REMN WHOLESALE FREDDIE MAC PRODUCT DESCRIPTION

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CONFORMING/SUPER CONFORMING PRODUCT MATRIX

Primary Residence

Purchase & Rate/Term				Cash-Out			
Units	**LTV / TLTV**	**Credit Score***	**Max DTI***	**Units**	**LTV / TLTV**	**Credit Score***	**Max DTI***
1 Unit	95.00%	Per LPA		1 Unit	80.00%	Per LPA	
2 Unit	95.00% [3]	Per LPA		2 Unit	75.00%	Per LPA	
3-4 Unit	95.00% [3]	Per LPA		3-4 Unit	75.00%	Per LPA	
Manufactured Home	95.00%	Per LPA		Manufactured Home	65.00%	Per LPA	

**Based upon LPA Accept findings. Loan must still be underwritten to credit risk.*

Second Home

Purchase & Rate/Term				Cash-Out			
Units	**LTV / TLTV**	**Credit Score***	**Max DTI***	**Units**	**LTV / TLTV**	**Credit Score***	**Max DTI***
1 Unit	90.00%	Per LPA		1 Unit	75.00%	Per LPA	Per LPA
Manufactured Home	85.00%	Per LPA		N/A	N/A	N/A	

**Based upon LPA Accept findings. Loan must still be underwritten to credit risk.*

Investment

Purchase & Rate/Term				Cash-Out			
Units	**LTV / TLTV**	**Credit Score***	**Max DTI***	**Units**	**LTV / TLTV**	**Credit Score***	**Max DTI***
1 Unit	85.00%	Per LPA		1 Unit	75.00%	Per LPA	Per LPA
2 Unit	75.00%	Per LPA		2 Unit	70.00%	Per LPA	Per LPA
3-4 Unit	75.00%	Per LPA		3-4 Unit	70.00%	Per LPA	Per LPA

**Based upon LPA Accept findings. Loan must still be underwritten to credit risk.*

Conforming Loan Amounts [1]

Units	Contiguous States, DC		Alaska, Hawaii	
	2026 [2]	**2025** [2]	**2026** [2]	**2025** [2]
1 Unit	$832,750	$806,500	$1,249,125	$1,209,750
2 Unit	$1,066,250	$1,032,650	$1,599,375	$1,548,975
3 Unit	$1,288,800	$1,248,150	$1,933,200	$1,872,225
4 Unit	$1,601,750	$1,551,250	$2,402,625	$2,326,875

Super Conforming Loan Amount[1]

Units	Contiguous States, DC, Alaska, Hawaii (Other Counties)		Hawaii (Kalawao and Maui Counties)	
	2026 [2]	**2025** [2]	**2026**	**2025**
1 Unit	$1,249,125	$1,209,750	$1,299,500	N/A
2 Unit	$1,599,375	$1,548,975	$1,633,600	N/A
3 Unit	$1,933,200	$1,872,225	$2,010,950	N/A
4 Unit	$2,402,625	$2,326,875	$2,499,100	N/A

**Based upon LPA Accept findings. Loan must still be underwritten to credit risk.*

[1] *Maximum Super Conforming loan amounts differ by County but may never exceed these limits. For county level limits, refer to Conforming Loan Limits for further detail.*

[2] *REMN Minimum Loan Amount - $50,000 ($150,000 for Investment Properties)*

[3] *95% LTV on 2-4 Unit Properties is available for Conforming Loan Amounts Only. Super Conforming Loan Amounts are limited to 85% for 2 Unit / 80% for 3-4 Unit.*

Super Conforming Appraisal Requirements	» REMN must obtain an appraisal with an interior and exterior inspection that meets Freddie Mac requirements, unless the last Loan Product Advisor (LPA) feedback certificate includes and automated collateral evaluation offer stating that the Mortgage is eligible for collateral representation and warranty relief with an appraisal waiver and REMN has accepted the offer. » See Automated Collateral Evaluation section for more information on automatic collateral evaluation

HOME ONE - 97% PRODUCT OPTION

Home One

Mortgage Purpose	Subordinate Financing	Max LTV/HTLTV/TLTV
Purchase	None	97%/97%/97%
	Affordable Second	97%/97%/105%
	Other Second	97%/97%/97%
Limited Cash-Out Refinance*	None	97%/97%/97%
	Affordable Second**	97%/97%/105%
	Other Second	97%/97%/97%

** Existing Mortgage(s) being refinanced MUST be owned or securitized by Freddie Mac*

*** Existing Mortgage(s) being refinanced DOES NOT need to be owned or securitized by Freddie Mac*

» Home One loans must receive Accept risk assessment from Loan Product Advisor (LPA)
» Must be fixed rate mortgage
» Must be secured by 1-unit properties – no manufactured homes allowed
» All borrowers must occupy the property as their primary residence.
» Maximum LTVs
  – Max LTV = 97%
  – TLTV for 2nd mortgages with Affordable Seconds = 105%
    ▪ TLTV capped at 97% for HELOCs or 2nd mortgages that are not Affordable Seconds
» Loan Purpose:
  – Purchase
  – Limited Cash-Out Refinance
    ▪ For loans with LTV/TLTV greater than 95% and TLTV with secondary financing that is not an Affordable Second greater than 95%, the mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac
    ▪ For loans with TLTV greater than 95% with secondary financing that is an Affordable Second, the mortgage being refinanced does not have to be owned or securitized by Freddie Mac
    ▪ To identify if Freddie Mac owns the Mortgage, the Borrower can look up the loan in Freddie Mac's **Loan Look-Up Tool**
» Borrower Eligibility:
  – For purchase transactions and limited cash-out refinance mortgages, at least one borrower on the transaction must have a usable credit score as determined by Loan Product Advisor (LPA)
  – For purchase transactions, at least one borrower must be a First-Time Homebuyer
» Homeownership Education – For purchase transactions, when all borrowers are First-Time Homebuyers, at least one borrower must participate in a homeownership education program and complete it prior to the Note date.
  – Homeownership education must not be provided by an interested party to the transaction, the originating lender or by REMN
  – Homeownership education programs may use different formats and require different lengths of time to complete. The following are acceptable:
    ▪ Programs provided by HUD-approved counseling agencies, Housing Finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs)
    ▪ Programs provided by mortgage insurance companies
    ▪ Programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (**www.homeownershipstandards.com**)
    ▪ As an alternative to the programs listed above, Freddie Mac's free financial literacy curriculum, CreditSmart®, meets the homeownership education requirements, provided:
      ➢ The Borrower completes the on-line Credit Smart – Steps to Homeownership Tutorial – With Certificate
» A copy of Homeownership Education Certification or another document (such as the CreditSmart – Steps to Homeownership certificate of completion) containing comparable information must be retained in the Mortgage file
» Mortgage Insurance is required
  – Standard rates apply
  – LPMI is allowed
  – Financed Mortgage Insurance is allowed – qualifying LTV must include MI

Comparison Chart – HomeOne vs. Home Possible		
	Freddie Mac HomeOne - 97%	**Freddie Mac Home Possible***
Benefits	Higher LTVs No Income or Area eligibility	Higher LTVs Reduced MI available
Eligible Loan Type	Fixed Rate Only	Fixed Rate
Loan Purpose	Purchase Limited Cash-Out Refinance	Purchase Limited Cash-Out Refinance
Property & Occupancy	1-unit Primary Residence (SFR, Warrantable Condo/PUD) No Manufactured Homes No Area Restrictions	1-4 Unit Primary Manufactured Homes allowed If income exceeds 100% AMI, then Property must be in Low Income Census Tract
LTV/CLTV/CLTV Limits	97%/105%* **With Affordable 2nd*	97%/105%* ** With Affordable 2nd* 2-4 Unit, Manufactured Homes – 95% **Super Conforming Limits:** 1 unit – 95% 2 unit – 85% 3-4 unit – 80%
Borrower Eligibility	No Income Limits At least 1 Borrower must be First-Time Homebuyer on Purchases Homebuyer Education required for First-Time Homebuyer	Occupying borrower must not have ownership interest in more than two (2) financed residential properties, including the subject property. At least one borrower must occupy the subject property as their Primary Residence. Income cannot exceed 80% of the area median income (AMI) for the subject property location (as determined by LPA Accept findings) Homebuyer Education required on Purchases when all occupying Borrowers are First-Time Homebuyers.
Underwriting Method	LPA Accept Manual UW not allowed	LPA Accept Manual UW not allowed
Temporary Buydowns	Allowed	Allowed
Mortgage Insurance	<95% LTV: Custom MI available with a credit fee ≥95% LTV: Standard MI required	Refer to HomePossible Guidelines
*Please reference the Freddie Mac Home Possible Product Description on www.remnwholesale.com for additional program guidelines and criteria that apply to Freddie Mac Home Possible and Home Possible Advantage		

<table>
<tr><th colspan="4">PRODUCT OVERVIEW</th></tr>
<tr><td>Loan Purpose</td><td colspan="3">» Purchase, Limited Cash-Out/No Cash-Out and Cash-Out Refinance eligible on all occupancy types
– For purchase transactions where subject property is acquired at auction, the buyer’s premium can be included in the final sales price
▪ Purchase contract, CD, and all loan documents must reflect the final purchase price (including the premium)
▪ Purchase contract must also break-out the auction price from the premium
– As with all purchase transactions, the lesser of the final sales price (as addressed above) or appraised value must be utilized when establishing the LTV/TLTV ratios
– All refinance transactions must meet Continuity of Obligation requirements
– For certain LPA mortgage transactions, Freddie Mac may accept the “value” to be the REMN-provided estimate of value or the purchase price as the basis for the underwriting of the mortgage. See the Automated Collateral Evaluation section for more information on automated collateral evaluation</td></tr>
<tr><td>Underwriting Method</td><td colspan="3">» Loan Product Advisor (LPA) Accept Mortgage must be received
» LPA may return an evaluation status of invalid, ineligible or incomplete. If resubmission with corrected information does not correct the status, the loan cannot be processed through LPA and is not eligible
» REMN will not permit LPA Accept-minus Mortgage or Manually Underwritten Mortgage</td></tr>
<tr><td>Documentation Level</td><td colspan="3">» The documentation level shown on the “last” feedback certificate (LPA Findings) indicates the documentation that REMN will accept
» If LPA provides for only obtaining a one (1) year tax return, REMN will accept; provided the Borrower is self-employed for at least two (2) full years AND the one (1) year return we qualify on is the most current tax year
» If the Borrower is on extension for the current tax year, this reduced documentation is not eligible</td></tr>
<tr><td>Ability to Repay and Qualified Mortgage Rule</td><td colspan="3">» For loans subject to ATR/QM rule, REMN will only all loans that comply with ATR/QM requirements.
Note: Investment properties which are for business purposes (borrower does not intend to occupy for greater than 14 days per year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements and are subject to the applicable points and fees threshold.
» Clear itemization of fees and application of all credits that indicated paid by/to will be required on all loans.</td></tr>
<tr><td rowspan="2">Occupancy</td><td>Primary Residence</td><td>Second Home</td><td>Investment</td></tr>
<tr><td>1-4 Unit</td><td>1 Unit</td><td>1-4 Unit</td></tr>
<tr><td>Living Trusts</td><td colspan="3">» Properties located in trusts are permitted for all occupancy types.</td></tr>
</table>

PRODUCT OVERVIEW	
Community Land Trust Mortgages	» May be a purchase, "no cash-out" or cash-out refinance – cash out only allowed if permitted by Community Land Trust » Must be secured by a 1 or 2 unit Primary Residence that is not a Manufactured Home. – For any Mortgage secured by a 2-unit property, at least one qualifying Borrower must participate in a landlord education program before the Note Date or have at least one year of previous landlord experience. » Fixed rate Conventional only – no ARMs » Must be submitted to LPA. REMN must enter the appraised value in the purchase price field and the appraised value field » File must contain an original executed or certified copy of the Community Land Trust Ground Lease* and the Community Land Trust Ground Lease Rider (FHLMC Form 490 or FNMA Form 2100), containing the recordation information **Additional Information** » Freddie Mac requires the appraiser to develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490, Community Land Trust Ground Lease Rider, upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure. » REMN must review and determine that the Community Land Trust's Ground Lease conforms to either the National Community Land Trust Network (NCLTN) 2011 Community Land Trust Network Model Ground Lease or the Institute for Community Economics (ICE) Model Ground Lease. Optional language as provided in either of such models must be selected but no additional changes may be made without Freddie Mac's prior written approval. » Any refinance transaction must comply with the applicable requirements of the Community Land Trust including, but not limited to, the amount of the refinance Mortgage, and in the case of a cash-out refinance Mortgage, the amount of proceeds disbursed to the Borrower. REMN must obtain and retain documentation signed by the Community Land Trust or its authorized representative permitting the Borrower to enter into a refinance transaction. » The leasehold estate created by the Community Land Trust Ground Lease must constitute real property under applicable law. **Note:** For Community Land Trust Mortgages, minimum Down Payment requirements are based on the purchase price. * **Community Ground Lease must:** – Have a term of at least 30 years – Include a resale formula that limits the homeowner's proceeds at resale. The restrictions must be binding on current and subsequent property owners, and remain in effect (i.e., survive) until they are formally removed or modified, or terminate automatically in accordance with their terms, such as at a foreclosure sale or upon recordation of a deed-in-lieu of foreclosure – Provide the Community Land Trust or its assignee the right to a preemptive option to purchase the home from the homeowner at resale ("the right of first refusal") – State that the Community Land Trust must review and approve any refinances and home equity lines of credit For each Community Land Trust Mortgage sold to Freddie Mac, REMN represents and warrants that the Community Land Trust Ground Lease is valid, enforceable and in full force and effect.

Properties Subject to Income-Based Resale Restrictions

» Mortgages secured by properties subject to income-based resale restrictions must meet the requirements of this section in addition to the requirements of Re-Sale Restrictions. For Mortgages secured by income-based resale restricted properties with Affordable Seconds used to subsidize the sales price of such properties, the requirements for Secondary Financing – Affordable Seconds also apply.

» Affordable housing programs use income-based resale restrictions to create affordable housing opportunities. These affordable housing programs are often based on State or local inclusionary housing policies, which typically require a specified percentage of properties in a designated area to be dedicated as housing individuals and households with very low, low-or-moderate incomes. These resale restrictions are typically administered by a subsidy provider or program administrator. REMN must review the terms and conditions of the affordable housing program including, but not limited to any provisions that describe the resale restrictions.

» The income-based resale restrictions restrict the initial sales price and subsequent resale price of properties subject to such restrictions. The resale restricted price provides a form of subsidy to the homebuyer in an amount equal to the difference between the sales price and the market value of the property without resale restrictions. The restrictions must be stated in a separate covenant, restriction, easement, or condition in a deed or other instrument executed by or on behalf of the owner of the land or property and must be recorded against that land or property. These restrictions may be in effect for a certain number of years or continue in perpetuity.

» **Property Type and Occupancy**

– The Mortgage must be secured by a 1 or 2-unit primary residence that is not a Manufactured Home. The property must be an attached or detached dwelling unit located on an individual lot or in a Condominium project or Planned Unit Development (PUD).

» **Special Requirements for Cash-Out Refinance Mortgages**

– Cash-out refinance mortgages are only permitted if the subsidy provider or program administrator approves the transaction meets the requirements of the applicable program. The Mortgage file must contain evidence of the required approval and approved amount of the proceeds that the Borrower may receive.

» **Minimum Down Payment Requirements**

– For Mortgages secured by properties subject to income-based resale restrictions, minimum down-payment requirements are based on the resale-restricted price.

» **Eligible Borrowers**

– Borrowers must meet the program eligibility requirements established by the subsidy provider or program administrator. When the First Lien mortgage is Home Possible, REMN must use the Home Possible income limits to determine Borrower eligibility even if the subsidy provider or program administrator limits are different.

» **Resale Restriction Controls**

– The resale restriction controls must be administered by the subsidy provider or a program administrator.

» **Excess Proceeds**

– If the income-based resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure, the subsidy provider may be entitled to obtain “excess proceeds” (not to exceed an amount equal to the subsidy provided to the previous property owner by the subsidy provider and secured by a subordinate lien) from Freddie Mac’s sale or transfer of the REO property if the resale restrictions allow a foreclosing mortgage holder, who acquires title to a restricted property as real estate owned, to recover from the initial sale or transfer of the real estate owned property an amount satisfying the total indebtedness previously secured by the property, as well as any amount incurred during the real estate owned holding period attributable to the real estate owned property.

– Note: The subsidy provider may be entitled to obtain proceeds from any future sale(s) or transfer(s) of the property following Freddie Mac’s sale or transfer of the REO property.

<table>
<tr><td>Properties Subject to Income-Based Resale Restrictions (Cont'd)</td><td colspan="2">» <u>Additional Requirements for Subsidy Providers and Programs Administrators</u>
– By delivering of a Mortgage originated under the provisions of this section, REMN represents and warrants that the following requirements are met:
• The subsidy provider is, or is managed by, or is housed within a State or local government, a government-sponsored program or a non-profit corporation that is legally chartered in the State in which it is located and has a 501©3 tax exemption from the IRS. The subsidy provider may employ a third-party non-profit or, as allowed by the applicable jurisdiction, a for-profit corporation, as a program administrator to manage the affordable housing program, its resale restrictions, and controls.
• The resale restrictions are imposed by State or local governments, municipalities, or non-profit entities, to create and preserve affordable housing (including entities administering governmental sponsored subsidy programs
• The subsidy provider or program administrator provides home counseling services or has established partnerships with at least one organization that does
• The subsidy provider or program administrator has established procedures for screening, processing applicants and approving transactions (when applicable, i.e. cash-out refinance transactions)
• The subsidy provider or program administrator has procedures to approve capital improvements on the property and guidelines to allow the Borrower to receive credit for any costs of capital improvements paid by the Borrower that are eligible by the subsidy provider's program.</td></tr>
<tr><td>Points & Fees</td><td colspan="2">» REMN may not charge borrowers points and fees (whether or not financed) in an amount that exceeds the greater or:
– Five percent (5%) of the principal amount of the mortgage loan; or
– $1,000
– Points and Fees must be adequately disclosed in accordance with applicable law and regulation</td></tr>
<tr><td>High Cost / High Priced</td><td colspan="2">» High-Cost loans are not eligible
» Higher Priced Mortgage Loans (HPML) transactions are eligible with the following:
– Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence
– Must meet all applicable state and/or federal compliance regulations
– A prohibition on ARMS with an initial fixed rate period of less than seven years (7/1 ARMs are eligible)</td></tr>
<tr><td>Eligible Mortgage Products</td><td>Conforming Loan Amounts
» Agency Fixed Rate: 10, 15, 20, 25, 30 Year
» Agency SOFR ARM: 5/6 – 2/1/5 Caps*
**Not eligible if HPML*
» Agency SOFR ARM: 7/6 – 5/1/5 Caps
» Agency SOFR ARM: 10/6 – 5/1/5 Caps
» Qualifying Payment:
– Initial fixed rate period of 5 years or less (6 Month to 5 Year ARM) – Borrower qualified at no less than the greater of the Note Rate plus two (2) percentage points or the fully indexed rate
– Initial fixed rate period greater than 5 years (7 Year & 10 Year ARM) – Borrower qualified at no less than the Note Rate for Mortgages that are not Higher-Price Mortgage Loans (HPML)
Borrower qualified at no less than the greater of the Note Rate or fully indexed rate for Mortgages that are HPMLs</td><td>Super Conforming Loan Amounts
» Agency Fixed Rate: 15, 20, 30 Year
» Agency SOFR ARM: 5/6 – 2/1/5 Caps*
**Not eligible if HPML*
» Agency SOFR ARM: 7/6 – 5/1/5 Caps
» Agency SOFR ARM: 10/6 – 5/1/5 Caps
» Qualifying Payment:
– Initial fixed rate period of 5 years or less (6 Month to 5 Year ARM) – Borrower qualified at no less than the greater of the Note Rate plus two (2) percentage points or the fully indexed rate
– Initial fixed rate period greater than 5 years (7 Year & 10 Year ARM) – Borrower qualified at no less than the Note Rate for Mortgages that are not Higher-Price Mortgage Loans (HPML)
Borrower qualified at no less than the greater of the Note Rate or fully indexed rate for Mortgages that are HPMLs</td></tr>
</table>

PRODUCT OVERVIEW

Temporary Buydowns

» Buydown plans allow the borrower to benefit from temporary subsidies of the monthly payment of principal and interest
» REMN offers 3/2/1, 2/1, 1/1/1, 1/1, and 1/0 options

Eligibility

» Buydown plans are **not** permitted for Mortgages with the following characteristics:
  – ARM's
  – Investment property mortgages
  – DPA programs
  – Texas Section 50(a)(6) Refinances
» For any Mortgage with a buydown plan, the initial interest rate may not be more than two (2) percentage points below the Note Rate. Also, the buydown plan may not extend for more than three (3) years after the first scheduled payment date
» Temporary Buydowns may be funded by the following (No Exceptions):
  - REMN (purchase)
  - The Listing or Selling Real Estate Agent (purchase)
  - REMN (purchase)
  - The Borrower (purchase and rate/term refinance)
    - NOTE: Borrower-funded subsidy amounts must be calculated in the QM points and fees cap, and pass compliance testing
  - **Note:** Buydowns may be funded by only one of the above parties. Buydowns may not be split or funded by more than one party.

Special Underwriting Requirements Buydown Mortgages

» For a Temporary Buydown Mortgage, the initial rate is:
  – Temporarily reduced to no more than two percentage points (2%) below the Note Rate
  – Increased by no more than one percentage point (1%) annually for no more than two (2) years

Property Type	Fixed Rate
1 Unit Primary Residence & Second Home	Yes
2 Unit Primary Residence	Yes
3 to 4 Unit Primary Residence	Yes

» **Borrower Qualification:**
  – The Borrower must be qualified using monthly payments calculated at the Note Rate
  – If Reserves are required, the reserves must be calculated using the Note Rate

Special Documentation Requirements for Mortgages with Buydown Plans

» **Application for Buydown Funds**
  – The borrower must agree, in writing, that the buydown funds in the buydown account will be automatically applied each month to reduce the monthly payment of principal and interest to the extent provided under the subsidy buydown agreement. The buydown agreement must provide that the borrower will not be relieved of the obligation to make the full monthly Mortgage payments required by the terms of the Mortgage Note if, for any reason, the buydown funds are not available or the buydown funds are not paid.
  – The Mortgage file must contain a copy of the executed buydown agreement and must clearly show REMN's calculations of the total cost of the temporary subsidy buydown, any interested party contribution and the annual percentage increase in the borrower's monthly principal & interest payment.

» **Custodial Account Requirements for Buydowns**
  – Each subsidy buydown must be fully funded at origination
  – The buydown agreement must state that the Borrower will not assign, transfer, close the account, or withdraw buydown funds, except as permitted by the terms of the buydown agreement

» **References**
  – No references to the buydown plan are permitted in the Note and Security Instruments

Temporary Buydowns (Cont'd)	» **Interest Rate and Monthly Payments** – The interest rate and monthly payments in the Note must be calculated without reference to the temporary buydown subsidy. In no event may the temporary subsidy buydown agreement change the terms of the Note or Mortgage. » **Servicing Requirements** – If the Mortgage is foreclosed, the funds in the buydown account must be used to reduce the Mortgage debt. If the Mortgage debt is paid in full, the funds must be distributed in accordance with the buydown agreement. If the property is sold and the Mortgage is assumed by the purchaser, the funds may continue to be used to reduce the Mortgage payments under the original terms of the buydown agreement.
Texas Home Equity 50 (a)(6)	» **Cash-out refinance** o Owner Occupied o All borrowers must reside in the home o Non-occupant co-borrowers are not allowed o Maximum 80% LTV/CLTV o 1 Unit SFD, PUD or Condo (2-4 Unit not eligible) o Approve/Eligible DU Findings o Maximum of 10 acres » **Maximum 2% fee limitation for all closing costs, fees, and charges** o Excluded: Prepaids, Appraisal Costs, Survey Costs, Title Insurance Premiums, Title Examination Report, and Bona fide discount points used to buy down the interest rate (borrowers will have to sign an "Election to pay Discount Points" affidavit at closing). » **Notice Concerning Extension of Credit** o Borrower & non-borrowing spouse (if applicable) MUST sign a Notice Concerning Extensions and Credit (aka "12 Day Disclosure") o 12 days must pass from the time this disclosure is signed and the day the loan is scheduled to close » Survey required » Loan must be closed at Closing Agents Office; cannot close at borrowers' home » Borrower must receive a copy of the Final 1003 with the CD for review a minimum of 24 hours prior to closing and send back to REMN Close » Community Property State: all married parties, regardless if on loan or not, must sign Deed of Trust and Notice of Right to Cancel » Borrower(s) cannot sign early (i.e., cannot sign before the date of the closing package) » Deed of Trust: Trustee must be completed on Security Instrument (must be a Texas resident and is typically an attorney) o HE Deed of Trust must be executed at closing » Property taxes are due in December of each year; Tax Certificates are generally provided o School, City, County & MUD taxes are common » **Home Equity Waiting Periods:** o **"12 Day Disclosure"** - the loan cannot close until the Notice Concerning Extensions and Credits has been signed and received by REMN for 12 days. o **24 Hours** - must pass after the borrower(s) have signed their final CD and final 1003 loan application before the loan can close o **12 Months** - the loan may not close sooner than 12 months after the closing of the previous (a)(6) loan. » **Ineligible transactions:** o Freddie Open Access/Relief o Loans with an interest-only period o Loans with a potential for negative amortization o Loans with temporary interest rate buy downs

Texas Home Equity 50 (a)(6) (Cont'd)	○ Loans with Automated Collateral Evaluation (ACE) » **Fixed rate terms available:** ○ 15 year ○ 20 year ○ 30 year » **ARM terms available:** No assumptions and no buydowns allowed. Qualifying Payment: Initial fixed rate period of 5 years or less (6 Month to 5 Year ARM) – Borrower qualified at no less than the greater of the Note Rate plus two (2) percentage points or the fully indexed rate. Initial fixed rate period greater than 5 years (7 Year & 10 Year ARM) – Borrower qualified at the greater of the Note Rate or fully indexed rate. ○ **5/6 SOFR ARM** – 2/1/5 Caps (not eligible if HPML) ○ **7/6 SOFR ARM** – 5/1/5 Caps ○ **10/6 SOFR ARM** – 5/1/5 Caps » A power of attorney is permitted in connection with a Texas Section 50(a)(6) mortgage loan.
Eligible Properties	» 1-4 Unit (Attached/Detached) » Townhomes & PUD's (Attached/Detached) » Condominiums (Attached/Detached, High Rise, Mid Rise & Low Rise) » Manufactured Homes (in all states except for New York) – See Manufactured Home Product Compare on www.remnwholesale.com for complete guidelines/criteria » Rural Properties (in accordance with Agency guidelines; must be residential in nature) » Leasehold Estates - Lease term must exceed mortgage maturity date by five (5) years » Group Homes (must meet all eligibility guidelines) » TBD (To Be Determined) properties
Excluded Party Lists	» REMN requires that a DataVerify DRIVE report be generated and analyzed for all loans at approval and updated prior to underwriting clearance.
Escrow/Impounds	» Freddie Mac does not require escrow accounts except with respect to the collection of borrower-paid mortgage insurance and when required by applicable law » REMN's determination that escrow accounts are not required for a Mortgage must be based on the evaluation of the Borrower's ability to make all payments for the expenses to be paid under the Mortgage as they become due. These expenses include, but are not limited to, taxes, special assessments, ground rents and other charges that are or may be come First Liens on the Mortgaged Premises, as well as property insurance premiums. – REMN may not waive the requirement for escrow accounts with respect to collection of borrower-paid mortgage insurance and when escrows are required by law » Although not required, Freddie Mac encourages best practices for escrows for the following Mortgages: – Mortgages to Borrowers that are first-time homebuyers – Home Possible Mortgages – HomeOne Mortgages – Mortgages secured by 2-to-4-unit properties – Mortgages secured by Manufactured Homes – Second Home Mortgages – Investment Property Mortgage – Mortgages where the Borrower has less than six (6) months of reserves – Refinance Mortgages where taxes were past due (60+ days) on the Mortgage being refinanced

Tax Exemptions / Abatements	» There can be no uncertainty about whether the borrower qualifies for the homestead, abatement or other tax exemption or reduction. » For the lower amount to be used for qualifying purposes; evidence the abatement, homestead or exception is unconditionally approved prior to the first mortgage payment for a purchase transaction or is in effect for a refinance transaction and remains in place for a minimum of five (5) years after closing.
Escrow Waivers REMN Policy	» REMN allows for the waiving of escrows » Any conflict between REMN policy and state law must default to the state law » For further details and guidance, please reference the FHLMC Seller Guide Escrow Account policy
Non-Arm's Length Transactions	» Non-Arm's Length transactions are purchase transactions in which there is a relationship or business affiliation between seller and the buyer of the property » Freddie Mac allows for the purchase of existing properties » Newly constructed properties, if the borrower has a relationship or business affiliation (any ownership interest or employment) with the builder, developer or seller of the property, Freddie Mac will only purchase mortgage loans secured by primary residences » Freddie Mac will not purchase mortgage loans on newly constructions homes secured by a second home or investment property if the borrower has a relationship or business affiliation with the builder, developer, or seller of the property
Power of Attorney	» Please follow this link to reference the complete REMN POA Policy & Procedure Checklist
Ineligible Properties	» Non-Warrantable Condos & New Attached Condo Projects » Cooperatives » Condotel / Hotel Condominiums » Timeshares » Working Farms, Ranches and Unimproved land » Property currently in litigation » Property Condition Rating of C5/C6 or Quality Rating of Q6 » Properties located in Lava Zone 1 » Manufactured homes located in the state of New York
Lava Zone Properties	» Not eligible in Lava Zone 1 » No restrictions for properties located in Lava Zones 2* and 3 or higher * *The maximum coverage in Hawaii for properties in a lava zone 2 is $350,000. In the event the loan exceeds $350,000, the coverage must be guaranteed replacement*
Ineligible Transactions	» Manual Underwrite » A Minus LPA Finding Recommendation » MCC (Mortgage Credit Certificate) programs; allowed after closing (cannot be used for qualifying purposes) » Land Trusts (Community Land Trusts are eligible) » Non-Traditional Credit » Loans subject to Private Transfer Fees (PTF's) – Excluding loans with private transfer fees paid to homeowners' associations, condominiums, and certain tax-exempt organizations that use private transfer fee proceeds to benefit the property. Fees that do not directly benefit the property would disqualify mortgages from being originated by REMN. » Assumptions » Prepayment Penalties » Property Inspection Alternative » Relief Refinance – Open Access (Freddie HARP) » Loans with PACE or HERO programs as a secondary/subordinate financing option (all states). » Loans with qualifying income earned from state-legalized marijuana businesses, as this is not considered as legally derived income based on federal law

	» Loans where a borrower(s) has a Deferred Action for Childhood Arrivals (DACA) status
CEMA	Properties located in the state of New York may be structured as a Consolidation, Extension & Modification Agreement (CEMA) transaction (refinances only). The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided: » New York Consolidation, Extension and Modification Agreement (Form 3172) » Original Note(s) – Original documents signed by the applicant » Gap Note and Gap Mortgage, if applicable » Consolidated Note – Original documents signed by the borrower » Exhibit A – Listing of all Notes & Mortgages being consolidated, extended and modified » Exhibit B – Legal description of the subject property » Exhibit C – Copy of the consolidated Note » Exhibit D – Copy of the consolidated Mortgage Lost Note Affidavits are not acceptable
Multiple Properties Financed	**REMN Wholesale Overlay:** » Borrowers who own more than four (4) properties (including the subject property) are not eligible for financing with REMN Wholesale. This includes properties owned free and clear. Exceptions may be granted on a case-by-case basis with REMN Wholesale Executive management approval. A price adjustment may apply. FHLMC's standard eligibility and underwriting policies apply for any loans granted an exception. » No multiple simultaneous loan submissions allowed if contingent to qualify » REMN limits its exposure to a maximum of 4 loans per borrower **If a management exception is obtained the following apply:** **Primary Residence** » Unlimited **Second Home & Investment Property** » Each borrower individually and all borrowers collectively must not be obligated on (e.g. Notes, land contracts and/or any other debt/obligation) more than ten (10) 1-4 unit financed properties, including the subject property and the borrower's primary residence, provided that when the number of 1-4 unit financed properties (including the subject property and the Borrower's primary residence) is greater than six (6), the Mortgage must:. – Be a Loan Product Advisor (LPA) mortgage with Risk Class of Accept findings, AND » Examples of financed properties that do not have to be counted in this limitation include: – Commercial real estate – Multifamily (5 or more units) real estate – Timeshares – Undeveloped land – Manufactured homes not titled as real property (chattel lien), unless the property is situated on the land that is titled as real property – Property titled in the same name as the borrower's business provided that the borrower, in his/her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property – Property titled in the name of a trust where the borrower is a trustee, provided that the borrower in his/her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property » See Second Home and Investment Property for additional requirements.
Continuity of Obligation	» When an existing mortgage will be satisfied as a result of a refinance transaction; one of the following requirements must be met: – At least one (1) borrower on the refinance mortgage was a borrower on the mortgage being refinanced; or, – At least one (1) borrower on the refinance mortgage held title to and resided in the subject property as a primary residence for the most recent 12-month period and the mortgage file contains documentation evidencing that the borrower has been making timely mortgage payments, including the payments for any secondary financing, for the most recent 12-month period.

<table>
<tr><td></td><td colspan="2">

Note: The 12 months is determined based upon the Note date of the subject mortgage.

