

**HOME POSSIBLE
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ELIGIBLE MORTGAGES	<ul style="list-style-type: none"> Conventional first-lien, fully amortizing Fixed-Rate Mortgages with an original maturity not greater than 30 years. 								
CREDIT SCORE	<ul style="list-style-type: none"> PER AUS <ul style="list-style-type: none"> (LPA Loan Product Advisor ONLY) 								
LOAN PURPOSE	<ul style="list-style-type: none"> Purchase =Home Possible/Home Possible Advantage Rate Term Refinance 1 Unit Only <ul style="list-style-type: none"> 2-4 can only payoff 1st Mortgage Only=Home Possible Only <ul style="list-style-type: none"> Gift funds allowed to payoff 2nd TD that can't be refinanced into the 1st Mortgage on 2-4 units only. = Home Possible Only 								
PROPERTY TYPE	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #cccccc;">Home Possible</th> <th style="background-color: #cccccc;">Home Possible Advantage</th> </tr> </thead> <tbody> <tr> <td>1 -to 4-Unit primary residence</td> <td>1 - Unit primary residence only</td> </tr> <tr> <td>Condos</td> <td>Condos</td> </tr> <tr> <td>PUDs</td> <td>PUDs</td> </tr> </tbody> </table>	Home Possible	Home Possible Advantage	1 -to 4-Unit primary residence	1 - Unit primary residence only	Condos	Condos	PUDs	PUDs
Home Possible	Home Possible Advantage								
1 -to 4-Unit primary residence	1 - Unit primary residence only								
Condos	Condos								
PUDs	PUDs								
COLLATERAL EVALUATION	<ul style="list-style-type: none"> 1- Unit primary residences: Use Form 70, Uniform Residential Appraisal Report. Condominiums: Use Form 465, Individual Condominium Unit Appraisal Report. 2-to 4- unit primary residence: Use Form 72, Small Residential Income Property Appraisal Report. 								

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LTV/TLTV/HTLTV	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="4" style="text-align: center;">Maximum LTV/TLTV/HTLTV Purchase and “ no cash-out refinance transactions”</th> </tr> <tr> <th style="text-align: center;">Property Type</th> <th style="text-align: center;">LTV</th> <th style="text-align: center;">TLTV</th> <th style="text-align: center;">HTLTV</th> </tr> <tr> <th colspan="4" style="text-align: center;">Home Possible Mortgages</th> </tr> <tr> <td style="text-align: center;">1- to 4-Unit</td> <td style="text-align: center;">95%</td> <td style="text-align: center;">95%</td> <td style="text-align: center;">95%</td> </tr> <tr> <th colspan="4" style="text-align: center;">Home Possible Advantage Mortgage</th> </tr> <tr> <td style="text-align: center;">1-unit</td> <td style="text-align: center;">97%</td> <td style="text-align: center;">*105%</td> <td style="text-align: center;">N/A</td> </tr> </table>					Maximum LTV/TLTV/HTLTV Purchase and “ no cash-out refinance transactions”				Property Type	LTV	TLTV	HTLTV	Home Possible Mortgages				1- to 4-Unit	95%	95%	95%	Home Possible Advantage Mortgage				1-unit	97%	*105%	N/A				
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1-unit	97%	*105%	N/A																														
	<ul style="list-style-type: none"> • *Secondary financing must be an Affordable Second and the Affordable Second may not be a HELOC. • No Minimum LTV Ratio Home Possible/Home Possible Advantage 																																
MORTGAGE INSURANCE	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="6" style="text-align: center;">Home Possible and Home Possible Advantage Mortgages</th> </tr> <tr> <th rowspan="2" style="text-align: center;">Transaction Type</th> <th rowspan="2" style="text-align: center;">MI Coverage</th> <th colspan="4" style="text-align: center;">LTV Ratio</th> </tr> <tr> <th style="text-align: center;">>80% & ≤85%</th> <th style="text-align: center;">>80% & ≤90%</th> <th style="text-align: center;">>90% & ≤95%</th> <th style="text-align: center;">>95% & ≤97%</th> </tr> <tr> <td style="text-align: center;">Fixed- rate, term ≤20 years</td> <td style="text-align: center;">Standard</td> <td style="text-align: center;">6%</td> <td style="text-align: center;">12%</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> <tr> <td style="text-align: center;">Fixed-rate, term >20 years</td> <td style="text-align: center;">Standard</td> <td style="text-align: center;">12%</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> </table>					Home Possible and Home Possible Advantage Mortgages						Transaction Type	MI Coverage	LTV Ratio				>80% & ≤85%	>80% & ≤90%	>90% & ≤95%	>95% & ≤97%	Fixed- rate, term ≤20 years	Standard	6%	12%	25%	25%	Fixed-rate, term >20 years	Standard	12%	25%	25%	25%
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Fixed-rate, term >20 years	Standard	12%	25%	25%	25%																												
	<p style="text-align: center;">Lender- paid mortgage insurance premiums are permitted. Financed MI is not permitted.</p> <p style="text-align: center;">Note: Home Possible Advantage 97% LTV applies to 1-unit properties only.</p>																																

