

# REM N FHLMC HOME POSSIBLE PRODUCT GUIDELINES



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# REMN FFLMC HOME POSSIBLE PRODUCT GUIDELINES

HOME POSSIBLE PRODUCT MATRIX				
<b>Product Overview</b>	Freddie Mac's Home Possible mortgages offer outstanding flexibility and options to meet a variety of borrower's needs. » <b>Home Possible</b> – capitalizes on opportunities to meet the home financing needs of low-and-moderate income borrowers looking for low down payments and flexible source of funds.			
<b>Maximum LTV/TLTV/HTLTV Percentages</b>	<b>Home Possible</b> <b>Maximum LTV/TLTV/HTLTV</b> <b>Purchase and No Cash-Out Refinance Transactions</b>			
	<b>Property Type</b>	<b>LTV</b>	<b>Property Type</b>	<b>HTLTV</b>
	1 Unit*	97%	1 Unit*	97%**
	2-4 Unit	95%	2-4 Unit	95%
	Manufactured Home	95%	Manufactured Home	95%
	*A TLTV ratio exceeding 97% and up to 105% is permitted when secondary financing is an Affordable Second. The Affordable Second financing cannot be a Home Equity Line of Credit.			
<b>Maximum LTV/TLTV/HTLTV Percentages</b>	<b>Home Possible</b> <b>Super Conforming Maximum LTV/TLTV/HTLTV</b> <b>Purchase and No Cash-Out Refinance Transactions</b>			
	<b>Property Type</b>	<b>LTV</b>	<b>TLTV</b>	<b>HTLTV</b>
	1 Unit*	95%	105%*	95%
	2 Unit	85%	85%	85%
	3-4 Unit	80%	80%	80%
	*A TLTV ratio exceeding 97% and up to 105% is permitted when secondary financing is an Affordable Second. The Affordable Second financing cannot be a Home Equity Line of Credit.			
<b>Eligible Products</b>	» 10yr, 15yr, 20yr or 30yr Fixed Rate mortgage » No ARM's ( <b>REMN WS overlay</b> )			
<b>Loan Purpose</b>	» Purchase transaction » No Cash-Out Refinance transaction » Cash-Out Refinances are <b>NOT</b> eligible			
<b>Occupancy</b>	» Primary Residence only » Second Homes and Investment Properties are <b>NOT</b> eligible			
<b>Eligible Property Types</b>	<b>Home Possible LTV/TLTV/HTLTV &lt;= 95%</b>	<b>Home Possible LTV/TLTV/HTLTV &gt; 95%</b>		
	1-4 Unit Primary Residence	1 Unit Primary Residence		
	Condos	Condos		
	PUDs	PUDs		
	Manufactured Homes (with restrictions)	N/A		
<b>Ineligible Property Types</b>	» Co-ops » Non-warrantable condos » Mixed Use			
<b>Secondary Financing</b>	<b>Home Possible TLTV &lt;= 95%</b>	<b>Home Possible TLTV &gt; 95%</b>		
	» Any secondary financing that meets Freddie Mac requirements is allowed.	» Any secondary financing subordinated to a Home Possible mortgage with TLTV > 95% must be an Affordable Second.		
	» An Affordable Second that does not require a payment before the due date of the 61 <sup>st</sup> payment under the Home Possible mortgage may be entered in LPA in the "Total Gift Fund" field. In all other respects, the Affordable Second must be considered as secondary financing.			