– At least one (1) borrower on the refinance mortgage inherited or was legally awarded the subject property by a court in the case of divorce, separation or dissolution of a domestic partnership.
</td></tr>
<tr><td>Mortgage Insurance</td><td>Eligible</td><td>Ineligible</td></tr>
<tr><td></td><td>» Borrower Paid Monthly
» Borrower Paid Single Premium
» Financed: Gross LTV cannot exceed program maximum
» Lender Paid Single Premium</td><td>» Lender Paid Monthly
» Lender Paid Annual
» Borrower Paid Annual
» Split Premium
» Any MI Type not listed as acceptable
» Reduced Coverage</td></tr>
<tr><td></td><td colspan="2">
» REMN preferred partner program guidelines to be followed
– ARCH MI, Essent Guaranty, Enact, Radian, MGIC and National are approved with REMN
» Enact, Arch & Essent must be contacted to confirm eligibility and underwriting criteria
Financed MI Premiums
– Base LTV Ratio: The LTV Ratio calculated using the mortgage amount without the financed mortgage insurance premium
– Gross (higher) LTV Ratio: The LTV ratio calculated using the mortgage amount which includes the financed mortgage insurance premium
– Mortgages for which the mortgage insurance premium is included as part of the principal amount of the mortgage (that is, financed premiums) are eligible using the Base LTV ratio provided the mortgage complies with the requirements below:
• The Base LTV ratio must not exceed the maximum LTV ratio permitted, as specified in the matrix
• The Gross LTV ratio must not exceed 95% or the LTV ratio permitted, as specified in the matrix
• The subject property must be a 1-unit primary residence or second home
• The mortgage is a fixed rate, fully amortizing mortgage, or an ARM
• The amount of coverage meets the standard coverage level requirements using the Base LTV ratio
• The mortgage insurance premium must be paid with a single-premium (i.e., monthly premium payments are not eligible)
Financed mortgage insurance premiums are permitted for both Conforming and Super Conforming mortgages
</td></tr>
</table>

<table>
<tr><td>Mortgage Insurance LTV Determination for New York State</td><td colspan="2">Under a New York statute, a mortgage insurer must issue mortgage insurance based on a determination of the “fair market value” of the property. The term “fair market value” is not defined in the statute but has been defined by the NY insurance regulator as being the “appraised value”.
The following table identifies the value calculation that is to be used for mortgage loans secured by properties in New York for policies that are based on the LTV ratio.</td></tr>
<tr><td></td><td>» LTV Ratio Calculation</td><td>» Policy</td></tr>
<tr><td></td><td>» LTV ratio based on the appraised value</td><td>» REMN WSs must base their determination of when mortgage insurance (MI) is required solely on the appraised value of the property. If the appraised value exceeds the sales price, this determination may result in MI not being placed on the mortgage loan as would otherwise be required using FNMA’s standard definition.
» If this calculation results in MI not being placed on the loan as would otherwise be required, REMN must deliver the loan to FNMA using the MI Absence Reason Type of “No MI Based on Original LTV” (Sort ID 429).</td></tr>
<tr><td></td><td>» LTV ratio based on the lower of the sales price or appraised value (standard LTV ratio calculation) for all property types</td><td>» Irrespective of the use of appraised value or sales price for determining whether MI is required, the standard LTV calculation must be used to determine the level of MI coverage that is required on the mortgage loan. (See MI Coverage Requirements for additional information).
» The standard LTV ratio calculation must also be used to:
• Determine whether the loan satisfies any of FNMA’s other eligibility criteria that are based on the LTV ratio of the loan;
• Determine any loan-level price adjustments that include LTV or CLTV ratios as a risk attribute; and
» When the loan is delivered to FNMA (Sort ID 254). The standard LTV ratio must be delivered, even if the appraised value or sales price is used to determine that mortgage insurance is not required.</td></tr>
<tr><td>Exclusionary List</td><td colspan="2">» FHLMC Exclusionary List can now be verified within the DataVerify report
» Under the program, Freddie Mac is prohibited from conducting business with individuals and entities whose names are on the FHFA’s Suspended Counterparty Program List. Effective immediately, REMN is required to review the Suspended Counterparty Program to ensure that no person or entity whose name is listed was involved in the underlying real estate transaction related to a Mortgage to be sold to Freddie Mac, the origination or sale of a Mortgage to be sold to Freddie Mac, or the Servicing of a Freddie Mac Mortgage. FHFA’s Suspended Counterparty Program List can now be verified within the DataVerify report.</td></tr>
</table>

PRODUCT OVERVIEW	
Loan Product Advisor	» Loan Product Advisor is an automated loan assessment system that makes a purchase decision for Freddie Mac that eliminates many of the manual processing and underwriting requirements of traditional Mortgage processing. This section includes: – An overview of Loan Product Advisor – Essential terms REMN must know to use Loan Product Advisor – General and specific eligibility requirements for Loan Product Advisor Mortgages » Detailed information about Loan Product Advisor Mortgages is found throughout the *Single-Family Seller/Servicer Guide* (Guide). Operational information for using Loan Product Advisor may be found in the *Loan Product Advisor Functionality Guide* or at http://www.freddiemac.com/learn. » Loan Product Advisor utilizes the information obtained from: – Data input by the originator – Credit repositories – Freddie Mac's Home Value Models » Loan Product Advisor uses statistical models and judgmental rules to analyze the data received and then return a Feedback Certificate. Loan Product Advisor will return credit information and for certain Mortgages will provide Home Value Model support for the Subject property. » Because this is an automated system, it relies heavily on information from other sources. Consequently, accurate data and accurate data entry are critical. Loan Product Advisor assumes that the last information submitted to Loan Product Advisor is the same as the information for the Mortgage that is delivered to Freddie Mac. If the information changes or an error is identified in the prior submission, the Mortgage must be resubmitted to Loan Product Advisor with new data. Each new Feedback Certificate invalidates the prior Feedback Certificate. » In order for a Mortgage to qualify as a Loan Product Advisor Mortgage, the Mortgage must meet all of the following criteria: – Be submitted to Loan Product Advisor no more than 120 days before and no later than the Note Date – Have all credit reports (including the Loan Product Advisor credit reports) dated no more than 120 days before and no later than on the Note Date – Receive an automated underwriting service (AUS) status of "complete" on the Feedback Certificate based on the last submission to Loan Product Advisor on or before the Note Date » Loan Product Advisor may return an evaluation status of invalid, ineligible, or incomplete. If resubmission with new and/or corrected information does not correct the status, the Mortgage cannot be processed through Loan Product Advisor and thus is ineligible » The Documentation Level shown on the Last Feedback Certificate indicates the minimum level of documentation that Freddie Mac will accept for the Mortgage. The Documentation Level for users of Loan Product Advisor Classic will be identified in a feedback message under the Documentation Guidelines section of the Feedback Certificate. Specific feedback messages will describe the type of documentation needed for employment, income and asset verification based on the data input into the Loan Product Advisor system. The specific feedback messages are for guidance purposes only. » The Minimum Assessment Feedback (MAF) shown on the Loan Product Advisor Feedback Certificate indicates the least comprehensive appraisal or inspection report required for a particular Loan Product Advisor Mortgage **REMN Overlay: If LPA provides for only obtaining one (1) year tax return, we will accept provided the borrower is self-employed for at least two (2) full years AND the one (1) year return we qualify on is the most current year (example: 2014). If the borrower is on extension for 2014, this reduced documentation is not eligible.**

REMN WHOLESALE FREDDIE MAC PRODUCT DESCRIPTION

PRODUCT OVERVIEW	
Freddie Mac Enhanced Relief Refinance	» LPA Accept findings required; no manual underwriting allowed » REMN will follow the LPA Accept recommendation findings » Mortgage being refinanced must be a first lien, conventional mortgage owned or securitized by Freddie Mac. » **Existing mortgage being refinanced must:** – Have a Note Date on or after October 1, 2017 – Not be a Freddie Mac Relief Refinance Mortgage (Open Access or Same Servicer) – Be seasoned for at least 15mos (that is, at least 15 months must have passed between the note date of the mortgage being refinanced and the note date of the Enhanced Relief Refinance Mortgage) – Not be a mortgage subject to an outstanding repurchase request » **Mortgage Payment History** – Mortgage has not been 30-days delinquent in the most recent six (6) months; and – Has not been 30-days delinquent more than once in the most recent twelve (12) months » **Eligible Mortgages** – Effective for mortgages with application dates on or after November 1, 2018 – Conventional Fixed Rate Mortgage (15yr, 20yr, 30yr) – Conventional 5/6, 7/6, or 10/6 ARM, provided the mortgage being refinanced is an ARM, and Manufactured Homes are not eligible for 5/6 ARM – All occupancy types are eligible – LTV ratios that exceed the maximum LTV ratio limits for Freddie Mac standard “no cash-out” refinance mortgage – Standard waiting periods and re-establishment times for derogatory events (e.g., bankruptcy, foreclosure, etc.) are not required » **Ineligible Mortgages** – Existing mortgages originated as part of Relief Refinance Open Access and/or Same Servicer (HARP) » **Maximum LTV Ratios** – No maximum LTV ratio for Fixed Rate Mortgages – For ARM’s, max LTV ratio is 105% » **Minimum LTV Ratios** – Primary Residence: 1 unit – 97.01%; 2 unit – 85.01%; 3-4 unit – 80.01% – Second Home (1 unit only) – 90.01% – Investment Property: 1 unit – 85.01%; 2-4 unit – 75.01% » **Borrower Benefit must be demonstrated:** – Reduction in the interest rate of their First Lien Mortgage – Replacing an ARM with a Fixed Rate – Reduction in amortization term of the First Lien Mortgage – Reduction in the monthly PITI of the First Lien Mortgage » **Use of Mortgage Proceeds** – Pay off the first Mortgage (amount including only the UPB and interest accrued through the date the Mortgage being refinanced is paid off) – Pay related Closing Costs, financing costs and prepaids/escrows not to exceed $5,000 – Cash disbursed to the borrower not to exceed $250 – The proceeds may not be used to pay off or pay down any junior liens – Excess proceeds must be applied as a principal curtailment on the new mortgage and clearly reflected on the Settlement/Closing Disclosure Statement

PRODUCT OVERVIEW	
No Cash-Out Refinance	» A "no cash-out" refinance Mortgage is a Mortgage for which the proceeds may be used only to: – Pay off the principal and interest due, including a balance deferred under a loss mitigation plan, for the first Mortgage, regardless of its age, used to acquire the property or originated as a refinance transactions (with a Note Date no less than thirty days prior to the Note Date of the "no cash-out" refinance Mortgage, as documented in the Mortgage file) – Pay off any costs or fees associated with the satisfaction and release of the first Mortgage (e.g., late fees, prepayment penalties, etc.) – Proceeds can be used to pay off or pay down any junior liens related to the purchase of the subject property. Any remaining balance must be subordinated to the refinance mortgage. – Pay related Closing Costs and Prepaid Items/Escrows ▪ *Note: Real estate taxes that are past due and/or delinquent, as defined by the taxing authority, may not be paid with the proceeds of the "no cash-out" refinance Mortgage, except that if the transaction results in cash out as permitted in the following bullet, these funds may be used to pay the delinquent taxes.* – Disburse cash out to the Borrower (or any other payee) up to the greater of 1% of the new refinance Mortgage or $2,000 – Pay off the outstanding balance of a land contract or contract for deed – Thirty (30) days seasoning required; the note being paid off must have a note date that is no less than 30 days of the note date for the new (subject) property » In the event there are remaining proceeds from the "no cash-out" refinance Mortgage after the proceeds are applied as described above: – The Mortgage amount must be reduced, or – The excess amount must be applied as a principal curtailment to the new refinance Mortgage at closing and must be clearly reflected on the CD form or other equivalent closing statement – Under no circumstances may cash disbursed to the Borrower (or any other payee) exceed the maximum permitted for "no cash-out" refinance Mortgages » For construction conversion mortgages, the proceeds may be used: – to pay off any existing liens on the land – to pay construction costs of the site-built or manufactured home – to pay costs for site preparation, including the removal of an existing manufactured home – to pay all closing costs – to acquire the manufactured home and pay construction costs (for mortgage secured by a MH) **Secondary financing** – The Borrower is not required to satisfy outstanding junior liens, provided that: – The junior liens remain subordinate to the lien of the new refinance Mortgage – Evidence of the subordination is retained in the Mortgage file; and – The junior liens meet the requirements of secondary financing – See Continuity of Obligation section for details on eligible borrowers **Special documentation requirements** – If a junior lien was paid off as part of the "no cash-out" refinance transaction, REMN must maintain documentation in the Mortgage file demonstrating that the full amount of the lien was used for the purchase of the subject property

Cash-Out Refinance

» A cash-out refinance Mortgage is a Mortgage in which the use of the loan amount is not limited to specific purposes

» A Mortgage placed on a property previously owned free and clear by the Borrower is always considered a cash-out refinance Mortgage

» At least one (1) borrower must have been on the title to the subject property for at least six (6) months prior to the Note Date; measured from the settlement date to the Note Date of the cash-out refinance mortgage, except as specified below:

- For cases in which the property is a leasehold estate, at least one Borrower must have been lessee on the ground lease or lease agreement of the subject leasehold estate for at least six months.
- For cases in which title to the property is held by a limited liability company (LLC) or limited partnership (LP), the time the property was titled in the name of the LLC or LP may be included in the six-month requirement provided:
  - At least one borrower must have been the majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and
  - Title must be transferred from the LLC or LP into the borrower's name on or before the Note Date

» If none of the borrowers have been on the title to the subject property for at least six months prior to the Note Date of the cash-out refinance Mortgage, the following requirement(s) must be met:

- At least one (1) borrower on the refinance Mortgage inherited or was legally awarded the subject property (e.g., in the case of divorce, separation or dissolution of a domestic partnership), or
- Delayed Financing provision criteria is met (see below)

NOTE: Likewise, if prior ownership in the name of an LLC owned by the borrowers may count towards the ownership seasoning. On the other hand, if prior ownership was held in an inter-vivos/revocable trust in the borrower's name and meets FHLMC criteria (as defined in FHLMC Selling Guide: 5103.05 Living Trust), this can be applied towards ownership seasoning if title had transferred from the trust to the borrower.

» All borrowers must occupy the property on Primary Residence Cash-Out Refinance loans

» When proceeds of a cash-out refinance mortgage are used to pay off a First Lien Mortgage, the First Lien Mortgage being refinanced must be seasoned for at least twelve (12) months, measured from the Note Date of the of the mortgage being refinance to the Note Date of the cash-out refinance mortgage, unless:

- The cash-out refinance mortgage is a special purpose cash-out refinance mortgage that meets the special purposes cash-out refinance requirements.
- The First Lien Mortgage being refinanced is a Home Equity Line of Credit (HELOC)
- The cash-out refinance mortgage is a Construction Conversion, or
- The purpose of the cash-out refinance mortgage is to convert the Manufactured Home to legally classified real property under applicable State Law

» See Continuity of Obligation section for details on eligible borrowers

» Freddie Mac's Delayed Financing provision is acceptable provided all of the following requirements are met:

- The executed CD from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property. If application date is prior to October 3, 2015, the Settlement/Closing Disclosure Statement must be an executed version. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement was not used for the purchase transaction.
- The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property
- The source of funds used to purchase the subject property must be fully documented
- If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the CD for the refinance transaction

	○ Cash-out proceeds must be used to pay off or pay down the borrowed funds, as reflected on the Settlement/Closing Disclosure Statement for the refinance transaction ○ Additional cash-out is permitted only when all borrowed funds are paid in full, and ○ The payment on any remaining outstanding balance of the borrowed funds must be included in the debt payment-to-income ratio as described in Section 5401.2 – The amount of the cash-out refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs, Financing Costs and Prepaids/Escrows as documented by the CD for the purchase transaction. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement was not used for the purchase transaction. – There must have been no affiliation or relationship between the buyer and seller of the purchase transaction – The cash-out refinance Mortgage must comply with the applicable LTV/TLTV/HCLTV ratio limits and all other Freddie Mac requirements – **This is considered a cash-out refinance transaction** and thus, all other cash-out refinance eligibility requirements must be met. Cash out pricing is applied to the transaction

PRODUCT OVERVIEW	
Special Purpose Cash-Out Refinance	» A cash-out refinance mortgage where the owner of a property uses the proceeds of the refinance to buy out the equity of a co-owner is a special purpose cash-out refinance mortgage. A special purpose cash-out refinance mortgage must meet the applicable requirements of LTV/TLTV/HCLTV ratio requirements for cash-out refinance mortgages. » The loan amount of a special purpose cash-out refinance mortgage is limited to amounts used to buy out the equity of the co-owner, which may include: – Paying off the first Mortgage, regardless of age – Paying off junior liens secured by the subject property – Paying related Closing Costs, Financing Costs and Prepaids » In addition, the following conditions must be met: – The Borrower and the co-owner receiving the buy-out proceeds must have jointly owned the property for a minimum of 12 months prior to the initial loan application (parties who inherited an interest in the property are exempt from this requirement) – The Borrower and the co-owner receiving the buy-out proceeds must provide evidence that they occupied the subject property as their Primary Residence (parties who inherited an interest in the property are exempt from this requirement) – The Borrower and the co-owner receiving the buy-out proceeds must provide a written agreement, signed by all parties, stating the terms of the property transfer and the disposition of the proceeds from the refinancing transaction – The Borrower who retains sole ownership of the property may not receive any of the proceeds from the refinance transaction **Secondary financing** » The Borrower is not required to satisfy outstanding junior liens provided that: – The junior lien remains subordinate to the lien of the new refinance mortgage; – Evidence of the subordination is retained in the mortgage file; and – The junior lien meets the requirements pertaining to secondary financing **Special documentation requirements** » Documentation evidencing that the Borrower and the co-owner jointly occupied the subject property as their primary residence, if applicable » A copy of the written agreement stating the terms of property transfer and the disposition of the refinance proceeds

Land Contract / Contract for Deed	» When the proceeds of a mortgage are used to pay the outstanding balance under a land contract or contract for the, may be considered either a purchase or "no cash-out" refinance mortgage » A copy of the executed land contract or contract for deed must be included in the file » Manufactured Homes are eligible collateral for land contract of contract of deed pay off **Purchase** » The land contract or contract for deed must have been executed less than 12 months prior to the application date » All of the loan proceeds must be used to pay the outstanding balance under the land contract or contract for deed and no loan proceeds may be disbursed to the Borrower. » The LTV ratio must be calculated using the lesser of the following: – The current appraised value of the subject property, or – The total acquisition cost (purchase price indicated in the original land contract or contract for deed, plus any cost the Borrower has expended for rehabilitation, renovation, refurbishment, or energy conservation improvements) – The mortgage file must contain sufficient documentation on which to calculate the total acquisition cost **No Cash-Out Refinance** » The land contract or contract for deed must have been executed at least 12 months prior to the application date » The LTV ratio must be calculated using the current appraised value of the subject property » The mortgage file must include third-party documentation evidencing payments in accordance with the land contract or contract for deed for the most recent 12-month period – The mortgage must meet the requirements for No Cash-Out Refinance

PRODUCT OVERVIEW	
Primary Residence	» A Mortgage will not qualify to be an owner-occupied property Mortgage unless the Borrower is an individual or individuals, and at least one of the Borrowers is, as of the Delivery Date, occupying all or part of the Mortgaged Premises as a Primary Residence. » A military service member borrower currently on active duty and temporarily absent from their principal residence because of military service is considered to be an owner occupant. REMN must verify the borrower's temporary absence from the subject property by obtaining a copy of the borrower's military orders. The military orders must evidence the borrower will be absent from the subject property as of the date the owner occupancy must be established as required by the security instrument.
Second Home	The following eligibility requirements apply to Second Home Mortgages: » The Mortgage must be secured by a 1-unit property » The Borrower must occupy the second home for some portion of the year » The Borrower must keep the property available primarily (i.e., more than half of the calendar year) for the Borrower's personal use and enjoyment » The Borrower may rent the property on a short-term basis provided that the property is not subject to any rental pools or agreements that require the Borrower to rent the property, give a management company or entity control over the occupancy of the subject property or involve revenue sharing between any owners and the developer or another party. » The Mortgaged Premises must be in such a location to function reasonably as a second home. » The second home must be suitable for year-round occupancy with the following exception: a second home with seasonal limitations on year-round occupancy (e.g., lack of winter accessibility) is eligible provided the appraiser includes at least one (1) comparable sale with similar seasonal limitations to demonstrate the marketability of the subject property » The property must not be subject to any timesharing or other shared ownership arrangement » The property must not be an ineligible property (e.g., a unit in a Condominium Hotel) » Freddie Mac's determination of whether a property is a second home is conclusive. A 2-unit property used as a second home is considered an Investment Property. » In addition to meeting Freddie Mac's underwriting criteria for a Mortgage secured by a Primary Residence, each second home Mortgage must meet the following requirements: – For newly constructed homes that are purchase transactions, the Borrower may not be affiliated with or related to the builder, developer, or the property seller – Each Borrower individually and all Borrowers collectively must not own and/or be obligated on more than ten (10) 1- to 4-unit financed properties, including the subject property and Borrower's primary residence. See Multiple Financed Properties for more details. – Rental income from the Borrower's second home or 1-unit Primary Residence may not be considered as stable monthly income in the credit qualification analysis – The monthly housing expense related to a Borrower's current Primary Residence must be used in computing the Borrower's monthly housing expense-to-income ratio – The monthly payment amount on the second home must be considered in calculating the Borrower's monthly debt payment-to-income ratio – The Reserves requirements must be met

PRODUCT OVERVIEW	
Investment Property	» **Special Underwriting Requirements** An Investment Property Mortgage delivered to Freddie Mac must meet the following special underwriting requirements: – For newly constructed homes that are purchase transactions, the Borrower may not be affiliated with or related to the builder, developer, or property seller – The monthly housing expense related to the Borrower's current Primary Residence must be used in calculating the Borrower's monthly housing expense-to-income ratio – Regardless of whether rental income from the Subject property is used in qualifying, the Reserves requirements must be met – The aggregate negative rental income from all rental properties must be treated as an obligation and considered in calculating the Borrower's monthly debt payment-to-income ratio – Borrower Funds must not include gifts from a Related Person or gifts or grants from an Agency as described in Gifts Funds – If rental income is not used for qualifying, the monthly payment amount for the Subject property plus operating expenses must be used in calculating the monthly debt payment-to-income ratio » **Additional requirements for Borrowers owning more than one financed Investment Property** Freddie Mac will purchase Investment Property Mortgages made to Borrowers who own more than one financed Investment Property, provided that the following additional requirements are met: – Each Borrower individually and all Borrowers collectively must not own and/or be obligated on more than ten (10) 1- to 4-unit financed properties, including the subject property and Borrower's primary residence. See Multiple Financed Properties for more details. – The Investment Property Mortgage being sold to Freddie Mac is: ▪ An eligible fixed-rate, level-payment Mortgage, and ▪ A 7/6 or 10/6 ARM, and ▪ Not an A-minus Mortgage

PRODUCT OVERVIEW	
Secondary Financing	**General Requirements** » Terms of any secondary financing must be disclosed to the appraiser and to the MI. The terms of the secondary financing that must be disclosed include, but are not limited to, the Note Rate and the institution or individual providing the financing. REMN may not indicate a value needed to support the transaction or provide any information to the appraiser about an expected loan-to-value (LTV) ratio. » Except as specifically stated in Secondary Financing – Affordable Seconds with respect to Affordable Seconds, the terms of secondary financing must not permit the provider or another party to share in the appreciation of the mortgaged premises (equity sharing). » Mortgages with PACE or HERO programs as a subordinate/secondary financing option are not eligible for financing (all states). **Requirements for New Secondary Financing:** Secondary financing originated concurrently with the First Lien Mortgage (i.e. the First Lien Mortgage and the junior lien are originated on the same day) must meet the following requirements: **Maturity Date** » The maturity date or amortization basis of the junior lien must not be less than five (5) years after the Note Date of the First Lien Mortgage delivered to Freddie Mac, unless the junior lien is fully amortizing or a Home Equity Line of Credit (HELOC). In addition, the junior lien must not contain a call provision within the five-year period, unless the junior lien is a HELOC. » If the secondary financing is an Employer Assisted Homeownership (EAH) Benefit, the terms of the secondary financing must permit the Borrower to continue making payments on the loan in the event the Borrower no longer works for the employer and may not require repayment in full unless: – The Borrower terminates his or her employment for any reason, or – The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force **Scheduled Payments** » The terms of the secondary financing must provide for regular monthly payments sufficient to meet the interest due; interest may not accrue » If the secondary financing is an EAH Benefit and the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the principal is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly housing expense-to-income ratio and monthly debt payment-to-income ratio. Otherwise, the required monthly payment must be included in both the ratios. **Documentation Requirements** » REMN must include a copy of the following documentation for the secondary financing in the Mortgage file: – Note or other evidence of subordinate lien terms – CD or other equivalent closing statement that evidences the fees and costs paid by the Borrower at closing in connection with the secondary financing – For HELOCs, the HELOC agreement indicating all fees and costs paid by the Borrower at closing, and the maximum permitted credit advance **Requirements for Existing Secondary Financing**: » Freddie Mac will purchase First Lien Refinance Mortgages with existing junior liens (including Home Equity Lines of Credit (HELOCs)) that are not paid off from the proceeds of the refinance Mortgage provided that: – Evidence of subordination of outstanding secondary financing is retained in the Mortgage file – The junior lien has scheduled payments sufficient to meet the interest due If a junior lien is created concurrently with the refinance Mortgage (i.e., the refinance Mortgage and the junior lien are originated on the same day), the refinance Mortgage must comply with the Requirements for New Secondary Financing noted above.

Secondary Financing – Affordable Seconds

» REMN must approve all DPAs on a loan-level basis

» Affordable Seconds must comply with the requirements listed in the Secondary Financing section, as well as the following requirements, regardless of whether they are originated concurrently (i.e. the First Lien Mortgage and the Affordable Second are originated on the same day) or are being subordinated to the First Lien Mortgage in a refinance transaction.

Source: The Affordable Second must be provided by an Agency, Credit Union, or Community Development Financial Institution (CDFI) under an established, ongoing, documented secondary financing or financial assistance program. The source of the Affordable Second must not be the property seller, or another interested party to the transaction.

Eligible First Lien Mortgages: – The First Lien Mortgage must be:

- Fixed Rate
- Purchase or No Cash-Out Refinance transaction, and
- Secured by a 1-4-unit Primary Residence

Maturity Date: The terms of the Affordable Second must not require balloon payments due before the maturity or payment in full of the First Lien Mortgage. If the Affordable Second is an EAH Benefit, the terms of the secondary financing must permit the Borrower to continue making payments on the loan in the event the Borrower no longer works for the employer and may not require repayment in full unless:

- The Borrower terminates his or her employment for any reason, or
- The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force

Scheduled Payments:

- The interest rate of the Affordable Second must not be more than 2% higher than the interest rate of the First Lien Mortgage. Interest accruals, which are added to principal, may not increase the TLTV ratio beyond the maximum TLTV ratio allowed for the First Lien Mortgage at any time during the term of the First Lien Mortgage**.**
- If monthly payments on the Affordable Second are required and begin before the 61st monthly payment under the First Lien Mortgage, such monthly payments must be included in the Borrower's monthly housing expense-to-income ratio and monthly debt payment-to-income ratio. If monthly payments on the Affordable Second begin on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the entire Affordable Second amount is due only upon sale or default, the amount of the Affordable Second monthly payment may be excluded from both ratios.

Participation in Appreciation: When the terms of an Affordable Second permit the Agency to share in the appreciation of the Mortgaged Premises, the following requirements must be met:

- At the time of origination of the Affordable Second, the Agency's share of appreciation, as a percentage, must not exceed the principal amount of the Affordable Second divided by the value of the Subject property on the Note Date, except as stated below. For example, if the Affordable Second amount is five percent (5%) of value, the maximum appreciation share is five percent (5%).
- The terms of the Affordable Second may permit the provider a share of appreciation exceeding the percentage of the Affordable Second if all of the following requirements are met:
  - The Agency must not charge interest on the Affordable Second
  - The Agency’s share of appreciation must not exceed 75%
  - The Agency’s share of appreciation must be reduced to a percentage of the Affordable Second, or below, within the first five (5) years
  - The terms of the Affordable Second must allow the Borrower to recover all of the following before the Agency is able to share in the appreciation:
    - The down payment paid from Borrower funds
    - Customary costs incurred by the Borrower for selling the property
    - Costs for improvements to the property that were allowed by the Agency or under the Agency’s program
    - The payment of principal of the First Lien Mortgage

<table>
<tr>
<td>Secondary Financing – Affordable Seconds (Cont'd)</td>
<td>
<u>Land Use Restrictions:</u> Any Land Use Restrictions included in the Affordable Second documentation must:

Be subject to and subordinate to the First Lien Mortgage, and
Either terminate upon payment in full of the Affordable Second or satisfy the requirements of Re-Sale Restrictions

<u>Financing Structure</u>: The Affordable Second financing cannot be a Home Equity Line of Credit.
<u>Documentation Requirements</u>: REMN must include a copy of the following documentation for the Affordable Second in the Mortgage file:

Note of other evidence of terms for the Affordable Second
Settlement/Closing Disclosure Statement that evidences the fees and costs paid by the Borrower at closing in connection with a new Affordable Second
For refinance transactions, evidence of subordination of an existing Affordable Second.

<u>Manufactured Homes</u>: Manufactured Homes that comply with the requirements in FHLMC Guide section 5703 may be originated with affordable seconds, provided that:

The Manufactured Home is a 1-unit Primary Residence
The mortgage is a Home Possible Mortgage
If the Manufactured Home is in a Condominium Project, the applicable requirements in FHLMC Guide section 2701.5(f)(1) through (f)(5) must be met.

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<tr>
<td>Manufactured Home on Leasehold Estate</td>
<td>
» The sale of Manufactured Homes on Leasehold Estates is permitted when there is demonstrated market acceptance and written approval is obtained by contacting the Freddie Mac Representative or Customer Support Contact Center (1-800-FREDDIE)
» Subject to the following requirements:
<table>
<tr><td>Eligibility</td><td>The Manufactured Home on a leasehold estate must be:
- A one-unit dwelling comprised of multiple sections (a "multiwide Manufactured Home")
- Located on a leasehold estate meeting the requirements of Chapter 5704, and
- Located in a ground lease community:
• For ground lease communities that are Condominium Projects, REMN must comply with the Condominium Project requirements and warranties in Chapter 5701
• For ground lease communities that are Planned Unit Developments (PUDs), REMN must comply with the PUD requirements and warranties in Chapter 5702
- A Manufactured Home on a leasehold estate must not include an ADU</td></tr>
<tr><td>Underwriting Requirements</td><td>- The Mortgage must be assessed through Loan Product Advisor and be an Accept Mortgage
- The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios for Mortgages secured by Manufactured Homes on leasehold estates are 95%/95%/95%</td></tr>
<tr><td>Eligible Transactions</td><td>- Purchase Transactions
- No Cash-Out Refinance Transactions</td></tr>
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BORROWERS	
Eligible Borrowers	» U.S. Citizens » Permanent Resident Aliens, with proof of lawful permanent residence » Non-Permanent Resident Alien Immigrants, with proof of lawful residence
Types of Individuals	**Borrower and Co-Borrower** » Owns property and is liable for the debt » Signs all documents – Application – Note – Mortgage/Deed of Trust and is on title (Deed) » Income, assets and debt used in qualification **Non-Occupant Co-Borrower** » Non-Occupant Co-Borrower income can be used/considered to qualify borrower » Non-Occupant Co-Borrower may not be an interested party to the transactions (i.e., the builder, property seller, real estate agent or broker) » Allowed up to maximum LTV/TLTV limit w/ LPA Accept findings and MI approval (if LTV > 80%). – For LTV > 80%, Borrower Funds, including down payment and reserves, may come from the occupant and/or the non-occupant co-borrower (see Minimum Borrower Contribution w/ Non-Occupant Co-Borrower) » Non-Occupant Co-Borrowers are not eligible for Primary Residence Cash-Out Refinance loans **Co-Signer** » Has **no** ownership interest in the property, but is liable for the debt » Signs all documents except the Mortgage/Deed of Trust (no ownership interest) – Application – Note » Income, assets, and debt used in qualification » Do not have an interest in the property sales transaction; such as the property seller, builder or the real estate broker **Co-Mortgagor** » Has ownership interest in the property but, is **not** liable for the debt » Signs all *collateral* documents (Mortgage/Deed of Trust, TIL & Right to Rescind; as applicable) Signature is to subordinate their interest in the property to the lien » Income, assets and debts not used in qualification **Marital Rights** » Has **no** ownership interest in the property nor liable for the debt » Only used in States where they have an "interest" in the property due to marital status Signature on *collateral* documents determined by State law
Non-U.S. Citizens	» A non-U.S. Citizen who is lawfully residing in the U.S. as a permanent or non-permanent resident alien is eligible for a mortgage on the same terms as a U.S. Citizen » A mortgage to a non-U.S. Citizen who has no lawful residency status in the U.S is not eligible If borrower(s) has a Deferred Action for Childhood Arrivals (DACA) status, the loan is not eligible for financing with REMN.

Prior Mortgage Fraud	» REMN will not lend to any borrower(s) who has been previously convicted of mortgage fraud » For all other interested parties in the transaction, if any one of the parties has been previously convicted of mortgage fraud, REMN will not provide financing for the transaction. There are NO exceptions the aforementioned criteria.

CREDIT & UNDERWRITING	
Age of Credit Documents	» Must be dated within 120 days old on the note date, including credit reports and employment, income, and asset documents – Year-to-Date Paystubs must also be dated within 30 days of the application date » Preliminary title policies must be no more than 120 days old on the date the note is signed See Document Expiration Dates Job Aid
Credit Reputation	**Establishing Borrower credit reputation through Loan Product Advisor®** ***Borrowers with usable Credit Scores*** For Accept Mortgages Loan Product Advisor has determined that a Borrower's credit reputation is acceptable ***Borrowers without usable Credit Scores*** **For Accept Mortgages where not all Borrowers have a usable Credit Score:** The following requirements apply. All of the following requirements must be met in order for Loan Product Advisor to assess transactions when not all Borrowers have a usable Credit Score: » The transaction is a purchase or "no cash-out" refinance Mortgage » The Mortgage is secured by a 1-unit property and all Borrowers occupy the property as their Primary Residence » If the borrower without a usable credit score contributes 50% or more of the total monthly income, then each borrower without a usable credit score must have at least two payment references in the United States comprised of Noncredit Payment Reference and/or tradelines not appearing on the credit report. If two or more borrowers have the same payment reference, then the reference may count for each of those borrowers. » Each payment reference must be for at least the most recent 12 months. » At least one borrower must have a housing payment history as one of the payment references – In the event more than one borrower has a housing payment history, then all such housing payment histories for the most recent 12 months (or length of housing payment history if less than 12 months) must be verified – All housing payment histories must have no 30-day or greater delinquencies in the most recent 12 months » For all payment references other than housing, only one payment reference may have one 30-day delinquency and no 60-day or greater delinquencies in the most recent 12 months; all other payment references must have no 30-day or greater delinquencies in the most recent 12 months » Each payment reference must: – Meet the requirements for written verifications in Guide Section 5102.3 – Meet the age of documentation requirements in Guide Section 5102.4, and – Be documented in accordance with Guide Section 5202.2(b)

Credit Reputation (Cont'd)

For Accept Mortgages where no Borrower has a useable Credit Score:

The following requirements apply. All of the following requirements must be met in order for Loan Product Advisor to assess transactions when no Borrowers have a usable Credit Score:

- The transaction is a purchase or "no cash-out" refinance Mortgage
- The Mortgage is secured by a 1-unit property and all Borrowers occupy the property as their Primary Residence
- The LTV/CLTV does not exceed 95%
- The mortgage is a fixed-rate mortgage
- The mortgage is not secured by a manufactured home
- The mortgage is not super-conforming
- Each borrower has no collections (other than medical), judgements or tax liens filed in the most recent 24 months
- Each borrower has at least two payment references in the United States comprised of Noncredit Payment Reference and/or tradelines not appearing on the credit report. If two or more borrowers have the same payment reference, then the reference may count for each of those borrowers.
- Each payment reference must be for at least the most recent 12 months
- At least one borrower must have a housing payment history as one of the payment references
  - In the event more than one borrower has a housing payment history, then all such housing payment histories for the most recent 12 months (or length of housing payment history if less than 12 months) must be verified
  - All housing payment histories must have no 30-day or greater delinquencies in the most recent 12 months
- For all payment references other than housing, only one payment reference may have one 30-day delinquency and no 60-day or greater delinquencies in the most recent 12 months; all other payment references must have no 30-day or greater delinquencies in the most recent 12 months.
- Each payment reference must:
  - Meet the requirements for written verifications in Guide Section 5102.3,
  - Meet the age of documentation requirements in Guide Section 5102.4, and
  - Be documented in accordance with Guide Section 5202.2(b).
- When the credit reputation for all borrowers is establish using only Noncredit Payment References, then at least one borrower must participate in a homeownership education program before the note date.

For Borrowers with frozen credit, no more than one (1) of the national credit repositories can have frozen credit information.

Determining Representative Credit Score

Determining the Individual Borrower Representative Score when duplicate scores exist from three (3) repositories	
Scores Received:	**Freddie Mac Representative Score: (Use the duplicate score)**
700, 700, 680	700
700, 640, 640	640

CREDIT & UNDERWRITING	
Credit Inquiries	The borrower(s) must address **all** inquiries listed on their credit report within the past 90 days: » All inquiries listed on the credit report must be addressed by the borrower, specifically stating the creditor(s) and verifying no extension of credit. – **Acceptable response**: The inquiries by Chase, Wells & Bank of America have not resulted in any extension of credit. – **Unacceptable response**: 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 & Bank of America).
Soft Pull Credit Reports	» Please reference the REMN Undisclosed Liabilities policy for complete details on soft-pull credit report requirements
Borrower Debt Certification	» Borrowers will be required to sign an affidavit at closing attesting that no new debt has been taken out since the initial 1003 and that the final 1003 is accurate
Non-Purchasing Spouse	» Only the debts of those who will be on the Note are required to be included in the debt-to-income ratio
Child Support Delinquency	» **REMN OVERLAY:** Delinquent child support must be paid current or in a payment plan, or Management approval is required.
Alimony, Child Support, Separate Maintenance Payments	» Alimony or maintenance payments with more than 10 months of payments remaining must be deducted from the Borrower's gross monthly income. The reduced monthly income amount should be used to qualify the Borrower. Child support will continue to be treated as a debt when calculating the monthly debt payment-to-income ratio. » When entering an alimony obligation in Loan Product Advisor, select "Alimony/Child Support" under "Income Type" and enter it as a negative number. If the Borrower also receives alimony or child support income, add those amounts together and then subtract the alimony obligation. Enter the result in the income amount field. Voluntary payments do not need to be taken into consideration.
DTI Ratio	» Per LPA Accept Findings/Recommendation.
Multiple SS Numbers	» The social security number (SSN) on all loan file documents must match. In addition, associates must review the additional social security number(s) section located on the borrower's credit report. » If there is any variance of SSN within the loan file or if there are any additional SSNs appearing on the credit report, the REMN policy & procedure for Multiple Social Security Numbers Review must be followed to determine if the loan can proceed.
Mortgage/Rental (Housing) History	» Per AUS findings; if any delinquencies allowed per determination, satisfactory explanation required subject to acceptance by the Underwriter. » Mortgage must be current and due for month of closing.

CREDIT & UNDERWRITING	
Monthly Housing Expense-to-Income Ratio	The monthly housing expense is the sum of the following monthly charges on the Borrower's Primary Residence: » Principal and interest payments on the Mortgage » Property hazard insurance premiums » Real estate taxes – The real estate tax amount included in the monthly housing expense must be based on the value of the improvements plus the value of the land. – When the Mortgaged Premises is located in a jurisdiction where transfer of ownership causes or results in a recalculation of the amount of real estate tax, the monthly housing expense must include an estimate of the recalculated real estate tax amount. – When there is a tax abatement on the property, REMN may use the reduced real estate tax amount in the monthly housing expense calculation or exclude the real estate tax amount from the monthly housing expense calculation, provided that the Mortgage file contains evidence of the tax abatement and the documentation shows that the tax abatement will remain in place for at least five (5) years after the Note Date. If the tax exemption is due to the borrower's age or disability, documentation verifying five (5) years' continuance is not required, provided the exemption does not have a predetermined expiration date within five years of the Note Date. » When applicable: • Mortgage insurance premiums • Flood insurance premiums (only if coverage is required) • Leasehold payments • Homeowners association dues (excluding unit utility charges) • Payments on secondary financing » Loan Product Advisor® calculates and assesses the Borrower's qualifying ratios based on input from REMN. For Accept Mortgages, Loan Product Advisor has determined that the Borrower's qualifying ratios are acceptable.
Revolving Debt Pay Off	» Payoff of Revolving Debt at/or Prior to Closing: – When a borrower wants to pay off revolving debt in order to qualify, the file should be conditioned for the payoff of the debt at/or prior to closing. It is not required for such accounts to be closed as a condition of excluding the payment from the DTI ratio. – If the Borrower pays off or pays down existing debts in order to qualify for the Mortgage, REMN must document the payoff or pay down of the debts and the source of the funds used in the Mortgage file (see Monthly Debt Payment-to-Income Ratio section for further details. – The account(s) must still be paid-in-full as of the date of closing, and the closing/settlement agent must verify the current balance on the day of closing (funding for Escrow states) to ensure that the account is paid-in-full. If the borrower has evidenced payoff prior to closing, the closing agent/settlement must still verify the actual payoff balance on the day of closing/funding. » Payoff of debt at closing must be reflected on the CD.