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INCOME LIMITS

(a) Income Limits

- Loan Product Advisor will determine the income eligibility of the Mortgage; or
- Use the Home Possible Income & Property Eligibility tool
www.freddiemac.com/homepossible/eligibility.html

STATE	COUNTY	INCOME MULTIPLIER
California	All Counties	140%

- The income used to qualify the Borrower converted to an annual basis must not exceed 100% of the area median income or the percentages (income multipliers in the designated high-cost area listed below).
- No income limits apply if the mortgaged Premises is located in an Underserved Area.
- PBM must attempt to verify all income reported on the Uniform Residential Loan Application.
- All reported income that is verified and meets the criteria for stable monthly income must be used to qualify the Borrower and submitted to Loan Product Advisor.

(b) Ownership of other residential property

- Borrower(s) may not, as of the Note Date, have an ownership interest in any other residential properties, except as stated below:
 - The borrower may have an ownership interest in a residential property other than the Mortgaged Premises if the Borrower does not occupy the property, and the underwriter documents the following in the mortgage file:
 - The Borrower inherited their ownership interest in the property and shares ownership with another party, or
 - The borrower owns the property with another party and the debt associated with the property was assigned to the other party by a court order (e.g. divorce decree), or
 - The borrower is a co-signer/guarantor on the related Mortgage debt and someone other than the Borrower has made payments on the debt associated with the property for the most recent 12 months, as documented with copies of canceled checks or a statement from the lender.

(c) Occupancy

All Borrowers must occupy the Mortgaged Premises as their Primary Residence.

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ELIGIBLE BORROWERS	<ul style="list-style-type: none"> • The borrower must meet income limits. Loan Product Advisor will indicate income eligibility. • The Underwriter must attempt to verify all income reported on the Uniform Residential Loan Application. All reported income that has been verified and that is stable monthly income must be used to qualify the borrower and in determining whether the borrower meets the income limits.
BORROWER INCOME; QUALIFYING RATIOS	<ul style="list-style-type: none"> • <i>Rental income from 1-unit Primary Residence</i> Rental income from a 1-unit Primary Residence may be considered as stable income if: <ul style="list-style-type: none"> ▪ Connection with Borrower. The person providing the rental income <u>and</u> the Borrower: <ul style="list-style-type: none"> ○ Have resided together for at least one year ○ Will continue residing together in the new residence, <u>and</u> ○ The person providing the rental income provides appropriate documentation to evidence residency with the Borrower (i.e., copy of a driver's license, bill, bank statement, etc., that shows the address of the person to be the same as the Borrower's address). ▪ Rental payment. Rental income from the person residing in the Mortgaged premises: <ul style="list-style-type: none"> ○ Has been paid to the Borrower for the past 12 month on a regular basis. ○ Can be verified by the Borrower with evidence showing receipt of regular payments of rental income to the Borrower for the past 12 months (i.e., copies of cancelled checks). ○ Does not exceed 30% of total income used to qualify for the Mortgage. ▪ The Mortgage file must contain a written statement from the Borrower affirming: <ul style="list-style-type: none"> ○ The source of the rental income ○ The fact that the person providing the rental income has resided with the Borrower for the past year and intends to continue residing with the Borrower in the new residence for the foreseeable future. • <i>Rental income form 2- to 4-unit Primary Residences (Home Possible Only)</i> Rental income from a 2- to 4-Unit Primary Residence that meets Freddie Mac's Standard requirements may be considered stable monthly income.