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<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>» At least one Borrower must occupy the property secured by a Home Possible Mortgage as their Primary Residence</li> <li>» Non-occupying co-borrowers are permitted provided that:                             <ul style="list-style-type: none"> <li>– The Mortgage is secured by a 1-unit property</li> <li>– The LTV, TLTV and HTLTV ratios must not exceed 95% LTV/105% TLTV (with Affordable Seconds) with LPA Accept findings.</li> <li>– Funds used to qualify the Mortgage may come from the occupying and/or the non-occupying borrower.</li> </ul> </li> <li>» The borrower(s) must meet income limits. Loan Product Advisor (LPA) will determine the income eligibility of the Mortgage and will indicate the eligibility in its findings.                             <ul style="list-style-type: none"> <li>– The Borrower’s annual qualifying income must not exceed 80% of the Area Median Income (AMI) for the location of the Mortgaged Premises.</li> <li>– To determine whether the Borrower’s income exceeds the income limits, REMN WS must rely on the income used to qualify the borrower and submitted to LPA.</li> <li>– For new submissions on or after July 12, 2020, LPA will apply 2020 area median income (AMI) limits (must not exceed 80% of the AMI).</li> </ul> </li> </ul>																						
<b>Ownership of Other Residential Property</b>	<ul style="list-style-type: none"> <li>» The occupying Borrower(s) must not have an ownership interest in more than two (2) financed residential properties, including the subject property, as of the Note Date.</li> </ul>																						
<b>Temporary Buydowns</b>	<ul style="list-style-type: none"> <li>» Temporary Buydowns are eligible for Home Possible mortgage loans subject to the following:                             <ul style="list-style-type: none"> <li>o Primary Residence and Second Home only</li> <li>o Must be seller-funded</li> <li>o Must Qualify at the Note Rate</li> <li>o Manufactured Homes are ineligible.</li> </ul> </li> <li>» Secondary Marketing must be contacted for pricing.</li> <li>» See <a href="#">Freddie Mac Guidelines</a> for full details.</li> </ul>																						
<b>Mortgage Insurance (MI) Requirements</b>	<ul style="list-style-type: none"> <li>» The standard required coverage levels for Home Possible mortgages are as follows:                             <table border="1" data-bbox="386 1171 1544 1472" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th rowspan="2">Transaction Type</th> <th rowspan="2">MI Coverage</th> <th colspan="4">LTV Ratio</th> </tr> <tr> <th>80.01 – 85%</th> <th>85.01 – 90%</th> <th>90.01 – 95%</th> <th>95.01 – 97%</th> </tr> </thead> <tbody> <tr> <td>Fixed Rate, term &lt; 20yrs</td> <td>Standard</td> <td>6%</td> <td>12%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>Fixed Rate term &gt; 20yrs; all manufactured homes</td> <td>Standard</td> <td>12%</td> <td>25%</td> <td>25%</td> <td>25%</td> </tr> </tbody> </table> </li> <li>» REMN approved MI companies: Arch, Enact, Essent, MGIC, <b>National</b>, Radian</li> </ul>	Transaction Type	MI Coverage	LTV Ratio				80.01 – 85%	85.01 – 90%	90.01 – 95%	95.01 – 97%	Fixed Rate, term < 20yrs	Standard	6%	12%	25%	25%	Fixed Rate term > 20yrs; all manufactured homes	Standard	12%	25%	25%	25%
Transaction Type	MI Coverage			LTV Ratio																			
		80.01 – 85%	85.01 – 90%	90.01 – 95%	95.01 – 97%																		
Fixed Rate, term < 20yrs	Standard	6%	12%	25%	25%																		
Fixed Rate term > 20yrs; all manufactured homes	Standard	12%	25%	25%	25%																		
<b>Credit Underwriting – Loan Product Advisor</b>	<ul style="list-style-type: none"> <li>» A borrower’s credit reputation is acceptable if the Home Possible mortgage receives a Loan Product Advisor (LPA) risk class finding of Accept.</li> <li>» All Freddie Mac Conventional loans must be submitted through Loan Product Advisor (LPA) – manual underwritten loans are not permitted (<b>REMN WS overlay</b>)</li> <li>» Use Loan Product Advisor Offering Identifier Code “241” for Home Possible mortgages and “250” for Home Possible Advantage mortgages.</li> </ul>																						

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<b>Credit Inquiries</b>	<ul style="list-style-type: none"> <li>» The borrower(s) must address <b>all</b> inquiries listed on their credit report within the past 90 days;               <ul style="list-style-type: none"> <li>○ All inquiries listed on the credit report must be addressed by the borrower, specifically stating the creditor(s) and verifying no extension of credit.</li> <li>○ <b>Acceptable response:</b> The inquiries by Chase, Wells &amp; Bank of America have not resulted in any extension of credit.</li> <li>○ <b>Unacceptable response:</b> We have not obtained any additional credit as a result of the inquiries listed on our credit report. (Does not name the creditors - Chase, Wells &amp; Bank of America).</li> </ul> </li> </ul>		
<b>Qualifying Ratios</b>	<ul style="list-style-type: none"> <li>» There is no maximum monthly housing expense-to-income ratio.</li> <li>» Debt payment-to-income ratios are determined as follows:</li> </ul>		
	<b>Underwriting Path</b>	<b>Home Possible Mortgages</b>	<b>Home Possible Advantage Mortgages</b>
	Loan Product Advisor (LPA) Mortgages	Determined by Loan Product Advisor (LPA)	