Monthly Debt Payment-to-Income Ratio	» The Borrower's liabilities must be reflected on the mortgage application and considered when qualifying the Borrower. All of the Borrower's debts incurred through the Note Date must be considered when qualifying the Borrower. Documentation of all monthly payment amounts for the following liabilities must be included in the Mortgage file, and the monthly payment amount must be included in the debt payment-to-income ratio: – Monthly housing expense – Payments on all installment debts with more than ten (10) months of payments remaining, including debts that are in a period of either deferment or forbearance. For installment debts being omitted from the DTI ratio due to ten (10) or fewer months of payments remaining, the information on the credit report or other Mortgage file documentation must show there are 10 or fewer months of payments remaining. If the installment agreement is for the payment of past-due federal taxes, REMN must also document: ▪ A copy of the installment agreement approved by the IRS verifying the payment terms, including the monthly payment amount and balance ▪ Verification that the borrower is not past due under the terms of the installment agreement ▪ That the IRS has not filed a Notice of Federal Tax Lien for the taxes owned under the installment agreement. ▪ **Note:** If the installment agreement is pending approval with the IRS, the following requirements must be met: • The application for the installment agreement reflecting the amount of taxes owed and requested payment terms must be documented in the mortgage file, • The greater of the monthly payment amount requested by the borrower or the amount of taxes owed divided by 72 must be included in the borrower's debt payment-to-income ratio, and • There must be no indication, and REMN must have no knowledge, that the IRS has filed a Notice of Federal Tax Lien for the taxes owed by the borrower. – Timeshare loans are considered installment debts, regardless of how they are reported on the Borrower's credit report. Maintenance fees associated with timeshares are not required to be included in the monthly debt payment-to-income ratio. – Alimony, child support or maintenance payments with more than ten (10) months of payments remaining • The monthly payment amount must be documented in the Mortgage file with a copy of the signed court order, legally binding separation agreement and/or final divorce decree or equivalent documentation • For payments being omitted from the DTI ratio due to ten (10) or fewer months payments remaining, the Mortgage file documentation must show there are 10 or fewer months of payments remaining – Monthly payments on revolving or 30-day accounts ▪ In the absence of a monthly payment on the credit report or direct verification, five percent (5%) of the outstanding balance will be considered to be the required monthly payment. ▪ For 30-day accounts (i.e., accounts that require the balance to be paid in full monthly), REMN must include the full amount of the outstanding account balance in the DTI ratio. • Exception: The debt may be excluded if the Borrower has sufficient funds to pay off the outstanding account balance. These funds must be verified, in addition to any funds used to qualify the Borrower for the mortgage transaction, and the source of funds must be an eligible source. ▪ When a borrower is not the primary account holder but is an authorized user on a revolving or 30-day account, the monthly payment, as reported on the credit report, must be included in the DTI ratio only if REMN is required by Loan Product Advisor

	▪ to include in the mortgage file documentation evidencing that the borrower has been making the payments on the account for the last 12 months. – Monthly lease payments regardless of the number of payments remaining. ▪ Exception: Automobile leases that are paid off may be excluded from the DTI ratio. – Aggregate net rental loss from all Investment Properties owned – Monthly payment amounts for other properties, including principal and interest on the First Lien and any secondary financing (including a HELOC, as stated below), bridge loan payment, taxes and insurance (e.g., hazard and flood insurance premiums) and, when applicable, mortgage insurance premiums, leasehold payments, homeowners' association dues and special assessments with more than ten (10) monthly payments remaining. – HELOC payments must be included in the monthly DTI ratio when there is an outstanding balance on the account. In the absence of a monthly payment on the credit report, and if there is no documentation in the Mortgage file indicating a monthly payment, 1.5% of the outstanding balance will be considered to be the HELOC monthly payment amount. » See Contingent Liabilities and Student Loans/Deferred Payments » Payments on installment debts secured by financial assets, in which repayment may be obtained by liquidating the asset, may be excluded from the monthly debt payment-to-income ratio for qualifying purposes, regardless of the payment amount or number of payments remaining. The loan secured by the financial asset must have been made by a financial institution. REMN may only consider the assets in the account that exceed the loan balance to be available to the Borrower as Borrower Funds. See Required Borrower Funds for more information. » If the Borrower pays off or pays down existing debts in order to qualify for the Mortgage, REMN must document the payoff or pay down of the debts and the source of the funds used in the Mortgage file. A Borrower who increases debt and then periodically uses refinance or debt consolidation to reduce payments to a manageable level presents a higher degree of risk. REMN should consider the Borrower's short- term and long- term ability to repay the Mortgage.
Monthly Debt Payment-to-Income Ratio (Cont'd)	» If the Borrower uses a credit card or unsecured line of credit to pay fees associated with the Mortgage application process (origination fees, commitment fees, lock-in fees, appraisal, credit report and flood certification), the following must be met: • The maximum amount charged or advanced may not exceed the greater of 2% of the mortgage amount or $1,500.00, and • The Borrower must have sufficient verified funds to pay these fees (in addition to the funds needed for the down payment, prepaids/escrows, other closing costs, financing costs and reserves as required); however, the Borrower is not required to pay off these charges at closing; OR • The amount charged or advanced must be included in the Borrower's total outstanding debt and the repayment of such amount must be included when determining the Borrower's monthly debt-to-income ratio.

Student Loans/Deferred Payments	**Student loans in deferment, forbearance or repayment, including income-driven repayment plans** In all cases, an amount greater than zero must be included in the monthly debt payment-to-income ratio for all student loans, as described below. For student loans in repayment, deferment, or forbearance: » If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report, unless other documentation in the mortgage file supports a different current payment amount greater than zero, OR » If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding loan balance, as reported on the credit report unless other documentation in the mortgage file supports a different current payment amount **Student loan forgiveness, cancellation, discharge, and employment contingent repayment programs** The student loan payment may be excluded from the monthly debt payment-to income ratio provided the file contains documentation that indicates the following: » The student loan has 10 or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, OR » The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, at the end of the deferment or forbearance period, AND » The Borrower is eligible or approved, as applicable, for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and REMN is not aware of any circumstances that will make the Borrower ineligible in the future. Evidence of eligibility or approval must come from the student loan program or the employer, as applicable.
IRS Payment Plan	**Allowed on a case-by-case basis:** » Taxes owed may remain unpaid if there is no recorded tax lien and the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least one (1) month of scheduled payments. The Borrower cannot prepay scheduled payments in order to meet the required minimum of one (1) months of payments. » The payment amount in the agreement must be included in the calculation of the Debt-to-Income (DTI) ratio » A recorded tax lien that is on the subject title or borrower's credit report in public records must be paid in full at or prior to closing. **Verification** » REMN must check public records and credit information to verify that the Borrower is not presently delinquent on any Federal Debt and does not have a tax lien placed against their property for a debt owed to the federal government **Required Documentation** » REMN must include documentation from the IRS evidencing the repayment agreement and verification of payments made, if applicable

Buy Now, Pay Later Accounts	The requirements in this section address accounts from common "Buy Now, Pay Later" companies including, but not limited to: » Affirm » Klarna » Afterpay » Sezzle » Zip In addition to the above, many airlines and other retail establishments offer Buy Now, Pay Later services. **Requirements** » If a debt is identified on any asset statement or otherwise disclosed in the file, but not on the credit report, it should be treated the same way any other debt is handled. This includes: – Undisclosed Debts – Deferred Obligations – Obligations Paid by Others – Consideration of Installment Loans on DTI – Consideration of Revolving Charge Accounts on DTI » If the debt is **not** excluded, no other documentation is required. The debt is included in the DTI » If the debt **is** excluded, all standard documentation verifying the terms and conditions used to support the decision to exclude are required. » A credit report supplement is not mandatory, although it may be obtained with the creditor's permission to verify terms and conditions.
Sale of Current Primary Residence	» If the Borrower's current primary residence is pending sale and the sale will not close before the Note Date, the following requirements must be met: – The monthly payment amount for the property pending sale and the monthly housing expense for the subject property must be included in the Monthly Debt Payment-to-Income Ratio – The monthly payment amount for the property pending sale may be excluded from the monthly debt payment-to-income ratio if the file contains: ▪ An executed non-contingent sales contract for the property pending sale. If the executed sales contract includes a financing contingency, the Mortgage file must also contain evidence that the financing contingency has been cleared or a lender's commitment to the buyer of the property pending sale; OR ▪ An executed buyout agreement that is part of an employer relocation plan where the employer/relocation company takes responsibility for the outstanding Mortgage(s).
Payment Shock – REMN Policy	» In order to provide clarity and consistency on both the calculation and how the result is displayed, REMN has adopted the following calculation: – Proposed housing payment/present housing payment – Take that result and subtract 1.00 and then multiply by 100. – The result with show the actual percentage. ▪ Proposed Housing Payment = $1,400 ▪ Present Housing Payment = $950 ▪ $1,400/$950 = 1.47 ▪ 1.47 – 1.00 = .47 ▪ .47 x 100 = 47 (or a 47% increase)

<table>
<tr><td>Contingent Liability</td><td>
» A contingent liability may be excluded from the monthly DTI ratio when meeting the requirements in the table below. The documentation used to exclude the liability must meet Freddie Mac age of documentation requirements.
<table>
<tr><th>Debt Type</th><th>Eligibility and Documentation Requirements</th></tr>
<tr><td>• Installment (not including Mortgages)
• Revolving
• Monthly Lease Payment</td><td>Documentation in the Mortgage file must include the following:
○ A party other than the Borrower has been making timely payments for the most recent twelve (12) months (regardless of whether the party is obligated on the debt)
○ The party making the payments is not interested party to the subject real estate of Mortgage transaction</td></tr>
<tr><td>• Mortgage
• Other property-related expenses (taxes, insurance, HOA dues, etc.)</td><td>Documentation in the Mortgage file must indicate the following:
○ A party other than the Borrower has been making timely payments for the most recent twelve (12) months
○ The party making the payments is obligated on the Note for the Mortgage that is being excluded
○ The party making the payments is not an interested party to the subject real estate or Mortgage transaction</td></tr>
</table>
» REMN must evaluate the validity of circumstance under which the payments are being made by another party. For example, payments on multiple student loans are made by the Borrower’s parent represent a common situation. However, additional investigation and documentation might be necessary when a Borrower’s multiple installment and revolving debts are being paid by the Borrower’s spouse who is not on the subject Mortgage.
</td></tr>
<tr><td>Assumed Mortgage</td><td>
» A Mortgage may be excluded from the monthly DTI ratio if the Borrower is listed as the Borrower on a Mortgage that has been assumed by another, even if the Borrower has not been released from liability on the assumed mortgage. REMN must verify that the Borrower no longer owns the property by documenting the property transfer and obtaining a copy of any assumption agreement executed by the transferee.
» The mortgage file must contain evidence that the assignee has made timely payments on the assumed mortgaged for at least the most recent 12 months.
</td></tr>
<tr><td>Assigned Debt</td><td>
» A liability on a debt, including a Mortgage, may be excluded from the monthly DTI ration if the obligation to make the payments on a debt of the Borrower:
– Has been assigned to another by court order, such as a divorce decree, and
– REMN documents the order (provides appropriate pages from the separation agreement or divorce decree)
</td></tr>
<tr><td>Self-Employed Borrower’s Debt Paid by the Business</td><td>
» When a self-employed borrower is obligated on a debt that has been paid by the borrower’s business for twelve (12) months or longer, the monthly payment for the debt may be excluded from the monthly debt payment-to-income ratio if the following requirements are met:
– The Mortgage file contains evidence that the debt has been paid timely by the borrower’s business for no less than the most recent twelve (12) months, and
– The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business
</td></tr>
</table>

<table>
<tr><td>Payments for Solar Panels Subject to a Lease Agreement, PPA or Similar Agreement</td><td colspan="2">» Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease:
– Provides for delivery of a specific amount of energy for an agreed upon payment during the given period; and
– Includes a production guarantee under which the Borrower is compensated on a prorated basis when the energy produced by the solar panels is less than the level required in the lease agreement
» Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy
» The Mortgage file must contain a copy of the lease agreement, PPA or similar type of agreement, as applicable</td></tr>
<tr><td rowspan="7">Derogatory Credit Waiting Period</td><td>Derogatory Event</td><td>Waiting Period Requirements</td></tr>
<tr><td>Bankruptcy – Chapter 7 or 11</td><td>As determined by LPA Accept findings</td></tr>
<tr><td>Bankruptcy – Chapter 13</td><td>As determined by LPA Accept findings</td></tr>
<tr><td>Foreclosure</td><td>As determined by LPA Accept findings</td></tr>
<tr><td>Deed-In-Lieu of Foreclosure</td><td>As determined by LPA Accept findings</td></tr>
<tr><td>Short Sale</td><td>As determined by LPA Accept findings</td></tr>
<tr><td colspan="2">Waiting Period as indicated above is measured from; discharge, dismissal, completion, or execution date to application date with REMN.</td></tr>
<tr><td>Borrower with Prior Foreclosure with REMN – REMN Policy</td><td colspan="2">» In the event that a Borrower(s) on the loan application has a prior foreclosure with REMN, the following will apply:
– The loan must be elevated to the REMN Chief Credit Officer for consideration. A detailed memo explaining the reason(s) for the foreclosure will be required, including, but not limited to the following:
• Factors that are considered the reasons for the foreclosure, as well as the monetary loss incurred by REMN
• Explanation should be for ‘extraordinary” situations, such as prolonged serious medical condition and/or death of a household wage-earner
– The loan must otherwise meet all Agency/Investor guidelines that apply for foreclosure</td></tr>
<tr><td>Cryptocurrency</td><td colspan="2">» Income paid to the Borrower in cryptocurrency may not be used to qualify for the Mortgage
» For income types that require evidence of sufficient remaining assets to establish likely continuance (e.g., retirement account distributions, trust income and dividend and interest income, etc.), those assets may not be in the form of cryptocurrency
» Cryptocurrency may not be included in the calculation of assets as a basis for repayment of obligations
» Monthly payments on debts secured by cryptocurrency must be included in the Borrower’s debt payment-to-income ratio and are not subject to the Guide provisions regarding installment debts secured by financial assets
» Cryptocurrency must be exchanged for U.S. dollars if it will be needed for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves)</td></tr>
</table>

INCOME & EMPLOYMENT	
Employment Income Verification	» Employment and income documentation must comply with the requirements of Loan Product Advisor or the Freddie Mac Seller Guide if not addressed by LPA » For salaried employees the verbal verification of employment must be completed within ten (10) business days prior to the Note date » For self-employed borrower the verbal verification of employment must be completed within 30 days prior to the Note date » For borrowers in the military, a military Leave and Earnings Statement dated within 30 days prior to the Note date is acceptable in lieu of a verbal verification of employment » An income analysis must be completed for self-employed borrowers » Assets as a Basis for Repayment of Obligations are acceptable » Rental income can only be considered only if the federal income tax returns reflect a one (1) year history of managing investment properties **Determining the Need for Federal Income Tax Returns** » Although the Borrower may not meet the definition of self-employed, REMN must obtain the Borrower's individual federal tax returns for certain types of income if using the income to qualify the Borrower. These include, but are not limited to: • Income reported on a 1099 • Income from independent contracting • Income from employment by a family member, property seller or broker • Income from employment on a contract basis
General Requirements for All Employed Income	» Stable monthly income may be income from primary and secondary employment, including base earnings plus consistent secondary income, such as bonuses, commissions, overtime, additional part-time employment, or seasonal employment. REMN must analyze all income documentation while taking into consideration the characteristics of the employed income (e.g., employment and income source, type, and stability of the employment history). » A borrower who has had different types of employment in the past may be considered to have stable income if the amount has remained at a consistent level. When evaluating a borrower who has changed jobs frequently, REMN must focus on whether the changes have affected the borrower's ability to pay the borrower's obligation.
Primary and Secondary Employment & Income	» Primary employment is considered as the borrower's primary source of employed income whether derived from employment such as full-time employment, part-time employment, full time and/or part-time seasonal employment. » Secondary employment is considered as any type of employment (e.g., second part-time job or multiple jobs) that is in addition to the borrower's primary employment.
Pre-Closing Verification (PCV)	» A Verification of Employment must be obtained within 120 calendar days prior to the note date. » A Reverification of Employment must be obtained – For salaried borrowers, the reverification must be within 10 business days prior to the note date – For self-employed borrowers, the reverification must be within 20 business days prior to the note date

INCOME & EMPLOYMENT		
	Verbal VOE	» Name of borrower, employer's name, name & title of individual contacted at employer, date of contact, phone number used to contact the employer » Name of third-party source used to obtain the phone number for the employer (e.g., phone directory, reliable internet source, directory assistance, etc.) » Borrower's current employment status » Any additional information that was verified » Name, title, and employer of the representative who contacted the borrower's employer and completed the Verbal VOE » **Note:** Contact Operations Manager for possible use of paystub option
	Email VOE	» Borrower's name and current employment status » Employer's name » Name and title of the individual contacted at the employer, date of contact and the individual's work e-mail address » Information about the third-party source used to obtain the employer's e-mail address, and » Name, title, and employer of the representative who contacted the Borrower's employer and obtained the e-mail verification
	Military Leave & Earnings Statement	» A military Leave and Earnings Statement dated no more than 120 days prior to the Note Date
Employment History Requirements – Primary Employment	» In most instances, the Borrower should have at least a two (2) year history of primary employment documented on Uniform Residential Loan Application » For borrowers who are active-duty members of the United States Armed Forces, a history of military employment is not required for the employment to be considered stable » The tenure of the borrower's employment with the same employer or in the same or similar industry lends support to the analysis of employment stability » When a borrower has less than a two-year history of primary employment, REMN must provide its justification for determining that the employment is stable. When making this determination, REMN must take into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the borrower's demonstrated ability to repay obligations. » Examples that may support less than a two-year history of primary employment include, but are not limited to, the following: – For a Borrower returning to the workforce after a period of extended absence, for any reason, documentation is provided to support a stable employment history that directly preceded the extended absence – For a Borrower new to the workforce, documentation is provided that supports the Borrower's recent attendance at school or in a training program prior to their current employment. » When the Borrower's employed income is derived from fluctuating hourly employment earnings, the Borrower must have at least a 12-month history of employment. The required minimum 12-month history must be derived from either: – The Borrower's current fluctuating hourly employment, or – A combination of current and prior fluctuating hourly employment, or » A combination of current fluctuating hourly employment and prior salaried employment in a similar industry or job type that had an income level consistent with the current income level based on the income trend analysis	

INCOME & EMPLOYMENT	
Employment History Requirements – Secondary Employment	» In most instances, the borrower should have at least a two (2) year history of secondary employment for the employment to be considered stable. Under certain circumstances, when a borrower has less than a two (2) year secondary employment history but has at least a twelve (12) month history, REMN may be able to justify and determine the employment is stable. Examples that may support less than a 2yr history of secondary employment include, but are not limited to, the following: – The borrower previously held a job with base non-fluctuating earnings working 40 hours per week for multiple years; however, due to reasons such as position elimination, work force reduction, or illness, the borrower is no longer employed at this job and is now working at multiple part-time jobs that are similar in hours and pay, when combined, to the previous full-time job. Since the borrower's full-time employment ended 18 months ago, the length of employment at each part-time job is in the range of 13 to 15 months. In this scenario, REMN must be able to justify an employment history of less than two (2) years for the secondary and additional jobs provided the earnings are consistent and the borrower has exhibited the ability to repay obligations. » The borrower is employed in the educational system as a teacher. During the previous summer, the borrower taught summer school within the same educational system and is now starting summer school teaching for the current year. Although the two (2) year history is not yet fully developed, given the job type and current employment situation, REMN may be able to justify including the summer school income provided an accurate qualifying amount can be established and documented based on the previous and current earnings. Additional documentation to determine the stable monthly income may be appropriate (e.g., how many classes, how much, is it similar to prior year?)

<table>
<tr><th colspan="3">INCOME & EMPLOYMENT</th></tr>
<tr><td rowspan="2">Earning Types – Requirements and Guidance</td><td colspan="2">» The following requirements and guidance apply to all primary and secondary employed income and all applicable employment characteristics including, but not limited to, full-time, part-time and seasonal employment</td></tr>
<tr><td>Earnings Type</td><td>Requirements and Guidance</td></tr>
<tr><td></td><td>Base Non-Fluctuating Employment Earnings</td><td>» Base non-fluctuating employment earnings are considered to be earnings with a pre-determined and agreed upon rate of pay and number of hours worked each pay period.
– The pay rate and number of hours worked must be reflected on an ongoing consistent basis for each pay period and be fully supported by the year-to-date income. In addition, if the annual salary is reported on the income verification documentation, that may be considered additional confirmation of base non-fluctuating earnings.
– Base non-fluctuating earnings may include both exempt (salaried) and non-exempt earnings (hourly) earnings; however, the pay rate and number of hours worked must not fluctuate between pay periods
○ Example: The Borrower is a non-exempt (hourly) employee and receives overtime income. The written VOE includes a breakdown of base pay and overtime pay over the prior year and YTD, which supports consistent base hours of 37.5 per pay period.
– Base non-fluctuating earnings may include military base (basic) pay. For members of the United States Armed Forces, active-duty pay is considered base non-fluctuating earnings.
– Base non-fluctuating earnings may include part-time earnings, provided the number of hours worked each pay period are pre-determined and the same, as outlined above
» Base non-fluctuating earnings do not include additional employed income (e.g., bonus, overtime, tips). Refer to Additional Employed Income section for guidance pertaining to additional employed income.
» Minor variations in base hours on paystubs (e.g., borrower clocked out a few minutes early) are acceptable and may be treated as base non-fluctuating earnings when the variation is no more than an hour per week.
» For borrowers with primary employment earnings that fluctuate but have a position with a minimum number of required hours, the earnings may be considered non-fluctuating, and the minimum required hours are acceptable to use for gross pay when the following requirements are met:
○ REMN must obtain written documentation from the employer confirming the minimum required hours (i.e., written verification of employment (VOE), offer letter or equivalent documentation).
○ The documented minimum required hours must be supported by YTD income and prior year, as applicable.
○ Only the minimum required hours may be considered non-fluctuating. The requirements for fluctuating employment earnings apply to any additional hours used to qualify the borrower.</td></tr>
</table>

<table>
<tr><td>Earning Types – Requirements and Guidance (Cont'd)</td><td>Fluctuating Hourly Employment Earnings</td><td colspan="2">» Fluctuating hourly employment earnings are considered to be earnings that are based on a pre-determined and agreed upon hourly rate of pay. The hours worked are not pre-determined and may fluctuate each pay period. Fluctuating hourly employment earnings are typically representative of non-exempt earnings.
» The determination of whether the hours fluctuate is based on the review of the YTD and prior year income documentation, including the reported number of hours worked and YTD earnings in relation to base hours worked.
○ Example 1: The pay frequency is bi-weekly. The current YTD paystub shows 77 hours worked. The prior pay period YTD paystub shows 74 hours worked. The earnings are fluctuating hourly.
○ Example 2: The pay frequency is weekly. The paystub reflects six months of YTD income showing 37 hours worked at a pay rate of $30.00 per hour. If the Borrower worked 37 hours every week, the YTD earnings are approximately $28,860. However, the YTD base earnings on the paystub are $20,240. This income documentation shows fluctuating hourly earnings and additional documentation is necessary to determine otherwise.
» Fluctuating hourly earnings do not include additional employed income (e.g., bonus, overtime, tips). Refer to Additional Employed Income section for guidance pertaining to additional employed income.</td></tr>
<tr><td rowspan="4">Earning Types – Documentation Requirements</td><td colspan="3">» This chart contains documentation requirements pertaining to earning types for primary and secondary employment.</td></tr>
<tr><td colspan="2">Primary & Secondary Employment Earnings Types</td><td>Documentation Requirements</td></tr>
<tr><td>Primary Employment Earnings:</td><td>» Base Non-Fluctuating Earnings and
» Fluctuating Hourly Earnings</td><td>All the Following:
» YTD paystub(s) documenting all YTD earnings, W-2 form(s) for the most recent calendar year, and a 10-day pre-closing verification (10-day PCV)
Or All of the Following:
» Written Verification of Employment (VOE) documenting all YTD earnings and the earnings for the most recent calendar year and a 10-day PCV</td></tr>
<tr><td></td><td>» Military Base (Basic) Pay</td><td>All the Following:
» YTD Military Leave and Earnings Statement.
Or All of the Following:
» Written Verification of Employment (VOE) documenting all YTD earnings and the earnings for the most recent calendar year and a 10-day PCV</td></tr>
<tr><td>Secondary Employment Earnings:</td><td>» Base Non-Fluctuating Earnings and
» Fluctuating Hourly Earnings</td><td>All the Following:
» YTD paystub(s) documenting all YTD earnings, W-2 form(s) for the most recent calendar year, and a 10-day PCV
Or All of the Following:
» Written Verification of Employment (VOE) documenting all YTD earnings and the earnings for the most recent calendar year and a 10-day PCV</td></tr>
</table>

<table>
<tr><th colspan="4">INCOME & EMPLOYMENT</th></tr>
<tr><td>Employment / Income Characteristics</td><td colspan="3">» For all employment and/or income characteristics below, REMN must determine whether the employment represents primary or secondary employment and/or income and use the applicable requirements for history, continuance, earnings type, documentation and calculation in this section and in conjunction with Stable Monthly Income & Documentation Requirements, unless specifically stated otherwise. For certain employment characteristics, additional documentation and/or analysis may be needed, as described below.</td></tr>
<tr><td></td><td colspan="2">Employment/Income Characteristics</td><td>Additional Requirements</td></tr>
<tr><td></td><td>Full-Time and Part-Time Employment</td><td>Full-time and part-time employment may be either primary or secondary employment, and may be comprised of base non-fluctuating earnings, fluctuating hourly earnings and/or additional employed income</td><td>None</td></tr>
<tr><td></td><td>Seasonal Employment</td><td>Seasonal employment may be primary employment (e.g., highway construction and road work in colder regions) or secondary employment (e.g., educators teaching summer school). The borrower’s earnings may be comprised of base non-fluctuating earnings, fluctuating hourly earnings, and/or additional employed income.</td><td>When unemployment income associated with the seasonal employment is being used as stable monthly income:
– A documented two (2) year history of seasonal employment and income receipt is required, and
– The requirements for unemployment income associated with seasonal employment in Freddie Selling Guide Section 5303.3 must be met</td></tr>
<tr><td></td><td>Union Members</td><td>» Certain union members may work in industries where they may switch employers frequently and the union facilitates the next position. In that case, the borrower may have multiple YTD paystubs and W-2’s, all of which can be used for the verification and calculation of stable monthly income. The borrower’s earnings may be comprised of base non-fluctuating earnings, fluctuating hourly earnings and/or additional employed income.
» A borrower may exhibit a stable and consistent employment and income history, regardless of the number of employers
» The borrower may be in between employers at the time of closing. If REMN determines that the borrower’s employment and income history is stable, and it is documented that the borrower has multiple jobs as described above, it may be acceptable to obtain the 10-day PCV through the union. REMN must make this determination based on a review of all employment and income characteristics.</td><td>None*

*Except for union members who are employed though the union/union hall (i.e. contract employee, tradesmen) and/or receive variable sources of income from assigned union jobs. In such cases, additional verification may be required to evidence stability of employment/income (i.e. two years’ federal income tax returns). See Determining the Need for Federal Income Tax Returns topic for further reference.</td></tr>
</table>

Employment Characteristics (Cont'd)	**Borrower Employed by Family or an Interested Party to the Transaction**	» When a borrower is employed by a family member or by an interested party to the transaction, the employment and income is not arm's length. Due to the increased layering of risk inherent in non-arm's length employment, additional third-party validation supporting the current income level is necessary.	» Complete signed federal individual income tax return or IRS wage and income transcript for the most recent year. » This documentation must validate the prior year earnings from current employment and support the current income level. If the current income level is not supported, REMN WS may use the validated income amount from the prior year as qualifying income.
	Employed Income from a Foreign Source	» When a borrower receives employed income from a foreign source, the income may be considered for qualifying income provided the income is reported on the borrower's U.S. federal individual income tax return for the most recent year, in addition to meeting the Employed Income requirements. » Refer to Other Income for all other non-employment/non-self-employment income from a foreign source	Complete signed U.S. federal individual income tax return for the most recent year.
	Employment Contracts	» **Employment Contracts in the Educational Industry:** – It is common for borrowers who work in the educational industry, such as teachers, to be employed under renewable or term employment contracts – For the educational field, if the borrower provides an annually renewable or term contract, it is reasonable to consider continuance of receipt, provided REMN does not have knowledge or documentation to the contrary	None
		» **Employment Contracts in Other Industries:** – If an employment contract is provided, it may also be considered for the purposes of determining stable monthly income. » When making the determination of employment history, income stability and the monthly income amount, REMN must take into consideration factors such as whether or not employment contracts are reasonably common to the particular employment field and/or region, the pay structure outlined within the terms of the contract and whether the borrower has demonstrated the ability to maintain consistent employment and income with this form or a similar form of pay structure over the most recent two (2) years.	» Obtain a documented two (2) year history of income and employment in the same or a similar employment field or industry when the terms of the employment contract do not include a base non-fluctuating pay structure

Employment Characteristics (Cont'd)	**Temporary Help Services Employment**	» Some contract firms and temporary staffing firms contract out the services of their employees to other employers » When making the determination of employment history, income stability and the monthly income amount, REMN must take into consideration factors such as whether the borrower has demonstrated the ability to maintain steady and continuous employment and income with this employment structure over the most recent two (2) year period.	» W-2 forms from the contract and/or temporary staffing firm for the most recent two (2) year period

	Income Reported on IRS Form 1099 for services performed	» At times, borrowers receive IRS Form 1099(s) for services performed; this pay structure is often referred to in terms such as contractor or contingent worker » Income received on IRS Form 1099 for services performed may be reported on Schedule C and may represent a sole proprietorship. REMN must treat this income either as: ○ Self-employed income in accordance with the Self-Employed Income requirements, **or** ○ Non-self-employed income in accordance with the requirements in this section if the IRS Schedule C from the most recent calendar year tax return evidences that: ▪ Gross receipts or sales are equal to the total amount(s) reported on the IRS Form 1099(s), ▪ Total expenses are < 5% of gross receipts or sales, after deducting non-cash expenses (e.g., depreciation), ▪ Cost of goods sold = $0, and ▪ 12-month history of 1099 income and reported expenses is present » If the above expense factor is not met but expenses are within a close range (e.g., 6%), REMN may perform additional analysis to determine whether income reported on Schedule C remains characteristic of non-self-employed income. Factors REMN may consider when making this determination include, but are not limited to, the principal business or profession, gross receipts or sales, cost of goods sold and the type and level of expenses reported. If REMN determines that the Borrower is a sole proprietor, refer to the Self-Employed Income requirements.	**Minimum Documentation** » All 1099's for the most recent two (2) year period, and » YTD paystubs and/or other equivalent and reasonably reliable third-party documentation (e.g., YTD earnings statements or evidence of payments for services performed) documenting YTD income received by the Borrower, and » Pages 1 and 2 of the Borrower's federal individual income tax returns, and the applicable schedules (i.e., Schedule C, Schedule 1), covering the most recent one-year period **History of Receipt** » Most recent two years; however, in certain instances, a shorter history of income with this pay structure may still be considered stable if REMN provides a written analysis and sufficient supporting documentation justifying the determination of stability (e.g., a prior history of employment earnings at a similar level). In no event may the history of receipt for this pay structure documented on the tax returns be less than 12 months. **Continuance** » Must be likely to continue for at least the next three years **Calculation:** » Average must be based on the required and documented history of receipt and support a consistent level of income in accordance with the Income Stability and History Requirements. The 1099 income must be reduced by the expenses (excluding non-cash items) reported on Schedule C. Apply an average of the verified expenses to the 1099 income without verified expenses. **Calculation Example** » Scenario: Borrower has an 18-month history of documented 1099 income, with 12 months of income and expenses reflected on the most recent Schedule C and reasonably reliable verification of YTD income for the most recent 6 months. Prior employment (W-2) for 5 years with similar income level and employment field.

1099(s) reported as gross receipts/sales:	(+) $100,000
Less: Schedule C Expenses (less non-cash expenses)	(-) $ 4,000 (4%)
Subtotal (most recent year Schedule C)	$96,000
Verified YTD 1099 income (6 months):	(+) $50,000
Less: 4% expense rate (based on most recent year Schedule C)	(-) $2,000 (4%)
Subtotal (Current YTD)	$48,000
Income calculation: $144,000 (combined subtotals) / 18 months	$8,000/mo

» REMN must determine if more information and/or documentation is needed to support and justify the stable monthly income based on the individual circumstances.

» REMN is encouraged to complete a pre-closing verification confirming that the Borrower continues to perform services for the provider(s) of the 1099 income as close to the Note Date as possible.

<table>
<tr><th colspan="4">INCOME & EMPLOYMENT</th></tr>
<tr><td rowspan="5">Employment and Income Commencing After the Note Date</td><td colspan="3">For Borrowers starting new employment or receiving a future salary increase from their current employer, income commencing after the Note Date may be considered a stable source of qualifying income, provided that either all requirements for option one, or all requirements for option two in the following table are met.</td></tr>
<tr><td>Subject</td><td>Option 1</td><td>Option 2</td></tr>
<tr><td>Eligible Income and Employment</td><td>Employment and income must meet the following requirements:
» Income must be from new primary employment, or a future salary increase with the current primary employer
» Income must be non-fluctuating and salaried (e.g., hourly earnings are not permitted), and
» The Borrower’s employer must not be a family member or an interested party to the real estate or Mortgage transaction</td><td>Employment and income must meet the following requirements:
» Income must be from new primary employment
» Income must be non-fluctuating and salaried (e.g., hourly earnings are not permitted), and
» The Borrower’s employer must not be a family member or an interested party to the real estate or Mortgage transaction
» As of the Delivery Date, the income must be no less than that used to qualify the Borrower for the Mortgage</td></tr>
<tr><td>Start date of the new employment or future salary increase</td><td>» Must be no later than 90 days after the Note Date
» May be before or after the Delivery Date</td><td>» No limit on the number of days after the Note Date
» Must be before the Delivery Date</td></tr>
<tr><td>Eligible loan purpose</td><td>The Mortgage must be originated for one of the following purposes:
» Purchase transaction
» “No cash-out” refinance</td><td>The Mortgage must be originated for one of the following purposes:
» Purchase transaction
» “No cash-out” refinance
» Cash-out refinance</td></tr>
<tr><td>Eligible Mortgaged Premises</td><td>The Mortgaged Premises must be a 1-unit Primary Residence</td><td>The Mortgaged Premises must be one of the following:
» to 4-unit Primary Residence
» Second home
» 1- to 4-unit Investment Property</td></tr>
</table>

<table>
<tr>
<td rowspan="10">Employment and Income Commencing After the Note Date (Cont'd)</td>
<td rowspan="10">Verification of additional funds</td>
<td>In addition to funds required to be paid by the Borrower and Borrower reserves, REMN must verify additional funds in the Borrower's depository and/or securities account(s) that equal or exceed the amount of the monthly housing expense, and other monthly liabilities, as described in the DTI Ratio section, due between the Note Date and the start date of the new employment/future salary increase, plus one additional month. A partial month is counted as one month for the purpose of this calculation.

The amount of the required additional funds may be reduced by the amount of verified gross income that any Borrower on the Mortgage is expected to earn during the period described above, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment/future salary increase.</td>
<td colspan="3">The following requirements apply when there are more than 15 calendar days between the Note Date and the start date of the new employment:

In addition to funds required to be paid by the Borrower and Borrower reserves, REMN must verify additional funds in the Borrower's depository and/or securities account(s) that equal or exceed the amount of the monthly housing expense, and other monthly liabilities, as described in the DTI Ratio section, due between the Note Date and the start date of the new employment, plus one additional month. A partial month is counted as one month for the purpose of this calculation.