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BORROWER INCOME; QUALIFYING RATIOS CONTINUED	<ul style="list-style-type: none"> • Qualifying Ratios <ul style="list-style-type: none"> ▪ There is no maximum monthly housing expense-to-income ratio. ▪ Debt payment-to-income ratios must not exceed the following limits: <table border="1" style="margin-left: 40px; border-collapse: collapse; width: 60%;"> <thead> <tr> <th style="text-align: left;">Underwriting Path</th> <th style="text-align: center;">Home Possible</th> <th style="text-align: center;">Home Possible Advantage</th> </tr> </thead> <tbody> <tr> <td>Loan Product Advisor Mortgages</td> <td colspan="2" style="text-align: center;">Determined by Loan Product Advisor</td> </tr> </tbody> </table> • Calculation of qualifying income The Underwriter must attempt to verify all income reported on the loan application, in accordance with Sections 5302 through 5307 of the Freddie Mac guidelines. Any discrepancies, including underreported income, must be corrected before submitting the Mortgage to Loan Product Advisor. All income reported on the Loan Application that has been verified and that meets the criteria for stable monthly income as described in Topic 5300 of Freddie Mac’s guidelines must be used to qualify the Borrower and submitted to Loan Product Advisor for all Home Possible and Home Possible Advantage Mortgages. 	Underwriting Path	Home Possible	Home Possible Advantage	Loan Product Advisor Mortgages	Determined by Loan Product Advisor											
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BORROWER CONTRIBUTION AND IPCS	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="4" style="text-align: center;">Minimum Contribution from Borrower Personal Funds* <i>(Purchase transactions only)</i></th> </tr> <tr> <th style="text-align: left;">Property Type</th> <th style="text-align: center;">Home Possible Mortgages with LTV/TLTV/HT LTV Ratios <=80%</th> <th style="text-align: center;">Home Possible Mortgages with LTV/TLTV/HT LTV Ratios >80% <=95%</th> <th style="text-align: center;">Home Possible Advantage</th> </tr> </thead> <tbody> <tr> <td>1-unit</td> <td>None</td> <td>None</td> <td>None</td> </tr> <tr> <td>2-to 4-unit</td> <td>None</td> <td>3%</td> <td>N/A</td> </tr> </tbody> </table> <p><small>*Stated as a percentage of value</small></p> <p>Note: <u>Home Possible Advantage 1-unit</u> no minimum contribution from borrower Personal funds is required.</p> <p><u>Interested-Party Contributions:</u></p> <ul style="list-style-type: none"> • 9% for LTV/CLTV up to 75% • 6% for LTV/CLTV 75.01-90% • 3% for LTV/CLTV >90% 	Minimum Contribution from Borrower Personal Funds* <i>(Purchase transactions only)</i>				Property Type	Home Possible Mortgages with LTV/TLTV/HT LTV Ratios <=80%	Home Possible Mortgages with LTV/TLTV/HT LTV Ratios >80% <=95%	Home Possible Advantage	1-unit	None	None	None	2-to 4-unit	None	3%	N/A
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RESERVES	Minimum Reserves	
	Property Type	Home Possible
	1-unit	None required
	2- to 4-units	Two months
	Home Possible Advantage	Home Possible Advantage
	None required	None required
	N/A	N/A

