Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Table of Contents

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Category	**Addendum to** the Conventional Conforming **(PF10)(P13F)** • Agency Fixed Rate Fannie Mae **Only** • Agency Fixed Rate Freddie Mac **Only** • Interest Only ***NOT* Allowed** • ARMS **Allowed** • LPMI ***NOT* Allowed**
High Balance	High Balance Conforming is allowed: • Use product code P58 • Contact Secondary for investor specific for Fannie Mae or Freddie Mac using the applicable guidelines below.
Property Types	• SFR (Attached & Detached) • PUD • Condominiums • 2-4 Units
Applying the Multiple Financed Property Policy to Manually Underwritten Loans	• **All Manual Underwrites require Corporate 2nd Signature** • If the borrower is financing a second home or investment property that is manually underwritten, the maximum number of financed properties the borrower can have is six. Fannie Mae's standard eligibility policies apply (for example, LTV ratios and minimum credit scores). The Underwriter must determine that the borrower meets the minimum reserve requirements that apply to multiple financed properties.
Applying the Multiple Financed Property Policy to DU (Fannie Mae Up to 10 Properties Only)	• If the borrower is financing a second home or investment property that is underwritten through DU, maximum number of financed properties, the maximum number of financed properties the borrower can have is ten. If the borrower will have one to six (6) financed properties, Fannie Mae's standard eligibility policies apply (for example, LTV ratios and minimum credit scores). If the borrower will have (7) seven to 10 (ten) financed properties, the mortgage loan must have a minimum representative credit score of 720, all other standard eligibility policies apply.

Applying the Multiple Financed Property Policy to DU (Fannie Mae Up to 10 Properties Only) Continued	• DU will determine the number of financed properties for the loan case file Based on the following approach: o If the number of financed properties field is completed, DU will use that as the number of financed properties. The underwriter must complete this field with the number of financed one-to four-unit residential properties (including the subject transaction for which the borrower(s) are personally obligated). o If the number of financed properties field is not provided, DU will use the number of residential properties in the real estate owned (REO) section that include a mortgage payment, or that are associated with a mortgage or HELOC in the liabilities section that include a mortgage payment, or that are associated with a mortgage or HELOC in the liabilities section of the loan application, as the number of financed properties. o If the number of financed properties field and the REO information was not provided, DU will use the number of mortgages and HELOC's disclosed in the liabilities section of the loan application as the number of financed properties. o When none of the information above is provided on the loan application, DU will use the number of mortgages and HELOCs disclosed on the credit report as the number of financed properties. ▪ **Note**: In order to account for the subject property, DU will add "1" to the number of financed properties on purchase and construction transactions when the REO section, number of mortgages on the application, or number of mortgages on the credit report are used as the number of financed properties, or the number of mortgage of mortgages sold to Fannie Mae. • After determining the number of financed properties, DU will use that value to assess the eligibility of the loan including the minimum credit score require for seven (7) to ten (10) financed properties, and the minimum required reserves the underwriter must verify.

Multiple Financed Properties Program
Fannie Mae/Freddie Mac

Applying the Multiple Financed Property Policy to DU (Fannie Mae Up to 10 Properties Only) Continued	• DU will issue a message informing the underwriter of the number of financed properties and where that information was obtained Number of Financed Properties field, REO section, number of mortgages on application. • If DU used the information provided in the number of financed properties field or in the REO section as the number of financed properties, and that information is inaccurate, the underwriter must update the data and resubmit the loan casefile to DU. • If DU used the number of mortgages and HELOCs on the loan application or credit report as the number of financed properties, and that number is inaccurate, the underwriter must provide the correct number in the number of (financed properties" field, or complete the Real Estate Owned section of the loan application and resubmit the loan case file to DU.
Occupancy And LTV Restrictions **Fannie Mae Up To 10 Properties Continued**	See table below

Standard Conforming & High Balance		
Second Home		
Transaction Type	**Number of Units**	**Maximum LTV, CLTV, HCLTV**
Purchase **Limited Cash-Out Refinance**	1 Unit	FRM: 90%
Cash-Out Refinance • **(greater than 6 months seasoning follow standard Fannie Mae guidelines for Cash-Out)** • **(within 6 months of purchase follow all delayed financing exception requirements per Fannie Mae Guidelines**	1 Unit	FRM: 75%

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Occupancy And LTV Restrictions