The amount of the required additional funds, as described above, may be reduced by the amount of verified gross income that any Borrower on the Mortgage is expected to receive between the Note Date and the start date of the new employment, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment.</td>
</tr>
<tr>
<td colspan="4">REMN may use the following worksheet to assist with the additional funds calculation:</td>
</tr>
<tr>
<td colspan="4">Calculation for Verification of Additional Funds Worksheet</td>
</tr>
<tr>
<td>1.</td>
<td>Total monthly housing expense</td>
<td colspan="2">$_____</td>
</tr>
<tr>
<td>2.</td>
<td>Monthly debt payment</td>
<td colspan="2">$_____</td>
</tr>
<tr>
<td>3.</td>
<td>Line 1 + Line 2</td>
<td colspan="2">$_____</td>
</tr>
<tr>
<td>4.</td>
<td>Number of months between Note Date & Start Date of new employment/future salary increase (a partial month = 1 month) + 1 month</td>
<td colspan="2">$_____</td>
</tr>
<tr>
<td>5.</td>
<td>(Line 3) x (Line 4)</td>
<td colspan="2">$_____</td>
</tr>
<tr>
<td>6.</td>
<td>Borrower's verified gross income expected between Note Date and start date of new employment</td>
<td colspan="2">$_____</td>
</tr>
<tr>
<td>7.</td>
<td>Line 5 – Line 6</td>
<td colspan="2">$_____ (This is the amount of additional funds the underwriter must verify)</td>
</tr>
</table>

<table>
<tr>
<td rowspan="2">Employment and Income Commencing After the Note Date (Cont'd)</td>
<td rowspan="2">Required Documentation</td>
<td>The following documentation is required:
» Copy of the employment offer letter, employment contract or other evidence of the future salary increase from the current employer that:
○ Is fully executed and accepted by the Borrower
○ Is non-contingent or provide documentation, such as a letter or e-mails from the employer verifying all contingencies* have been cleared, and
○ Includes the terms of employment, including employment start date and annual income based on non-fluctuating earnings
» For a future salary increase provided by the Borrower's current employer, the above documentation must indicate that the increase is fully approved and is explicitly granted to the Borrower
» A 10-day pre-closing verification (PCV) verifying the terms of the employment offer letter, contract or future salary increase have not changed (refer to Pre-Closing Verification section)
» Documentation of additional funds, as required above</td>
<td>The following documentation is required:
» Copy of the employment offer letter or employment contract that:
○ Is fully executed and accepted by the Borrower, and
○ Includes the terms of employment, including but not limited to, employment start date and annual income based on non-fluctuating earnings.
» Paystub, written verification of employment (VOE) or a third-party employment verification supporting the income used for qualifying the Borrower
» Documentation of additional funds, as required above.</td>
</tr>
<tr>
<td colspan="2">* A probationary period of time after employment starts (e.g., 90-day probationary, training, or orientation period) is not considered a contingency</td>
</tr>
</table>

INCOME & EMPLOYMENT		
Additional Employed Income	**General Overview**	A borrower may receive additional income from employment such as commission, bonus and overtime pay. Generally, additional employed income is received in connection with the primary or secondary employment; however, there are instances where the income is received through separate sources, such as the military reserve or National Guard. If REMN includes additional employed income to qualify the borrower, REMN must determine that the amount of income used to qualify the Borrower is stable and complies with the requirements below for each income type. All income must be either expected to continue or have documented continuance for at least three (3) years as defined in the specific requirements within this section.
	Income History and Stability – Requirements and Guidance	Many additional employed income types are fluctuating income. The stability of fluctuating income is determined based primarily upon historical earnings, so it is imperative that a sufficient income history has been established. For this reason, most income types that fluctuate have a history requirement of two (2) years. In certain instances, a shorter history may still be considered stable if REMN provides a written analysis and sufficient supporting documentation justifying the determination of stability. When making this determination, REMN must take into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the borrower's demonstrated ability to repay obligations. In no event may the history be less than twelve (12) months.
	Earnings Types for Additional Employed Income	» **Fixed Earnings** – For the purposes of determining stable monthly income, fixed additional employed income earnings are considered to be earnings that are based on a pre-determined/agreed-upon fixed amount of pay that is fully-documented, such as an automobile allowance, mortgage differential or military entitlement(s). » **Fluctuating Earnings** – For the purposes of determining stable monthly income, fluctuating additional employed income earnings are considered to be earnings that fluctuate on a regular basis, often based on factors such as hours worked, job type and performance. Fluctuating earnings may include, but are not limited to, income types such as commissions, overtime, bonus, tips, Reserve and National Guard, and unemployment compensation associated with seasonal employment.

<table>
<tr><th colspan="4">INCOME & EMPLOYMENT</th></tr>
<tr><td rowspan="4">Stable Monthly Income & Documentation for Additional Employed Income</td><td colspan="3">The chart below includes the stable monthly income and documentation requirements for additional employed income:</td></tr>
<tr><td>Income Type</td><td>Stable Monthly Income Requirements</td><td>Documentation Requirements</td></tr>
<tr><td>Commission Income
Bonus Income
Overtime Income
Tip Income Reported by the Employer</td><td><u>History of Receipt</u>: Two (2) years consecutive
» Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to Income History and Stability Requirements above.
<u>Continuance</u>: Must be likely to continue for at least the next three (3) years
<u>Calculation</u>: Refer to Fluctuating Employment Earnings section for calculation guidance and requirements
<u>Note</u>: Overtime and Tip Income are not considered Tax-Exempt and may not be grossed up.</td><td>All of the Following:
» YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two (2) calendar years, and a PCV
Or All of the Following:
» Written VOE documenting all YTD earnings and the earnings for the most recent two (2) calendar years and a PCV</td></tr>
<tr><td>Tip Income – Cash & Charge Tips Reported on IRS Form 4137</td><td><u>History of Receipt</u>: Two (2) years consecutive
» Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to Income History and Stability Requirements above.
<u>Continuance</u>: Must be likely to continue for at least the next three (3) years
<u>Calculation</u>: Refer to Fluctuating Employment Earnings section for calculation guidance and requirements
<u>Note</u>: Tip Income is not considered Tax-Exempt and may not be grossed up.</td><td>All of the Following:
» IRS Form 4137 for the most recent two (2) years
» Complete federal individual income tax returns covering the most recent two (2) year period
» PCV</td></tr>
<tr><td>Automobile Allowance</td><td><u>History of Receipt</u>: Two (2) years consecutive
<u>Continuance</u>: Must be likely to continue for at least the next three (3) years
<u>Calculation</u>: REMN may add the full amount of the allowance to the borrower’s qualifying income, and when calculating the borrower’s debt-to-income (DTI) ratio, REMN must include the full amount of the monthly automobile financing expense in the calculation of the borrower’s total monthly debt payment. REMN may not subtract the automobile allowance from the monthly automobile financing expense.</td><td>All of the Following:
» YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two (2) calendar years, and a PCV
Or All of the Following:
» Written VOE documenting all YTD earnings and the earnings for the most recent two (2) calendar years and a PCV</td></tr>
</table>

INCOME & EMPLOYMENT			
Stable Monthly Income & Documentation for Additional Employed Income (Cont'd)	**Income Type**	**Stable Monthly Income Requirements**	**Documentation Requirements**
	Mortgage Differential	**History of Receipt:** A history of receipt is not required for the income to be considered stable **Continuance**: Must continue for at least three years from the application date. **Calculation**: Payments from the borrower's employer for all or part of the housing payment differential between the borrower's present and proposed mortgage payment. REMN may add the mortgage differential payments to the borrower's income. The payments may not be used to offset the monthly housing payment amount used for qualification.	» Agreement from the employer stating the terms including, but not limited to, the scheduled amount and duration of the payments » The documentation must show that the payments are pursuant to an established, ongoing, and documented employer program. The employer must not be an interested party to the transaction.
	Military Entitlements	**History of Receipt:** A history of receipt is not required for the income to be considered stable **Continuance**: Must be likely to continue for at least the next three (3) years **Calculation**: Current fixed monthly amount Examples of entitlements include flight or hazard duty, rations, clothing allowance, or quarters' allowance.	**All of the Following:** » YTD Military Leave and Earnings Statement. **Or All of the Following:** » Written VOE documenting the current monthly fixed entitlement amount(s) and type(s) and the earnings for the most recent calendar year, and a 10-day PCV
	Military Reserve and National Guard Income	**History of Receipt:** One year **Continuance**: Must be likely to continue for at least the next three (3) years **Calculation**: Twelve (12) month average	**All of the Following:** » YTD Military Leave and Earnings Statement & W-2 form for the most recent calendar year. **Or All of the Following:** » Written VOE documenting all YTD earnings and the earnings for the most recent calendar year, and a 10-day PCV
	Unemployment Compensation Associated with Seasonal Employment	**History of Receipt:** Two (2) years, consecutive **Continuance**: Must be likely to continue for at least the next three (3) years **Calculation**: Refer to Fluctuating Employment Earnings section for calculation guidance and requirements	» Proof of receipt of unemployment compensation for the most recent two (2) year period (e.g., IRS Form 1099-G(s) and/or equivalent documentation)

INCOME & EMPLOYMENT			
Stable Monthly Income & Documentation for Additional Employed Income (Cont'd)	**Income Type**	**Stable Monthly Income Requirements**	**Documentation Requirements**
	RS and RSU subject to Performance-Based Vesting Provisions	**History of Receipt:** » Two (2) years consecutive ○ Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to Income History and Stability Requirements above. » To be considered for history of receipt, Restricted Stock (RS) and Restricted Stock Unit (RSU) used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction **Continuance**: Must be continued for at least the next three (3) years. **Calculation**: Refer to RSU Income Calculation for calculation guidance and requirements	**All of the Following**: » YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU, W-2 forms for the most recent two (2) calendar years and a 10-day PCV. **Or All of the Following**: » Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent two calendar years, and a 10-day PCV. Employment and income verifications obtained through a third-party verification service provider as described in Pre-Closing Verification are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSU. **Additional Documentation Requirements:** » The Mortgage file must contain: – Evidence the stock is publicly traded – Documentation verifying that the vesting provisions are performance-based (e.g., RS and/or RSU agreement, offer letter) – Vesting schedule(s) currently in effect detailing past and future vesting – Evidence of receipt of previous year(s) payout(s) 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 must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax) – Documentation of the 200-day simple moving average stock price

INCOME & EMPLOYMENT			
Stable Monthly Income & Documentation for Additional Employed Income (cont'd)	**Income Type**	**Stable Monthly Income Requirements**	**Documentation Requirements**
	RS and RSU subject to Time-Based Vesting Provisions	**History of Receipt:** » One (1) year » To be considered for history of receipt, Restricted Stock (RS) and Restricted Stock Unit (RSU) used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction. **Continuance**: Recurring awards must be likely to continue for at least the next three years. Nonrecurring awards (e.g., a one-time award) must have at least three years' vesting and distribution remaining on the vesting schedule from the application date.. **Calculation**: Refer to RSU Income Calculation for calculation guidance and requirements	**All of the Following**: » YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU, W-2 forms for the most recent calendar year and a 10-day PCV. **Or All of the Following**: » Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent calendar year, and a PCV. Employment and income verifications obtained through a third-party verification service provider as described in Pre-Closing Verification are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSU. **Additional Documentation Requirements:** » The Mortgage file must contain: – Evidence stock is publicly traded – Documentation verifying that the vesting provisions are time-based (e.g., RS and/or RSU agreement, offer letter) – Vesting schedule(s) currently in effect detailing past and future vesting – Evidence of receipt of previous year's payout(s) of RS/RSU (e.g., year-end pay stub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax) – Documentation of the 200-day simple moving average stock price

INCOME & EMPLOYMENT

Employed Income Calculation – General Requirements and Guidance

» The following table includes general factors to consider when determining the income calculation.

Topic	General Underwriting for Income Calculation – Requirements and Guidance
Pay Frequency	» For all income used to qualify the Borrower, REMN must determine the frequency of payment (weekly, bi-weekly, semi-monthly, monthly, quarterly, annually) to accurately analyze and calculate the stable monthly income. » Example: The Borrower received an annual bonus in February of the prior year and current year as evidenced by the written VOE dated in March of the current year. The bonus amounts are consistent based on the income trend analysis. Because the bonus is paid on an annual basis, the amounts received in the current and prior year must be averaged over a 2-year period. It is inaccurate to average the prior year and year-to-date (YTD) number of months on the income documentation (e.g., 15-month average).
Documented Income Breakdown (e.g., Bonus, overtime, commissions, etc.)	» A documented breakdown between the base non-fluctuating earnings or fluctuating hourly earnings and the additional employed income (e.g., bonus, overtime, commission, tips) ensures the most accurate analysis and calculation of stable monthly income. » While a documented breakdown is not required in all instances, one may be used to support a higher amount of qualifying income, verify bonus pay frequency, and/or support fluctuating income when the degree of fluctuation exceeds 10%. » **Verification method**: Employed income documentation outlined in Employed Income Verification such as written VOEs and/or year-end and current YTD paystubs that show the breakdown between the earnings type and additional employed earnings (e.g., overtime, bonus, commissions).
Verification of Pay Raises and Using Pay Increase in Calculation of Income	» Merit, promotional or other types of increases in pay may justify using different averaging methods for fluctuating hourly earnings based on the application of the new pay rate to the average hours worked for the prior year and YTD. » While documentation to verify pay raises is not required in all instances, it may be used to support a higher amount of qualifying income and/or support fluctuating hourly earnings when the degree of fluctuation exceeds 10%. » **Verification method**: A pay raise, or raises, may be verified using employed income documentation outlined in Chapter 5302, such as written VOEs and paystubs. Paystubs from the current or prior year that show the new and old rates of pay when the raise occurred and/or year-end paystubs will likely be necessary to complete this verification. **Calculation method** » For consistent and increasing income trends, use one of the options below: ○ **Option 1**: Average the most recent year and YTD income over the applicable number of months of required history and documentation, as described in Income Trend Analysis. ○ **Option 2**: Apply the current pay rate to the average number of hours worked during the prior year and the current year, provided the hours worked during the prior year and the current year are consistent or increasing, and documented.

Employed Income Calculation – Base Non-Fluctuating Employment Earnings

» Base non-fluctuating earnings may include both exempt (salaried) and non-exempt (hourly) earnings; however, the pay rate and number of hours worked must not fluctuate between pay periods. The income documentation must support base non-fluctuating earnings. Refer to Earning Types – Requirements and Guidance section for additional information about base non-fluctuating earning types.

» The following chart describes the calculation methods for base non-fluctuating employment earnings, taking into consideration the typical pay periods of weekly, bi-weekly, semi-monthly, and monthly.

CALCULATION OF BASE NON-FLUCTUATING EMPLOYMENT EARNINGS	
Pay Period Type	**Calculation**
Weekly	Multiply the base non-fluctuating weekly gross pay by 52 pay periods and divide by 12 months
Bi-Weekly	Multiply the base non-fluctuating bi-weekly gross pay by 26 pay periods and divide by 12 months
Semi-Monthly	Multiply the base non-fluctuating semi-monthly gross pay by 24 pay periods and divide by 12 months
Monthly	Use the base non-fluctuating monthly gross pay
Annual Base Non-Fluctuating Salary Paid Out Over Less Than 12 Months per Year	For some borrowers, such as certain employees in the education field, the annual base non-fluctuating salary may be paid over a time period of less than twelve (12) months. For example, if the annual base non-fluctuating salary is paid out over ten (10) months of the year, multiply the monthly base salary by 10 months and divide by 12.

Employed Income Calculation – Fluctuating Employment Earnings

» These requirements apply to all employed income that fluctuates

» Refer to Earning Types – Requirements and Guidance section for information about fluctuating hourly earnings, as well as Additional Employed Income section for information about other types of additional employed fluctuating income (e.g., bonus, overtime)

Subject	Requirements and Guidance
Income Calculation Method and Trend Analysis	» The degree of fluctuation and the length of receipt of the income must be considered when calculating income used to qualify for the Mortgage. REMN must evaluate the income trend and use the amount that is most likely to continue for the next three years. » Refer to Income Calculation – Requirements and Guidance for requirements and guidance to be used when determining the income calculation.
Consistent and Increasing Income Trends	» REMN must average the most recent year(s) and YTD income over the applicable number of months of required history and documentation (refer to Primary and Secondary Employment & Income and Additional Employed Income Requirements Sections). In certain instances, the calculation may be based on a shorter number of months if REMN WS provides a written justification and/or documentation to support the applicable months used in the calculation. The total number of months used in the calculation must be at least 12 months. Additionally, the calculated income must be reasonably expected to continue for at least the next three years. » Pay frequency must be considered as it may impact the income calculation (e.g., bonuses), as noted above. If the increasing income is due to a pay raise, REMN may use the calculation method for pay raises described in Income Calculation – Requirements and Guidance. » *Exception*: REMN may average using less than the most recent year(s) and YTD income if the income is supported by the employment history, historical earnings, and documentation. This depends on individual circumstances, and the level of income must reasonably be expected to continue and represent stable monthly income.

		Income Trend Analysis » Degree of fluctuation ≤ 10%: ○ The income trend is considered consistent when the increase between YTD and prior year(s)* is less than or equal to 10%. No additional analysis or documentation is required when calculating the qualifying income. » Degree of fluctuation > 10% – ≤ 30% ○ If the increase between the YTD and prior year(s)* earnings is greater than 10% but less than or equal to 30%, no additional analysis or documentation is required when the increase is supported by the documented income breakdown and/or verification of pay raise in accordance with Income Calculation – Requirements and Guidance. ○ Otherwise, additional analysis is required, and additional documentation may be necessary to determine income stability and develop an accurate calculation of qualifying income. The analysis and documentation must support the amount of income used to qualify the Borrower. » Degree of fluctuation > 30% ○ If the increase between the YTD and prior year(s)* earnings is greater than 30%, additional analysis is required and additional documentation will likely be necessary to determine income stability and develop an accurate calculation of qualifying income. The analysis and documentation must support the amount of income used to qualify the Borrower. *For fluctuating hourly earnings, the degree of fluctuation is based on the increase between the YTD and the prior year. For additional employed earnings, the degree of fluctuation is based on the increase between the YTD and the prior two years. Refer to Primary and Secondary Employment & Income and Additional Employed Income for history and documentation requirements.
	Excluding Time Periods Based on a Specific Event Unlikely to Occur	» In certain instances, income may be calculated using a shorter time period; however, REMN must provide a written justification and/or documentation supporting the months used in the calculation. When excluding a time period based on a specific event that is unlikely to recur, at least 12 months of stable monthly income must still be used in the calculation. These 12 months do not need to be consecutive (i.e., the period impacted by the non-recurring event can be excluded).
	Declining Income Trends	» REMN must use the year-to-date income and must not include the previous higher level unless there is documentation of a one-time occurrence (e.g., injury) that prevented the Borrower from working or earning full income for a period of time and evidence that the Borrower is back to the income amount that was previously earned. » If the decline between the prior year(s) and/or YTD earnings exceeds 10%, REMN must conduct further analysis and additional documentation may be necessary to determine whether the income is currently stable. This analysis must include the reason for the declining trend, and support that the current income has stabilized.

INCOME & EMPLOYMENT		
Employed Income Calculation – Fluctuating Employment Earnings (Cont'd)	**Subject**	**Requirements and Guidance**
	Additional Guidance for Restricted Stock (RS) and Restricted Stock Units (RSU) Income	» These requirements and guidance apply to RS and RSU income. Refer to Stable Monthly Income & Documentation for general and topic-specific stable monthly income history, continuance and documentation requirements.
	Calculation – RS and RSU Subject to Performance-Based Vesting Provision	» Based on the form in which vested RS or RSU are distributed to the Borrower (i.e., as shares or its cash equivalent), REMN must use the applicable method(s) below to calculate the monthly income: **RS or RSU distributed as shares** » Multiply the documented 200-day simple moving average stock price by the total number of vested shares distributed (pre-tax) to the Borrower in the past two years, then divide by 24. » (e.g., if 200 vested shares were distributed (pre-tax) in the past two years and the documented 200-day simple moving average stock price is $10, multiply 200 x $10 then divide by 24= $83.33 monthly income) **RS or RSU distributed as cash equivalent** » Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past two years and divide by 24. **Exception** » If the Borrower has not received the RS or RSU income from their current employer for a full 24 months, REMN WS may calculate the monthly income using the actual number of months received if supported by a written analysis and documented compensating factors, (e.g., a history of receipt of RS or RSU income for the previous five years from a prior employer). In all cases, the Borrower must have a minimum history of receipt of 12 months with their current employer, as specified above, and the calculated monthly income used for qualifying may not be based on less than 12 months.
	Calculation – RS and RSU subject to Time-Based Vesting Provisions	» Based on the form in which vested RS or RSU are distributed to the Borrower (i.e., as shares or its cash equivalent), REMN must use the applicable method(s) below to calculate the monthly income: **RS or RSU distributed as shares** » Multiply the documented 200-day simple moving average stock price by the number of vested shares distributed (pre-tax) to the Borrower in the past year, then divide by 12. » (e.g., if 50 vested shares were distributed (pre-tax) in the past year and the documented 200-day simple moving average stock price is $10, multiply 50 x $10 then divide by 12 =$41.67 monthly income) **RS or RSU distributed as cash equivalent** » Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past year and divide by 12.

<table>
<tr><th colspan="3">INCOME & EMPLOYMENT</th></tr>
<tr><td>Temporary Leave Income</td><td colspan="2">» Temporary leave from an employer may encompass various circumstances (e.g. family and medical, short-term disability, maternity, other temporary leaves with or without pay). Temporary leave is generally short in duration. The period of time that a borrower is on temporary leave may be determined by various factors such as applicable law, employer policies and short-term insurance policy and/or benefit terms. Leave ceases being considered temporary when the borrower does not intend to return to the current employer or does not have a commitment from the current employer to return to employment.
» The requirements and guidance for income while on temporary leave do not extend to employer-initiated actions such as furloughs and layoffs.
» Refer to Disability Income section regarding long-term disability income if the underwriter has knowledge that the borrower has applied for, is receiving, or will be receiving long-term disability benefits or long-term insurance benefits.</td></tr>
<tr><td rowspan="2"></td><td>Determining Qualifying Income & Borrower Capacity to Meet Obligations While on Temporary Leave</td><td>During a temporary leave, a borrower’s income may be reduced and/or completely interrupted. REMN must determine that during and after the temporary leave, the borrower has the capacity to repay the mortgage and all other monthly obligations with Freddie Mac guidelines.</td></tr>
<tr><td></td><td>» For Borrowers returning to their current employer prior to or on the first mortgage payment due date:
– REMN may use the borrower’s pre-leave gross monthly income for qualifying income
» For Borrowers returning to their current employer after the first mortgage payment due date:
– REMN may use for qualifying income the Borrower’s gross monthly income amount being received for the duration of the temporary leave
– In the event that the income has been reduced or interrupted, REMN may use for qualifying income the monthly reduced income amount (this amount may be zero) being received for the duration of the leave combined with the borrower’s available liquid assets, as necessary. Available liquid assets may be used as a partial or complete income supplement up to the amount of the income reduction.
▪ Asset Calculation for Mortgage Qualification does not apply to the calculation of assets as an income supplement when determining qualifying income and borrower capacity to meet obligations while on temporary leave
▪ Assets that are considered for the transaction (e.g., Down Payment, Closing Costs, and reserves) may not be considered as available assets
– The total qualifying income must not exceed the borrower’s pre-leave gross monthly income amount</td></tr>
</table>

<table>
<tr><th colspan="3">INCOME & EMPLOYMENT</th></tr>
<tr><td>Temporary Leave Income (Cont'd)</td><td>Documentation Requirements</td><td>» The following documentation is required for all borrowers on temporary leave:
– Documentation to verify the borrower's pre-leave income and employment in accordance with Freddie Mac income guidelines, regardless of leave status
– Written statement from the borrower confirming the borrower's intent to return to the current employer and the intended date of return
– Documentation generated by current employer confirming the borrower's eligibility to return to the current employer after temporary leave. Acceptable forms of employer documentation that REMN may obtain from the borrower include but are not limited to: an employer-approved leave request, a Family Medical Leave Act document, or other documentation generated by the employer or a third-party verifier on behalf of the employer.
» In addition, the following documentation is required for borrowers returning to the current employer after the first mortgage payment due date:
– Documentation evidencing amount and duration of all temporary leave income sources being used to qualify the borrower (e.g., short-term disability benefits or insurance, sick leave benefits, temporarily reduced income from employer) that are being received during the temporary leave.
– All available liquid assets used to supplement the reduced income for the duration of the temporary leave must meet the requirements of and be verified in accordance with the LPA Streamlined Asset Documentation or Standard Documentation requirements
– A written rationale explaining the analysis used to determine the qualifying income, regardless of the underwriting path</td></tr>
<tr><td>Self-Employed Borrower Definition</td><td colspan="2">» The business structure determines the reporting method of the business and self-employment income to the Internal Revenue Service (IRS). The federal income tax returns for the business usually document the percentage of ownership interest in the business.
» The following chart contains requirements and guidance for determining self-employment and verifying the borrower's business ownership percentage:
<table><tr><th>Business Structure</th><th>Self-Employment Verification of Ownership Interest Percentage</th></tr><tr><td>Partnerships, S-Corporations, and Corporations</td><td>• A borrower who has an ownership interest of 25% or more in a Partnership (general or limited), S Corporation, and/or Corporation is considered to be self-employed.
• The ownership interest percentage must be verified by a review of the federal income tax returns for the business, including the IRS Schedule K-1(s) or IRS Form 1125-E, Compensation of Officers. If these documents do not provide this information, the ownership interest percentage must be verified with a letter from the accountant for the business or similar documents.
• If the borrower has ownership interest in one or more businesses, but the ownership interest is not 25% or more for any business, refer to the Employment History requirements and guidance for Primary and Secondary Employment.</td></tr><tr><td>Sole Proprietorships</td><td>• Sole proprietorships are unincorporated businesses. A sole proprietor owns 100% of the business and reports the income and expenses from that business on Schedule C of the federal individual income tax return. There is no associated federal business tax return.
• Note: For IRS Form 1099 income received for services performed and reported on Schedule C, REMN may refer to the Employment History requirements and guidance for Primary and Secondary Employment for additional information with respect to determining whether this income may be treated as non-self-employed income.</td></tr></table>» Loan Product Advisor (LPA)
– REMN must indicate to Loan Product Advisor that a borrower is self-employed when the borrower meets Freddie Mac's definition of self-employed.</td></tr>
</table>

	– This is required in all cases where the self-employment income and/or loss is used to determine the borrower's stable monthly income for qualifying.
	Borrowers With Business Ownership Interest <25% » For use of ordinary income (loss) or guaranteed payments for services reported on IRS Schedule K-1 as stable monthly qualifying income, REMN must meet either: o The self-employed requirements, or o All requirements in this section in conjunction with the general requirements and guidance in Employed Income Calculation – Guidance and Requirements and Employed Income – Documentation and Verification sections. o The Borrower should not have an ownership interest of 25% or more in any business. o When using ordinary business income for qualification, the historical cash distributions must be reasonably consistent with the ordinary business income reported on the K-1s. » **Note**: For use of W-2 income, REMN must meet the requirements of Primary and Secondary Employment and Income and Self-Employment Income and Documentation; the additional requirements in this row do not apply. **Schedule K-1 income from Partnerships and S Corporations** Minimum Documentation » Schedule K-1s for the most recent two calendar years for Partnerships and S Corporations » Documentation of all YTD income must be obtained if available (e.g., most recent YTD paystub or equivalent). If YTD information is not attainable (e.g., due to year-end payment structures), REMN may document and justify the income stability without this information. » The Schedule K-1(s) must evidence less than 25% ownership interest for the individual Borrower » Verification of current existence of business History of Receipt » **Ordinary business income**: Most recent two years » **Guaranteed payments for services**: Most recent two years; however, in certain instances, a shorter history may still be considered stable if REMN provides a written analysis and sufficient supporting documentation justifying the determination of stability (e.g., recently changed from an employee of the same firm to a partner with a nominal ownership interest). In no event may the history be less than 12 months. Continuance » Must be likely to continue for at least the next three years Calculation » Average must be based on the required and documented history of receipt and support a consistent level of income in accordance with the requirements of Earning Types - Requirements and Guidance » REMN must determine if more information and/or documentation is needed to support and justify the stable monthly income based on the individual circumstances.
Business Structure Change	If the Borrower changed their business structure (e.g., sole proprietorship to S-corporation, S-corporation to corporation), the Borrower's ownership interest percentage must not change in order for the current and prior business structures to be considered the same business. Additionally, REMN WS must not have knowledge, information or documentation that other changes occurred (e.g., change of products and/or services, location), and there must be no indication the change had a negative impact on business revenue or expenses. REMN WS must document their evaluation in the written income analysis. If any of these requirements are not met, then the current and prior business structures must be treated as different businesses.

<table>
<tr><th colspan="3">INCOME & EMPLOYMENT</th></tr>
<tr><td rowspan="5">Self-Employment History Requirements</td><td colspan="2">The following chart contains requirements and guidance pertaining to self-employment history:</td></tr>
<tr><td>Subject</td><td>Requirements and Guidance</td></tr>
<tr><td>Length of History Requirement</td><td>» A two (2) year history of current self-employment is required in most instances to ensure that income is stable. The self-employment must be documented on Form 65 Uniform Residential Loan Application and verified in accordance with the guidelines.</td></tr>
<tr><td>Self-Employment < 2 Years</td><td>» In certain instances, a borrower may not have a current two (2) year history of self-employment; however, the income and employment may still be considered stable.
» When the borrower has been self-employed for less than two years, REMN must obtain supporting documentation sufficient to determine whether the income is stable. At a minimum REMN must:
– Consider and evaluate the borrower’s experience in the business
– Document that the borrower has a combined two (2) year history of receipt of income from the current self-employment and the prior job in the same or similar occupation or industry
– Determine qualifying income by using the lesser of:
o The stable monthly income from the new business, or
o The stable monthly income earned in the previous occupation
– Include a written analysis justifying the determination of stability of the income in the mortgage file
– Consider the overall layering of risk, including the borrower’s demonstrated ability to repay obligations
» Analysis of current business activity through a review of the year-to-date (YTD) financial statement and/or the most recent three (3) months of business bank statements may provide support to this evaluation</td></tr>
<tr><td>Minimum History of Receipt of Income</td><td>» The borrower’s federal income tax returns must reflect at least one (1) year of self-employment income</td></tr>
<tr><td>Geographical Relocation</td><td>» If the borrower is relocating to a different geographic area, prior to considering the income for qualifying purposes, at a minimum REMN must:
– Consider and evaluate the acceptance of the company’s service or products in the marketplace. Additional information, such as market studies or relevant industry research, may support this evaluation.
– Provide a written analysis justifying the borrower’s income will continue at the same level at the new location</td></tr>
<tr><td>Business Income and Analysis</td><td colspan="2"><u>Business Review and Analysis</u>:
The analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the borrower.
» The analysis must include a review of the business tax returns
» The underwriter’s review must include, at a minimum, an analysis of gross receipts or sales, cost of goods sold and gross profits. All should be typical for the type of business and reflect consistent year over year trends. In addition, the business expenses should be reasonable for the type of business activity and level of business income. Business tenure should be considered.
» REMN may determine that review and analysis of the business financial statements, business asset statements, and in the case of Partnerships and S-Corporations, an analysis of the historical cash distributions, is necessary to establish the financial and liquidity standing of the business. In addition, REMN may calculate and consider the liquidity ratios of the business using generally accepted accounting practices when analyzing the liquidity of the business.</td></tr>
</table>

INCOME & EMPLOYMENT	
Business Income and Analysis (cont'd)	**Use of Business Income Reported on the Borrower's Federal Individual Tax Returns** » For sole proprietorships, stable monthly income must be based on the income reported on Schedule C of the borrower's federal individual income tax returns – For Meal & Entertainment Exclusion, the additional 50% (that is not tax deductible) is included in the borrower's income calculation & further reduces the borrower's income » For Partnerships and S-Corporations, stable monthly income may be based on the borrower's proportionate share of income (e.g., ordinary income, guaranteed payments) carried from the Form 1065 or 1120S, through the Schedule K-1 and onto the borrower's federal individual income tax returns. Although cash distributions reported on the Schedule K-1 may not be used as qualifying income, they may be used to establish business liquidity and access to business funds, provided they are reasonably consistent with the ordinary income. t » For S-Corporations and corporations, stable monthly income may be based on the income reported on the borrower's W-2 from the business. The corporate tax returns and Form 1125-E if applicable, must be reviewed for confirmation of the borrower's W-2 income from the business.
	Use of Business Income Not Reported on the Borrower's Individual Tax Returns » Income reported on the business tax returns but not on the personal tax returns may be considered as stable monthly income, provided the underwriter's analysis confirms that based on the financial strength of the business, the use of these funds as personal income would not have a detrimental impact on the business.
	Access to Business Income » Documentation is not required to verify access to business income for the following: – Sole Proprietorships – Ordinary income, net rental real estate income, other net rental income and guaranteed payments received from partnerships and S-Corporations, – W-2 income received from S-Corporations and corporations, – Corporations, if the borrower holds 100% ownership interest If business income not reported on the borrower's federal individual income tax returns is being used to qualify and none of the categories above apply, then REMN must verify that the borrowers' legal right to the business income that is used as stable monthly income is not encumbered, restricted or prevented by the corporate resolution, partnership agreement, or other comparable document.
	Income Calculation » The calculation of a self-employed borrower's average monthly income must be based on a review of the borrower's completed federal individual income tax returns (Form 1040), including W-2's and Schedule K-1's (if applicable) and the borrower's complete federal income tax returns for the business (Forms 1120, 1120 S, and 1065), when applicable. » The underwriter must analyze the tax returns and provide a written analysis of the borrower's self-employed income from Form 91, Income Analysis Form, or an alternative form that provides the same information.
	Income Fluctuation » As part of the analysis, REMN must consider whether the Borrower's self-employed income has increased or decreased over the previous two (2) years when the analysis includes a review of documentation covering a history greater than one (1) year. » If the analysis reflects that the borrower's income has significantly increased or decreased, REMN must provide sufficient documentation and justification to support the determination that the income used to qualify the borrower is stable and likely to continue for the next three (3) years. » It may be necessary to obtain additional years' tax returns when the borrower's self-employment income fluctuates in order to determine the stability of the income.

<table>
<tr><th colspan="3">INCOME & EMPLOYMENT</th></tr>
<tr><td>Business Financial Statements</td><td colspan="2">» Business financial statements typically consist of a profit and loss (P&L) statement and a balance sheet for the business that cover a specified period of time (e.g., YTD, annual)
– Financial statements for the business may be prepared by multiple parties, including but not limited to, the Certified Public Accountant (CPA), accountant or tax preparer that prepares the tax returns for the business, or the borrower
– Financial statements may not be used for the calculation of stable monthly income (unless audited); however, they may provide additional support for the underwriter's business and income analysis
– Financial statements for the business may be used to assist in evaluating and determining various components of self-employment analysis, including but not limited to, business liquidity, income stability when tax returns are on extension, evaluating a newer business and the impact of business fund withdrawals.</td></tr>
<tr><td>Business and/or Individual Tax Return(s) – Most Recent Calendar Year Not Yet Available</td><td colspan="2">» If the Borrower's federal individual and/or business income tax returns for the most recent calendar year, or fiscal year as applicable, are not available (e.g., Borrower and/or Borrower's business filed an IRS extension, tax returns are not yet filed with the IRS), examples of factors and documentation to consider when using older tax returns to determine continued income stability include, but are not limited to, the following:
– Business review and analysis of current business activity through a review of the most recent financial statement(s) that cover the period since the last tax return filing(s)
– Business review and analysis of current business activity through a review of at least the most recent three months of business bank statements
– Signed IRS Form 941, Employer's Quarterly Federal Tax Return, for the prior calendar year and current calendar year quarter(s) that supports wages and other compensation documented on the most recent business tax return
– Review of tax liability reported with IRS tax filing extension(s) (e.g., IRS Form 4868, IRS Form 7004) to determine consistency with tax liability reported on prior year(s) tax return(s)
– Review of W-2s, 1099s and/or K-1s from the most recent calendar year, if available
» If the continued stability of the income cannot be determined, then the Borrower's federal individual and/or business income tax returns from the most recent calendar year may need to be obtained to make the determination.
» Refer to FHLMC Tax Return Requirements for additional information about age of tax return requirements, including, but not limited to, the requirement to document evidence of continued income stability using at least one of the examples listed above when REMN has not obtained the IRS confirmation verifying tax transcript(s) are not yet available for the business tax return(s).</td></tr>
<tr><td rowspan="4">Income Analysis – Adjustments (Examples)</td><td colspan="2">The following list includes common examples of items that may be considered for the inclusion in income when performing the self-employed income analysis on Form 91, Income Analysis Form, or an alternative form that provides the same information.</td></tr>
<tr><td>Non-Cash Deductions</td><td>Non-cash items such as depreciation, depletion, and amortization</td></tr>
<tr><td>Non-Recurring Losses</td><td>Documented non-recurring losses, such as casualty losses & loss carry-overs from previous tax years</td></tr>
<tr><td>Mortgages and Notes Payable in Less than One Year</td><td>» REMN must analyze the terms of the Mortgages and notes payable in less than one (1) year and determine whether the income should be reduced by the debt when performing the income analysis.
» The analysis must include the factors such as whether the business has sufficient liquidity to pay off the debt without negative impact to the business, if the business type is indicative of debt that would continually roll-over, and/or if the debt is a line of credit that is consistently renewable. If these factors are present, the income does not need to be reduced by the debt when performing the income analysis.</td></tr>
<tr><td>Borrower Debt Paid by the Business</td><td colspan="2">» Refer to Self-Employed Borrower's Debt Paid by the Borrower's Business section for requirements for self-employed borrower's debt paid by the borrower's business</td></tr>
</table>

IRS Form 8825 – Rental Real Estate Income and Expenses of Partnership or S-Corp	» All rental real estate income and expenses reported on IRS Form 8825 for partnerships and S-corporations are to be treated as self-employment income, regardless of whether or not the Borrower is personally obligated on the Note and regardless of the Borrower's percentage of ownership interest in the partnership or S corporation. The requirements of Monthly Debt Payment-to-Income Ratio are not applicable. » Refer to Form 91 for the appropriate treatment and calculation of the borrower's proportionate share of the net rental real estate income or loss

INCOME & EMPLOYMENT		
Self-Employment Income Not Used for Qualification	The following chart contains requirements and guidance pertaining to self-employment income not used for qualification:	
	Subject	**Requirements and Guidance**
	Self-Employment Disclosed on Loan Application (or other documentation), but Not Used to Qualify	» REMN is not required to obtain any additional documentation or evaluate the income or loss from the self-employment for each Borrower on the Mortgage who: - Has a primary source of income, other than self-employment, used for qualifying for the Mortgage (e.g., salaried income from primary employment), and - Is self-employed and self-employment income is a secondary source of income » For each borrower on the mortgage who is self-employed and does not have another source of income that is used in qualifying for the mortgage, the following requirements apply: » REMN must obtain pages 1 and 2 of the borrower's federal individual income tax returns and the applicable schedules (e.g., Schedule C, Schedule E), to determine if there is a business loss that may have an impact on the stable monthly income. – If a business loss is reported and the borrower qualifies with the loss, then REMN is not required to obtain any additional documentation relating to the business loan – If a business loss is reported and the borrower does not qualify with the loss, then REMN must perform a business and income analysis to determine whether depreciation adjustments or other factors such as business closure or evidence as a one-time non-recurring event justify a reduction of the reported loss when calculating the stable monthly income. REMN must obtain additional documentation needed in order to fully evaluate the loss and support the analysis (e.g., business tax returns [final or otherwise], evidence of a one-time non-recurring event). » If the tax returns or other documentation in the mortgage file (e.g., IRS tax transcripts, additional Schedule K-1's) reflect positive income from self-employment but that income is not used to qualify, additional documentation (e.g., complete business or federal individual income tax returns) is not required.