- The Borrower must have the following minimum reserves, using the monthly payment amount as described below:
 - Reserves are eligible assets, as described below, remaining after the Mortgage closing. Reserves are measured by the number of months of the monthly payment amount for the property. The monthly payment amount is the sum of the following monthly charges:
 - Principal and interest payments on the Mortgage
 - Property hazard insurance premiums
 - Real estate taxes

When applicable:

- Mortgage insurance premiums
- Leasehold payments
- Homeowners association dues (excluding unit utility charges)
- Payments on secondary financing

○ When calculating reserves for the subject property, the principal 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 is the same amount as used in the debt payment-to-income ratio calculation.

- The Underwriter must verify all reserves required by Loan Product Advisor, as stated on the Feedback Certificate. **The above required reserves are included in the amount of reserves required by Loan Product Advisor.**

Examples of assets that are not eligible to be reserves:

- Non-financial 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

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SOURCES OF FUNDS	Use	Permitted Sources of Funds
	Minimum borrower contribution	<ul style="list-style-type: none"> • Borrower personal funds
	Down payment	<ul style="list-style-type: none"> • Borrower personal funds • Other eligible sources of funds
	Paying down the principal balance of the Mortgage being refinanced for a “no cash-out” refinance transaction	<ul style="list-style-type: none"> • Borrower personal funds • Other eligible sources of funds
	Closing costs	<ul style="list-style-type: none"> • Borrower personal funds • Other eligible sources of funds • Flexible sources of funds
	Reserves	<ul style="list-style-type: none"> • Borrower personal funds • Other eligible sources of funds
ELIGIBLE SOURCES OF BORROWER FUNDS	<p>Borrower Personal Funds – When used with Home Possible Mortgages, Borrower Personal Funds include:</p> <ol style="list-style-type: none"> 1. Depository accounts: Depository accounts used to deposit and withdraw cash, such as checking, savings, money market, Certificate of deposit (CD) and other depository accounts. Provide an account statement covering a one-month period or a direct account verification (i.e., VOD) 2. Securities – Securities that are traded on an exchange or marketplace, generally available to the public such as stocks, vested stock options, bonds, mutual funds, United States government securities, and other securities. Provide an account statement covering a one-month period or a direct account verification (i.e., VOD). If the borrower does not receive a stock/security account statement provide evidence the security is owned by the Borrower and verify value using current stock prices from a financial publication or web site. 3. Retirement Accounts – Independent retirement accounts and Internal Revenue Service (IRS)-qualified employer retirement plan accounts such as: 401K, 403b, IRAs (traditional and Roth), SEP-IRA, SIMPLE-IRA, KEOGH, MyRA, State retirement savings plans, other independent and IRS-qualified employer retirement plan accounts. 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. 	

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- 4. 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.
- 5. 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 real estate or Mortgage 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 documentation verifying the value and ownership of the asset used to secure the loan as well as the amount and terms of the loan and evidence of receipt of the loan proceeds.
- 6. 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, 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 or an executed buy-out agreement that is part of an employer relocation plan that takes responsibility for the outstanding Mortgage(s).
- 7. 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 real estate or Mortgage transaction. Provide the following: a signed bill of sale documenting the asset and transfer of ownership and evidence of receipt of the proceeds.
- 8. Borrower’s real estate commission** – Borrower’s real estate commission is an eligible source of funds for Down Payment and/or closing Costs when the 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.
- 9. 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: identifies the Borrower as the beneficiary; confirms that the Borrower has access to

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ELIGIBLE SOURCES OF BORROWER FUNDS CONTINUED

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.

10. 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. Provide 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.

11. Community Savings Systems – 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 Systems account statements or a direct account verification identifying the non-profit community organization as the administrator and showing all Borrower contributions.

12. 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 one year, 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 Gift Funds requirements. Provide the following: evidence that the Borrower and the Related Person have resided together for at least one year; documentation verifying the pooled funds per the requirements for the applicable asset type; 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.