Fannie Mae Up To 10 Properties

Investment Property

Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV
Purchase	1 Unit	FRM: 85%
	2-4 Units	
Limited Cash-Out Refinance	1-4 Units	FRM: 75%
Cash Out Refinance • **(greater than 6 months seasoning follow standard Fannie Mae guidelines for Cash-Out)** • **(within 6 months of purchase follow all delayed financing exception requirements per Fannie Mae Guidelines**	1 Unit	FRM: 75%
Cash Out Refinance • **(greater than 6 months seasoning follow standard Fannie Mae guidelines for Cash-Out)** • **(within 6 months of purchase follow all delayed financing exception requirements per Fannie Mae Guidelines**	2-4 Units	FRM: 70%

Note: If the property was purchased within 6 to 12 month period prior to the application date for the new financing, the LTV ratios will be based on the lesser of the original sales price/acquisition cost (documented by the Final Closing Disclosure or Final HUD 1) **OR** the current appraised value.

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Occupancy
And
LTV Restrictions

Freddie Mac Up To 6 Properties

Standard Conforming

Second Home

Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV
Purchase **Limited Cash-Out Refinance**	1 Unit	FRM: 85%
Cash-Out Refinance	1 Unit	FRM: 75%

Investment Property

Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV
Purchase	1 Unit	FRM: 85%
	2-4 Units	FRM: 75%
Limited Cash-Out Refinance	1-4 Units	FRM: 75%
Cash-Out Refinance	1 Unit	FRM: 75%
	2-4 Units	FRM: 70%

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Occupancy And LTV Restrictions

Freddie Mac Up To 6 Properties Continued

Super Conforming (High Balance)		
Second Home		
Transaction Type	**Number of Units**	**Maximum LTV, CLTV, HCLTV**
Purchase **Limited Cash-Out Refinance**	1 Unit	FRM: 80%
Cash-Out Refinance	1 Unit	FRM: 65%
Investment Property		
Transaction Type	**Number of Units**	**Maximum LTV, CLTV, HCLTV**
Purchase	1 Unit	FRM: 80%
	2-4 Units	FRM: 70%
Limited Cash-Out Refinance	1 Unit	FRM: 75%
	2-4 Units	FRM: 70%
Cash-Out Refinance	1-4 Units	FRM: 65%

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Limits on the Number of Financed Properties	If the mortgage loan being **sold to Fannie Mae** is secured by the borrower's principal residence, there are not limitations on the number of other properties that the borrower will have financed. If the mortgage is secured by a second home or an investment property, the multiple financed properties policy applies. The maximum number of financed properties that are permitted is based on the underwriting method, as described below. The financed property limit • Applies to the number of one-to four-unit residential properties where the borrower is personally obligated on the mortgage(s): • Applies to the total of properties financed, not to the number of mortgages on the property or the number of mortgages sold to Fannie Mae; • Includes the borrower's principal residence if it is financed; and • Is cumulative for all borrowers (though jointly financed properties are only counted once). The following property types are not subject to these limitations, even if the borrower is personally obligated on a mortgage on the property; • Commercial real estate, • Multifamily property consisting of more than four units, • Ownership of a timeshare, • Ownership of a vacant lot (residential or commercial), or • Ownership of a manufactured home on a leasehold estate not title as real property (chattel lien on the home). **Examples-Counting Financed Properties** • The borrower is personally obligated on mortgages securing two investment properties and the co-borrower is personally obligated on the mortgages securing three other investment properties, and they are jointly obligated on their principal residence mortgage. The borrower is refinancing the mortgage on one of the two investment properties. Thus, the borrowers have six financed properties.

Multiple Financed Properties Program
Fannie Mae/Freddie Mac

Limits on the Number of Financed Properties Continued	• The borrower and co-borrower are purchasing an investment property and they are already jointly obligated on the mortgages securing five other investment properties. In addition, they each own their own principal residence and are personally obligated on the mortgages. The new property being purchased is considered the borrowers' eighth financed property. • The borrower is purchasing a second home and is personally obligated on this or her principal residence mortgage. Additionally, the borrower owns four two-unit investment properties that are financed in the name of a limited liability company (LLC) of which he or she has a 50% ownership. Because the borrower is not personally obligated on the mortgages securing the investment properties, they would not be included in the property count and the result is only two financed properties. • The borrower is purchasing and financing two investment properties simultaneously. The borrower does not have a mortgage lien against his or her principal residence but does have a financed second home and is personally obligated on the mortgage, two existing financed investment properties and is personally obligated on both mortgages, and a financed building lot. In this instance, the borrower will have five financed properties because the financed building lot does not need to be included in the property count. **Second Home and Investment Property Mortgages – Freddie Mac** • When determining the total number of financed properties, underwriters do not need to consider financed properties that a Borrower owns, but is not obligated on. • Underwriters are not required to verify reserves for each additional financed second home and/or 1- 4 unit Investment Property that a Borrower owns, but is not obligated on. • The ULDD Data Point, **Total Mortgaged Properties Count** only needs to include the total number of properties that the Borrower is obligated on.
Underwriting Methods	• All loans processed thru DU/LP and o receive "***Approve/Eligible***" and "**Streamline or Accept**" findings.
LPMI	• NOT ALLOWED