<table>
<tr><th colspan="3">INCOME & EMPLOYMENT</th></tr>
<tr><td>Business Assets Used for Closing</td><td colspan="2">The following chart contains requirements and guidance pertaining to business assets for self-employed borrowers:</td></tr>
<tr><td></td><td>Subject</td><td>Requirements and Guidance</td></tr>
<tr><td></td><td>Business Assets Used for Closing costs, financing costs, prepaids/escrows, and reserves</td><td>» Withdrawals of assets from the business may have a negative impact on the ability of the business to continue operating.
» When business assets are being used for the Down Payment, Closing Costs and/or reserves, REMN must determine that the withdrawal of the funds will not have a detrimental effect on the business.
» In addition to a review and analysis of the personal and business tax returns, REMN may review and analyze the current financial statement and/or the last three months of the business bank statements to confirm the deposits, withdrawals and balances are supportive of a viable business and are aligned with the level and type of income and expenses reported on the business tax returns.
» The factors contributing to the determination that the withdrawal will not negatively impact the business must be included on the written analysis of the income source and amount
» The business assets must be verified in accordance with Freddie Mac asset documentation requirements</td></tr>
<tr><td>Verification of Current Existence of the Business</td><td colspan="2">The following chart contains requirements and guidance pertaining to verification of current existence of the business:</td></tr>
<tr><td></td><td>Subject</td><td>Requirements and Guidance</td></tr>
<tr><td></td><td>Verification of Current Existence of Business</td><td>» Verification of the current existence of the business is required when positive income from the business is used as stable monthly income</td></tr>
<tr><td></td><td>Acceptable Third-Party Sources</td><td>» Acceptable third-party sources include, but are not limited to:
– Regulatory agency
– Phone directory
– Internet source (e.g., Better Business Bureau)
– Directory assistance
– Applicable licensing bureau
» Verification of current existence of the business obtained verbally from an acceptable third-party source must be documented and include all of the following:
– Name and address of the business
– Name of individual and entity contacted to obtain the verification
– Date information verified
– Name and title of the individual who completed the verification for REMN</td></tr>
<tr><td></td><td>Alternative Sources</td><td>» REMN may consider alternative sources if the above are not available, such as:
– Preparer of the tax returns for the business (e.g., accountant), provided the preparer has an arm’s length relationship with the borrower
– At least one (1) months’ business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns</td></tr>
<tr><td></td><td>Date Requirements</td><td>» The verification must be completed no more than 120 days prior to the Note Date</td></tr>
</table>

INCOME & EMPLOYMENT

Self-Employed Documentation Requirements

» REMN must establish and calculate the stable monthly income using at least the following required documentation. Additional documentation may be needed to support income stability, as described within this section.

- Form 91, Income Analysis Form, or an alternative form that provides the same information
- Verification of the current existence of the business, as described in Verification of Current Existence of the Business section
- Federal income tax returns, as required in the below chart, including all applicable schedules and forms must reflect at least twelve (12) months of self-employed income
- Verification of how long the business has been in existence:
  - For partnerships, S-corporations and corporations, the federal income tax return(s) for the business must indicate the number of years that the business has been in existence
  - For sole proprietorships, the federal individual income tax return(s) and any other documentation or information received must not contradict the number of years that the business has been in existence as documented on Form 65, Uniform Residential Loan Application
- Year-to-Date Profit & Loss Statement
  - An unaudited year-to-date (YTD) Profit & Loss (P&L) statement with a balance sheet is not automatically required in all instances
  - With regard to tax documentation, follow LP findings
  - If the borrower is on extension for the current tax year due, please reference the Self-Employed Borrowers Profit & Loss Requirements policy to determine if an unaudited P&L is required for the specific loan transaction

Business Structure	Streamlined Accept and Standard Documentation Levels	
	Business in Existence >= Five (5) Years: *The Borrower must be self-employed (i.e., have an ownership interest of 25% or more) in the same business for at least five years*	**Business in Existence < Five (5) Years**
Sole Proprietorship	Complete signed federal individual (Form 1040) income tax return for the most recent year	Complete signed federal individual (Form 1040) income tax returns for the most recent two (2) years
Partnership	Complete signed federal individual and Partnership (Form 1065) income tax returns, including Schedule K-1(s) for the most recent year	Complete signed federal individual and Partnership (Form 1065) income tax returns, including Schedule K-1(s) for the most recent two (2) years
S-Corporation	Complete signed federal individual and S-Corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) is applicable, for the most recent year	Complete signed federal individual and S-Corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) is applicable, for the most recent two (2) years
Corporation	Complete signed federal individual and S-Corporation (Form 1120) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) is applicable, for the most recent year	Complete signed federal individual and S-Corporation (Form 1120) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) is applicable, for the most recent two (2) years

<table>
<tr><th colspan="4">INCOME & EMPLOYMENT</th></tr>
<tr><td>General Requirements for All Other Income (Non-Employment/Non-Self-Employment)</td><td colspan="3">» Factors that must be considered in determining the likelihood of continued consistent receipt of all other non-employment/non-self-employment income below include, but are not limited to the following:
– Whether the payments are received pursuant to a written agreement, court decree, government program, law and/or regulation
– The length of time the payments have been received
– The regularity of receipt of the income
– The consistency of the amount of income
– The availability of procedures to compel payment
– Whether full or partial payments have been made
– The age of each child for which support and/or benefit payments are made (if applicable)
– Applicable eligibility criteria governing the continued receipt of the income</td></tr>
<tr><td rowspan="4">Specific Requirements for Other Income Types</td><td colspan="3">This section contains stable monthly income and documentation requirements for the following income types:</td></tr>
<tr><td rowspan="2">Income Type</td><td rowspan="2">Stable Monthly Income Requirements</td><td>Documentation Requirements</td></tr>
<tr><td>Streamlined Accept & Standard Doc Levels</td></tr>
<tr><td>Notes Receivable</td><td><u>History of Receipt</u>: Receipt of payments for the most recent twelve (12) months on a regular monthly basis
<u>Continuance:</u> Note must have a remaining term of at least three (3) years from the application date.
<u>Calculation:</u> Use the full scheduled payment amount documented on the note</td><td>Copy of the note evidencing the terms including, but not limited to, the scheduled amount and duration of payments, and proof of receipt of payments for the most recent twelve (12) months</td></tr>
<tr><td>Dividend & Interest</td><td><u>History of Receipt:</u> Most recent two (2) years
<u>Continuance</u>: Document that sufficient assets remain after closing to support the continuance of the dividend and interest income, at the level used for qualifying, for at least the next three (3) years
<u>Calculation</u>: 24mos average</td><td>Copy of either:
» Complete federal individual income tax returns for the most recent two (2) year period; or
» Year-end asset account statements for the most recent two (2) years evidencing all dividend & interest income for each year for the income-producing assets, AND
» Evidence of sufficient assets to support the qualifying income</td></tr>
<tr><td>Capital Gains</td><td><u>History of Receipt</u>: Most recent two (2) years of realized capital gains
<u>Continuance</u>: Document that sufficient assets remain after closing to support continuance of the capital gain income, at the level used for qualifying, for at least the next three (3) year
<u>Calculation</u>: 24mos average</td><td>» Copy of complete federal individual income tax returns for the most recent two (2) year period reflecting capital gain income, and
» Evidence of sufficient assets to support the qualifying income</td></tr>
</table>

INCOME & EMPLOYMENT			
Specific Requirements for Other Income Types (cont'd)	**Income Type**	**Stable Monthly Income Requirements**	**Documentation Requirements** **Streamlined Accept & Standard Doc Levels**
	Royalty Payments	**Borrowers < 2 Year History of Receipt:** Most recent one (1) year receipt of payments on a regular basis **Continuance:** Royalty contract(s) and/or lease agreements must evidence eligibility for payment continuance for at least the next three (3) years from the application date. **Calculation:** 12mos average	**Borrowers < 2 Year History:** » Copy of completed federal individual income tax return for the most recent one (1) year period, and » Copy of royalty contract(s) or lease agreement(s) evidencing the terms including, but not limited to, the duration of payment eligibility
		Borrowers >= 2yr History of Receipt: Most recent two (2) year receipt of payments on a regular basis. **Continuance:** Must be likely to continue for at least the next three (3) years **Calculation:** 24mos average	**Borrowers >= 2yr History**: » Copy of completed federal individual income tax returns for the most recent two (2) year period
	Trust Income	**History of Receipt**: » Most recent two (2) years if the income is based on historical fluctuating payments from a trust asset (e.g., dividends & interest) » A history of receipt is not required if the trust specifies pre-determined fixed payment amounts occurring at regular intervals for a duration of at least three (3) years **Continuance**: Document that sufficient assets remain after closing to support continuance of the trust income for at least the next three (3) years from the application date. **Calculation**: » Fluctuating Payments – 24mos average » Pre-Determined Fixed Payments – Use the fixed payment amount documented in the trust agreement	**Trust Income Based on Historical Fluctuating Payments from a Trust Asset**: » Copy of fully executed trust agreement outlining payment terms, and » Copy of complete federal individual income tax returns for the most recent two (2) year period, and » Evidence of sufficient assets to support the qualifying income (e.g., letter from trustee, bank statements) **OR** **Trust Income Based on Pre-Determined Fixed Payment Amount**: » Copy of fully executed trust agreement specifying fixed payment amount occurring at set intervals (e.g., monthly, quarterly) and duration of payments, and » Copy of a bank statement or other equivalent documentation verifying receipt of pre-determined fixed payments for the most recent one year, and » Evidence of sufficient assets to support the qualifying income (e.g., letter from trustee, bank statements). When the borrower is the trustee, a letter from the trustee is not acceptable documentation.

Specific Requirements for Other Income Types (cont'd)	Income Type	Stable Monthly Income Requirements	Documentation Requirements Streamlined Accept & Standard Doc Levels
	Retirement Income – Social Security, Pension, Annuity, etc.	***Existing & Established Retirement Income***	
		Evidence of the type, source, pre-determined payment amount, payment frequency and current receipt must be obtained: » **History of Receipt:** A history of receipt is not required for the income to be considered stable » **Continuance:** Must be likely to continue for at least the next three (3) years » **Calculation:** Use the documented fixed monthly payment amount.	» Document income, type, source, payment frequency, pre-determined payment amount and current receipt with one or more of the following docs, as needed: a copy of a benefit verification letter, award letter, pay statement, 1099, bank statement(s) or other equivalent documentation » Age of documentation requirements do not have to be met for verification of income type, source, payment frequency or predetermined payment amount ○ *Exception*: For pension income, when IRS Form 1099 is used to document current receipt, and verifies income type and source, age of documentation requirements do not apply. » For Social Security retirement benefits, REMN must obtain one of the following: ○ A copy of the Social Security Administration benefit verification letter ○ Form 1099-SSA for the most recent calendar year ○ Pages 1 and 2 of the borrower's most recent federal individual income tax returns (or pages 1–3 if filing Form 1040-SR). If the tax returns were filed jointly with an individual who is not a borrower on the transaction, REMN must obtain additional documentation supporting the amount of Social Security income used for qualifying. » Documentation evidencing current receipt
		Newly Established Retirement Income	
		» If the retirement income is newly established, verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date » The terms that must be verified include, but are not limited to, the	» Document the finalized terms of the newly established income, including, but not limited to the source, type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payor that provides and establishes these terms

		source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first Mortgage payment due date	» The income must commence prior to or on the first Mortgage payment due date » The documentation must be dated no more than 120 days prior to the Note Date » Verification of current receipt is not required

INCOME & EMPLOYMENT			
Specific Requirements for Other Income Types (Cont'd)	Income Type	Stable Monthly Income Requirements	Documentation Requirements Streamlined Accept & Standard Doc Levels
	Retirement Account Distributions as Income (e.g., 401(k), IRA)	**Eligibility Requirements**: Distributions from retirement accounts recognized by the IRS (e.g., 401(k), IRA) that are not subject to penalty (e.g., early withdrawal penalty) may be considered stable monthly qualifying income. Evidence of the income source, type, distribution frequency, distribution amount(s), current receipt (as applicable) and history of receipt (as applicable), must be documented. **Required Minimum Distributions**: If distributions are being taken in accordance with certain IRS rules, such as the Required Minimum Distributions (RMD) rule (i.e., excise tax penalty applies if distributions are not taken), and evidence of current receipt of the required minimum distribution amount is obtained, history of receipt is not required for the income to be considered stable. **History & Stability Requirements & Guidance**: REMN must determine that the source and amount of the income ae stable. Factors that must be considered when determining that the borrower's qualifying income is stable, and when determining the history of receipt necessary to justify a stable monthly qualifying income include, but are not limited to the following: » Frequency and regularity of receipt of the distributions » Length of time the distributions have been taken and whether or not they establish a stable pattern of receipt over a given period of time » Rules governing distributions (e.g., IRS rules governing exception to early withdrawal penalties and Required Minimum Distributions [RMD], employer retirement plan rules and designs governing scheduled distribution terms). Certain rules may provide support for the frequency and regularity of receipt as well as continued receipt, thereby enabling a lesser amount of history to justify a stable monthly qualifying income amount. *(Continued on next page)*	» Copy of most recent retirement account statement(s), documentation from financial institution holding retirement account that verifies regularly scheduled distribution arrangements, 1099(s) and/or other equivalent documentation showing income source, type, distribution frequency, distribution amounts and history of receipt (as applicable), **AND** » Copy of bank statement(s) or other equivalent documentation evidencing current receipt (as applicable), **AND** » Evidence of sufficient assets to support the qualifying income If the retirement distributions are not scheduled monthly payments (e.g., annual, semi-annual, quarterly), the most recent distribution verified through a copy of the retirement account statement, 1099 and/or other equivalent documentation, as applicable, is sufficient in lieu of a current receipt; however, verification of receipt of multiple distributions may be necessary to determine frequency of distributions, history of receipt and amount of stable monthly qualifying income.

INCOME & EMPLOYMENT			
Specific Requirements for Other Income Types (Cont'd)	**Retirement Account Distributions as Income (e.g. 401(k), IRA) (Cont'd)**	**Continuance:** Document that sufficient assets remain in the retirement account(s) after closing to support continuance of the retirement account distributions as income for at least the next three (3) years. If the retirement account(s) from which the Borrower is currently taking distribution is projected to be depleted within three years, the Borrower's additional retirement accounts may be considered when determining continuance of income used for qualifying. REMN must verify that the Borrower has sufficient eligible retirement assets in aggregate to support the amount of qualifying income for at least three years after the Note Date. The additional retirement assets used to verify continuance may not be used as a source of funds for closing or reserves, as a current source of income for the Borrower, or for the calculation of assets as a basis for repayment of obligations described in Section 5307.1.	
	Section 8 Income (Housing Choice Voucher program)	**Minimum History of Receipt** A history of receipt is not required for the income to be considered stable. **Continuance** Document that the HCV homeownership program assistance term limit has a remaining term of at least three years from the application date. **Monthly Payment Amount** The documented fixed monthly payment amount. The payments may not be used to offset the monthly housing payment amount used for qualification.	Documentation from the public housing agency that issued the homeownership voucher verifying the terms, including the source, benefit type, payment frequency, payment amount and duration of the term limit of at least three years

<table>
<tr><th rowspan="2">Specific Requirements for Other Income Types (Cont'd)</th><th rowspan="2">Income Type</th><th rowspan="2">Stable Monthly Income Requirements</th><th>Documentation Requirements</th></tr>
<tr><th>Streamlined Accept & Standard Doc Levels</th></tr>
<tr><td rowspan="4">Survivor and Dependent Benefit Income</td><td colspan="2">Existing & Established Survivor and Dependent Benefit Income</td></tr>
<tr><td>Evidence of the type, source, pre-determined payment amount, payment frequency and current receipt must be obtained.
» <u>History of Receipt</u>: A history of receipt is not required for the income to be considered stable
» <u>Continuance</u>: Survivor and dependent benefit income may or may not have documentable continuance of at least three years from the application date, depending on the income source. REMN must make this determination based on factors such as whether the payments are received pursuant to a written agreement, government program, law and/or regulation, as well as the applicable eligibility criteria governing the continued receipt of the income.
» <u>Calculation</u>: Use the documented fixed monthly payment amount
Examples include Social Security Survivor benefits, Department of VA benefits, etc.</td><td>» Document income type, source, payment frequency, pre-determined payment amount and current receipt with one or more of the following docs as needed: a copy of the benefit verification letter, award letter, 1099, bank statement(s) or other equivalent documentation.
» Age of documentation requirements do not have to be met for verification of income type, source, payment frequency or pre-determined amount.</td></tr>
<tr><td colspan="2">Newly Established Survivor and Dependent Benefit Income</td></tr>
<tr><td>» Verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date
» The terms that must be verified included, but are not limited to the source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first Mortgage payment due date.</td><td>» Document the finalized terms of the newly established income including, but not limited to the source, type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payer that provides and establishes these terms. The income must commence prior to or on the first Mortgage payment due date.
» The documentation must be dated no more than 120 days prior to the Note Date.
» Verification of current receipt not required.</td></tr>
<tr><td></td><td colspan="2">Existing & Established Long-Term Disability Income</td></tr>
</table>

	Long-Term Disability Income	Evidence of the source, insurance and/or benefit type, pre-determined payment amount, payment frequency and current receipt must be obtained. » **History of Receipt**: A history of receipt is not required for the income to be considered stable » **Continuance**: Long-term disability income may or may not have documentable continuance of at least three years from the Application date, depending on the income source. REMN must make this determination based on factors such as whether the payments are received pursuant to a written agreement, government program, law and/or regulation, as well as the applicable eligibility criteria governing the continued receipt of the income. » Long-term disability income may be considered to have a reasonable expectation of continuance without obtaining any additional documentation unless there is a pre-determined insurance and/or benefit expiration date that is less than three years (e.g., stated termination of a private disability insurance policy). » Pending or current re-evaluation of medical eligibility for insurance and/or benefit payments is not considered an indication that the insurance and/or benefit payment will not continue. » **Calculation**: Use the documented fixed monthly payment amount	Document all of the following: » Income type » Source » Payment frequency » Pre-determined payment amount » Current receipt Acceptable documentation includes one or more of the following: » Benefit verification letter » Award letter » Pay statement » Internal Revenue Service (IRS) Form 1099 » Form W-2 » Bank statement(s) » Other equivalent documentation If the disability policy has a pre-determined expiration date (e.g., certain disability policies provided by employers and private insurers), obtain a copy of the certificate of coverage or other equivalent documentation evidencing the policy term. For Social Security disability benefits, REMN must obtain one of the following: » The Social Security Administration benefit verification letter » IRS Form 1099-SSA for the most recent calendar year » Pages 1 and 2 of the Borrower's most recent federal individual income tax returns (or pages 1–3 if filing 1040-SR). If the tax returns were filed jointly with an individual who is not a Borrower on the transaction, REMN must obtain additional documentation supporting the amount of Social Security income used for qualifying. » Evidence of current receipt Age of documentation requirements do not have to be met for verification of income type, source, payment frequency or pre-determined payment amount. Age of documentation requirements must be met for verification of current receipt.

		Newly Established Long-Term Disability Income	
		» Verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date. » The terms that must be verified must include, but are not limited to the source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first Mortgage payment due date. » Documentation must be dated no more than 120 days prior to the Note Date.	» Document the finalized terms of the newly established income including, but not limited to the source, type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or equivalent documentation from the payer that provides and establishes these terms. » The income must commence prior to or on the first Mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. Verification of current receipt is not required.

		Future Long-Term Disability Income	
		» Long-term disability income that will commence after the first Mortgage payment due date is acceptable for qualifying the Borrower only if the Borrower is currently receiving short-term disability benefits that will subsequently convert to long-term benefits. » The Borrower must be qualified on the lesser amount of either the long-term or short-term disability payments.	» Long-term disability income that will commence after the first Mortgage payment due date is acceptable for qualifying the Borrower only if the Borrower is currently receiving short-term disability benefits that will subsequently convert to long-term benefits. » The Borrower must be qualified on the lesser amount of either the long-term or short-term disability payments.

Specific Requirements for Other Income Types (cont'd)	Income Type	Stable Monthly Income Requirements	Documentation Requirements Streamlined Accept & Standard Doc Levels
	Social Security Supplemental Income (SSI)	***Existing & Established SSI Benefits Income***	
		Evidence of the source, benefit type, pre-determined payment amount, payment frequency and current receipt must be obtained. » **History of Receipt**: A history of receipt is not required for the income to be considered stable. » **Continuance**: SSI may be considered to have a reasonable expectation of continuance unless there is evidence that the benefits will not continue. Pending or current re-evaluation of medical eligibility for benefit payments is not considered an indication that the insurance/benefit payment will not continue » **Calculation**: Use the documented SSI benefit amount.	» Document source, benefit type, payment frequency, pre-determined payment amount and current receipt with one or more of the following docs, as needed: a copy of the benefit verification letter, award letter, 1099, bank statement(s) or other equivalent documentation. » Age of documentation requirements do not have to be met for verification of income type, source, payment frequency or pre-determined payment amount.
		Newly Established SSI Benefits	
		» Verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date. » The terms that must be verified include, but are not limited to the source, benefit type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first Mortgage payment due date.	» Document the finalized terms of the newly established income including, but not limited to the source, benefit type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payer that provides and establishes these terms. » The income must commence prior to or on the first Mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. Verification of current receipt is not required.
		Existing & Established Public Assistance Income	

	Public Assistance Income	Evidence of the source, benefit type, payment frequency, amount, duration of benefit of eligibility and current receipt must be obtained. » **History of Receipt**: A history of receipt is not required for the income to be considered stable. » **Continuance**: Public assistance income may or may not have documentable continuance of at least three years from the Application date, depending on the income source. REMN must make this determination based on factors such as whether the payments are received pursuant to a written agreement, government program, law and/or regulation, as well as the applicable eligibility criteria governing the continued receipt of the income. » When public assistance income has a documentable duration (e.g., TANF), REMN must document duration of benefit eligibility for at least three years from the application date. » **Calculation**: Use the documented public assistance benefit amount	» Document income source, benefit type, payment frequency, pre-determined payment amount and duration of benefit eligibility with a copy of the benefit verification letter or other equivalent documentation from the applicable agency. Age of documentation requirements do not have to be met. » Document current receipt with a copy of the bank statement, benefit verification letter from applicable agency or other equivalent documentation. Age of documentation requirements must be met.
		Newly Established Public Assistance Income	
		» Verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date. » The terms that must be verified include, but are not limited to the source, benefit type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first Mortgage payment due date.	» Document the finalized terms of the newly established income including, but not limited to the source, benefit type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter or other equivalent documentation from the applicable agency that provides and establishes these terms. » The income must commence prior to or on the first Mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. Verification of current receipt is not required.

Specific Requirements for Other Income Types (cont'd)	Income Type	Stable Monthly Income Requirements	Documentation Requirements Streamlined Accept & Standard Doc Levels
	Foster-Care Income Received from State or County-Sponsored Organization	**History of Receipt**: Most recent two (2) years **Continuance**: Must be likely to continue for at least three (3) years. **Calculation**: 24mo average.	Documentation to evidence receipt of foster-care income for the most recent two (2) year period.
	Alimony, Child Support or Separate Maintenance Payments	**History of Receipt:** Most recent six (6) months – If the payer has been obligated to make payments for less than six (6) months, if the payments are not for the full amount or are not received on a consistent basis, the income must not be considered for qualifying. – Evidence of receipt is required via deposits to the borrower's deposit institution, evidence of electronic transfer, or statement from a government agency. **Continuance**: Document and verify the payer is obligated to make the payment to the borrower for at least the next three (3) years from the application date. **Calculation**: Use the documented fixed monthly payment amount.	» Documentation to evidence receipt of the alimony, child support and/or separate maintenance payment amount for the most recent six (6) months, AND » Copy of the signed court order, legally binding separation agreement and/or final divorce decree verifying the payer's obligation for the previous six (6) months, including the amount and the duration of the obligation, AND » For child support income, proof of the ages for which child support is received.
	Housing or Parsonage Allowance	**History of Receipt**: Most recent twelve (12) months **Continuance**: Must be likely to continue for at least the next three (3) years. **Calculation**: Use the documented monthly payment amount » The housing allowance may not be used to offset the monthly housing payment. » Please refer to the Military Entitlements subsection for military housing entitlements.	» Written verification of employment (VOE), a letter from the employer or paystubs documenting the amount of the housing or parsonage allowance and the terms under which it is paid, AND » Documented evidence of the most recent twelve (12) months' receipt of the housing or parsonage allowance.
	Income from a Foreign Source (Non-employment/Non-self-employment income)	» The income must be reported on the borrower's most recent U.S. federal individual income tax return » Refer to the income types listed in this section for the requirements applicable to the income type received from the foreign source (e.g. history of receipt, continuance, calculation, documentation).	» Copy of the borrower's most recent complete signed U.S. federal individual income tax return, AND » Documentation for the applicable income type in accordance with the Freddie Mac requirements

	Tax-Exempt Income	**History of Receipt**: A history of receipt is not required **Continuance**: Must be likely to continue to remain tax exempt **Calculation**: To determine the amount to adjust (i.e. "gross-up") the borrower's income, use: » 25% of the tax-exempt portion of the income, or » The current federal and state income tax withholding tables **Note**: Income that benefits from a tax deduction (i.e., overtime, tips, childcare credits) is not considered tax-exempt and may not be grossed up.	Copy of complete federal individual income tax return for the most recent one (1) year period or other documentation evidencing that the income, or a portion of the income, is tax exempt. **Exception**: Evidence the income is tax exempt is not required to be documented for: » Child support income » Section 8 income » 15% of Social Security Income (i.e., retirement income, disability benefits, survivor benefits, and SSI)

<table>
<tr><td rowspan="4">Assets as a Basis for Repayment of Obligations</td><td colspan="3">Assets that will be used by the Borrower for the repayment of their monthly obligations may be used to qualify the borrower for the Mortgage, provided that, regardless of the underwriting path of the Mortgage, the requirements of this section are met. The loan application (Form 65) should include information pertaining to the Borrower's employment and income, even if the Borrower qualifies for the Mortgage solely based on assets.</td></tr>
<tr><td>Eligibility Requirements</td><td colspan="2">» The Mortgage is secured by a 1 or 2-unit primary residence or a second home
» The Mortgage is either a purchase transaction, no cash-out refinance transaction, or a Freddie Mac LP Open Access Refinance mortgage
» The Mortgage has a maximum LTV/TLTV/HTLTV ratio of 80%</td></tr>
<tr><td>Asset Calculation for Establishing the DTI Ratio</td><td colspan="2">» To determine the amount used to establish the DTI ratio, REMN must use the net eligible assets (as described below), divided by 240 months.
» The amount of net eligible assets is calculated by subtracting the following from the total eligible assets:
– Any funds required to be paid by the Borrower to complete the transaction (e.g. Down Payment and Closing Costs)
– Any gift funds and borrowed funds, and
– Any portion of assets pledged as collateral for a loan or otherwise encumbered.</td></tr>
<tr><td>Asset Eligibility and Documentation Requirements</td><td colspan="2">The assets described below may be used to qualify the borrower for the Mortgage, provided that the assets meet the following requirements:
<table>
<tr><th>Asset Type</th><th>Asset Eligibility Requirements</th><th>Documentation Requirements</th></tr>
<tr><td>Retirement Assets</td><td>» The retirement assets must be in a retirement account recognized by the IRS (e.g. 401K, IRA, etc.)
» The asset must not currently be used as a source of income by the Borrower.
» As of Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty or an additional early distribution tax
» The borrower's rights to the funds in the account must be fully-vested.</td><td>» Most recent retirement asset account statement(s)
» Documentation evidencing asset eligibility requirements are met.</td></tr>
</table></td></tr>
</table>

		Lump Sum Distribution Funds Not Deposited to the Eligible Retirement Asset	» Lump-sum distribution funds must be derived from a retirement account recognized by the IRS (e.g. 401K, IRA, etc.) and must be deposited to a non-retirement brokerage or depository or non-retirement securities account » Borrower must have been the recipient of the lump-sum distribution funds » Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump-sum distribution » The proceeds from the lump-sum distribution must be immediately accessible in their entirety » The proceeds from the lump-sum distribution must not have been or currently be subject to a penalty or early distribution tax.	» Most recent three (3) months personal depository or brokerage account statements » Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received) » Satisfactorily documented evidence of the following: – Funds verified in the non-retirement account and used for Mortgage qualification must have been derived from eligible retirement assets. – Lump-sum distribution funds must not have been, or current be subject to a penalty or early distribution tax.

<table>
<tr><th colspan="4">INCOME & EMPLOYMENT</th></tr>
<tr><td rowspan="2">Assets as a Basis for Repayment of Obligations (Cont'd)</td><td rowspan="2">Asset Eligibility and Documentation Requirements (Cont'd)</td><td colspan="3">The assets described below may be used to qualify the borrower for the Mortgage, provided that the assets meet the following requirements:</td></tr>
<tr><td>Asset Type</td><td>Asset Eligibility Requirements</td><td>Documentation Requirements</td></tr>
<tr><td></td><td></td><td>Depository Accounts and Securities</td><td>» The borrower must solely own assets or, if asset is owned jointly, each asset owner must be a borrower on the Mortgage and/or on the title to the subject property.
» At least one borrower who is an account owner must be at least 62 years old
» As of the Note Date, the borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty
» Account funds must be located in a United States – or State-regulated financial institution and verified in US dollars.</td><td>» LP Accept Findings – Provide an account statement covering a one (1) month period or direct account verification (i.e. VOD). OR If the borrower does not receive a stock/security account statement:
– Provide evidence the security is owned by the Borrower, and
– Verify value using stock prices from a financial publication or web site
» Documentation evidencing asset eligibility requirements are met
» Sourcing deposits:
– REMN must document the source of funds for any deposit exceeding 10% of the borrower's total eligible assets in depository accounts and securities and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the borrower by the amount of the deposit.
– When the source of funds can be clearly identified from the deposit information on the account statement (e.g. direct payroll deposits) or other documented income or asset source in the Mortgage file, REMN is not required to obtain additional documentation.</td></tr>
</table>

		Assets from the Sale of the Borrower's Business	» The borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account. » Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the borrower's business. » The proceeds from the sale of the business must be immediately accessible in their entirety » The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest or seller-help notes to buyer of business.	» Most recent three (3) months personal depository or brokerage account statements » Fully-executed closing documents evidencing final sale of business to include sales price and net proceeds » Contract for sale of business » Most recent business tax return prior to sale of business » Satisfactorily documented evidence of the following: – Funds verified in the non-retirement account and used for Mortgage qualification must have been derived from the sale of the borrower's business.

Rental Income

Stable monthly rental income must be generated from acceptable and verifiable sources and must be reasonably expected to continue for at least the next three years. For each income source used to qualify the Borrower, REMN must determine that both the source and the amount of the income are stable.

Rental Income Eligibility:

Rental income generated from the following property and occupancy types may be considered when determining the stable monthly income:

- 1-unit Primary Residence
  - Rental income is eligible from a live-in aide
  - Rental income from an ADU
- Subject 2- to 4-unit Primary Residence (rental income is eligible from units that are not occupied by the Borrower)
- Subject 1- to 4-unit Investment Property
- Non-subject investment property owned by the Borrower (Not restricted to residential property. Example: commercial permitted)

Accessory Units:

When determining stable monthly income, if all rental income requirements are met, rental income generated from an accessory unit may be considered for:

- Subject 1-Unit Primary Residence
- Subject 1-unit Investment Property
- Non-subject investment property

Second Homes:

Rental income generated from the Borrower's second home may not be used as stable monthly income.

Rental Income from Subject 1-4 Unit Investment Property or Subject 2-4 Unit Primary Residence	
Purchase	
Topic	**Requirements**

Income Documentation	» The existing lease, when available
	  ○ REMN WS must make reasonable efforts to determine lease availability, including review of the appraisal report, comparable rent data, purchase contract, a discussion with the Borrower and/or any other applicable and reasonable method
	  ○ The existing lease(s) must be current and fully executed in the property seller's name as the landlord
	» Form 72, Small Residential Income Property Appraisal Report, or Form 1000, Single-Family Comparable Rent Schedule, as applicable, when the lease is not available

Comparable Rent Data Analysis	REMN WS' analysis of the rental information must include, at a minimum, the follow factors:
	» Rental market viability and income producing potential for subject property
	» When using the lease, whether the current market rents reasonably support the gross monthly lease income. If the current market rents do not reasonably support the gross monthly lease income, REMN WS must:
	  ○ Determine if additional documentation is necessary to support income stability, and
	  ○ Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the Borrower is stable and reasonably expected to continue

Calculation	Use 75% of: » Gross monthly rent from the lease when the lease is available, or » Gross monthly market rent from Form 72 or Form 1000, as applicable, when the lease is not available **Note**: The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
Limitations on Use of Rental Income	***Investment Properties Only*** To use rental income to qualify: » Each Borrower must currently own a Primary Residence or have a current rental housing payment documented.

	○ **Exception**: For Borrowers currently residing in the same property, at least one Borrower must own a Primary Residence or have a current rental housing payment to use rental income to qualify. » The full amount of the net rental income can be used only when documentation in the Mortgage file demonstrates that at least one Borrower has a minimum of one year of investment property management experience » If no Borrower has at least one year of investment property management experience, net rental income is limited to the amount that offsets the principal, interest, taxes and insurance (PITI) and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association (HOA) dues (excluding unit utility charges) and payments on secondary financing on the subject Investment Property.
Use of Net Rental Income in the DTI Calculation	**Primary Residences** » The monthly housing expense must be calculated without the use of rental income » The net rental income may be added to the stable monthly income **Investment Properties** Subtract the monthly payment amount from the net rental income: » If the result is positive, add it to the stable monthly income » If the result is negative, add it to the monthly liabilities
Refinance (Purchase or Placed in Service in the Current Calendar Year)	
Topic	**Requirements**
Income Documentation	» Purchase date or conversion date, as applicable, must be documented » Lease ○ The lease must be current and fully executed ○ For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage » Income reflected on the lease must be supported by one of the following: ○ Form 72 or Form 1000, as applicable ○ Documentation verifying receipt of two months of rental payments or receipt of the security deposit and the first month's rental payment. Documentation must include one of the following: ▪ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks) ▪ Evidence that the payments were transferred into a third-party money transfer application account that is owned by the Borrower (e.g., a screenshot or monthly account statement evidencing transfer of the payments and the Borrower's name, a screenshot that evidences transfer of the payments and ties the account to the Borrowers bank account) ▪ For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the Borrower's personal depository account at a financial institution
Comparable Rent Data Analysis	REMN WS' analysis of the rental information must include, at a minimum, the following factors: » Rental market viability and income producing potential for subject property » When using the lease, whether the current market rents reasonably support the gross monthly lease income. If the current market rents do not reasonably support the gross monthly lease income, REMN WS must: ○ Determine if additional documentation is necessary to support income stability, and ○ Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the Borrower is stable and reasonably expected to continue
Calculation	Use 75% of the gross monthly rent from the lease.