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- 13. 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 \$1500 **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 debt payment-to-income 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 debt payment-to-income ratio.
- 14. 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.
- 15. Rent Credits** – The portion of rental payments paid by the Borrower credit 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 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 and appraiser's determination of the market rent for the subject property.

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16. 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 determined 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 and a copy of the trade-in contract.

When assets that are invested in stocks, bonds, mutual funds, U.S. 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.

Earnest Money deposit (EMD)

When an EMD for a purchase transaction is used to qualify the Borrower for the Mortgage transaction, the underwriter must obtain evidence that the EMD check cleared the Borrower's account (e.g., copy of the canceled 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 Borrower personal funds, the Underwriter must:

- Verify that the source of the EMD is an eligible asset type and document it in accordance with the applicable requirements in this section
- Provide account statement(s) 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 be 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 requirements of these guidelines, except as stated below.

Documentation of large deposits is not required provided that the Underwriter:

- Reviews a minimum of the most recent two months of the business account statements, and
- Determines the deposits are typical for the Borrower's business

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<p>ELIGIBLE SOURCES OF BORROWER FUNDS CONTINUED</p>	<p>Source of funds from outside the United States and its territories When the source of funds needed for closing is, or otherwise originates from, asset(s) located outside the United States and its territories:</p> <ul style="list-style-type: none"> • 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 <p>(b) Special requirements for other eligible sources of funds -</p> <ol style="list-style-type: none"> 1. Gift funds or a gift of equity – Gift funds or a gift of equity is an eligible source of funds provided that the funds are from a Related Person and the funds do not have to be repaid. State the amount of the gift funds or gift funds and establish that the gift funds or gift of equity are a gift that does not have to be repaid. Gift funds: if the verifications provided in the Mortgage file do not show evidence that the gift funds have been deposited in the Borrower’s account, the Borrower must provide evidence of the transfer of funds from the donor to the Borrower. Gift of equity: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement. 2. 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. The gift funds must be on deposit in the Borrower’s depository account within 60 days of the date of the marriage license or certificate. Provide the following: a copy of the marriage license or certificate and a verification of the gift funds in the Borrower’s depository account. 3. A 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. 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
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**ELIGIBLE SOURCES OF BORROWER FUNDS
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Borrower or by the Seller on the Borrower’s behalf, and; identify the donor’s mailing address. The matching funds must be considered a gift or grant from an Agency; A maximum of a 3-to-1 match by an Agency’s funds is permitted; and The borrower must satisfy any vesting requirements of the matching IDA program. .

4. 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; a maximum of a 3-to-1 match by an Agency’s funds is permitted, and; 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, and; the vested balance or the percentage of vesting. Documentation of matching funds subject to a Recapture provision must also meet the requirements for a gift or grant from an Agency.

5. 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 that the eligibility and documentation requirements in Section 5501.4 are met.

Cash on hand, if the following requirements are met:

- The Underwriter reasonably concludes, and can support, that the Borrower is a cash-basis individual and that the cash on hand is not borrowed and could be saved by the Borrower.
- The Mortgage file contains the following documents supporting the Underwriter’s conclusion:
 - A completed Freddie Mac [Exhibit 23, Monthly Budget and Residual Analysis Form](#), or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number
 - Copies of six months' cash receipts (e.g., rent or utility receipts) or other alternative documentation (e.g., direct verifications or wire transfers) meeting the requirements of Freddie Mac Guidelines [Section 5202.2\(b\)](#) to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash

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<p>ELIGIBLE SOURCES OF BORROWER FUNDS CONTINUED</p>	<ul style="list-style-type: none"> ○ A credit report, obtained at the time of loan application, meeting the requirements of Freddie Mac Guidelines Section 5203.1. The credit report must not show more than three Tradelines. ○ Copies of three months' statements for any open revolving account that reveal cash advances are not the source of Borrower Funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency situation). ○ An updated credit report obtained approximately one week before closing that does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the Borrower. ● The Mortgage file must have no indication that the Borrower typically uses checking, savings or similar accounts ● Evidence that funds for the down payment, Closing Costs, Financing Costs, Prepays/Escrows and reserves are deposited in a financial institution or are held in an institutional escrow account prior to closing <p>Other eligible sources of funds When used with Home Possible Mortgages, other eligible sources of funds used to qualify the Borrower for the Mortgage transaction, include:</p> <ol style="list-style-type: none"> 1. Other eligible sources of funds as described above 2. In addition to gifts, gifts of equity or grants, a gift or grant from the originating lender 3. For purchase transactions, proceeds from an unsecured loan meeting the requirements of Freddie Mac Section 5501.4 from the following sources: <ul style="list-style-type: none"> ▪ An Agency, ▪ A Related Person, or ▪ A Community Savings System (funds in excess of the Borrower contribution to the Community Savings System) <p>An unsecured loan must meet the following requirements:</p> <ul style="list-style-type: none"> ▪ Must not contain provisions that allow or could result in negative amortization ▪ Must have a maturity date that: <ul style="list-style-type: none"> ○ Does not exceed the maturity date of the Mortgage ○ Is at least five 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
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**ELIGIBLE SOURCES OF
BORROWER FUNDS
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- 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 Form 65, Uniform Residential Loan Application
- 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 payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.
4. Sweat equity, if the following conditions are met: Sweat equity is credit for labor performed on the Mortgaged Premises or materials furnished for the Mortgaged Premises by the Borrower. Such credit must be fully explained and documented. Any labor performed must be completed in a skillful, workmanlike manner in order to support the appraised value. Completion in a skillful, workmanlike manner must be certified by the appraiser. Credit will not be given for sweat equity unless there is at least a 5% down payment from Borrower Personal Funds.
 5. Proceeds from an Affordable Second or other secondary financing that meets the requirements in Freddie Mac Guidelines [Chapter 4204](#). Any secondary financing subordinated to a Home Possible Advantage Mortgage must be an Affordable Second.

Flexible sources of funds

When used with Home Possible Mortgages, flexible sources of funds include:

1. Financing concessions as described in Freddie Mac Guidelines [Section 5501.5\(b\)](#) meeting the applicable requirements of Freddie Mac Guidelines [Section 5501.5](#)
2. Lender credit, as documented on the Settlement/Disclosure Statement

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ELIGIBILITY REQUIREMENTS	To be eligible when no borrower has a credit score, the mortgage:	To be eligible, when not all borrowers have a credit score, the mortgage:
	Not Available	Must be a purchase or a “no cash-out” refinance mortgage
		Must be secured by a 1-unit property and all borrowers must occupy the property as their primary residence
	If a transaction does not meet the above requirements, Loan Product Advisor will return an incomplete message(s).	
	When not all borrowers have a credit score, for Accept mortgage, the Underwriter must determine that the mortgage meets the following additional requirements:	
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 meet the same credit history requirements that apply to Accept mortgage when no Borrower on the Mortgage has a Credit Score (e.g., at least two payment references).		
The Loan Product Advisor Feedback Certificate will include a feedback message to indicate when these requirements must be met.		
Additional requirements for when the borrower without a usable credit score contributes >50% or more of the total monthly income:		
<ul style="list-style-type: none"> • Each borrower must have at least two payment references in the United States comprised of Noncredit Payment References and/or tradelines not appearing on the credit report. If two or more borrowers have the same payment reference, then the payment reference may count for each of those borrowers. <ul style="list-style-type: none"> ○ 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. <ul style="list-style-type: none"> ▪ 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. 		

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**ELIGIBILITY
REQUIREMENTS
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- 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
 - Meet the age of documentation requirements
 - Meet Documentation of Tradelines and Noncredit Payment References (see below)

Documentation of Tradelines and Noncredit Payment References

(i) Direct verification

A direct verification may be either a completed verification form or a computer-generated payment history, obtained by PBM directly from the creditor and signed by the individual providing the verification.