# REM N FLMC HOME POSSIBLE PRODUCT GUIDELINES

HOME POSSIBLE PRODUCT MATRIX	
Additional Special Underwriting Requirements – Rental Income	» Home Possible Mortgages must comply with the Freddie Mac Seller Guide Sections 5300 (Stable Monthly Income and Asset) & 5400 (Evaluation of Monthly Obligations), and the requirements of this section. In the event of a conflict, REMN WS must comply with the requirements of this section.
	<p><b>Rental Income from 1 Unit Primary Residence</b></p> <p>» Rental income from a 1-unit Primary Residence may be considered as stable monthly income (as defined in the REMN WS Freddie Mac Product Description) provided it meets the following:</p> <ul style="list-style-type: none"> <li>– The person providing the rental income: <ul style="list-style-type: none"> <li>▪ Is not obligated on the Mortgage and does not have an ownership interest in the Mortgaged Premises.</li> <li>▪ Have resided with the Borrower for at least one (1) year</li> <li>▪ Will continue residing with the Borrower in the new residence, and</li> <li>▪ The person providing the rental income provides appropriate documentation to evidence residency with the borrower (i.e. copy of a driver’s license, bill, bank statement, etc. that shows the address of that person to be the same as the borrower’s address)</li> <li>▪ Is not the borrower’s spouse and/or domestic partner.</li> </ul> </li> <li>– Rental income from the person residing in the Mortgaged premises: <ul style="list-style-type: none"> <li>▪ Has been paid to the borrower for the past twelve (12) months on a regular basis</li> <li>▪ Can be verified by the borrower with evidence showing receipt of regular payments of rental income to the borrower for the past twelve (12) months (i.e. copies of cancelled checks)</li> <li>▪ Must be averaged over twelve (12) months for qualifying purposes when fewer than 12mos of payments are documented.</li> <li>▪ Does not exceed 30% of the total income used to qualify the Mortgage</li> </ul> </li> <li>– The Mortgage file must contain a written statement from the borrower affirming: <ul style="list-style-type: none"> <li>▪ The source of the rental income</li> <li>▪ The fact that the person providing the rental income has resided with the borrower for the past year and intends to continue residing with the borrower in the new residence for the foreseeable future</li> </ul> </li> </ul> <p>Rental income that meets the above requirements may be generated from an accessory unit.</p>
	<p><b>Rental Income from 2-4 Unit Primary Residence</b></p> <p>» Rental income from a 2-4 Unit Primary Residence that meets the Freddie Mac requirements for Rental Income (as defined in the REMN WS Freddie Mac Product Description) may be considered as stable monthly income for qualification.</p>
Mortgage Credit Certificates (MCC)	» Not eligible for REMN WS financing.

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Minimum Borrower Contribution	Minimum Contribution from Borrower Personal Funds (Purchase Transactions Only)			
	Property Type	Home Possible LTV/TLTV/HTLTV ratios ≤ 80%	Home Possible LTV/TLTV/HTLTV ratios 80.01 – 95%	Home Possible LTV/TLTV/HTLTV ratios > 95%
	1 Unit	None	None	None
	2-4 Unit	None	3%	N/A
	Manufactured Home	None	None	N/A
Minimum Post-Closing Reserves	REM N WS must verify all reserves required by Loan Product Advisor (LPA), as stated on the LPA Feedback Certificate (Accept Findings).			
Source of Funds	Use		Permitted Source of Funds	
	Minimum borrower contribution		Borrower personal funds	
	Down payment for purchase transaction (difference between the purchase price and the first lien amount)		Borrower personal funds Other borrower funds	
	Paying down the principal balance of the Mortgage being refinanced for a no cash-out refinance transaction		Borrower personal funds Other borrower funds	
	Closing costs, financing costs, prepaids/escrows		Borrower personal funds Other borrower funds <b>REM N OVERLAY</b> – REM N WS, as the lender, does NOT provide gifts, grants or unsecured loans as a source of funds towards the transaction.	
	Post-Closing Reserves		Borrower personal funds Other borrower funds	
	Sweat Equity is NOT allowed as source of funds for down payment and/or closing costs (REM N Overlay)			