	Note: The 25% adjustment is made to compensate for vacancies, operating and maintenance costs, and any other unexpected expenses.
Use of Net Rental Income in the DTI Calculation	**Primary Residences** » The monthly housing expense must be calculated without the use of rental income » The net rental income may be added to the stable monthly income **Investment Properties** Subtract the monthly payment amount from the net rental income: » If the result is positive, add it to the stable monthly income If the result is negative, add it to the monthly liabilities
Refinance (Owned in the Prior Calendar Year)	
Topic	**Requirements**
Income Documentation	» The Borrower's complete federal income tax returns, including Schedule E for the most recent year. » If the property was purchased or converted to a rental property in the prior calendar year, the purchase or conversion date, as applicable, must be documented. » [**Investment Properties]** Form 72 or Form 1000, as applicable When the requirements are met for using a lease in lieu of Schedule E to calculate net rental income as described in the row labeled "Calculation of net rental income using lease", the following additional documentation is required: » Lease o The lease must be current and fully executed o For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage » Income reflected on the lease must be supported by one of the following: o Form 72 or Form 1000, as applicable » Documentation verifying receipt of two months of rental payments or receipt of the security deposit and the first month's rental payment. Documentation must include one of the following: ▪ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks) ▪ Evidence that the payments were transferred into a third-party money transfer application account that is owned by the Borrower (e.g., a screenshot or monthly account statement evidencing transfer of the payments and the Borrower's name, a screenshot that evidences transfer of the payments and ties the account to the Borrowers bank account) ▪ For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the Borrower's personal depository account at a financial institution
Comparable Rent Data Analysis	REMN WS' analysis of the rental information must include, at a minimum, the follow factors: » Rental market viability and income producing potential for subject property » When using the lease, whether the current market rents reasonably support the gross monthly lease income. If the current market rents do not reasonably support the gross monthly lease income, REMN WS must: o Determine if additional documentation is necessary to support income stability, and o Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the Borrower is stable and reasonably expected to continue

Calculation of Net Rental Income Using Schedule E	Net rental income must be calculated using Schedule E except when the requirements to use a lease as described in the row labeled "Calculation of net rental income using lease" are met. **Step 1**: Calculate the total net rental income from Schedule E by deducting expenses from rents received. The following expenses may be added back: » Insurance » Mortgage interest paid to banks, etc. » Real estate taxes » HOA dues » Depreciation and/or depletion » One-time losses (e.g., casualty loss) if documented » Non-cash deduction (e.g., amortization) Use Form 92, Net Rental Income Calculations – Schedule E, or similar alternative form. **Step 2**: Determine the applicable number of months for averaging as follows: » If the property was owned as a rental property during the entire calendar year, the rental income used in qualifying must be annualized by dividing by 12. o **Exception**: The qualifying income may be established based on the number of days in service on Schedule E, provided that the property was out of service for a period of time in the prior year, and the Mortgage file contains documentation of significant repairs or renovation, as supported by a reduced number of days in use and repair/renovation expenses on Schedule E. » If the property was purchased or converted to a rental property later in the prior calendar year, the rental income used for qualifying must be based on the purchase or conversion date, as applicable. o **Exception**: The qualifying income may be established based on the number of days in service on Schedule E, provided that the property was out of service for a period of time after the purchase or conversion, as applicable, and the Mortgage file contains documentation of significant repairs or renovation, as supported by a reduced number of days in use and repair/renovation expenses on Schedule E. » **Step 3**: Calculate the qualifying monthly net rental income as follows: o Divide the total net rental income calculated in Step 1 by the applicable number of months determined in Step 2.
Calculation of Net Rental Income Using Lease	» Lease may be used to calculate the net rental income only when either of the following applies: o The most recent tax return filed with the IRS does not include the subject property on Schedule E (i.e., the tax return for the year during which the property was purchased or converted is on extension) o The property was out of service for a period of time during the prior year, and the Mortgage file contains documentation of significant repairs or renovation, as supported by a reduced number of days in use and repair/renovation expenses on Schedule E » Use 75% of the gross monthly rent from the lease. » **Note**: The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
Use of Net Rental Income in the DTI Calculation	**Primary Residences** » The monthly housing expense must be calculated without the use of rental income » The net rental income may be added to the stable monthly income **Investment Properties** Subtract the monthly payment amount from the net rental income: » If the result is positive, add it to the stable monthly income » If the result is negative, add it to the monthly liabilities

Rental Income from Non-Subject Investment Property or Non-Subject 2-4 Unit Primary Residence Purchased or Placed in Service in the Current Calendar Year	
Topic	**Requirements**
Income Documentation	» Purchase date or conversion date, as applicable, must be documented » Lease ○ The lease must be current and fully executed ○ For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage » Income reflected on the lease must be supported by one of the following: ○ Form 72 or Form 1000, as applicable ○ Documentation verifying receipt of two months of rental payments or receipt of the security deposit and the first month's rental payment. Documentation must include one of the following: ▪ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks) ▪ Evidence that the payments were transferred into a third-party money transfer application account that is owned by the Borrower (e.g., a screenshot or monthly account statement evidencing transfer of the payments and the Borrower's name, a screenshot that evidences transfer of the payments and ties the account to the Borrowers bank account) ▪ For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the Borrower's personal depository account at a financial institution » **Exception**: For a property purchased on or up to 45 days before the Note Date of the subject transaction, when the property is not yet rented, a lease is not required and market rent may be documented using Form 72 or Form 1000, as applicable.
Comparable Rent Data Analysis	When Form 72 or Form 1000, as applicable, is used to support the income reflected on the lease, REMN's analysis of the rental information must include, at a minimum, the following factors: » Rental market viability and income producing potential for subject property » Whether the current market rents reasonably support the gross monthly lease income. If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, REMN WS must: ○ Determine if additional documentation is necessary to support income stability, and ○ Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the Borrower is stable and reasonably expected to continue
Calculation	Use 75% of the gross monthly rent from the lease. **Exception**: When the property was purchased on or up to 45 days before the Note Date of the subject transaction and is not yet rented, use 75% of the gross monthly market rent from Form 72 or Form 1000, as applicable. **Note**: The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
Limitations on Use of Rental Income	***Investment Properties Only*** When the property was purchased on or up to 45 days before the Note Date of the subject transaction and is not yet rented: » To use rental income to qualify, each Borrower must currently own a Primary Residence or have a current rental housing payment documented.

		○ **Exception**: For Borrowers currently residing in the same property, at least one Borrower must own a Primary Residence or have a current rental housing payment to use rental income to qualify. » The full amount of the net rental income can be used only when documentation in the Mortgage file demonstrates that at least one Borrower has a minimum of one year of investment property management experience » If no Borrower has at least one year of investment property management experience, net rental income is limited to the amount that offsets the PITI and, when applicable, mortgage insurance premiums, leasehold payments, HOA dues (excluding unit utility charges) and payments on secondary financing on the non-subject Investment Property
	Use of Net Rental Income in the DTI Calculation	**Primary Residences** » The monthly housing expense must be calculated without the use of rental income » The net rental income may be added to the stable monthly income **Investment Properties** Subtract the monthly payment amount from the net rental income: » If the result is positive, add it to the stable monthly income » If the result is negative, add it to the monthly liabilities For multiple non-subject investment properties, apply the calculation above to each property, and: » If the combined result is positive, add it to the stable monthly income » If the combined result is negative, add it to the monthly liabilities
	Owned in the Prior Calendar Year	
	Income Documentation	» The Borrower's complete federal income tax returns (IRS Form 1040), including Schedule E for the most recent year. » If the property was purchased or converted to a rental property in the prior calendar year, the purchase or conversion date, as applicable, must be documented When the requirements are met for using a lease in lieu of Schedule E to calculate net rental income as described in the row labeled "Calculation of net rental income using a lease", the following additional documentation is required: » Lease ○ The lease must be current and fully executed ○ For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage » Income reflected on the lease must be supported by one of the following: ○ Form 72 or Form 1000 ○ Documentation verifying receipt of two months of rental payments or receipt of the security deposit and the first month's rental payment. Documentation must include one of the following: ▪ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks) ▪ Evidence that the payments were transferred into a third-party money transfer application account that is owned by the Borrower (e.g., a screenshot or monthly account statement evidencing transfer of the payments and the Borrower's name, a screenshot that evidences transfer of the payments and ties the account to the Borrowers bank account) ▪ For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the Borrower's personal depository account at a financial institution
	Comparable Rent Data Analysis	When Form 72 or Form 1000, as applicable, is used to support the income reflected on the lease, REMN WS' analysis of the rental information must include, at a minimum, the following factors:

		» Rental market viability and income producing potential for subject property » Whether the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, if applicable. If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, REMN must: ○ Determine if additional documentation is necessary to support income stability, and ○ Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the Borrower is stable and reasonably expected to continue
	Calculation of Rental Income using Schedule E	Net rental income must be calculated using Schedule E except when the requirements to use a lease as described in the row labeled "Calculation of net rental income using lease" are met. **Step 1**: Calculate the total net rental income from Schedule E by deducting expenses from rents received. The following expenses may be added back: » Insurance* » Mortgage interest paid to banks, etc.* » Real estate taxes* » HOA dues* » Depreciation and/or depletion » One-time losses (e.g., casualty loss) if documented » Non-cash deduction (e.g., amortization) Use Form 92 or similar alternative form. **Note:** These expenses may be added back if they are included in the monthly payment amount used to establish the DTI ratio. **Step 2**: Determine the applicable number of months for averaging as follows: » If the property was owned as a rental property during the entire calendar year, the rental income used in qualifying must be annualized by dividing by 12. ○ **Exception**: The qualifying income may be established based on the number of days in service on Schedule E provided that the property was out of service for a period of time in the prior year, and the Mortgage file contains documentation of significant repairs or renovation, as supported by a reduced number of days in use and repair/renovation expenses costs on Schedule E. » If the property was purchased or converted to a rental property later in the prior calendar year, the rental income used for qualifying must be based on the purchase or conversion date. ○ **Exception**: The qualifying income may be established based on the number of days in service on Schedule E, provided that the property was out of service for a period of time after the purchase or conversion, as applicable, and the Mortgage file contains documentation of significant repairs or renovation, as supported by a reduced number of days in use and repair/renovation expenses on Schedule E. **Step 3**: Calculate the qualifying monthly net rental income as follows: » Divide the total net rental income calculated in Step 1 by the applicable number of months determined in Step 2
	Calculation of Net Rental Income Using Lease	Lease may be used to calculate the net rental income only when either of the following applies: » The most recent tax return filed with the IRS does not include the subject property on Schedule E (i.e., the tax return for the year during which the property was purchased or converted is on extension) » The property was out of service for a period of time during the prior year, and the Mortgage file contains documentation of significant repairs or renovation, as supported by a reduced number of days in use and repair/renovation expenses on Schedule E Use 75% of the gross monthly rent from the lease.

	Note: The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
Use of Net Rental Income in the DTI Calculation	**Primary Residences** » The monthly housing expense must be calculated without the use of rental income » The net rental income may be added to the stable monthly income **Investment Properties** Subtract the monthly payment amount from the net rental income: » If the result is positive, add it to the stable monthly income » If the result is negative, add it to the monthly liabilities For multiple non-subject investment properties, apply the calculation above to each property, and: » If the combined result is positive, add it to the stable monthly income » If the combined result is negative, add it to the monthly liabilities

Rental Income from Conversion of a Primary Residence to an Investment Property	
Topic	**Requirements**
Income Documentation	» Lease ○ The lease must be current and fully executed ○ For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage » Income reflected on the lease must be supported by one of the following: ○ Form 72 or Form 1000 ○ Documentation verifying receipt of two months rental payments or receipt of the security deposit and the first month's rental payment. Documentation must include one of the following: ▪ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks) ▪ Evidence that the payments were transferred into a third-party money transfer application account that is owned by the Borrower (e.g., a screenshot or monthly account statement evidencing transfer of the payments and the Borrower's name, a screenshot that evidences transfer of the payments and ties the account to the Borrowers bank account) ▪ For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the Borrower's personal depository account at a financial institution
Comparable Rent Data Analysis	When Form 72 or Form 1000, as applicable, is used to support the income reflected on the lease, REMN WS' analysis of the rental information must include, at a minimum, the following factors: » Rental market viability and income producing potential for subject property » Whether the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, if applicable. If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, REMN must: ○ Determine if additional documentation is necessary to support income stability, and ○ Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the Borrower is stable and reasonably expected to continue
Calculation	Use 75% of the gross monthly rent from the lease. **Note**: The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.

Limitations on Use of Rental Income	When using net rental income to qualify: » The full amount of the net rental income can be used only when documentation in the Mortgage file demonstrates that at least one Borrower has a minimum of one year of investment property management experience » If no Borrower has at least one year of investment property management experience, net rental income is limited to the amount that offsets the PITI and, when applicable, mortgage insurance premiums, leasehold payments, HOA dues (excluding unit utility charges) and payments on secondary financing on the converted Primary Residence
Use of Net Rental Income in the DTI Calculation	Subtract the monthly payment amount (as described in Section 5401.2(b)(8)) from the net rental income: » If the result is positive, add it to the stable monthly income » If the result is negative, add it to the monthly liabilities For multiple non-subject investment properties, apply the calculation above to each property, and: » If the combined result is positive, add it to the stable monthly income » If the combined result is negative, add it to the monthly liabilities

Rental Income from an ADU on a Subject 1-Unit Primary Residence	
Purchase	
Topic	**Requirements**
Income Documentation	» The existing lease, when available ○ REMN WS must make reasonable efforts to determine lease availability, including review of the appraisal, comparable rent data, purchase contract, a discussion with the Borrower and/or any other applicable and reasonable method ○ The lease must be current and fully executed ○ For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage » ADU rental analysis, which must support the income reflected on the lease ○ The ADU rental analysis must include a minimum of three comparable rentals to support the opinion of market rent applicable to the ADU. At least one of the comparable rentals must include a rented ADU to support the market rent for ADUs. The appraiser may provide this rental analysis data in narrative form within the appraisal report or by attaching a separate rent schedule to the appraisal report.
Calculation	Use 75% of: » Gross monthly rent from the lease when the lease is available, or » Gross monthly market rent from the ADU rental analysis when the lease is not available **Note**: The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
Limitations on Use of Rental Income	The amount of net rental income used for qualifying must not exceed 30% of the total stable monthly income used to qualify the Borrower for the Mortgage.
Use of Net Rental Income in the DTI Calculation	» The monthly housing expense must be calculated without the use of rental income » The net rental income may be added to the stable monthly income
"No Cash-Out" Refinance	
Income Documentation	» The Borrower's complete federal income tax returns, including Schedule E, for the most recent year. When the requirements are met for using a lease in lieu of Schedule E to calculate net rental income as described in the row labeled "Calculation of net rental income using lease", the following additional documentation is required: » Lease

	○ The lease must be current and fully executed ○ For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage » ADU rental analysis, which must support the income reflected on the lease. ○ The ADU rental analysis must include a minimum of three comparable rentals to support the opinion of market rent applicable to the ADU. At least one of the comparable rentals must include a rented ADU to support the market rent for ADUs. The appraiser may provide this rental analysis data in narrative form within the appraisal report or by attaching a separate rent schedule to the appraisal report.
Calculation of Net Rental Income Using Schedule E	Net rental income must be calculated using Schedule E except when the requirements to use a lease as described in the row labeled "Calculation of net rental income using lease" are met. Calculate the net rental income from Schedule E using Form 92 or a similar alternative form.
Calculation of Net Rental Income Using Lease	Lease may be used to calculate the net rental income only when one of the following applies: » The property was out of service for a period of time during the prior year, and the Mortgage file contains documentation of significant repairs or renovation, as supported by a reduced number of days in use and repair/renovation expenses on Schedule E » The property was purchased later in the calendar year and Schedule E supports this by a reduced number of days in use » The property was placed in service in the current calendar year as documented in the Mortgage file Use 75% of the gross monthly rent from the lease. **Note**: The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
Limitations on Use of Rental Income	The amount of net rental income used for qualifying must not exceed 30% of the total stable monthly income used to qualify the Borrower for the Mortgage.
Use of Net Rental Income in the DTI Calculation	» The monthly housing expense must be calculated without the use of rental income » The net rental income may be added to the stable monthly income

Landlord Education

» For purchase transactions, at least one qualifying Borrower must participate in a landlord education program prior to the Note Date, or the Effective Date of Permanent Financing for Construction Conversion.
» Landlord education must not be provided by an interested party to the transaction, the originating lender or REMN. A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.
» **Exception**: Landlord education is not required if at least one Borrower has a minimum of one-year investment property management experience or ADU rental management experience.

Special Delivery Requirements for Mortgage with Rental Income from an ADU

REMN WS must deliver ULDD Data Point Investor Feature Identifier valid value "J66" for each Mortgage where rental income from an ADU on a 1-unit Primary Residence is used to qualify the Borrower.

Rental Income from Live-In Aide Residing in a 1-Unit Primary Residence

Topic	Requirements
Income Documentation	REMN WS must include in the Mortgage file evidence that the Borrower has received stable rental income from a live-in aide for the most recent 12 months.
Limitations on the Use of Rental Income	The amount of net rental income used for qualifying must not exceed 30% of the total stable monthly income used to qualify the Borrower for the Mortgage.

	IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation: All rental real estate income and expenses reported on IRS Form 8825 for partnerships and S corporations are to be treated as self-employment income, regardless of whether or not the Borrower is personally obligated on the Note and regardless of the Borrower's percentage of ownership interest in the partnership or S corporation. **Delivery Requirements for all Subject Investment Properties and 2-4 Unit Primary Residences:** Regardless of whether rental income from the subject Investment Property or 2- to 4-unit Primary Residence is being used to qualify the Borrower, REMN WS must deliver ULDD Data Point *Property Dwelling Unit Eligible Rent Amount.*

<table>
<tr><th colspan="2">INCOME & EMPLOYMENT</th></tr>
<tr><td>Unreimbursed Business Expense</td><td>» Unreimbursed employee expenses reported on Schedule A of the borrower's federal individual income tax returns (e.g. uniforms, educational supplies, union dues), and if applicable, on IRS Form 2106, Employee Business Expenses, are not required to be deducted from the borrower's income.</td></tr>
<tr><td>1st Time Homebuyer Investment Purchase</td><td><u>REMN Overlay</u> – For First Time Homebuyers (FTHB) purchasing an investment property in the specific counties/MSA's listed below, the following table represents the rental income from the subject property that can be utilized (FTHB is defined as at least one borrower(s) responds "No" to the declaration M question: "Have you had an ownership interest in the last 3 years?"):
<table>
<tr><th>Property Type</th><th>Allowed Rental Income to be Utilized*</th></tr>
<tr><td>1 Unit</td><td>No rental income can be used</td></tr>
<tr><td>2 Unit</td><td>Rental income from one (1) unit can be used</td></tr>
<tr><td>3 Unit</td><td>Rental income from two (2) units can be used</td></tr>
<tr><td>4 Unit</td><td>Rental income from three (3) units can be used</td></tr>
</table>
*The unit(s) with the lesser rental income will be the unit(s) considered for qualifying purposes.
The specific counties/MSA's where this overlay applies are:
<table>
<tr><th>Five Boroughs of New York City, NY</th><th>Following California Counties</th></tr>
<tr><td>Bronx</td><td>Alameda</td></tr>
<tr><td>Brooklyn</td><td>Contra Costa</td></tr>
<tr><td>Manhattan</td><td>Fresno</td></tr>
<tr><td>Queens</td><td>Los Angeles</td></tr>
<tr><td>Staten Island (Richmond County)</td><td>Riverside</td></tr>
<tr><td></td><td>San Diego</td></tr>
<tr><td></td><td>Santa Clara</td></tr>
</table></td></tr>
<tr><td>IRS 4506C Requirements</td><td>For Freddie Mac loans, REMN's LOS has been programmed to randomly indicate if tax transcripts are required on a pre-closing basis (i.e. "Order Tax Transcripts" field will indicate "Yes" or "No" as to whether the transcripts must be ordered). REMN must retain the tax documentation received back from the IRS in the mortgage file.</td></tr>
</table>

FHLMC Tax Return Requirements

» When required, personal federal income tax returns must be copies of the original returns that were filed with the IRS. All supporting schedules must be included.

» Each tax return must be signed by the borrower unless REMN has obtained one of the following signature alternatives;
- Documentation confirming that the tax returns were filed electronically,
- A completed IRS Form 4506C (signed by the borrower) for the year in question; or,
- IRS transcripts that validate the tax return.

» For some types of sources of income, FHLMC requires REMN to obtain copies of federal income tax returns (personal returns and, if applicable, business returns). The "most recent year's" tax return is defined as the last return scheduled to have been filed with the IRS.

If Today's Date is…	Then the Most Recent Year's Tax Returns would be…
January 15, 2026	2024
February 15, 2026*	2025*
April 16, 2026	2025
December 15, 2025	2024

» * For loans that are subject to the most recent tax returns and with a note date of 1/30/26 and late, the following will apply:
  - » The borrower(s) must provide and be qualified considering their 2025 1040 Tax Returns, **OR**
  - » The borrower(s) must sign an Income Attestation form at closing, verifying they have not yet filed their 2025 1040 form.

» The following table describes which tax-related documentation to obtain depending on the application date and disbursement date of the mortgage.

Application Date	Note Date	Documentation Required
Before April 15, 2026	**Before May 31, 2026**	» Most recent federal income tax return(s) filed with the IRS or tax transcript » The most recent tax return(s) or tax transcript(s) must be no older than 2024
On or After April 15, 2026	**Before May 31, 2026**	» If the borrower has not filed the 2024 tax return(s) with the IRS: ○ The most recent tax return(s) must be no older than 2024 ○ REMN must obtain: ▪ IRS confirmation verifying transcript(s) are not yet available for the tax returns (individual and business as applicable) from the 2025 tax year[1,2], and ▪ Evidence of completed IRs tax filing extension(s) for 2025 tax year (e.g., if using IRS tax extensions forms to advice tax filing extension, include IRS Form(s) 4868 and/or 7004, as applicable)[3],
All	**On or After May 31, 2026 and Before November 1, 2026**	
All	**On or After November 1, 2026**	» The most recent tax return(s) or tax transcript(s) must be no older than 2025, regardless of other factors such as tax filing extension status or IRS tax filing deadline relief status (including FEMA)

	[1] If the IRS extends the tax filing due date, the IRS confirmation is required for Mortgages with Application dates on or after the IRS income tax filing due date, or May 31, 2025, whichever occurs first; and Note Dates on or after the last day of the month following the IRS income tax filing due date, or June 30, 2025, whichever occurs first. [2] Alternative documentation is acceptable in lieu of the IRS confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows: • Confirmation business tax returns were filed after IRS filing due date for the prior year(s) (e.g., 2024 business tax return in file was signed later in the year (e.g., October)) or documentation from third-party tax return preparer confirming 2025 business return has not yet been filed; and • Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(d) in the row labeled "Business and/or individual tax return(s) - most recent calendar year not yet available" [3] If the IRS extends the tax filing due date, evidence of the completed IRS tax filing extension is required for Mortgages with Application dates on or after the IRS income tax filing due date and Note Dates on or after the last day of the month following the IRS income tax filing due date.

<table>
<tr><th colspan="3">ASSETS</th></tr>
<tr><td>Requirements for Asset Account Statements</td><td colspan="2">» Asset account statements used to verify the borrower's accounts held in financial institutions must meet the following requirements:
– Identify the financial institution
– Identify the account owner(s)
– Identify the account number, which at a minimum must include the last
– Show all transactions
– Show the period covered
– Show the ending balance
– Show any outstanding loans secured by the asset
» A transaction history that is computer-generated and downloaded by the borrower from the internet or by a financial institution representative from the institution's system is acceptable. The transaction history must identify the name of the institution and the source, and includes the information required above for asset account statements, unless:
– It is used in combination with other asset verifications containing the missing information, and
– It can clearly establish that the transaction history pertains to the same account.
» Note: On an exception basis only, REMN Operations and/or UW Managers may approve the use of a completed Verification of Deposit (VOD) in lieu of bank statements as described below. This VOD is only allowed in cases where the bank statements have not yet been received. If bank statements have been received, the exception allowance for the VOD is NOT available.</td></tr>
<tr><td>Evaluation of Deposits in the Borrower's Accounts</td><td>Deposits Requiring Verification</td><td>» Except as stated below, REMN is not required to document the sources of unverified for purchase or refinance transactions. However, when qualifying the borrower, REMN must consider any liabilities resulting from all borrowed funds.
» For all transactions, when an unverified deposit is used to pay off or pay down an existing debt in order to qualify for the Mortgage, the source of funds must be documented.
» For purchase transactions, when evaluating deposits in the borrower's accounts, the following requirements apply:
– REMN must document the source of funds for any "large deposit", as described below, if the deposit is needed to qualify the borrower for the Mortgage transaction (i.e. any funds required to be paid by the borrower and borrower reserves)
▪ A "large deposit" is any single deposit exceeding 50% of the sum of:
• The total monthly qualifying income for the Mortgage and
• The amount derived from the asset calculation for establishing the debt-to-income (DTI) ratio in accordance with the requirements as detailed in Assets as a Basis for Repayment of Obligations section, if applicable.
– When a single deposit consists of both verified and unverified portions, REMN may use just the unverified amount when determining whether the deposit is a large deposit as described above.
– When a large deposit is not verified and is not needed to qualify the borrower for the Mortgage transaction (i.e. any funds required to be paid by the borrower and borrower reserves), REMN must reduce the funds used for qualification purposes by the amount of the unverified deposit. REMN must enter the reduced amount of the asset into Loan Product Advisor (LPA).
– When the source of funds can be clearly identified from the deposit information on the account statement (e.g. direct payroll deposits) or other documented income or asset source in the Mortgage file (e.g. tax refund amounts appearing on the tax returns in the file), REMN is not required to obtain additional documentation.</td></tr>
</table>

	Acceptable Sources of Deposit	» When a deposit requires verification as stated above, REMN must determine: – Whether the source of the deposit is acceptable – That the funds belong to the borrower, and – That the funds are eligible for the transaction » The only acceptable sources of deposit are the following: – The borrower's income – Funds awarded to the borrower (e.g. disaster relief funds, lottery winnings, court-awarded settlement) provided the source is not an interested party to the real estate or Mortgage transaction – Funds derived from eligible asset types as detailed in Eligible Asset Types and Documentation Requirements for Borrower Personal Funds section.

<table>
<tr><th colspan="4">ASSETS</th></tr>
<tr><td>Minimum Borrower Contribution</td><td colspan="3">For a purchase transaction mortgage, the borrower must make a minimum contribution from the borrower's personal funds when specifically required, as summarized below:
Minimum Contribution from Borrower Personal Funds
<table>
<tr><th>Mortgage Type</th><th>LTV/TLTV/HTLTV ≤ 80%</th><th>LTV/TLTV/HTLTV > 80%</th></tr>
<tr><td>1 Unit Primary Residence</td><td colspan="2">None</td></tr>
<tr><td>2-4 Unit Primary Residence</td><td>None</td><td>N/A</td></tr>
<tr><td>1 Unit Second Home</td><td>None</td><td>5% of value, when gift funds or grants are used for the transaction</td></tr>
<tr><td>1-4 Unit Investment Property</td><td colspan="2">All funds used for the transaction must be Borrower's personal funds</td></tr>
</table>
» For loan transactions with a Non-Occupant Co-Borrower, including LTV/CLTV's > 80%, Borrower funds (down payment and post-closing reserves) may come from the occupant borrower and/or the non-occupant co-borrower.</td></tr>
<tr><td>Use of Real Estate Commission for Subject Property</td><td colspan="3">» If the borrower is a licensed realtor who will earn a commission on the subject property, the funds are considered acceptable to be used at time of settlement for down payment and/or closing costs.</td></tr>
<tr><td>Eligible Asset Types and Documentation Requirements for Borrower Personal Funds</td><td colspan="3">» Asset types that are considered Borrower personal funds and the applicable documentation requirements are described in the chart below. The eligibility and documentation requirements apply to all funds used to qualify the borrower for the mortgage transaction, including reserves. Any limitations on the use of an asset type are specified in the chart.
» All accounts held in financial institutions must be owned by the borrower and the borrower must have access to the funds. Funds in accounts that are owned jointly by the borrower and a non-borrower are considered borrower personal funds. Accounts held in the name of a Living Trust are considered to be owned by the Borrower when the Borrower is the settlor of the Living Trust.
○ When the borrower is a Living Trust, the Underwritten Settlor is considered to be the owner of the accounts held in the name of the trust.
» For Loan Product Advisor (LPA) mortgages, the documentation level shown on the Feedback Certificate indicates the minimum level of documentation acceptable for a LPA mortgage.
» <u>NOTE</u>: On an exception basis only, REMN Operations and/or UW Manager may approve the use of a completed Verification of Deposit (VOD) in lieu of bank statements as described below. This VOD is only allowed in cases where the bank statements have not yet been received. If bank statements have been received, the exception allowance for the VOD is NOT available.
<table>
<tr><th>Asset Type and Eligibility Requirements</th><th>LPA Streamlined Accept Documentation Requirements</th></tr>
<tr><td>Depository Accounts
» Accounts used to deposit and withdraw cash, such as: Checking, Savings, Money Market, Certificate of Deposit (CD), other depository accounts</td><td>» Provide an account statement covering a one (1) month period or direct account verification (i.e. VOD).
– See above <u>NOTE</u> regarding allowance of VOD's on exception basis only.</td></tr>
<tr><td>Securities
» Securities that are traded on an exchange or marketplace, generally available to the public such as: Stocks, Vested Stock Options, Bonds, Mutual Funds, US Government Securities, other securities
» Value must not include margin accounts
» Stock with limitations on its accessibility (e.g. restricted stock which has not vested and been distributed to the recipient) is not eligible</td><td>» Provide an account statement covering a one (1) month period or direct account verification (i.e. VOD).
– See above <u>NOTE</u> regarding allowance of VOD's on exception basis only.
» If the borrower does not receive a stock/security account statement:
– Provide evidence the security is owned by the borrower, and
– Verify the value using current stock prices from a financial publication or web site.
» See ** below for when evidence of liquidation is required.</td></tr>
</table></td></tr>
</table>

	Retirement Accounts » Independent retirement accounts and Internal Revenue Service (IRS)-qualified employer retirement plan accounts such as: 401K, 403b, IRA's (traditional and Roth), SEP-IRA, SIMPLE-IRA, KEOGH, MyRA, State retirement savings plans, Other independent and IRS-qualified employer retirement plan accounts.	» Provide an account statement covering a one (1) month period or direct account verification (i.e. VOD). – See above **NOTE** regarding allowance of VOD's on exception basis only. » See ** below for when evidence of liquidation is required. » When evidence of liquidation is not obtained: » In order to use the vested amount of an IRS-qualified employer retirement account to qualify the borrower for the Mortgage transaction, the Mortgage file must include documentation confirming that the borrower is permitted to make withdrawals, and severance from the borrower's current employment is not required.
	Government Bonds (Federal, State or Municipal) » The value used must be based on the lower of the purchase price or current redeemable value.	» Provide documentation verifying the ownership and the value. » See ** below for when evidence of liquidation is required.
	** *When assets that are invested in stocks, bonds, mutual funds, US Government securities, retirement accounts or other securities are needed for closing, evidence of liquidation is required unless the combined value of the assets is at least 20% greater than the amount from these assets needed for closing.*	
	Proceeds from a Loan Fully-Secured by the Borrower's Assets Other than Real Property » The loan must not be provided by an interested party to the transaction. When the loan is secured by a financial asset used to qualify the borrower for the mortgage transaction, the value of the asset must be reduced by the amount of the loan proceeds and any associated fees.	» Provide the following: – Documentation verifying the value and ownership of the asset used to secure the loan as well as the amount and terms of the loan. – Evidence of receipt of the loan proceeds

ASSETS		
Eligible Asset Types and Documentation Requirements for Borrower Personal Funds (cont'd)	**Asset Type and Eligibility Requirements**	**LPA Streamlined Accept Documentation Requirements**
	Proceeds from the Sale or Refinance of the Borrower's Real Property (including Proceeds from a 1031 Exchange or a Bridge Loan) » For refinance mortgages, the cash-out proceeds from the subject cash-out refinance transaction and any cash back received on the subject "no cash-out" refinance transaction are not eligible sources of funds for **reserves**.	» Provide the following: – The Settlement/Closing Disclosure Statement verifying the proceeds from the sale or refinance of the Borrower's real property – For Mortgages with Application dates prior to October 3, 2015, the Settlement/Closing Disclosure Statement must be signed by the buyer and REMN, or their authorized agents, and/or – An executed buy-out agreement that is part of an employer relocation plan that takes responsibility for the outstanding Mortgages(s).
	Proceeds from the Sale of the Borrower's Assets Other Than Real Property or Exchange-Traded Securities » The purchaser of the borrower's asset must not be an interested party to the mortgage transaction.	» Provide the following: – A signed bill of sale documenting the asset and transfer of ownership. – Evidence of receipt of the proceeds.
	Borrower's Real Estate Commission » Borrower's real estate commission is an eligible source of funds for Down Payment and/or Closing Costs when he borrower is a licensed real estate agent that is due to receive a sales commission from their purchase of the subject property.	» The Settlement/Closing Disclosure Statement must reflect the commission earned by the borrower and credited toward the Mortgage transaction.
	Funds from a Trust » The borrower must be the beneficiary and have access to the funds as of the date of the loan closing. » The borrower's portion of undistributed trust funds may be used as **reserves** only.	» Provide a copy of the trust agreement or a signed statement from the trustee or trust manager that documents the following information: – Identifies the borrower as the beneficiary – Confirms that the borrower has access to all or a certain specific amount of the funds – Confirms that the trust has sufficient assets to disburse funds needed by the borrower » When trust funds are needed for closing, evidence of receipt of the disbursed funds from the trust is required.
	Individual Development Account (IDA) – Agency Matching Funds not subject to Recapture » Any matching funds may be considered borrower personal funds » A maximum of a 4 to 1 match by an Agency's funds is permitted » The borrower must satisfy any vesting requirements of the matching IDA program	» Providing documentation of the IDA program verifying: – The matching funds are not subject to Recapture – The ratio of matching funds by the Agency – Regular payments made to the IDA by the borrower and the matching organization – The vested balance or the percentage of vesting
	Community Savings Systems Accounts – Borrower Contributions » Funds on deposit in a Community Savings System that are deposited by the borrower. » A non-profit community organization must administer the savings system.	» Provide Community Savings System account statements or a direct account verification identifying the non-profit community organization as the administrator and showing all borrower contributions.

	Pooled Funds » Pooled funds are funds on deposit provided by the borrower and other member(s) of a group of Related Persons who: – Have resided together for at least 1 year, and – Will continue residing together in the new residence, and – Are pooling their funds to buy a home. » Funds provided by Related Persons who do not reside with the borrower are subject to the requirements for gift funds.	» Provide the following: – Evidence that the borrower and the Related Person have resided together for at least one (1) year – Documentation verifying the pooled funds per the requirements for the applicable asset type contained in this chart, or Gift funds as applicable – A written statement from the borrower, executed at application attesting to all of the following: ▪ The source of the pooled funds ▪ The fact that the pooled funds were not borrowed by the contributing Related Person ▪ The relationship between the contributing Related Person and the borrower. (For example, the affidavit might state that the Related Person is the borrower's uncle or that the Related Person is the cousin of the borrower's spouse). ▪ That the Related Person 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 » The written statement need not be notarized or acknowledged but must be kept in the Mortgage file.

ASSETS		
Eligible Asset Types and Documentation Requirements for Borrower Personal Funds (cont'd)	**Asset Type and Eligibility Requirements**	**LPA Streamlined Accept Documentation Requirements**
	Borrower's Revolving Credit Card (charges/cash advances) or Unsecured Line of Credit » Borrower's revolving credit card (charges/cash advances) or unsecured line of credit used to pay fees associated with the Mortgage application process (e.g. origination fees, commitment fees, lock-in fees, appraisal, credit report and flood certifications) are subject to the following requirements: – The maximum amount charged or advanced may not exceed the greater of 2% of the Mortgage amount or $1,500, **AND** – The borrower must have sufficient verified funds to pay these fees (in addition to the funds needed to qualify for the Mortgage transaction; however, the Borrower is not required to pay off these charges at closing; **or** – The amount charged or advanced must be included in the borrower's total outstanding debt and the repayment of such amount must be included when determining the borrower's monthly DTI ratio	» Provide the following: – A copy of the account statement or receipt showing the amount charged or advanced, and – Verification of sufficient funds to pay the amount charged or advanced if the amount charged or advanced is not included in the monthly DTI ratio.
	Credit Card Rewards Points The rewards points must be redeemed for cash.	» Provide the following for reward points that are not yet deposited in the Borrower's account: o Evidence of the Borrower's ownership of the reward points and their cash value, and o Evidence that the reward points are redeemed for cash prior to closing, which may include a direct transfer of the cash to the settlement or closing agent » For reward points redeemed for cash and deposited in the Borrower's account, refer to the requirements for evaluation of deposits in the Borrower's accounts in Section 5501.3(a)(iii).
	Cash Value of a Life Insurance Policy (not the face value) » The borrower must be the owner of the policy and not the beneficiary.	» Provide documentation from the life insurance company verifying the following information: – Policy owner(s) – Period covered and current cash value, and – Any outstanding loans » When cash value of the life insurance policy is needed for closing, evidence of liquidation is required.

	Rent Credits » The portion of rental payments paid by the Borrower credited towards the Down Payment and/or Closing Costs under a documented rental/purchase agreement. » The credit must not exceed the difference between the market rent and actual rent paid. » The rental/purchase agreement must have an original term of at least twelve (12) months and the rent must be based on a minimum of 12 months rental payments.	» Provide the following: – A copy of the rental/purchase agreement – Evidence of rental payments reflecting acceptable documentation for rental verification. – Appraiser's determination of the market rent for the subject property.
	Trade Equity – Net proceeds of the Trade-In of the Borrower's Previously Owned Residence » The borrower's equity in the previously-owned residence is determine by subtracting any outstanding liens on the previously-owned residence, plus any transfer costs, from the lesser of the appraised value of the previously-owned residence or its trade-in price as shown in the trade-in contract.	» Provide the following: – The appraisal of the borrower's previously-owned residence – A copy of the trade-in contract
Earnest Money Deposit (EMD)	» When an EMD for a purchase transaction is used to qualify the borrower for the Mortgage transaction, REMN must obtain evidence that the EMD check cleared the Borrower's account (e.g. copy of the cancelled check, asset account statement or written statement from the EMD holder verifying receipt of the funds). » When the EMD is needed to meet the minimum contribution from the Borrower personal funds, REMN must: – Verify that the source of the EMD is an eligible asset type and document it in accordance with the applicable requirements – Provide account statement(s) (based on LPA Accept findings) or a direct account verification (i.e. VOD) that covers the period up to and including the date the EMD funds cleared the account. » The EMD must not counted twice in the evaluation of the Mortgage (i.e. deducted from the funds to close and counted in assets)	
Business Assets	» Funds from a borrower's business account may be used to qualify the borrower for the Mortgage transaction, provided they meet the standard eligibility requirements, except as stated below: – Documentation of large deposits is not required, provided that REMN: ▪ Reviews a minimum of the most recent two (2) months of the business account statements, and ▪ Determines the deposits are typical for the borrower's business – See Business Assets Used for Closing for additional requirements when self-employed income from the business is used for qualifying.	