Direct verifications must contain sufficient information to establish the following

- The name and address of the creditor
- The name of the payor
- The name and title of the individual providing the credit reference
- The telephone number of the creditor
- The account number, if applicable
- The nature of the obligation (rent, utilities, payment for purchases, insurance, etc.)
- The highest credit balance, if applicable
- The amount of the payment due
- The outstanding balance
- The current and historical status of the account. The completed verification form must indicate the number of times and duration of times past due. The historical account status format should be "0x30, 0x60, 0x90 days" late. However, alternative formats are acceptable as long as the meaning is clear. Statements such as "current", "as agreed", or "satisfactory" are not acceptable by themselves because they are too vague.
- For a housing payment history, age of the reference if the length of housing payment history is less than 12 months.

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**ELIGIBILITY
REQUIREMENTS
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General reference letters without the above information are not sufficient documentation for establishing an acceptable credit reputation.

(ii) Other acceptable documentation

In lieu of a direct verification from the creditor, the Underwriter may obtain canceled checks, receipts issued by the creditor in accordance with the requirements of subsection (iii) below, or depositor account statements from the Borrower. The Mortgage file must also contain documentation that substantiates the terms of the debt repayment (e.g., a copy of a fully executed lease agreement for a rental verification).

For rental verification, if the Underwriter obtains a copy of a fully executed lease agreement and either canceled checks, depository account statements of receipts from the creditor for payments in cash in accordance with the requirements of subsection (iii) below, and the Underwriter confirms that the borrower has made timely payments in accordance with the terms of the lease for the most recent 12 months, the documentation requirements of this subsection (ii) are met.

The obtained documentation must contain sufficient information to establish the following:

- The name and address of the creditor
- The name of the payor
- The nature of the obligation (rent, utilities, payment for purchases, insurance, etc.)
- The highest credit balance, if applicable
- The amount of the payment due
- The outstanding balance
- The current and historical status of the account, including number of times past due and how many days past due
- For a housing payment history, age of the reference if the length of housing payment history is less than 12 months

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ELIGIBILITY REQUIREMENTS CONTINUED	<p>Documented payments of a voluntary nature, such as deposits to a savings account, contributions to a payroll savings plan or contributions to a stock purchase plan of at least 12 months may be included as one of the Noncredit Payment References if the history shows periodic deposits (at least quarterly) resulting in a growing balance over the year. If a savings history is used as one of the Noncredit Payment References, the Mortgage file must contain documentation, such as depository account statements that meet the requirements of Section 5501.3(a).</p> <p>(iii) Special requirements for receipts Receipts from the creditor are acceptable documentation only if the payments being verified were made in cash and there is no evidence in the Mortgage file that the payments were made by checks or direct bank transfers.</p>
MORTGAGE CREDIT CERTIFICATES	<p>The amount of the MCC tax credit may be considered as qualifying income in accordance with the following requirements:</p> <ul style="list-style-type: none"> • The amount used as qualifying income must be calculated as follows: (Mortgage amount) x (Note Rate) x (Mortgage Credit Certificate rate %) divided by 12 • The amount used as qualifying income cannot exceed the maximum Mortgage interest credit permitted by the IRS • The mortgage file must contain a copy of the: <ul style="list-style-type: none"> (i) MCC (ii) The Underwriter’s calculation of the amount used as qualifying income. • A history of receipt of MCC tax credit is not required.
QUALIFYING RATIOS	<ul style="list-style-type: none"> • There is no maximum monthly housing expense-to-income ratio. • Maximum monthly debt payment-to-income ratios are as Determined by LP (Loan Product Advisor)