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Documentation Requirements	• 4506T must be processed to cover the years of income documentation in the loan file. o In the case where Business Income is used to qualify, i.e. 1120s or 1065, Tax Transcripts must be provided for the years used to qualify. • ***When the loan is locked*** the comment section of the lock **MUST** state **"GREATER THAN 4 FINANCED PROPERTIES"**. • ***Rent Loss Insurance*** - Paragraph "C" of the Multi-state two-to-four family rider (FNMA/FHLMC Form 3170) requires the borrower to maintain rent loss insurance in an amount equal to gross rentals for gross rents covering six months. ❖ Rent loss insurance compensates the owner for a loss or reduction of rental income cause by fire or any other casualty covered by the hazard insurance policy. ❖ It is a standard provision contained in most hazard policies for rental dwellings. ❖ FNMA will allow rent loss insurance to be waived if DU does not require it in the findings result. ❖ Freddie Mac: Does not require rent loss insurance for 2-to 4-unit Primary Residence. **NOTE:** Freddie Mac: No longer requires rent loss insurance for investment properties.
Secondary & Subordinate Financing	***Per Fannie Mae and Freddie Mac LTV/CLTV/HLTV guidelines and restrictions.***
Qualifying Ratio	***Determined by AUS*** • ***Approve/Eligible (DU)*** • ***Accept/ Streamline Accept (LP)***
Qualifying Rate	Qualify at the Note rate (fully amortized)
Seller Contributions	**Investment & Second Home** – with LTV's to 75% • Second Homes not to exceed 9% • Investment property not to exceed 2% • Maximum allowable commissions which consist of Listing; Selling Agent(s); REO Services or Auction costs ***CANNOT*** exceed 8%.

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Other Real Estate	**Multiple Properties Program** (**Fannie Mae Only**) • Special financing program to provide financing for investor and second home borrowers with five to ten financed 1 - 4 unit residential properties. If the mortgage is secured by a second home or an investment property, the borrower may own or be obligated on up to ten financed properties (including his or her principal residence). • The financed property limit applies to the borrower's ownership of one- to four-unit financed properties or mortgage obligations on such properties and is cumulative for all borrowers. • These limitations apply to the total number of properties financed, not to the number of mortgages on the property or the number of mortgages sold to Fannie Mae. Unless otherwise stated, these requirements apply to all mortgage loans. (See Borrowers Eligibility section for table as to how to apply the limitations based upon the type of property ownership.
Number of loans to one borrower	Provident Bank Mortgage will make **no more than 3 loans to one borrower** on this program.
Appraisal Requirements	• Small Residential Income Property (FNMA Form 1025, Rev 10/94) for 2 unit property • Single-Family Comparable Rent Schedule (FNMA Form 1007) and Operating Income Statement (FNMA form 216) for SFR Investment Properties **NOTE:** Photographs are required for the following rooms: Living rooms, Kitchens, Bathrooms. **NOTE:** Unpermitted Additions ***CANNOT*** be given value.
Escrow Waiver	***Allowed***
Miscellaneous Criteria	**Seasoning/Flipping:** Purchase transactions require that the subject property be owned by the seller for at least 30 days from the date of the purchase Agreement unless the seller meets **one** of the following: • State/Federally chartered financial institutions and government sponsored enterprises (FNMA/FHLMC); • Sales by HUD of its REO property • Local and State Gov. agencies; • Non-profits approved to purchase HUD REO property; • Sales of properties acquired through inheritance (documentation of inheritance required);

Miscellaneous Criteria Continued

- Sales of property acquired by employers or relocation agencies in connection with relocation of employees (documentation of relocation required) as well as proof that the seller acquired the property as a result of company transfer of previous owner.

Documenting Rental Income from Subject Property

Rental Income on the subject investment property must be fully documented in accordance Fannie Mae/Freddie Mac general income guidelines and rental income guidelines.