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<b>Cash on Hand</b>	<p>Cash on hand is an eligible source of borrower's personal funds for Home Possible mortgages, so long as the following requirements are met:</p> <ul style="list-style-type: none"><li>- Underwriter reasonably concludes, and can support, that the borrower is a cash-basis individual and that the cash on hand is not borrowed and could be saved by the borrower</li><li>- The following documents are provided to support the Underwriter's conclusion:<ul style="list-style-type: none"><li>▪ A completed Exhibit 23, Monthly Budget and Residual Analysis Form, or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number</li><li>▪ Copies of six (6) months cash receipts (e.g. rent or utility receipts) or other alternative documentation (e.g. direct verifications or wire transfers) to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash.</li><li>▪ A credit report, obtained at the time of application, showing no more than three (3) tradelines.</li><li>▪ Copies of three (3) months' statements for any open revolving account that reveal cash advances are not the source of borrower funds. Any cash advances must be explained and documented (i.e. a cash advance used in an emergency situation).</li><li>▪ An updated credit report obtained approximately one (1) week before closing that does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the borrower.</li></ul></li><li>- The Mortgage file must have no indication that the borrower typically uses checking, savings or similar accounts.</li><li>- Evidence that all funds used to qualify the borrower for the Mortgage transaction are deposited in a financial institution or are held in an institutional escrow account prior to closing.</li></ul>
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<p><b>Appraisal Report/Collateral Evaluation</b></p>	<ul style="list-style-type: none"> <li>» 1 Unit Primary Residence – Form 70, <i>Uniform Residential Appraisal Report</i></li> <li>» Condominiums – Form 465, <i>Individual Condominium Unit Appraisal Report</i></li> <li>» 2 to 4 Unit Primary Residence – Form 72, <i>Small Residential Income Property Appraisal Report</i></li> <li>» Manufactured Housing – Form 70B, <i>Manufactured Home Appraisal Report</i></li> </ul>
<p><b>Homeownership Education and Landlord Education</b></p>	<p>Homeownership Education</p> <ul style="list-style-type: none"> <li>– When all the borrowers are First Time Homebuyers for purchase transaction Home Possible mortgages, at least one (1) qualifying borrower must participate in a homeownership education program before the Note Date.</li> <li>– Homeownership education must not be provided by an interested party to the transaction, nor by REMN WS.</li> <li>– Homeownership education programs may use different formats and require different lengths of time to complete. The following are acceptable: <ul style="list-style-type: none"> <li>▪ Programs developed by HUD-approved counseling agencies, Housing Finance Agencies (HFA’s) or Community Development Financial Institutions (CDFI’s)</li> <li>▪ Homeownership education programs developed by mortgage insurance companies or other providers’ programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (<a href="http://www.homeownershipstandards.com">www.homeownershipstandards.com</a>)</li> </ul> </li> <li>– As an alternative to the programs listed above, Freddie Mac’s free financial literacy curriculum, <b>CreditSmart</b>, meets the homeownership education requirements, provided: <ul style="list-style-type: none"> <li>▪ The borrower completes the on-line <b>Credit Smart – Steps to Homeownership Tutorial</b>, which includes Module 1 (Your Credit and Why It Is Important), Module 2 (Managing Your Money); Module 7 (Thinking Like A Lender); Module 11 (Becoming a Homeowner), and Module 12 (Preserving Homeownership: Protecting Your Investment)</li> <li>▪ The financial literacy curriculum is not provided by an interested party to the transaction, nor by REMN WS.</li> </ul> </li> </ul> <p>Documentation</p> <ul style="list-style-type: none"> <li>– A copy of Exhibit 20, Homeownership Education Certification, or another document (such as Credit Smart – Steps to Homeownership certificate of completion) containing comparable information must be retained in the Mortgage file.</li> </ul> <p>Landlord Education (2 to 4 Unit Primary Residence)</p> <ul style="list-style-type: none"> <li>– Purchase Transactions <ul style="list-style-type: none"> <li>▪ At least one (1) qualifying borrower must participate in a landlord education program before the Note Date.</li> <li>▪ Landlord education must not be provided by an interested party to the transaction, nor by REMN WS.</li> <li>▪ A copy of certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.</li> </ul> </li> <li>– Refinance Transactions <ul style="list-style-type: none"> <li>▪ Landlord education is not required but is recommended for borrowers who have not previously attended a program</li> </ul> </li> </ul> <p>Post-purchase and Early Delinquency Counseling</p> <ul style="list-style-type: none"> <li>– REMN WS, as Servicer, must provide (at no cost to the borrower) Early Delinquency Counseling to all borrowers who experience problems meeting their Mortgage obligations, in accordance with Freddie Mac criteria.</li> </ul>