<table>
<tr><th colspan="3">ASSETS</th></tr>
<tr><td>Joint Access Letters</td><td colspan="2">» When an individual(s), other than the borrower(s), are on a bank account, a joint access letter is NOT required.</td></tr>
<tr><td>Source of Funds from Outside the United States and its Territories</td><td colspan="2">» When the source of funds needed for closing is, or otherwise originates from, asset(s) located outside the United States and its territories:
– Funds must be transferred into a United States or State regulated financial institution and verified in U.S. dollars prior to the closing of the Mortgage transaction, or
– Combined value of the assets must be at least 20% greater than the amount from these assets needed for closing
» All documents of foreign origin must be filled out in English or the originator must provide a translation, attached to each document, and warrant that the translation is complete and accurate. All foreign currency must be converted to U.S. dollars.</td></tr>
<tr><td rowspan="2">Special Requirements for Other Eligible Sources of Funds</td><td colspan="2">» Other sources of funds eligible to be used to qualify the borrower for the Mortgage transaction and the applicable documentation requirements are described in the below chart. The eligibility and documentation requirements apply to all funds used to qualify the borrower of the Mortgage transaction, including reserves. Any limitations on the use of an asset type are specified in the chart.
» The minimum level of documentation acceptable to qualify will be indicated on the Loan Product Advisor (LPA) Feedback Certificated.</td></tr>
<tr><td>Asset Type and Eligibility Requirements</td><td>Documentation Requirements</td></tr>
<tr><td>Gift Funds or a Gift of Equity
» Gift funds or a gift of equity is an eligible source of funds for a Mortgage secured by a Primary Residence or Second Home, provided that:
– The funds are from a related person, and
– The funds do not have to be repaid
» When a mortgage is secured by a Second Home and the LTV/TLTV/HTLTV ratio > 80%, the gift is only permitted if the borrower has made a Down Payment of at least 5% from his/her personal funds.
» Gift funds or a gift of equity is not an eligible source of funds for an investment property transaction.
» Except as stated below for earnest money deposits, gift funds must be transferred directly from the donor's account in a financial institution to the Borrower's account or to the settlement or closing agent. For earnest money deposits, the donor may also provide the gift funds directly to a builder or real estate agent.
» A contribution from an individual who is on the purchase agreement/title but is not obligated on the note is considered a gift and must meet all requirements regarding the acceptance of gift funds.</td><td>» Provide a gift letter signed by the donor. Information provided in the gift letter must include:
– State the donor's name and that the funds are given by a related person
– Include the donor's mailing address and telephone number
– State the amount of the gift funds or the gift of equity
– Establish that the gift funds or gift of equity are a gift that does not have to be repaid.
» Gift Funds – one of the following must be provided to evidence:
– Transfer of funds from the donor's account in a financial institution to the Borrower's account. For example, copies of bank statements from both the donor or Borrower's accounts, a copy of a cancelled gift check, or a copy of a donor's withdrawal slip and the Borrower's deposit slip, or
– Transfer of the funds from the donor's account in a financial institution to the settlement or closing agent. For example, a copy of a cashier's check or wire transfer confirmation.
Funds transferred using a third-party money transfer application or service are acceptable only when the documentation included in the Mortgage file evidences that the funds were transferred using the application or service directly from the donor's bank account to the Borrower's bank account or to the settlement or closing agent.
» Gift of Equity – A gift of equity must be reflected on the Settlement/Closing Disclosure Statement</td></tr>
</table>

	Gift Funds Received as a Wedding Gift » Gift funds received as a wedding gift from unrelated persons and/or related persons is an eligible source of funds for a Mortgage secured by a Primary Residence. » The gift funds must be on deposit in the borrower's depository account within 90 days of the date of the marriage license or certificate.	» Provide the following: – Copy of the marriage license or certificate – Verification of the gift funds in the borrower's depository account.
	Gift Funds Received as a Graduation Gift » Gift funds received as a graduation gift from unrelated persons and/or Related Persons are an eligible source of funds for a Mortgage secured by a Primary Residence. The gift funds must be on deposit in the Borrower's depository account within 90 days of the date of graduation.	» Provide the following: – Evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of graduation » A verification of the gift funds in the Borrower's depository account
	Gift or Grant from an Agency » A gift or grant from an Agency that does not have to be repaid is an eligible source of funds provided that: – The gift or grant is given pursuant to an established program – The agency is not an interested party, and – The funds were not obtained from an interested party, either directly or through a third party » Gifts or grants from agencies are not eligible sources of funds for Second Home or Investment Property transactions (Primary Residence only)	» Provide documentation supporting a gift or grant from an agency. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower. » The documentation must: – Establish that the funds were provided by an agency – Establish that the organization has an established gift or grant program – Establish that the funds are a gift or grant that does not have to be repaid – Provide evidence that the funds were received by the borrower or by REMN on the borrower's behalf – Identify the donor's mailing address
	Individual Development Account (IDA) – Agency Matching Funds subject to Recapture » Agency Matching Funds subject to Recapture is an eligible source of funds provided that – The matching funds must be considered a gift or grant from an agency as described above. – A maximum of 3 to 1 match by an agency's funds is permitted – The borrower must satisfy any vesting requirements of the matching IDA program	» Provide documentation of the IDA program verifying: – The matching funds are subject to Recapture – The ratio of matching funds by the agency – Regular payments made by the borrower and the matching organization – The vested balance or the percentage of vesting. » Documentation of matching funds subject to Recapture provision must also meet the requirements in this chart for gift or grant from an agency, except that REMN does not have to establish that the funds do not have to be repaid.
	Proceeds from an Unsecured Loan that is an Employer Assisted Homeownership (EAH) Benefit » Proceeds from an unsecured loan that is an EAH benefit is an eligible source of funds provided eligibility and documentation requirements for EAH Benefits are met.	» Refer to documentation requirements that are detailed in the Employer Assisted Homeownership (EAH) Benefit section.

<table>
<tr><th colspan="3">ASSETS</th></tr>
<tr><td>Employer Assisted Homeownership (EAH) Benefit</td><td colspan="2">» An Employer Assisted Homeownership (EAH) Benefit may be used as a source of funds to qualify the borrower for the Mortgage transactions if the terms of the EAH Benefit comply with the following:
– The EAH Benefit is provided to an employee from the employer pursuant to an established, ongoing and documented employer benefit program, provided
▪ The employer is not an interested party, and
▪ The funds were not obtained from an interested party either directly or through a third party
– The Mortgage is secured by a 1-to-4-unit primary residence
» The EAH Benefit may be any of the following structures meeting the applicable requirements</td></tr>
<tr><td></td><td>Type of Benefit</td><td>Requirements</td></tr>
<tr><td></td><td>Grant
Individual Development Account (IDA)</td><td>See requirements as detailed in Special Requirements for Other Eligible Sources of Funds section.</td></tr>
<tr><td></td><td>Unsecured Loan</td><td>» An unsecured loan may be fully repayable, deferred payment or forgivable, and:
– Must not contain provisions that allow or could result in negative amortization
– Must have a maturity date that:
▪ Does not exceed the maturity of the Mortgage
▪ Is at least five (5) years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing
– Must have an interest rate that is no greater than the Note Rate on the Mortgage
– Must not be a cash advance from a credit card or unsecured line of credit
– Must have its source, terms and conditions documented on the loan application
» In addition, the EAH Benefit must have terms that permit the Borrower to continue making payments on the loan in the event that the borrower no longer works for the employer and may not require repayment in full unless:
– The borrower terminates his or her employment for any reason, or
– The employer terminates the borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force.
» If the monthly payment of principal and interest or interest-only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt-to-income (DTI) ratio; otherwise, the required monthly payments must be included in calculating the monthly DTI ratio.</td></tr>
<tr><td></td><td>Secondary Financing</td><td>» Secondary financing may be fully repayable, deferred payment or forgivable, and must meet the requirements in Secondary Financing section.
» In addition, the EAH Benefit must have terms that permit the borrower to continue making payments on the loan in the event that the borrower no longer works for the employer and may not require repayment in full unless:
– The borrower terminates his or her employment for any reason, or
– The employer terminates the borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force.
» If the monthly payment of principal and interest or interest-only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of</td></tr>
</table>

		the monthly payment may be excluded from the monthly debt-to-income (DTI) ratio; otherwise, the required monthly payments must be included in calculating the monthly DTI ratio.
	Affordable Second	» An Affordable Second may be fully repayable, deferred payment or forgivable, and must meet the requirements detailed in Secondary Financing – Affordable Seconds section. » In addition, the EAH Benefit must have terms that permit the borrower to continue making payments on the loan in the event that the borrower no longer works for the employer and may not require repayment in full unless: – The borrower terminates his or her employment for any reason, or – The employer terminates the borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force. » If the monthly payment of principal and interest or interest-only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt-to-income (DTI) ratio; otherwise, the required monthly payments must be included in calculating the monthly DTI ratio.
	Documentation Requirements: » In addition to the documentation requirements for specific benefit types, the following requirements must be met: – EAH Benefits must be documented with a copy of the employer benefit program that provides the amount of the benefit and the terms of the program. – Evidence of receipt of the EAH Benefit must be provided (e.g. funds on deposit in borrower's account or funds reflected on the Settlement/Closing Disclosure Statement).	
Reserves	» Reserves are borrower's eligible assets, as described below, remaining after the loan closing. The source of funds used for reserves, when needed to qualify the borrower for the Mortgage transaction, must meet the eligibility and documentation requirements in Eligible Asset Types and Documentation Requirements for Borrower Personal Funds section. Reserves are measured by the number of months of the monthly payment amount for the property. » The monthly payment amount is defined as the sum of the following: – Principal and Interest, – Property hazard insurance premiums – Real estate taxes – When applicable: ▪ Mortgage insurance ▪ Leasehold payments ▪ HOA dues (excluding unit utility charges) ▪ Payments on secondary financing. » When calculating reserves for the subject property, the principle and interest payment of the monthly payment amount must be based, at a minimum, on the Note Rate. When calculating reserves for other properties, the monthly payment amount for the property must be no less than the current monthly payment amount. » REMN must verify all reserves used in the evaluation of the mortgage loan and the amount must be entered in LPA. The minimum reserve requirements as described in the LPA findings must be met, as they apply to Loan Product Advisor (LPA) mortgages, regardless of Risk Class.	

Reserves required for Primary Residence	
Subject Property	**Required Reserves**
Primary Residence – 1 Unit	Per LPA findings
Primary Residence – 2-4 Unit	Per LPA findings
Reserves required for Second Home and Investment Property	
Subject Property	**Required Reserves**

	Second Home	Per LPA findings
	Investment Property	Per LPA findings
	*For Loan Product Advisor (LPA) Mortgages, the additional required reserves stated in the chart above are included in the amount of reserves to be verified on the LPA Feedback Certificate. **Note:** When REMN WS is processing multiple mortgage applications for the same borrower, the same assets may be used to meet the reserve requirements for each mortgage transaction. **Ineligible Sources of Reserves:** » Examples of assets that are not eligible to be reserves include: – Nonfinancial assets such as collectibles, coins, stamps, and art work that would require appraisal and/or liquidation – Stocks issued by, or notes/loans receivable from, a privately held company » In connection with cash-out refinance Mortgages, the cash proceeds from the refinance transaction and any cash back received on the subject "no cash-out" refinance transaction	
Lender Credit	Lender credit is a contribution by REMN toward the borrower's closing costs. Lender credit must meet all of the following requirements: » The amount of lender credit must: o Be derived from an increase in the interest rate (i.e., premium pricing), or o Be funded directly by REMN » Lender credit must not require repayment » Third party funds must not be used to provide a lender credit » Lender credit may **only** be used as a credit towards the borrower's closing costs. In the event the lender credit exceeds the amount of the borrower's closing costs, the following requirements apply: o The lender credit must be reduced so it does not exceed the amount of the borrower's closing costs, or o The amount of the lender credit that exceeds the borrower's closing costs must be applied as a principal curtailment to the Mortgage and must be clearly reflected on the Settlement/Closing Disclosure Statement. (See Section 6302.32 for delivery requirements for Mortgages with principal curtailments.) » Lender credit derived from an increase in the interest rate (i.e., premium pricing) must not be used as a credit towards funding a temporary subsidy buydown plan on a "no cash-out" refinance Mortgage	
Prorated Real Estate Tax Credit	Prorated real estate tax credits are typically contributed by the property seller in areas where real estate taxes are paid in arrears: » Prorated tax credits cannot be considered when determining if the Borrower has sufficient funds for the Mortgage transaction, except when the Settlement/Closing Disclosure Statement indicates that an Escrow account is established and includes the portion of real estate taxes owed by the property seller for the period they owned the property. In such cases, a prorated tax credit from the property seller offsets that portion of the charge for the establishment of the Escrow account. » Prorated tax credits are not considered interested party contributions and therefore are not subject to financing concession limits.	
Interested Party Contributions	**Interested Party Contributions** An interested party is any person or entity that: » May benefit from the property selling at the highest possible price, and » Can influence the sales price or other terms of the real estate transaction The following are *always* considered interested parties: » Builder » Developer » Seller of the property » Real estate agent » Real estate agent's broker and agency » Any contributing party (e.g., Seller, originating lender, employer, municipality, nonprofit organization or Related Person) affiliated with any of the above individuals or entities. For the purposes of this section, an affiliation exists when the two parties are owned or controlled by a common third party or when one of the parties has ownership or control over the other. **Requirements** Interested party contributions are any contribution that are made:	

» By an interested party, as defined above,
» In connection with the Mortgage or the real estate transaction,
» To or on behalf of the Borrower, and
» Directly or indirectly through a third party, including a donation to a nonprofit entity

Freddie Mac will purchase Mortgages with interested party contributions that are:

» Financing concessions meeting the requirements below, or
» Sales concessions meeting the requirements below

Exceptions

The following types of contributions are *not* subject to the interested party contributions requirements:

» Lender credit: A lender credit provided by an originating lender affiliated with an interested party to the transaction, provided the lender credit is derived from an increase in the interest rate (i.e., premium pricing)
» Gifts from a Related Person: Gift funds or gift of equity from a related person who is also REMN of the subject property, provided that:
  - The donor is not the builder or another interested party and has no affiliation with any other interested party to the transaction, and
  - All of the requirements for gift funds or gift of equity from a related person are met
» Real estate tax credits: Prorated real estate tax credits contributed by the property seller in areas where real estate taxes are paid in arrears
» Builder forward commitment costs: The costs associated with a forward commitment obtained by a builder from REMN in order to offer future buyers a specific mortgage interest rate, provided the forward commitment was obtained prior to entering into a contract with the Borrower and it was not obtained specifically for the subject transaction.

Note: REMN must deliver ULDD Data Point Investor Feature Identifier valid value "J70" for each Mortgage with rates provided based on builder forward commitments.

Documentation

The amount and the source of all interested party contributions must be documented in the mortgage file and be clearly shown on the Settlement/Closing Disclosure Statement.

Financing Concessions

Financing concessions are interested party contributions that may **only** be used to pay:

» The Borrower's Closing Costs, and/or
» Up to 12 months of homeowners association (HOA) dues, provided that the Settlement/Closing Disclosure Statement shows that:
  - The funds for the payment of the HOA dues were collected at closing, and
  - The funds were disbursed directly to the HOA

Note: Contributions exceeding the amount of the borrower's actual closing costs and up to 12 months' HOA dues (if applicable), as stated above, must meet the requirements for sales concessions below, except if the payment of more than 12 month' HOA dues is considered an abatement as described below.

Maximum Financing Concessions Limits

» The maximum permitted financing concessions are as follows:

Occupancy	LTV/TLTV > 90%	LTV/TLTV 75.01 – 90%	LTV/TLTV ≤ 75%
Primary Residences & Second Homes	3%	6%	9%
Investment Properties	2%	2%	2%

Exceptions

The maximum financing concessions limits above do not apply to:

» Financing concessions contributed by Freddie Mac as the property seller for Mortgages originated for the purchase of Freddie Mac REO properties
» Borrower fees or costs customarily paid by the property seller according to local convention

The amount of any financing concessions exceeding the limits stated above must meet the requirements for sales concessions below.

Sales Concessions

Sales concessions are interested party contributions, that:

» Exceed the maximum financing concessions percentage limitations above, and/or
» Do not meet the acceptable uses of financing concession above, and include:

	○ Cash or cash-like contributions (e.g., a gift card), decorator allowances, vacations, furniture, automobiles, securities or other giveaways ○ Rebates (e.g., realtor rebates) that are not financing concessions ○ Reimbursement to the Borrower for payment of fees charged to process or negotiate a short sale (commonly referred to as short sale processing fees, short sale negotiation fees, buyer discount fees or short sale buyer fees) **Impact of Sales Concessions on LTV Calculation** Loan Product Advisor will determine the LTV ratio based on the purchase price or appraised value of the Mortgaged Premises and the dollar amount or value of sales concessions entered into Loan Product Advisor. **Ineligible Mortgages** Ineligible mortgages include: » Mortgages with interested party contributions paid outside of closing and not disclosed on the Settlement/Closing Disclosure Statement » Mortgages with abatements (that are funds provided to a lender or third party by an interested party to pay or reimburse in whole or in part a certain number of monthly payments of principal, interest, taxes, insurance and/or other assessments on the Borrower's behalf in excess of Prepaid/Escrows associated with the Mortgage closing) including payment of more than 12 months of HOA dues.
Definition of Related Person	» Freddie Mac defines a person related to the borrower as follows: – Spouse, Child, or Dependent – Individuals related by Blood, Marriage, or Adoption – Guardian of the Borrower – A person for whom the Borrower is a Guardian – The Borrower's Fiancée or Fiancé – The Borrower's Domestic Partner – An Unrelated Individual with Close, Family-Like Ties to the Borrower – A trust established by a person related to the borrower – An estate of a person related to the borrower

OTHER REAL ESTATE OWNED	
Number of Properties Financed with REMN	» The preferred method for processing multiple mortgages for the same borrower, but on different properties is to process, underwrite and close them at the same time. Essentially once all of the mortgages are closed, they would "mirror" one another, with each property reflecting the new mortgages on the other properties. » However, we cannot always control when a borrower can close, and it might not be possible to close the loans simultaneously. In this instance, the file has to be uniquely underwritten, as we must consider the "worst case" scenario. In other words, even though the final 1003 can only show what the borrower is legally obligated for on the day of closing, there must be a memo to the file showing what the anticipated ratios, etc., will be, once the other loan(s) close. » REMN realizes that the other loan(s) ultimately may not close; however, since the borrower has applied for another mortgage, the terms and conditions of that proposed mortgage must be considered. **REMN Overlay: More than 4 REMN Mortgages - Exception must be approved by Executive Management.**
Properties Owned Free & Clear	» Properties owned free and clear must be verified by REMN; listed below are the requirements to verify. Note: All 4 items are required to be obtained. 1. 1040's. 2. IRS Tax Transcripts- Showing no mortgage interest. If the borrower owns multiple properties and have other mortgages; copy of 1098 would be required to match up the lien on the 1003 with the IRS Form 1098. – If IRS transcripts are unavailable on a property owned more than one (1) year, then a case-by-case exception may be allowed with the approval of an Underwriting Manager. 3. MERS Report- for property showing no lien. 4. Inquiries on Credit Report- Must be addressed to ensure that they have not taken out a recent mortgage loan (as required by LQI). » The satisfactory receipt of the above items will satisfy the requirement verifying a property is owned free and clear.

APPRAISAL, PROPERTY, SALES CONTRACT	
Appraisal Management Companies (AMC)	All appraisal orders must be placed through REMN Wholesale's approved appraisal management companies**: » Class Valuation: AK, AR, AZ, CA, CO, DC, HI, IA, ID, KS, KY, LA, MN, MO, MS, MT, NE, NM, NV, OK, SD, TX, UT, WV, WY » Halo Appraisal Management: CT, IL, NJ, NY, PA, VT » MaxVantage: DE, IN, MA, MD, MI, NH, OH, VA, WI » Nationwide Appraisal Network: AL, FL, GA, NC, SC, TN » Nexus Valuation: ME » Property Val: RI » ServiceLink: OR, WA Please refer to the Order an Appraisal page on the Broker Portal or www.remnwholesale.com for further instruction. ** For ALL STATES: Desktop Appraisals must be ordered through Class Valuation Note: If a Desktop Appraisal later converts to a Full Appraisal, continue to work with Class Valuation to complete the order ** For ALL STATES: Freddie Mac ACE + PDR Reports must be ordered through Class Valuation Note: If an ACE + PDR later converts to a Full Appraisal, continue to work with Class Valuation to complete the order
Appraisal	» Photographs of the subject property must be original photographs or electronic images that are in color and illustrative of the property. » The photographs must be clear, appropriately identified and must clearly show the improvements, including any physical deterioration of the property, amenities, conditions and external influences that have a material effect on the market value or marketability of the subject property. – Photographs of the comparable sales must be clear electronic images. Copies of multiple listing service (MLS) photographs are acceptable. » Photographs must include at least the following: – Front view of the subject property, – Rear view of the subject property, – Street scene identifying the location of the subject property and showing neighboring improvements, – Kitchen, – All bathrooms, – All main living areas, including all gathering rooms, – All basement areas of the subject property, including unfinished and finished areas; and – Additional photographs, as needed, to show any physical deterioration, improvements, amenities, conditions and external influences that materially impact market value or marketability. » Building Sketch – For all appraisal reports where an interior and exterior inspection is performed, a building sketch is required. The building sketch must include dimensions and calculations reflecting the gross living area of the subject property. When the property is a 2-4 unit property, the sketch must also include each unit's layout and indicate the square feet of living area per unit and the gross building area (GBA). – For attached units, an interior perimeter sketch is acceptable. Appraisers may rely on the dimensions and estimates for gross living area as shown on the plat or exhibits of Project Documents or provide legible photocopies of floor plans or individual unit plats that include the dimensions and calculations. – If the floor plan of the subject property is atypical, or functionally obsolete such that its market appeal is limited in comparison with competitive properties in the neighborhood, a floor plan sketch including interior walls with dimensions is required. » Location Map – must identify the location of the subject property and any comparables including sale, rental and listing comparables as applicable. This map may be a photocopy of a printed street map showing the location of the subject property and comparable properties in relation to major streets and influences such as parks and schools. » Property Inspection Alternative – Ineligible.

	» For mortgages secured by 1-unit properties, appraisal assignments that include interior and exterior inspections of the subject property must be completed using the American National Standard Institute (ANSI) method for calculating square footage. This includes Manufactured Hommes and Condominium Units. Additionally, appraisal reports must include an ANSI-compliant software-generated building sketch, as applicable. » The HPML Appraisal Rule lists requirements for appraisals on HPML loans. Refer to the REMN TILA policy (HPML Appraisal Rule section) for appraisal guidelines on HPML loans. Underwriters should refer to internal Appraisal Policy & Procedures for complete Appraiser Independence Requirements.
Appraisal Transfer	» On an exception basis, REMN will accept the transfer of an appraisal/appraisal alternative report originally completed by another lender. » All transferred in appraisals/appraisal alternatives must be sent to the REMN Appraisal Department for review. – Note: The review by the Appraisal Department does not eliminate any investor requirements for supporting documentation on an appraisal. » The report must be in the name of a lender; it cannot be in the name of a broker (unless acting in a Principal Agent capacity) or an individual. » REMN Associates: Please refer to the Transfer of Appraisal policy on Homebase for all requirements and procedures.
Appraisal Use for Subsequent Transaction	REMN will allow the use of an origination appraisal for a subsequent transaction if the following requirements are met: » The subsequent transaction may only be a no cash-out refinance (cash-out refinance is ineligible). » The age of the appraisal must be less than 12 months from the note date of the subsequent transaction. If the appraisal report is greater than four (4) months from the date of the note and mortgage, then an appraisal update is required. » REMN must ensure that the property has not undergone any significant remodeling, renovation, or deterioration to the extent that the improvement or deterioration of the property would materially affect the market value of the subject property. » Both the borrower and REMN must be on the original and subsequent transaction. – In the event of a divorce or legal separation, the borrower for the new transaction must be one of the borrowers on the original transaction and the mortgage file must document that the borrower for the new transaction acquired the property through a divorce or legal separation.
Reconsideration of Value	A borrower-initiated reconsideration of value (ROV) must include the following: » Borrower(s) name » Property Address » Effective Date of the appraisal » Appraiser name » Date of the ROV request » Identification and description of unsupported, inaccurate, or deficient areas in the appraisal report » Additional data, information, and comparable properties (not to exceed five), and the related data sources (for example, the MLS listing number) » An explanation of why the new data supports the ROV Upon receipt of the ROV submission requirements, REMN will: » Confirm an appraisal review was completed by an underwriter prior to the receipt of the ROV request, » Confirm the loan has not closed. ROVs are not permitted on closed loans, » Designate an underwriter or other appraisal subject matter expert to review the ROV request, » Validate that the request from the borrower contains sufficient details prior to sending to the appraiser, » Obtain the necessary information from the borrower if the ROV request is unclear or needs more information.

Appraisal Review Process – FHLMC Loan Collateral Advisor (LCA)	Underwriters can reference the internal Collateral Underwriter & Loan Collateral Advisor information for complete details/criteria in regard to REMN's Appraisal Review process for Fannie Mae/Freddie Mac loans.
Desktop Appraisals	A desktop appraisal reported on the Form 1004 is permitted for certain transactions submitted to LPA **Eligible Transactions** To be eligible for a Desktop Appraisal, transactions must meet the following criteria: • One-unit property (including those with an ADU and units in a PUD), • Principal residence, Purchase transaction (including new construction), • LTV ratio less than or equal to 90%, and • LPA loan casefile that receives an Approve/Eligible recommendation. **Ineligible Transactions** The following transactions are not eligible for a desktop appraisal • Two- to four-unit properties; • Condo units; • Manufactured homes; • Construction-to-permanent loans (single-close and two-close); • Second homes and investment properties; • Non-Arm's length transactions • Transactions where REMN is a lender or government entity • All refinances; • HomePossible loans that are No Cash-Out Refinance transactions • Community Seconds with a subsidized sales price; • Community land trusts, or other properties with resale restrictions (loan casefiles using the Affordable LTV feature), excluding those subject to age-based resale restrictions; • LPA loan casefiles that receive an Ineligible recommendation; and • Manually underwritten loans.
Minimum Property Standards	» Free standing stoves/ovens and refrigerator are not required. » Air conditioning is not required; however, if window unit is installed it must be functional or removed. » A conventional heating source is required and must maintain a temperature of 50° in areas where there is plumbing. » Floor covering is not required as long as the flooring does not cause a health or safety issue. » Cracked glass is not required to be repaired; however, broken glass that is a health hazard must be removed and the opening closed to the weather.
Property Requirements	» Must be residential in nature as defined by the characteristics of the property and surrounding market area, » Must be safe, sound and structurally secure, » Must be adequately insured per FHLMC guidelines for hazard and flood insurance, » Must be the highest and best use of the property as improved (or as proposed per plans and specs), and the use of the property must be legal or legal non-conforming use, » Must be readily accessible by roads that meet local standards, » Must be served by utilities that meet community standards; and, » Must be suitable for year-round use.
Termite / Well / Septic Inspections	» Termite inspection is only needed if required by contractor or by the appraiser due to evidence indicating infestation. » Well inspection is only needed if required by state or local regulations or if the well is thought to be contaminated. » Septic inspection is only needed if required by the appraiser due to evidence indicating the septic system may be failing.

<table>
<tr><th colspan="2">APPRAISAL, PROPERTY, SALES CONTRACT</th></tr>
<tr><td rowspan="3">Automated Collateral Evaluation / Property Data Report</td><td>
» For certain Loan Product Advisor (LPA) Mortgages, REMN WS may receive the option to accept an Appraisal Waiver and originate the Mortgage without an Appraisal. REMN WS may also receive the option to accept ACE+ PDR and originate the Mortgage with a PDR.
» If REMN accepts the Appraisal Waiver or the ACE+ PDR option, Freddie Mac will:
– Accept the value of the Mortgage Premises as:
▪ The purchase price of the Mortgaged Premises, for purchase transactions, or
▪ The estimate value of the Mortgaged Premises, for refinance transactions
– Not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of REMN WS' selling representations and warranties related to the value, condition and marketability of the Mortgaged Premises
» For refinance transactions, REMN WS must have written procedures in place that prohibit changes to the estimated value in Loan Product Advisor for the purpose of obtaining an appraisal waiver, an ACE+ PDR or more favorable mortgage terms (e.g., avoiding mortgage insurance).
» The procedures must include a process for establishing the estimated value, which may include, but is not limited to, the using of the Borrower's estimated value, an Automated Valuation Model (AVM) or an online valuation tool or website.
</td></tr>
<tr><td>
<u>Process for Qualifying for and Accepting the Appraisal Waiver Offer or ACE+ PDR Offer</u>
» For a Mortgage to qualify for an appraisal waiver or ACE+ PDR:
– The Mortgage must be an Accept Mortgage
– The Last feedback Certificate must indicate the Mortgage is eligible for representation and warranty relief with an appraisal or ACE+ PDR (this represents the "offer")
– The final submissions of the Mortgage to Loan Selling Advisor must indicate the representation and warranty relief status is "Y" or "Yes"
– In lieu of accepting an appraisal waiver offer, REMN WS may deliver the mortgage with a PDR or an appraisal report if the eligibility requirements for ACE+ PDR or the selected appraisal type are met.
– In lieu of accepting an ACE+ PDR offer, REMN WS may deliver the mortgage with an appraisal report if the eligibility requirements for the selected appraisal type are met.
» To accept the appraisal waiver or ACE+ PDR offer, REMN WS must deliver the Mortgage with the ULDD Data points described in the data delivery instructions in Section 6302.10(c)
</td></tr>
<tr><td>
<u>Eligible Mortgages</u>
» To be eligible for an appraisal waiver or ACE+ PDR offer, the Mortgage must:
– Be secured by a 1-unit dwelling, that is not a Manufactured Home.
– Be secured by a Primary Residence or Second Home
– Meet the following occupancy and maximum loan-to-value (LTV) / total LTV (TLTV) ratio requirements:
<table>
<tr><th>Mortgage Purpose</th><th>Property Type</th><th>Maximum LTV/TLTV Ratios</th></tr>
<tr><td>Purchase</td><td>Primary Residence or Second Home</td><td>Appraisal Waiver: 90%
ACE+ PDR: Program Limits*</td></tr>
<tr><td>No Cash-Out Refinance</td><td>Primary Residence or Second Home</td><td>90%</td></tr>
<tr><td rowspan="2">Cash-Out Refinance</td><td>Primary Residence</td><td>70%</td></tr>
<tr><td>Second Home</td><td>60%</td></tr>
</table>
*A TLTV ratio up to program limits for the associated mortgage product
</td></tr>
</table>

Ineligible Mortgages

» The following Mortgages are NOT eligible for an ACE or ACE+ PDR appraisal waiver:
  – Mortgages for which an appraisal has been obtained in connection with the Mortgage
    ○ If a PDR has been obtained, REMN WS may not accept an appraisal waiver offer
  – Texas Equity Section 50(a)(6) Mortgages (a/k/a Texas Cash-Out) and Texas Section 50(f)(2) Mortgages
  – Mortgages supplied by one of the following:
    ▪ A Manufactured Home, or
    ▪ A leasehold estate
  – Mortgages secured by Mortgaged Premises subject to resale restrictions, excluding those subject to age-based resale restrictions.
  – Seller Owned Modified Mortgages that are HomePossible Mortgages
  – Construction Conversion
  – Community Land Trust Mortgages
  – Mortgages with an estimate of value or purchase price greater than $1,000,000
  – Mortgages supplied by one of the following:
    ▪ Investment Properties
    ▪ 2-4 Unit Properties
  – Freddie Mac Enhanced Relief Refinance Mortgages
  – Non-arm's length transactions
  – Mortgages secured by a property where the property owner at the time of sale (i.e., the property seller) is a lender or a government entity
» In addition, the appraisal waiver is not acceptable if any of the following apply:
  – An appraisal is required to be obtained by law or regulation
  – REMN is aware of conditions it believes warrant an appraisal being obtained. Examples include, but are not limited to:
    ▪ A contaminated site or hazardous substance exists affecting the property or the neighborhood in which the property is located
    ▪ Adverse physical property conditions that are apparent based on the review of the sales contract, property inspection, disclosure from the borrower, etc.

NOTE: REMN must disclose to the borrower any information that they are aware of that may adversely affect the market value, condition or marketability of the subject property. This includes but is not limited to that presence of any contaminated site, hazardous substance or other adverse conditions affecting the subject property or neighborhood.

Conditions that Prevent REMN WS from Accepting an Appraisal Waiver or ACE+ PDR Offer

REMN WS may not accept the appraisal waiver or ACE+ PDR offer if:

» An appraisal is required by law or regulation
» Rental income from an ADU on a subject 1-unit Primary Residence is used to qualify the borrower
» REMN WS is aware of conditions that warrant an appraisal being obtained. Examples include, but are not limited to:
  – A contaminated site or hazardous substance affects the property or the Neighborhood in which the property is located
  – [Prevents PIW Only] The property has a deficiency that is consistent with a C5 or C6 condition rating (e.g., active roof leak(s), damaged or failing foundation)

Acceptable Age of the Appraisal Waiver or ACE+ PDR Offer

The appraisal waiver or ACE+ PDR offer provided through the Loan Product Advisor Feedback Certificate message is valid for 120 days. If the offer is more than 120 days old on the Note Date, resubmission to Loan Product Advisor is required to determine ongoing appraisal waiver or ACE+ PDR eligibility.

Data Changes that Impact Appraisal Waiver or ACE+ PDR Eligibility

If REMN WS changes loan data (e.g., address of the property, loan amount, purchase price, estimate of value, loan type, property type, occupancy of the property, etc.) in a subsequent submission, the original offer will become invalid, and Loan Product Advisor may provide a different eligibility determination.

	Appraisal Waiver or ACE+ PDR requirements for Settlement Dates more than 120 days after the Note Date If the Settlement Date is more than 120 days after the Note Date, REMN WS must warrant that the value of the subject property as of the Settlement Date is no less than the estimated value or sales price used to underwrite the Mortgage in Loan Product Advisor.
	Appraisal Waiver or ACE+ PDR Eligibility in Disaster Areas » If the Mortgage Premises is located in a disaster area, REMN WS may accept an appraisal waiver or ACE+ PDR offer if REMN WS can represent and warrant that the value and marketability of the Mortgaged Premises has not been adversely impacted. See Section 4407.1 for property condition requirements.
	Seller Representation of Property Review or Valuation » REMN WS, if accepting the appraisal waiver or ACE+ PDR offer in connection with a Mortgage, must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the Mortgaged Premises.
ACE+ PDR – Additional Requirements	Each Mortgage delivered with a PDR must retain the PDR in the Mortgage file and also comply with the additional requirements below:
	Property Data Collector Qualifications and REMN WS Oversight *Property Data Collectors* REMN, or its authorized third party, must ensure the property data collector: » Is independent and unbiased and has no present or prospective interest or bias with respect to the transaction, the property or the participants to the transaction » Completes training in all aspects of property data collection and the Uniform Property Dataset (UPD) and passes an exam that evidences proficiency in property data collection, and » Performs all aspects of a property data collection including, but not limited to: – Identifying and reporting, with supporting photographs, any: ▪ Property characteristics represented in the UPD; ▪ Design features that impair the use of the subject property and cannot easily be changed (e.g., access to a bedroom only through another bedroom, etc.); and ▪ Factors adjacent to the subject property that are atypical for the location (e.g., power lines, commercial site, industrial site, etc.) – Measuring the dwelling unit(s) and any other structures on the subject property to produce building sketches and floorplans in accordance with the exhibit requirements in Section 5604.2(a)(ii) – Collecting a comprehensive set of photographs of the subject property, as described in the UPD. (See Section 5604.2(h) for photograph requirements.) *REMN WS Oversight of Property Data Collectors* REMN WS, or its authorized third party, is responsible for the accuracy and reliability of the PDR and of any data provided by the property data collector to the appraiser. REMN WS, or its authorized third party, must have in place policies or procedures that: » Require property data collectors to undergo periodic background checks that include criminal background checks; » Require property data collectors to complete comprehensive training on preparing an accurate and thorough PDR; » Require property data collectors to comply with the same customer service standards or code of conduct with which employees and/or contractors of REMN, or its authorized third party, must comply; » Include a process to continuously evaluate property data collectors, including monitoring and documenting performance to identify and remedy any recurring deficiencies and discontinuing the use of chronically underperforming property data collectors; and » Include a process for providing continuing education when appropriate (e.g., in the event of significant changes to the UPD, the property data collection process, etc.) REMN WS must include a targeted review of PDRs as part of its quality control sampling. Appraisals completed using a hybrid process must also be included in REMN WS' quality control sampling.

