

# REM N FHLMC HOME POSSIBLE PRODUCT GUIDELINES

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## HOME POSSIBLE PRODUCT MATRIX

Product Overview	Freddie Mac’s Home Possible and Home Possible Advantage mortgages (collectively referred to as 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>Home Possible Advantage</b> – offers more flexibility for maximum financing. This offering adopts the responsible and affordable flexibilities of Home Possible, but with additional requirements.			
Maximum LTV/TLTV/HTLTV Ratios	Maximum LTV/TLTV/HLTV Purchase and No Cash-Out Refinance Transactions			
	Property Type	LTV	TLTV	HTLTV
	Home Possible			
	1 – 4 Unit	95%	95%	95%
	Manufactured Home	95%	95%	95%
	Home Possible Advantage			
	1 Unit	97%	105%	N/A
Eligible Products	» 10yr, 15yr, 20yr or 30yr Fixed Rate mortgage » No ARM’s (REM N WS overlay)			
Loan Purpose	» Purchase transaction » No Cash-Out Refinance transaction » Cash-Out Refinances are <b>NOT</b> eligible			
Occupancy	» Primary Residence only » Second Homes and Investment Properties are <b>NOT</b> eligible			
Eligible Property Types	Home Possible		Home Possible Advantage	
	1-4 Unit Primary Residence		1 Unit Primary Residence	
	Condos		Condos	
	PUDs		PUDs	
	Manufactured Homes (with restrictions)		N/A	
Ineligible Property Types	» Co-ops » Non-warrantable condos » Mixed Use			
Secondary Financing	Home Possible		Home Possible Advantage	
	» Any secondary financing that meets Freddie Mac requirements is allowed.		» Any secondary financing subordinated to a Home Possible Advantage mortgage 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.			
Eligible Borrowers	» All borrower(s) must occupy the mortgaged premises as a primary residence (non-occupant co-borrowers are <b>NOT</b> eligible » 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. » REM N WS must attempt to verify all income reported on the Uniform Residential Loan Application. All reported income that has been verified and that is stable monthly income must be used to qualify the borrower and in determining whether the borrower meets the income limits.			

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Ownership of Other Residential Property	» The borrower must not have an ownership interest in any other residential property as of the Note Date, or the effective date of Permanent Financing for Construction Conversion and Renovation Mortgages, except as stated below. » The borrower may have an ownership interest in a residential property other than the Mortgaged premises if the borrower does not occupy the property, and REMN WS documents the following: <ul style="list-style-type: none"><li>The borrower inherited their ownership interest in the property and shares ownership with another party, or</li><li>The borrower owns the property with another party and the debt associated with the property was assigned to the other party by a court order (e.g. divorce decree, etc.), or</li><li>The borrower is a co-signor/guarantor on the related Mortgage debt and someone other than the borrower has made payments on the debt associated with the property for the most recent twelve (12) months, as documented with copies of cancelled checks or a statement from the lender.</li></ul>					
Mortgage Insurance (MI) Requirements	» The standard required or custom MI coverage levels for Home Possible mortgages are as follows:					
	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%
		Custom	N/A	N/A	16%	18%
	Fixed Rate term > 20yrs; all manufactured homes	Standard	12%	25%	25%	25%
Custom		6%	12%	16%	18%	
Credit Underwriting – Loan Product Advisor	» A borrower’s credit reputation is acceptable if the Home Possible mortgage receives a Loan Product Advisor (LPA) risk class finding of Accept. » All Freddie Mac Conventional loans must be submitted through Loan Product Advisor (LPA) – manual underwritten loans are not permitted (REM N WS overlay) » Use Loan Product Advisor Offering Identifier Code “241” for Home Possible mortgages and “250” for Home Possible Advantage mortgages.					
Calculation of Borrower Qualifying Income	» REMN WS must attempt to verify all income reported on the Form 65, Uniform Residential Loan Application, in accordance with Freddie Mac Income & Employment guidelines, as referenced in the REMN WS Freddie Mac Product Description. » Any discrepancies, including underreported income, must be corrected before submitting the Mortgage to Loan Product Advisor (LPA). » All income reported on the Form 65 that has been verified and that meets the criteria for stable monthly income (as defined in the REMN WS Freddie Mac Product Description) must be used to qualify the borrower and submitted to LPA.					
Qualifying Ratios	» There is no maximum monthly housing expense-to-income ratio. » Debt payment-to-income ratios are determined as follows:					
	Underwriting Path		Home Possible Mortgages		Home Possible Advantage Mortgages	
	Loan Product Advisor (LPA) Mortgages		Determined by Loan Product Advisor (LPA)			

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Additional Special Underwriting Requirements – Rental Income	Rental Income from 1 Unit Primary Residence	<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>– <u>Connection With Borrower</u>: The person providing the rental income and the borrower: <ul style="list-style-type: none"> <li>▪ Have resided together for at least one (1) year</li> <li>▪ Will continue residing together 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> </ul> </li> <li>– <u>Rental Payment</u>: 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>▪ 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>
	Rental Income from 2-4 Unit Primary Residence	<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)		<p>» Mortgage Credit Certificates (MCC's) may be considered as qualifying income provided the following are met:</p> <ul style="list-style-type: none"> <li>– The amount used as qualifying income must be calculated as follows: <ul style="list-style-type: none"> <li>▪ <math>(\text{Mortgage Amount}) \times (\text{Note Rate}) \times (\text{MCC rate \%})</math> divided by 12</li> </ul> </li> <li>– The amount used as qualifying income cannot exceed the maximum mortgage interest credit permitted by the Internal Revenue Service (IRS).</li> <li>– The mortgage file must contain a copy of the: <ul style="list-style-type: none"> <li>▪ MCC</li> <li>▪ REMN WS's calculation of the amount used as qualifying income</li> </ul> </li> <li>– A history of receipt of MCC tax credit is not required.</li> </ul>

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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 Advantage
	1 Unit	None	None	None
	2-4 Unit	None	3%	N/A
	Manufactured Home	None	None	N/A
Minimum Post-Closing Reserves	» REMN 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	
	Additional equity if needed 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>REMN OVERLAY</b> – REMN WS, as the lender, does <b>NOT</b> provide gifts, grants or unsecured loans as a source of funds towards the transaction.	
	Post-Closing Reserves		» Borrower personal funds » Other borrower funds	
Cash on Hand	» Cash on hand is an eligible source of borrower’s personal funds for Home Possible mortgages, so long as the following requirements are met: – 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 – 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> – The Mortgage file must have no indication that the borrower typically uses checking, savings or similar accounts. – 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.			

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<b>Appraisal Report/Collateral Evaluation</b>	<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>
<b>Homeownership Education and Landlord Education</b>	<ul style="list-style-type: none"> <li>» Homeownership Education <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 intended 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> </ul> <p>As an alternative to the programs listed above, Freddie Mac's free financial literacy curriculum, <b>CreditSmart</b>, meets the homeownership education requirements, provided:</p> <ul style="list-style-type: none"> <li>▪ The borrower completes the on-line <b><u>Credit Smart – Steps to Homeownership Tutorial</u></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> <li>» Documentation <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> </li> <li>» Landlord Education (2 to 4 Unit Primary Residence) <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> </li> <li>» Post-purchase and Early Delinquency Counseling <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> </li> </ul>