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SECONDARY FINANCING	<p style="text-align: center;">Home Possible</p> <ul style="list-style-type: none"> ▪ Secondary financing, including an Affordable Second, is permitted and must meet the requirements in Guide Chapter 4204 ▪ An Affordable Second that does not require a monthly payment before the Due Date of the 61st payment under the Home Possible Mortgage may be entered in the “Total Gift Fund” field of LPA. 	<p style="text-align: center;">Home Possible Advantage</p> <ul style="list-style-type: none"> ▪ Only permitted Affordable Seconds meeting the requirements in Guide Section 4204.2. ▪ The Affordable Second financing cannot be a Home Equity Line of Credit ▪ An Affordable Second that does not require a monthly payment before the Due Date of the 61st payment under the Home Possible Mortgage may be entered in the “Total Gift Fund” field of LPA
FIRST TIME HOMEBUYER	<ul style="list-style-type: none"> • A First-Time Homebuyer is an individual who meets all of the following requirements: <ul style="list-style-type: none"> ○ Is purchasing the Mortgaged Premises ○ Will reside in the Mortgaged Premises as a Primary Residence ○ Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the Mortgaged Premises. • The related ULDD Data Point name is <i>Borrower First Time Homebuyer Indicator</i> • In addition, a displaced homemaker or a single parent may also be considered a First-Time Homebuyer if the individual had no ownership interest in a residential property during the preceding three-year period other than an ownership interest in the martial residence with a spouse. If a displaced homemaker or a single parent solely owned the martial residence, or solely or jointly owned a second home or Investment property, the individual may not be considered a First-Time Homebuyer. • If a Living Trust is purchasing the Mortgaged premises, then for purposes of this definition, an <u>Underwritten Settlor of that Living Trust will be deemed to be purchasing the Mortgaged Premises.</u> <p>Note: It is important that borrowers have sufficient information on the terms of a mortgage product and that the associated features, benefits, and risks of the selected mortgage product are clearly explained to the borrower prior to the borrower making a product or payment choice.</p>	

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**HOMEOWNERSHIP
EDUCATION**

(a) General Requirements

- At least one borrower must participate in a homeownership education program before the Note Date, in each of the following instances:
 - For purchase transactions when all Borrowers are First-Time Homebuyers, or
 - For any transaction when the credit reputation for all Borrowers is established using only Noncredit Payment References
- Homeownership education must not be provided by an interested party to the transaction, the originating broker or by PBM.
- Homeownership education programs may use different formats and require different lengths of time to complete. The following are acceptable:
 - Programs developed by HUD-approved counseling agencies, Housing Finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs)
 - Programs developed 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**, which includes:
 - Module 1 (Your Credit and Why It is Important),
 - Module 2 (Managing Your Money),
 - Module 7 (Thinking Like a Lender),
 - Module 11 (Becoming a Homeowner), and
 - Module 12 (Preserving Homeownership: Protecting Your Investment)
 - The financial literacy curriculum is not provided by an interested party to the transaction, the originating broker or by PBM.

(b) Documentation

- A copy of [Exhibit 20, 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.

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LANDLORD EDUCATION HOME POSSIBLE ONLY	<p>(c) Landlord education (2- to 4-unit Primary Residences) Home Possible ONLY</p> <ul style="list-style-type: none"> ▪ Purchase Transactions — At least one qualifying Borrower must participate in a landlord education program before the Note Date. ▪ Landlord education must not be provided by an interested party to the transaction, the originating broker, or PBM. ▪ A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file. ▪ Refinance Transactions — Landlord education is not required but is recommended for Borrowers who have not previously attended a program.
EARLY DELINQUENCY COUNSELING	<p>(d) Post-purchase and Early Delinquency Counseling Provident Bank Mortgage must provide (at no cost to the Borrower) Early Delinquency Counseling to all Borrowers who experience problems meeting their Mortgage obligations, in accordance with Freddie Mac Guidelines Sections 9101.2(c) and 9102.5(c).</p>
INELIGIBLE ATTRIBUTES	<ul style="list-style-type: none"> • Super Conforming (High Balance) • Cash Out • Second Homes • Manufactured Homes • Manual Underwrites