savings pattern, etc.
Purchase Agreements Amended / Re-negotiated	• Not eligible if the sales price was increased **after** the original appraisal was completed if: - The appraised value is higher than the originally contracted sales price that was provided to the appraiser**, and** - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, **and** - The only change to the purchase agreement was the sales price. • If the purchase agreement was renegotiated after the completion of the appraisal, the LTV will be based on the **lower** of the original purchase price or the appraised value, unless: - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or - The purchase contract was amended for a new construction property due to improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
Refinance Transactions	• Limited (rate/term) refinance transactions are eligible subject to the following: - Proceeds can be used to pay off a first mortgage, payoff or pay down any second mortgage related to the purchase of the subject property, and related closing costs and prepaid items. Any remaining balance of the second mortgage must be subordinated to the new mortgage - Cash to the borrower cannot exceed the lesser of 2% of the loan amount or $2,000. NOTE: 97% LTV refinance transaction **does not** require the current loan to be a Freddie Mac loan • Properties being refinanced that were listed for sale in the previous 12 months must have been taken off the market prior to the disbursement date. Borrower(s) must provide written confirmation of their intent to occupy the property for primary residence transactions. • A continuity of obligation is required on all refinance transactions. Continuity of obligation is met when at least one borrower on the existing mortgage is also a borrower on the new refinance transaction and is measured from the date of the event (such as transfer of title) to the disbursement date of the new refinance transaction. NOTE: Continuity of obligation does **no**t apply to properties owned free and clear (i.e. no mortgage lien) due to the borrower purchasing the property with all cash **or** the prior mortgage that the borrower was obligated on has been paid in full. • Exemptions to the above continuity of obligation requirements are: - The borrower has been on title **and** living in the property for at least 12 months but is not obligated on the existing mortgage **and** the following applies: - Has paid the mortgage, including any secondary financing, payments for the last 12 months, **or** - Can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor**, or** - The borrower recently inherited, or was legally awarded, the property (divorce, separation, or dissolution of a domestic partnership). NOTE: Transfer of ownership from a corporation or LLC to an individual does **not** meet the continuity of obligation requirement **Financing Real Estate Taxes –** the following applies when real estate taxes are financed: • **Limited Cash-out Refinance:** A loan is **ineligible** as a limited cash-out refinance and must be considered a cash-out transaction when: - The borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account, or - The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount.

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Reserves	• The minimum required reserves are per the LPA Feedback Certificate. • Any required reserves must be entered into LPA must be verified. • Reserves are based on the full monthly payment amount for the property including principal and interest, hazard insurance, taxes, and, as applicable, mortgage insurance premium, leasehold payment, HOA dues, and payment on any secondary financing.
Seller Contributions	Refer to the Interested Party Contributions topic for seller contribution limits.
Subordinate Financing	• If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the CLTV. • Unacceptable subordinate financing terms include: - Mortgages with negative amortization (with the exception of employer subordinate financing that has deferred payments) - Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new fist mortgage - Subordinate financing that has a prepayment penalty - Cannot allow for equity sharing • A CA HERO program are ineligible subordinate financing
Sweat Equity	Sweat equity, a credit for labor performed on the subject property and/or materials purchased by the borrower, is eligible as a source of funds to cover the funds needed for a down payment and/or closing costs. The credit for sweat equity must be fully explained and documented. The following applies: • **1-Unit Primary Residence**: Available up to program maximum of 97% LTV and may be combined with an Affordable Second up to a maximum 105% CLTV • **Manufactured Home and 2-4 Units**: Maximum 95% LTV/CLTV • All work must be completed in a skillful and workmanlike manner. • An Appraisal Update and/or Completion Report (Freddie Mac Form 442) is required • Sweat equity may be used as an eligible source of funds in connection with the following repairs and improvements: - Repairs/improvements listed on the sales contract **and** included in the appraisal report that are to be completed by the borrower, **and** - Repairs/improvements that are included on the appraisal report that are outstanding at the time of the appraisal. NOTE: Credit for work completed **prior to the original property inspection** by the appraiser is **not eligible** for sweat equity • The value of the sweat equity must be equal to: - The value of the labor performed **plus** the value of the materials furnished documented as follows: - **Labor**: The value of the labor performed must be estimated either by the appraiser **or** a cost estimating service **and** documented in the appraisal report or separate document, **and** - **Materials**: The value of the materials must be estimated/calculated as follows: - The appraiser must estimate material costs, **or** - A cost estimating must estimate material costs, **or** - Calculate using receipts from the purchase of the materials, **and** - The documentation of how estimated/calculated must be included in the loan file • **Cash-back to the borrower is not allowed on transactions involving sweat equity; any excess funds must be applied as a principal reduction**

Freddie Mac Home Possible

<table>
<tr><td>Temporary Buydowns</td><td>
Temporary buydowns allow the borrower to lower their monthly mortgage payment for a limited time through a temporary buydown of the initial interest rate
The temporary buydown feature is subject to the following:

Fixed rate purchase transactions only
1-4 unit primary residence and 1-unit second home; investment and manufactured homes ineligible
Seller funded buydowns only
Interested party contribution limits apply
Buydowns are qualified at the Note rate
A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 buydown available
Buydown funds are deposited into an escrow account and the Servicer will disburse funds from the escrow account each month to make the full mortgage payment

Example of a 2/1 Buydown

Initial Note Rate: 5%
First Year: Interest rate is 3% (2% lower than initial)
Second Year: Interest rate is 4% (1% lower than initial)
Third Year: The initial Note rate of 5% is in place for the remainder of the loan term

Example of a 3/2/1 Buydown

Initial Note Rate: 5%
First Year: Interest rate is 2% (3% lower than initial)
Second Year: Interest rate is 3% (2% lower than initial)
Third Year: Interest rate is 4% (1% lower than initial
Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

Example of a 1/1/1 Buydown:
The Interest rate is 1% below the Note rate for the first 3-years of the loan

Initial Note Rate: 5%
First Year: Interest rate is 4% (1% lower than initial)
Second Year: Interest rate is 4% (1% lower than initial)
Third Year: Interest rate is 4% (1% lower than initial
Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

<table>
<tr><th colspan="2">Eligible Transactions Quick Reference Guide</th></tr>
<tr><th>Transaction Types</th><th>Eligible</th></tr>
<tr><td>Fixed rate</td><td>Yes</td></tr>
<tr><td>ARM</td><td>No</td></tr>
<tr><td>Primary residence (1-4 units)/Second Home</td><td>Yes</td></tr>
<tr><td>Investment</td><td>No</td></tr>
<tr><td>Purchase transactions</td><td>Yes</td></tr>
<tr><td>Refinance transactions</td><td>No</td></tr>
<tr><td>Manufactured</td><td>No</td></tr>
<tr><td>Texas Equity</td><td>No</td></tr>
</table>
</td></tr>
<tr><td>Transactions – Eligible</td><td>

Purchase
Limited cash-out refinance (rate/term)

</td></tr>
<tr><td>Transactions – Ineligible</td><td>

Any transaction without an LPA “Accept” Feedback Certificate
Transactions with a super conforming loan amount
Transactions secured by a second home or investment property
Manual underwrites
Interest-only
Freddie Mac Open Access
Non-traditional credit
Refinance transactions where the property was listed for sale at time of loan disbursement.
Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after Feb. 8, 2011 and the fee collected does not directly benefit the property.
Illinois Land Trust
Transaction with CA HERO program subordinate financing
A transaction secured by a manufactured home > 95% LTV/CLTV

</td></tr>
</table>