Exhibits Required for a PDR

Photographs of the Subject Property

The PDR must include, at a minimum, the following photographs:

» A front view of the subject property
» A rear view of the subject property
» A view of any sides of the subject property that are not wholly visible in the front or rear photographs
» A street scene (both directions) identifying the location of the subject property and neighboring improvements
» All interior rooms of the subject property including, but not limited to, foyer, kitchen, living room, bedrooms(s), bathroom(s), utility room, laundry room, basement (finished and unfinished areas), attic area accessed via a permanent staircase (finished and unfinished areas), etc.
» Interior and exterior of any significant (permanently affixed) outbuildings on the subject site, including any ADU (not required from small sheds)
» Any physical deterioration, improvements, Amenities and any observed conditions or external influences

Building Sketch and Floor Plan

The PDR must include a building sketch and floor plan that meets the requirements in Section 5604.2(a)

Age of a PDR

The effective date of the PDR is the date the data was collected, and that date must be no more than 12 months prior to the Note Date. If the effective date of the PDR is more than 12 months prior to the Note Date, a new PDR is required.

PDRs with Required Repairs and/or Inspections

» For appraisal reports that are subject to an inspection of the property or PDRs where REMN WS' review determines an inspection is required, a licensed professional or other person trained in the particular field of concern (e.g., structural engineer, plumber, pest inspector, etc.) must perform the inspection of the property.
» The inspector must provide either a signed report or invoice stating that repairs are not required, or a signed report or invoice(s) stating that the required repairs have been completed and the issues have been corrected.
  – The report or invoice(s) must provide the professional's license number, if applicable.
  – The report or invoice(s) must be dated before the Settlement Date and retained in the Mortgage file

ACE+ PDR Upgrade to Appraisal Requirements

» REMN WS must analyze the information on the PDR and review the photographs. REMN WS' review of the PDR may reveal that the subject property is not eligible for ACE+ PDR or has characteristics that require REMN WS to upgrade to an appraisal on Forms 70, 70H, 465 or 465H or other appraisal report form applicable to the property type. Property characteristics or conditions that require a PDR to be upgraded to an appraisal include:
  – The building status is "Proposed" (not eligible for upgrade to a hybrid appraisal)
  – 0 bedrooms above grade and/or 0 bathrooms above grade
  – A measured finished area above grade of less than 400 square feet
  – The property is mixed use (i.e., altered or modified specifically to support or facilitate a non-residential or income-producing use)
» See Section 5604.1(C) for additional upgrade requirements specific to each Form

Property Flips	» REMN must pay particular attention and institute extra due diligence for those loans in which the appraised value is believed to be excessive or where the value of the property has experienced significant appreciation in a short time period since the prior sale. » The HPML Appraisal Rule has specific requirements for Property Flips
Additions without Permits	» Properties with unpermitted structural additions are acceptable under the following conditions: – The subject addition complies with all investor guidelines. – The quality of work is described in the appraisal and deemed acceptable (workmanlike quality) by the appraiser. – The addition does not result in a change of the number of units comprising the subject property (i.e. a 1 unit converted into a 2 unit). » If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal: – Non-Permitted 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. – The appraiser has no reason to believe the addition would not pass inspection for a permit.
Comparable Selection (REMN POLICY)	The appraiser is responsible for determining which comparables are the best and most appropriate for the appraisal assignment. The source of the closed comparable sales utilized to establish value on an appraisal report must be from a Multiple Listing Service (MLS) entity. Click here to read the REMN Appraisal Review – Source of Comparable Sales policy.
Detached PUD Units	REMN does not require any type of project and/or insurance review for detached single family homes in a Planned Unit Development (PUD). Although HOA insurance policies for these units will not be reviewed, the dwelling must be covered by the proper level of insurance and otherwise meet dwelling coverage guidelines.

<table>
<tr><th colspan="3">APPRAISAL, PROPERTY, SALES CONTRACT</th></tr>
<tr><td rowspan="2">Condominiums</td><td colspan="2">» Must follow Freddie Mac published Condominium Eligibility Guidelines.
– Projects Located in Florida:
▪ Newly converted condo projects are NOT eligible
▪ PERS is required for new condo projects
» Streamlined condo review allowed in accordance with Freddie Mac Guidelines</td></tr>
<tr><td>General Condominium Project Eligibility Requirements</td><td>» The project must have insurance that complies with the applicable Freddie Mac requirements
» The Condominium Unit must be covered by a title insurance policy that complies with applicable Freddie Mac requirements
» If a Condominium Project is on a leasehold estate, the lease must comply with Freddie Mac leasehold requirements
» REMN must deliver a Condominium Unit Mortgage no later than 120 days after the Note Date. If the Condominium Unit Mortgage is not delivered within 120 days after the Note Date, REMN must update the review and determination of the Condominium Project eligibility.
» REMN must have policies and procedures in place and must take appropriate steps to ensure that the Condominium Unit, the Condominium Unit Mortgage and the Condominium Project comply with applicable requirements.
» REMN must retain all documentation related to the review of the Condominium Project. Upon request, REMN must provide the project information and documentation to Freddie Mac.</td></tr>
</table>

	Projects In Need Of Critical Repair	» Projects in need of critical repairs are those needing repairs or replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s), or the financial viability or marketability of the project. Such projects are ineligible. Critical repairs include conditions such as: – material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year; – any mold, water intrusions or potentially damaging leaks to the project's building(s); – advanced physical deterioration; – any project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications specific to structural safety, soundness, and habitability; or – any unfunded repairs costing more than $10,000 per unit that should be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through a special assessment). » Examples of some items to consider include, but are not limited to, sea walls, elevators, waterproofing, stairwells, balconies, foundation, electrical systems, parking structures or other load-bearing structures. » If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then these requirements do not apply. » Routine repairs are not considered to be critical and include work that is: – preventative in nature or part of normal capital replacements (for example, focused on keeping the project fully functioning and serviceable); and – accomplished within the project's normal operating budget or through special assessments that are within guidelines. » A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is deemed safe for occupancy. **Special Assessments** » Special assessments may be current or planned. REMN must obtain and review the following information for each special assessment to determine if it addresses a critical repair: – what is the purpose of the special assessment, – when was the special assessment approved and is it planned (approved by the unit owners, but not yet initiated by the board) or already being executed, – what was the original amount of the special assessment and the remaining amount to be collected, and – when is the expected date the special assessment will be paid in full. » If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible. **Inspection Reports** » If a structural and/or mechanical inspection was completed within 3 years of REMN's project review date, REMN must obtain and review the inspection report. The report cannot indicate that any critical repairs are needed, no evacuation orders are in effect, and no regulatory actions are required. » If the inspection report indicates there are unaddressed critical repairs, the project is ineligible until the required repairs have been completed and documented accordingly. REMN must review an engineer's report or substantially similar document to determine if the repairs completed have resolved the safety, soundness, structural integrity, or habitability concerns of the project. **Documentation** » REMN may need to review a combination of documents to determine if a project meets Freddie Mac's physical condition requirements. REMN is responsible for determining which documents are needed to ensure compliance with the requirements of this Guide. Some examples of this documentation include, but are not limited to: – HOA board meeting minutes, – engineer report(s),

<table>
<tr><td></td><td></td><td>
– structural and/or mechanical inspection reports,
– reserve studies,
– a list of necessary repairs provided by the HOA or the project's management company,
– a list of special assessments provided by the HOA or the project's management company, and
– other substantially similar documentation.
</td></tr>
<tr><td></td><td>Streamline Reviews</td><td>
» Project Type – The Condominium Unit must be located in an Established Condominium Project.
» Maximum LTV/TLTV/HTLTV Ratios:
<table>
<tr><th rowspan="2">Occupancy Type</th><th colspan="2">Maximum LTV/TLTV/HTLTV</th></tr>
<tr><th>Projects Not Located in Florida</th><th>Projects Located in Florida</th></tr>
<tr><td>Primary Residence</td><td>90%</td><td>75% / 90% / 90%</td></tr>
<tr><td>Second Home</td><td>75%</td><td>70% / 75% / 75%</td></tr>
<tr><td>Investment Property</td><td>75%</td><td>70% / 75% / 75%</td></tr>
</table>
<u>Note</u>: If the requirements for Streamlined Reviews in this section are met, then REMN is not required to comply with the requirements of any of the other project review types in Freddie Mac’s guidelines.
</td></tr>
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<tr>
<td>Condominiums (Cont'd)</td>
<td>Exempt From Project Review</td>
<td>
» The Mortgage must be:

Secured by a Condominium Unit in a 2-10 Unit Condominium Project, or
Secured by a Detached Condominium Unit, or
A Freddie Mac-owned "No Cash-Out" Refinance Condominium Unit mortgage

» The applicable requirements in the following table must be met:
<table>
<tr><td>2-10 Unit Condominium Projects</td><td>– The Condominium Project meets the definition of a 2-4 or 5-10 Unit Condominium Project
– The Condominium Project must not include Manufactured Homes</td></tr>
<tr><td>Detached Condominium Units</td><td>– The Condominium Unit securing the Condominium Unit Mortgage meets the definition of a Detached Condominium Unit
– The Condominium Project must not include Manufactured Homes</td></tr>
<tr><td>Freddie Mac-owned "No Cash-Out" Refinance Condominium Unit Mortgages</td><td>If the Condominium Unit Mortgage being refinanced is currently owned by Freddie Mac in whole or in part or securitized by Freddie Mac, then the Mortgage is exempt from project review provided the following requirements are met:
– The maximum LTV/TLTV/HTLTV ratio is 80%
– The Condominium Project is not a Condominium Hotel, houseboat project, timeshare project or project with segmented ownership (as described in Ineligible Projects)
– If available, proof of the ULDD Data Point Related Investor Loan Identifier of the existing Condominium Unit Mortgage is provided in the Mortgage file.
– Delivery requirements are met.</td></tr>
</table>
» Freddie Mac general project eligibility requirements must be met.
» Attached and semi-detached units within projects containing Detached Condominium Units may not be delivered as Exempt From Review unless the attached or semi-detached units are within a 2-10 Unit Condominium project or meet the requirements for Freddie Mac owned "No Cash-Out" refinance condominium unit mortgages.
<u>Note</u>: If the requirements from Exempt from Review in this section are met, then REMN is not required to comply with the requirements of any of the other project reviews.
</td>
</tr>
</table>

Condominiums (Cont'd)	**Established Condominium Projects**	» Projects completion requirements for Established Condominium Projects – All units, Common Elements and Amenities must be complete. » Owner-Occupancy requirements for Established Condominium Projects – If the property will be used as a Primary Residence or Second Home, there is no owner-occupancy requirement for the Condominium project – If the property will be used as an Investment Property: ▪ At least 50% of the total number of Condo units in the project (including 2-4 Unit Condo projects comprised of 2 or 4 units) must have been conveyed to purchasers who occupy their units as a Primary Residence or Second Home. ▪ For 2-4 Unit Condo projects comprised of 3 units, all but one (1) unit in the project must have been conveyed to purchasers who occupy their units as a Primary Residence or Second home. » Project budget requirements for Established Condominium Projects – The project's budget for the current fiscal year must comply with the following: ▪ Be consistent with the nature of the project ▪ Appropriate assessments must be established to manage the project ▪ There must be appropriate allocations for line items pertinent to the type and status of the Condominium project ▪ There must be adequate funding for insurance deductible amounts ▪ At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life and replacement cost of major Common Elements ▪ REMN may rely on a reserve study instead of the project budget providing a replacement reserve of at least 10%, provided the conditions for the study are met. ▪ An HOA must not receive more than 10% of its budgeted income from rental or leasing of commercial parking facilities. – Mortgages secured by Condo units in 2-4 Unit Condo Projects are not required to comply with the requirements in this section. » Delinquent assessments for Established Condominium Projects – No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of their HOA assessments, or, if the project is a 2-4 Unit Condo project, none of the units are 60 or more days delinquent in the payment of their HOA assessments. » Requirements when a project reserve study is utilized for Established Condominium Projects – The reserve study must comply with the following requirements: ▪ The reserve study generally must include: o An inventory of major components of the project o Financial analysis and evaluation of current reserve fund adequacy, and o Proposed annual reserve funding plan ▪ A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the Condo project with sufficient financial protection comparable to Freddie's standard budget requirements for replacement reserves. ▪ The reserve study's annual reserve funding plan, which details total costs identified for replacement components, must meet or exceed the study's recommendation and conclusion. ▪ The most current reserve study (or update) must be dated within 36mos of REMN's determination that the condo project is eligible. ▪ The reserve study must be prepared by an independent expert skilled in performing such studies (such as a reserve study professional, a construction engineer, a CPA who specializes in reserve studies or any professional with demonstrated experience and knowledge in completing reserve studies) ▪ The reserve study must meet or exceed requirements set forth in any applicable state statutes

		▪ The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components. – If REMN relies on a reserve study that meets the requirements of this section, the project's budget must contain appropriate allocations to support the costs identified in the study. – REMN must obtain and retain in the Mortgage file a copy of the reserve study. REMN must also perform an analysis of the study and retain this analysis in the Mortgage file. – Mortgages secured by Condo units in 2-4 Unit Condo projects are not required to comply with the requirements of this section. » Manufactured Homes – To be eligible: ▪ The mortgage must be secured by a Detached Condominium Unit. ▪ The subject Manufactured Home must meet Manufactured Home Requirements. ▪ The subject Manufactured Home must not be a single-wide Manufactured Home. ▪ Although the Ineligible Projects section states otherwise, the condominium project's unit owners must only have an undivided ownership interest in the land on which the project is located. ▪ The condominium project must not have campgrounds or other facilities for transient or mobile units.

Condominiums (Cont'd)	**New Condominium Projects**	» REMN does not allow new attached condo projects. » New site condo projects are eligible. See Section 5701.6 for requirements.
	Florida Condominium Overlays	» The following overlays apply to Florida condominiums that are three (3) or more stories high and thirty (30) years or older (25 years or older if the building is within 3 miles of the coastline): – Evidence is required that the building has completed the required inspections outlined in FL SB-4D ▪ If the building has not completed the required inspections, then it is ineligible for financing – If the inspection revealed a substantial structural deterioration and/or any unsafe or dangerous conditions, evidence that the required repairs have been completed is required, or the project is ineligible – Evidence is required that the Association has completed the required structural integrity reserve study, and the budget adequately contains sufficient reserves ▪ The monthly HOA fee should be consistent with the budget » All projects subject to this overlay must be submitted to the Project Standards group for approval. » 48 hours prior to funding, the Project Standards group must re-verify that the project has maintained its approved status.

Ineligible Condo Projects

» Projects in which the unit owners do not have an undivided ownership interest or leasehold interest in the land on which the project is located
  – A project in which, when control of the Homeowners Association (HOA) has been or will be turned over to the unit owners, the unit owners do not have either: 1) an undivided ownership interest in the land on which the project is located; or 2) a leasehold interest in the land on which the project is located.

» Condominium Hotel
  – Any project that is a Condominium Hotel or similar type of transient housing.
  – Projects that have one or more of the following characteristics are considered a Condominium Hotel or similar type of transient housing, and are ineligible projects:
    - Projects that include hotel type services and characteristics such as registration services, rental of units on a daily basis, daily cleaning services, central telephone service, central key systems and restrictions on interior decorating
    - Condo projects that are conversions of a hotel (or a conversion of a similar type of transient housing) unless the project was a Gut Rehabilitation and the resulting condo units no longer have the characteristics of a hotel or similar type of transient housing
    - Projects with mandatory or voluntary rental-pooling and revenue-sharing agreement (or similar agreements that restrict the unit owner's ability to occupy the unit such as blackout dates and occupancy limits) to assure an inventory of units for rent on a frequent basis, such as daily, weekly, monthly or seasonally, and
    - Projects and/or HOA's that are licensed as a hotel, motel or similar type of transient housing
  – If owners of condo units in projects in resort locations rent their units (either individually or through a rental management company) on a short-term basis, this alone does not indicate that the project is to be considered a Condominium Hotel. REMN must fully analyze all the characteristics of the project and related information to determine if the project is a Condominium Hotel. Related informational resources may include but are not limited to: Project Documents (e.g. by-laws, project budgets and financial statements), offering statements (or their equivalent) and marketing materials, websites, contacts for sale and a appraisal reports.

» Project with multi-dwelling units
  – A project in which an owner may hold a single deed evidencing ownership of more than one (1) dwelling unit.

» Project with excessive commercial or non-residential space
  – A project in which more than 35% of the total above and below grade square footage of the project (of more than 35% of the total above and below grade square footage of the building in which the project is located) is used as commercial or non-residential space.
  – The division of the total commercial or non-residential square footage by the total square footage of the project or building will determine the total amount of commercial or non-residential space. In calculating the amount of commercial or non-residential space, REMN must determine:
  – Below is a table illustrating what must be included or may be excluded from the calculation of commercial or non-residential space:

Type of Commercial or Non-Residential Space	Include in the Commercial or Non-Residential Space Calculation
Retail and other commercial or non-residential space (e.g. restaurants, stores)	Yes
Residential rental apartments, hotels, motels and other similar types of space, although such space may have residential characteristics	Yes
Non-residential space that the HOA does not own, but that is owned by a private individual or entity outside of the HOA structure (e.g. private fitness facilities that are membership-based rather than owned by the HOA for the sole use of the residential unit owners.	Yes
The total square footage of commercial or non-residential space even when the HOA representing the residential owners is different from the association representing the commercial owners	Yes
Commercial Parking Facilities	No

	Project Amenities and facilities that are residential in nature, owned by the HOA or unit owners, and allocated for the sole use of the residential unit owners — No » Tenancy-in-Common apartment project – A tenancy-in-common apartment project is owned by several owners as tenants-in-common or by an HOA. Individuals have an undivided interest in the residential apartment building (including the units) and land on which the building is located and may or may not have the right of exclusive occupancy of a specific apartment unit in the building. » Timeshare project or project with segmented ownership – A project in which there is an arrangement under which a purchaser receives an interest in real estate and the right to use a unit or Amenities, or both, for a specified period and on a recurring basis such as the 15th week of the year, or ownership that is for a limited period such as for the subsequent five (5) years. » Houseboat project – A project comprised of boats that have been designed or modified to be used primarily as dwelling units. » Continuing Care Retirement Community (CCRC) – A CCRC is a residential project designed to meet the health and housing needs of seniors as their needs change over time. CCRC's are distinguished from age-restricted communities in that residents in CCRC's contract in advance for a lifetime commitment from the facility to care for them, regardless of the future health of housing needs. CCRC's may also be known as Life-Care Facilities.
Ineligible Condo Projects (Cont'd)	» Project in which the unit owners do not possess sole ownership of the Common Elements – Except as stated below, unit owners in a condominium project must have the sole ownership in and the right to the use of the Common Elements, including all buildings, roads, parking, facilities and Amenities. The developer must not retain any ownership interest in the common elements, facilities, and amenities, except as unit owner. – A condominium project that shares amenities with one or more other residential projects is eligible if the projects share the amenities (such as recreational or fitness facilities, swimming pools, and clubhouses) for the sole use of the units owners and shareholders, if applicable. The term "residential projects" includes only residential condominium projects, cooperative projects, and planned unit developments (PUDs). The residential projects must have an agreement specifying: • A description of the share amenities and the term of unit owners' and shareholders' permitted use of the shared amenities • How the share amenities will be funded, managed, and maintained, and • The method for resolving disputes between the projects regarding the shared amenities – The common elements, including amenities, such as parking and recreational facilities, must not be subject to a lease between the unit owners or the HOA (as lessee) and any other party (as lessor), with the exception of commercial leases for parking, or permit arrangements for parking, entered into with parties unrelated to the developer. » Project in litigation – A project in which: (i) the HOA is named as a party to pending litigation, or (ii) the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, functional use or habitability of the project. – If REMN determines that the reason for the pending litigation involves minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible if the litigation is limited to one of the following: • The litigation amount is known, the insurance company has committed to provide the defense and the litigation amount is covered by the insurance policy. • The litigation amount is unknown, REMN has documented the Mortgage file with a copy of the complaint, or the most recent amended complaint, and with an attorney letter that supports REMN's determination that the litigation involves minor matters. The attorney letter must state: (i) the reason for the litigation; (ii) that the insurance company has committed to provide the defense; and (iii) that any potential monetary judgment against the HOA, or settlement with the HOA, including punitive damages, will likely be covered by the HOA's insurance policy.

If the attorney indicates the matter will not likely be covered by the HOA's insurance policy, then the project is ineligible; or

- The matter involves:
  - A non-monetary neighbor dispute or right of quiet enjoyment, or
  - The HOA is the plaintiff in a foreclosure action or action for past-due HOA assessments, or
  - The HOA is the plaintiff in the litigation seeking reimbursement for expenditures made to repair the project's component(s) which may have included items that related to the safety, structural soundness, functional use or habitability of the project, the repair permanently resolved the defect or issue and the expenditures did not significantly impact the financial stability of future solvency of the HOA
- The valid estimation of or known litigation amount is not expected to exceed 10% of the project's funded reserves, provided this does not violate the applicable jurisdiction's laws and regulations

– REMN must retain documentation to support its analysis that the reason for the dispute meet's Freddie Mac's requirements for minor matters as described above.

» Project with excessive single investor concentration

– Any project in which an individual or a single entity such as an investor group, partnership or corporation owns more than the following total number of units in the project:

Number of Units in the Project	Total Number of Units Owned by Individual or Single Entity
5 to 20	Two
21 or more	25%

– For purchase transactions, a project with single investor concentration greater than specified above will be eligible provided:

- The purchase transaction will result in a reduction of the single investor concentration
- The single investor must not own more than 49% of the units in the project
- REMN obtains evidence that the single investor is marketing units for sale with the goal to decrease the single investor concentration to 25% or less of the units in the project
- The single investor is current on all HOA assessments, and
- There are no planned or current special assessments in the project

– The following may be excluded from the single investor concentration calculation:

- Vacant units being actively marketed by the developer. Any units leased by the developer must be included in the calculation of the developer's percentage of ownership.
- Units that a non-profit entity controls or owns for the purpose of providing affordable housing
- Units held in affordable housing programs (including units subject to non-eviction rent regulation codes), and
- Units retained for workforce housing by higher-education institutions

» Manufactured Homes – Condominium projects that contain manufactured homes are ineligible, except when they comply with the established condominium project requirements.

» Project with mandatory dues or similar membership fees for use of Amenities such as clubhouses or recreational facilities

– Projects with mandatory dues or similar membership fees, including initiation or joining fees, which allow for the use of Amenities such as clubhouses or recreational facilities are ineligible unless the HOA and/or Master Association solely own the Amenities and Condominium unit owners within the HOA or Master Association are the only persons or entities eligible for membership. Full rights and privileges to the use of these Amenities are the primary benefit of membership.

» Projects terminating or involved in insolvency proceedings

– A project must not be the subject of any action that would cause the project to cease to exist, including termination, deconversion or dissolution of the project's legal structure. In addition, a project must not be the subject of a voluntary or involuntary bankruptcy, insolvency, liquidation or receivership proceeding or any substantially similar action under State or federal law. This includes a project that has voted or is in the process of voting on any of the actions or proceedings described above.

Ineligible Projects List	» Freddie Mac has created an ineligible project list along with a "Not Eligible" status in Loan Product Advisor. » Regardless of the loan type, the project must be checked against both Fannie Mae's and Freddie Mac's ineligible project lists. If the project is on either list, the loan is ineligible. » Depending on the reason, it may be possible to accept a project for a specific agency. For example, if Freddie Mac has a project ineligible due to their high concentration in the project, it would be acceptable to switch to Fannie Mae, provided the project otherwise meets all guidelines. In this example the loan must be locked instead to Fannie Mae. » The Operations Manager has the authority to allow the exception provided the reason is logical (such as the above example). If there is any ambiguity, the project must be elevated to a Chief Credit Officer for approval.

Re-Sale Restrictions	Freddie Mac will purchase Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based restrictions (also referred to as inclusionary zoning) and age-based restrictions (such as senior housing or units restricted to one or more occupants age 55 or over), if the requirements of this section are met and the re-sale restrictions are in compliance with all federal, State and local laws, rules and regulations. **General purchase requirements for all Mortgages secured by Resale Restricted Properties** The Mortgages must be First Lien, conventional mortgage. Freddie Mac purchase requirements, including, but not limited to, all applicable Condominium Project and Planned Unit Development (PUD) requirements must be met. The restrictions must be binding on current and subsequent property owners, and remain in effect (i.e. survive) until they are formally removed or modified, or terminate automatically in accordance with their terms, such as upon completion of foreclosure or recordation of a deed-in-lieu foreclosure and, if necessary, upon recordation of the associated deed transferring the property to Freddie Mac or third-party purchaser. **Note**: The requirements of this section do not apply to resale restrictions related to Community Land Trust mortgages. **Length of Resale Restrictions; Effect of Foreclosure or Deed-in-Lieu of Foreclosure** There are no restrictions on the length of the period in which the resale restrictions may remain in place on the property. A mortgage secured by a property subject to a resale restriction is eligible for purchase if the resale restriction: – Survive conveyance of the subject property following foreclosure or recordation of a deed-in-lieu of foreclosure, or – Terminates upon foreclosure (expiration of any applicable redemption period) or recordation or completion of a deed-in-lieu of foreclosure If the resale restrictions survive foreclosure or recordation of a deed-in-lieu foreclosure, the subsidy provider is not entitled to obtain any proceeds from the initial sale or transfer of the property after foreclosure or a deed-in-lieu of foreclosure, from the foreclosing mortgage holder who obtained the property at foreclosure or pursuant to a deed-in-lieu of foreclosure. Whether the resale restrictions survive or terminate upon foreclosure or recordation of a deed-in-lieu of foreclosure, once Freddie Mac has acquired title to the property as an REO, the subsidy provider is not entitled to obtain any "excess proceeds" from Freddie Mac's sale or transfer of the REO property **Right of first refusal** For properties subject to resale restrictions, any right of first refusal must run to: » The enabling authority or jurisdiction that imposed the resale restrictions, or » The subsidy provider or program administrator When a Mortgage secured by a resale-restricted property is in foreclosure and/or subject to an approved short sale, the right of first refusal must have a time period not exceeding 90 days from the date of written notice to the parties to which the notice runs that the resale restricted property is being offered for sale. **Resale Restrictions controls** Properties subject to resale restrictions controls, except for those relating to age-based restrictions, must have resale controls for a fixed period of time. The controls must be administered by a duly authorized authority of State, local or municipal government or an agent of the authority that has established mechanisms to provide applicant screening and processing on an ongoing basis. The resale restriction controls may not be administered by the developer. **Public land records** The terms of the resale restrictions must appear in the public land records for the property in a manner discoverable by a routine title search. **Payment of financial obligations** Any requirement included in a mortgage, deed covenant or any other agreement executed by or on behalf of the owner of the property, requiring the owner of the property to make payments under certain circumstances or requiring repayment of financial subsidies must state that the payment obligation is subordinate to the lien of the First Lien Mortgage. **Appraisal requirements for properties subject to resale restrictions** The appraisal report must note the existence of any resale restrictions. Additionally, the appraisal must include an analysis that addresses any impact of the resale restrictions on the property's value and marketability. Mortgages for properties with age-based resale restrictions may qualify for an appraisal waiver. » Resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure » Resale restrictions terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure **Value when resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure** » Purchase: Lesser of Appraised Value or Purchase Price

	» Refinance: Appraised Value » **Note:** The above includes income-based resale restrictions **Value when resale restrictions terminate upon foreclosure or recordation of a deed-in-lieu of foreclosure** Purchase » Income-Based: Appraised Value » Non-Income-Based: Lesser of Appraised Value or Purchase Price Refinance » Income and Non-Income Based: Appraised Value **Underwriting** Mortgages secured by properties subject to resale restrictions may be submitted to Loan Product Advisor (LPA). When using LPA, for a Mortgage secured by property subject to resale restrictions that terminate upon foreclosure or recordation of a deed-in-lieu of foreclosure, REMN must enter the appraised value determined in accordance with the above appraisal requirements in the purchase field and appraisal value field.
Escrow Holdbacks	» The maximum amount of the repairs is limited to $5,000. Amounts greater than $5,000 are considered on an exception basis (requires Chief Credit Officer Approval). » Escrow Holdbacks on bond loans are not permitted. » Repairs cannot impact the habitability or safety of the subject property. » An estimate from a licensed contractor (or other qualified professional) listing all repairs required. » REMN will hold 1.5 times the amount of the estimate in an escrow account. On an exception basis, the amount may be held by the Settlement Agent (requires Chief Credit Officer approval). The borrower must use their own funds (or approved gift) to establish the escrow account and complete the repairs. Consequently, they must verify assets of 2.5 times the amount of the estimate in addition to those assets needed for the down payment and closing costs. » The repairs are not paid for with the funds in the escrow account, the borrower must pay for the repairs directly. » The repairs must be completed within 14 calendar days of loan disbursement - and the final inspection within 72 hours of completion. » The underwriter must approve the escrow request, list it as a closing condition of loan approval & properly complete the repair escrow form. » If the request is made, the loan must be re-disclosed within 72 hours of the request as a "changed circumstances" and a final inspection fee added to the LE. » The underwriter is responsible for having the escrow agreement completed by an UW Team Lead and sent to the closing table to be executed. » Upon completion of the repairs, the borrower may contact reno@remn.com to schedule a final inspection and with questions regarding release of escrow funds

APPRAISAL, PROPERTY, SALES CONTRACT	
Property with an Accessory Unit	**Eligible Properties with ADUs** Freddie Mac will purchase an eligible Mortgage secured by a 1-3 unit property that has one ADU. An ADU is an additional finished area that: » Includes a kitchen, bathroom, and separate entrance o Note: The absence of cooking appliance(s) in a kitchen does not change the classification as an ADU » Is independent of the primary dwelling unit » Is smaller in size than the primary dwelling unit (i.e., the ADU's finished are is less than the primary dwelling unit's finished area), and » Contributes less to the value of the property than the primary dwelling unit Examples of eligible ADU configurations include: » A 1-3 unit dwelling with an ADU above a garage or outbuilding » A dwelling with an attached or detached ADU, or » A dwelling with an ADU in the basement **Ineligible Properties with ADUs** Mortgages secured by the following ADU configurations are not eligible for purchase by Freddie Mac: » A 2- or 3-unit property with an ADU that does not comply with zoning and land use requirements (illegal zoning) » A 1-3 unit property with two or more ADUs » A 4-unit property with an ADU **Appraisal Requirements** » The appraiser must determine whether the subject property has an ADU and report the appraisal on the appropriate form. When determining whether the subject property has an ADU, the appraiser must consider zoning and land use requirements and all property characteristics, specifically the unit's utility and the property's highest and best use. » If the appraiser determines the subject property has an ADU, the appraisal report must include: – A detailed description of the ADU – Any effect the ADU has on the market value or marketability of the subject property – Specific information about the ADU, including but not limited to its general condition, its room count (including the number of bedrooms and baths) and the finished square footage area *For Properties with Legal or Legal Non-Conforming Zoning Compliance or Locations Without Zoning* » If the subject property accessory unit complies with the zoning and land use requirements (legal or legal non-conforming or locations without zoning), the appraisal report must include the following: – At least one comparable sale with an accessory unit, when available, to demonstrate the property's conformity and marketability to its market area. ▪ If a recent comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. ▪ The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales. – If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property. *Comparable Requirements for Properties with Illegal Zoning Compliance* » If the subject property ADU does not comply with the zoning and land use requirements (illegal zoning), the Mortgage is eligible if: – The subject property is a 1-unit property with an ADU – The appraisal contains at least two comparable sales with an ADU that is non-compliant with the zoning and land use requirements (illegal zoning) to demonstrate the marketability of the subject property to its Market Area; and

	– REMN confirms that the existence of the accessory unit will not jeopardize future hazard insurance claims *Manufactured Home ADUs* Freddie Mac will purchase a Mortgage secured by a 1-3 unit dwelling that contains a Manufactured Home ADU that meets the following additional requirements: » The Manufactured Home ADU must be legally classified as real property » The Manufactured Home ADU must have a minimum of 400 square feet of finished area » The Manufactured Home may not be an ADU for a Mortgage secured by a Manufactured Home » The manufactured home must meet the property eligibility, appraisal, titling, and lien requirements as described in the Manufactured Home Product Comparison » **Note**: For mortgages secured by Manufactured Homes containing an ADU, the primary dwelling unit must be a multi-wide Manufactured Home
Recently Listed Properties	No Cash-Out / Rate Term » Subject property must not currently be listed for sale. » Borrowers must confirm their intent to occupy the subject property (for principal residence transactions). Cash-Out » Subject property must not currently be listed for sale.
Sales Contract - Electronic Signatures	» A Sales Contract delivered to REMN which has been signed by the buyer using an Electronic Signature (or other copy/representation of the buyer's signature) is acceptable provided that: o The Electronic Contract process is managed by a licensed real estate broker o The Electronic Contract otherwise complies with all of FHLMC's requirements o The Electronic Contract is true, complete, accurate, and duly signed by the parties o Any affidavits or other notarized documents associated with such Electronic Contract must be original paper documents signed with pen and ink signatures and must be notarized and stamped with a traditional notary seal (if applicable).

PROPERTY INSURANCE	
Insurance Coverage Requirements	» Standard insurance requirements apply. Underwriters may reference the REMN Insurance Coverage Requirements job aid for complete details on insurance requirements. » In lieu of matching the mailing address with the subject address on an owner-occupied purchase, REMN will accept a letter from the Agent Stating: o The company's internal policy does not permit the subject property address to be used prior to the effective date, and o The mailing address will automatically change to the subject property on (or shortly after) the effective date.
Mortgagee Clauses	**For Homeowners Insurance (including Hazard, Flood, Wind, Hail, etc.):** ServiceMac, LLC ISAOA/ATIMA P.O. Box 29411 Phoenix, AZ 85038-9411 **For Title Insurance and Closing Protection Letter (all states except for New York):** Homebridge Financial Services, Inc., DBA Real Estate Mortgage Network its successors and/or assigns as their interest may appear 99 Wood Avenue South, Suite 301 Iselin, NJ 08830 **For Title Insurance and Closing Protection Letter (New York ONLY)** HomeBridge Financial Services, Inc. D/B/A REMN Wholesale ISAOA/ATIMA 99 Wood Avenue South, Suite 301 Iselin, NJ 08830
Flood Insurance Acceptable Policies	The flood insurance policy may be one of the following: » A standard policy issued by the NFIP, or » A policy issued by a private insurer that is qualified under Freddie guidelines, with at least equivalent terms and conditions to the standard NFIP policy for the types of improvements insured, including coverage, deductibles and exclusions and conditions offered.
Flood Insurance – Coverages	**One-To-Four Unit Properties/PUD or Ground Lease Community Units** If the community where the Mortgage Premises are located participates in the Emergency Program of the NFIP, the flood insurance coverage on the insurable improvements must at least equal the lowest of the following: » The UPB of the Mortgage » The maximum amount of coverage currently sold under the Emergency Program of the NFIP for the type of improvements insured » The replacement cost of the insurable improvements REMN must ensure that the Borrower increases flood insurance coverage on the insurable improvements when the community moves into the Regular Program of the NFIP as described below. If the community where the Mortgage Premises are located participates in the Regular Program of the NFIP, the flood insurance coverage on the insurable improvements must at least equal the lowest of the following: » The UPB of the Mortgage » The maximum amount of coverage currently sold under the Regular Program of the NFIP for the type of improvements insured » The replacement cost of the insurable improvements The deductible may not exceed the maximum deductible amount currently allowed under the NFIP for the type of improvements insured. For 1-4 unit properties, REMN may waive the flood insurance requirements for structures on the Mortgaged Premises that are detached from the primary residential structure and do not serve as a residence.
	Detached Condo Units: Flood insurance requirements for 1-4-unit properties apply to similar residential properties in a Detached Condominium Project.

	Attached Condo Units: The following flood insurance coverage, as applicable, is required: *Condominium Owners Association's Coverage* » The condominium owners' association must maintain building coverage on the building for the lower of: – The building's replacement cost, or – $250,000 multiplied by the number of residential units in the building. **NOTE:** Stand-alone flood insurance dwelling policies for an attached individual condo unit are not acceptable » The condominium owners' association must maintain contents coverage on the building for the lower of: – The actual cash-value of the contents in the building that are owned in common by the association members, or – The maximum amount of contents coverage sold by the NFIP for a condominium building. » The deductible of the condominium owners' association's coverage may not exceed the maximum deductible amount currently allowed under the NFIP for condominium association building coverage. The deductible for association building contents may not exceed the maximum deductible amount currently allowed under NFIP for association building contents. *Unit Owners Coverage* » To the extent the condominium owners' association's building coverage does not meet the above requirements, the Borrower must maintain supplemental coverage on the unit in an amount at least equal to the difference between the condominium association's building coverage allocated to that unit and the amount required on a 1-4-unit property and with a deductible not exceeding the maximum deductible allowed for a 1-4 unit property. If the condominium owners' associations' building coverage is not at least equal to the lower of 80% of the building's replacement cost or $250,000 multiplied by the number of units in the building, the Mortgage is not eligible for sale to Freddie Mac, with the exception of Freddie Mac Open Access loans, which remain eligible with supplemental coverage if applicable.