Does the borrower have a history of receiving rental income from the subject property?	Transaction Type	Documentation Requirements
YES	REFINANCE	Form 1007 or Form 1025, as applicable, and either • The borrower's most recent year of signed federal tax returns, including Schedule E, **OR** • Copies of the current lease agreement(s) if the borrower can document a qualifying exception (see partial or No rental history on Tax Returns below)
NO	**PURCHASE**	Form 1007 and Form 1025, as applicable, and • Copies of the current lease agreement(s) If the property is not currently rented, lease agreements are not required. Underwriter may use market rent supported by Form 1007 or Form 1025, as applicable. • if there is a lease on the property that is being transferred to the borrower, the underwriter must verify that it does not contain any provisions that could affect the first lien position.
NO	**REFINANCE**	Form 1007 or Form 1025, as applicable, **and** • Copies of the current lease agreement (s)

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Miscellaneous Criteria Continued	**NOTE:** if the borrower is not using any rental income from subject property to qualify, the gross monthly rents must still be documented for lender reporting purposes. **Documenting Rental Income From Property Other Than the Subject Property** Rental income from other properties owned by the borrower must be supported by the most recent signed federal income tax return. If rental income has not yet been reported on tax returns because the properties were acquired subsequent to the last tax filing, leases may be used to document rental income.
Credit	**Fannie Mae** • Standard Conforming – **minimum credit score 720** • High Balance Conforming – **minimum credit score 740** **Freddie Mac** • Follow AUS (LP) No minimum credit score requirements
Mortgage/Rental Credit	• Per DU Findings • Mortgage or Rental Delinquencies – Borrower(s) ***CANNOT*** have any delinquencies (30 days or greater) within the past 12 months on **ANY** mortgage loans. • **Freddie Mac Only** ▪ The refinancing of **mortgages that have been restructured** is ***ineligible***. o Restructured loans include loans that have had debt forgiveness or any portion of the debt converted from secured to unsecured.
Bankruptcy	Borrower ***CANNOT*** have any history of a bankruptcy within the last 7 years
Foreclosure	Borrower ***CANNOT*** have any history of a bankruptcy within the last 7 years
Minimum Reserves	**Fannie Mae** If the borrower owns other financed properties, additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UFB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:

Minimum Reserves (Continue)	• 2% of the aggregate UPB if the borrower has one to four financed properties • 4% of the aggregate UPB if the borrower has five to six financed properties, or • 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only). The aggregate UPB calculation does not include the mortgages and HELOCs that are on • the subject property, • the borrower's principal residence, • properties that are sold or pending sale, and • accounts that will be paid by closing (or omitted in DU on the online loan application). **Note:** DU will also include in the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the online loan application. **Simultaneous Second Home or Investment Property Transactions** If an underwriter is processing multiple second home or investment property applications simultaneously, the same assets may be used to satisfy the reserve requirements for both mortgage applications. Reserves are not cumulative for multiple applications. Example: An Underwriter is simultaneously processing two refinance applications for two investment properties owned by the borrower. The application for property A requires reserves of $5000.00. The application for property B requires reserves of $10,000. Because the reserves are covering the same properties, the underwriter does not have to verify $15,000 in reserves, but only those required per each application.

PROVIDENT Bank Mortgage

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Examples of Reserves Calculations

The following tables contain examples of reserves calculations for borrowers with multiple financed properties.

Example 1: Three financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Second Home	$78,750	$776	2 Months PITIA=	$1,552
Principal	$0	$179	NA	$0
Investor	$87,550	$787	$230,050x2%=	$4,601

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Investor	$142,500	$905		
	$230,050		**Total=**	$6,153

Example 2: Six financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Investor	$78,750	$776	6 months PITIA=	$4,656
Principal	$133,000	$946	N/A	$0
Investor	$87,550	$787		
Investor	$142,500	$905	$345,030x 4%=	$13,801
Investor	$84,950	$722		
Investor	$30,030	$412		
Investor	**$345,030**		**Total=**	**$18,457**

Multiple Financed Properties Program

Fannie Mae/Freddie Mac

Examples of Reserves Calculations Continued	Example 3: Eight financed Properties (DU Only No Manual UW)

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Investor	$78,750	$776	6 months PITIA	$4,656
Principal	$133,000	$946	N/A	$0
Investor	$87,550	$787	$629,530x 6%=	$37,772
Investor	$142,500	$905		
Investor	$84,950	$722		
Investor	$30, 030	$412		
Second Home	$124,500	$837		
Investor	$160,000	$1,283		
	$629,530		**Total=**	**$42,427**