

FREDDIE MAC HOMEONE MORTGAGES



OVERVIEW	<ul style="list-style-type: none"> • HomeOne mortgage, a new conventional (non-FHA) 3% down payment option for qualified first-time homebuyers. • HomeOne mortgage broadly serves borrowers <u>without geographic or income restrictions.</u> • The HomeOne mortgage must be underwritten through Freddie Mac’s Loan Product Advisor, which makes a complete risk assessment based on several factors as it relates to credit, capacity and collateral. • The Freddie Mac HomeOne is offered only for conforming fixed-rate mortgages secured by a 1-unit primary residence. At least one of the borrowers must be a first-time homebuyer.
PRODUCT CODES	<ul style="list-style-type: none"> • 30 Year Fixed – CF30FRHO • 15 Year Fixed – CF15FRHO
UNDERWRITING PATH	<ul style="list-style-type: none"> • HomeOne Mortgages must be Loan Product Advisor <ul style="list-style-type: none"> ○ Accept • <u>Manually Underwritten mortgages are not eligible.</u>
AMORTIZATION TYPE	<ul style="list-style-type: none"> • HomeOne Mortgages must be fixed-rate Mortgages
ELIGIBLE PROPERTIES	<ul style="list-style-type: none"> • 1-Unit properties, including condominiums and units in Planned Unit Developments <ul style="list-style-type: none"> ○ No Manufactured Homes
INELIGIBLE MORTGAGES	<ul style="list-style-type: none"> • Affordable Merit Rate Mortgages • A-minus Mortgages • Seasoned Mortgages • Financed permanent Buydown Mortgages • Seller-owned Modified Mortgages and Seller-Owned Convert Mortgages • Mortgages with capitalized balances • Section 184 Native American Mortgages • Super Conforming Mortgages • Home Possible Mortgages • Freddie Mac Enhanced Relief Refinances Mortgages.

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INELIGIBLE MORTGAGES (CONTINUED)	<ul style="list-style-type: none"> • FHA and VA Mortgages • Section 502 GRH Mortgages • Freddie Mac Relief Refinance Mortgages- Same servicer and Freddie Mac Relief Refinances Mortgages Refinance Open Access.
OCCUPANCY	<ul style="list-style-type: none"> • All Borrowers must occupy the Mortgaged Premises as their primary residence.
MAXIMUM LTV/TLTV/HTLTV RATIOS	<ul style="list-style-type: none"> • The maximum loan-to-value (LTV)/total LTV (TLTV) Home Equity Line or Credit (HELOC) TLTV (HTLTV) ratio for the Mortgages are as follows: <ul style="list-style-type: none"> ○ Maximum LTV ratio: 97% ○ Maximum TLTV ratio for Mortgages with secondary financing that are not Affordable Seconds®: 97% ○ Maximum TLTV ratio for Mortgages with Affordable Seconds: 105% ○ Maximum HTLTV ratio: 97% • HomeOne Mortgages are Mortgages with loan-to-value (LTV), total LTV (TLTV) and/or Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios above 95% originated in accordance with the requirements of the Guide.
MORTGAGE PURPOSE	<ul style="list-style-type: none"> • HomeOne Mortgages must either be: <ul style="list-style-type: none"> ○ Purchase transaction Mortgages, or ○ "No cash-out" refinance Mortgages meeting the following requirements: <ul style="list-style-type: none"> ▪ For Mortgages with LTV and/or HTLTV ratios greater than 95%, the Mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac ▪ For Mortgages with TLTV ratios greater than 95% with secondary financing that is not an Affordable Second, the Mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac ▪ For Mortgages with TLTV ratios 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

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BORROWER ELIGIBILITY	<ul style="list-style-type: none">• For purchase transaction and "no cash-out" refinance Mortgages, at least one Borrower on the transaction must have a usable Credit Score as determined by Loan Product Advisor• For purchase transaction Mortgages, at least one Borrower must be a First-Time Homebuyer<ul style="list-style-type: none">○ Is purchasing the mortgage 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.
HOMEOWNERSHIP EDUCATION AND BORROWER DISCLOSURE	<ul style="list-style-type: none">• For purchase transaction Mortgages, when all Borrowers are First-Time Homebuyers, at least one Borrower must participate in a homeownership education program according to the requirements below:<ul style="list-style-type: none">(a) General requirements At least one Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, in each of the following instances:• For any transaction when the credit reputation for all Borrowers is established using only Noncredit Payment References<ul style="list-style-type: none">○ Homeownership education must not be provided by an interested party to the transaction, the originating lender or by the Seller.• 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)

HOMEOWNERSHIP EDUCATION AND BORROWER DISCLOSURE (CONTINUED)

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 lender or by the Seller
 - (b) **Documentation** A copy of [Exhibit 20, Homeownership Education Certification](#), (Quick Look Manual=PolicyProcedureManuals=Forms) or another document (such as the CreditSmart – Steps to Homeownership certificate of completion) containing comparable information must be retained in the Mortgage file.
 - (c) **First time homebuyers**
- Required when all Borrowers are First Time Homebuyers as defined as the following:
 - Is purchasing the Mortgage Premises
 - Will reside in the Mortgaged Premises as a Primary Residence
 - Hand no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the Mortgage Premises.
- 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 marital residence with a spouse. If a displaced homemaker or a single parent solely owned the marital residence, or solely or jointly owned a second home or Investment Property, the individual may not be considered a First-Time Homebuyer.

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HOMEOWNERSHIP EDUCATION AND BORROWER DISCLOSURE (CONTINUED)

- For the purpose of meeting the first bullet above:
 - If a Living Trust is purchasing the Mortgage Premises, then for purposes of this definition, an Underwritten Settlor of that Living Trust will be deemed to be purchasing the Mortgage Premises
 - If a Land Trust is purchasing the Mortgaged Premises, then for purposes of this definition, a beneficiary of that Land Trust who is a Borrower will be deemed to be purchasing the Mortgage Premises.

PERMITTED SOURCES OF FUNDS

- **FUNDS REQUIRED FOR THE MORTGAGE TRANSACTION:**
 - The Underwriter must verify that the Borrower has sufficient funds to qualify for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves).
 - All funds used to qualify the Borrower for the Mortgage transaction, including, but not limited to, funds for Down Payment, Closing Costs and reserves, must come from the eligible sources described in below:
 - **Requirements for direct account verifications and asset account statements** Direct account verifications and asset account statements used to verify the Borrower's accounts held in financial institutions must meet the following additional requirements:
 - Direct account verifications (i.e., verification of deposit form (VOD)) must:
 - Identify the financial institution
 - Identify the account owner(s)
 - Identify the account number, which at a minimum must include the last four digits
 - Identify the type of account
 - Identify account open date
 - Identify the current account balance
 - Identify the average balance for the previous two months
 - Identify any outstanding loans secured by the asset
 - Include the title, signature and phone number of the depository representative who completed the verification

PERMITTED SOURCES OF FUNDS (CONTINUED)

- When using direct account verification, the Seller must include documentation of the source of funds when an account is opened within 90 days of verification and/or when the current balance in an account is significantly greater than the average balance.
 - Asset account statements must:
 - Identify the financial institution
 - Identify the account owner(s)
 - Identify the account number, which at a minimum must include the last four digits
 - 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

(ii) Third-party asset verifications Asset verifications obtained through third-party verification service providers are acceptable. The verifications must be received by the originator directly from the third-party verification service provider and must contain the same information as required for direct account verifications or asset account statements above. However, when the verification is generated electronically and is not completed or provided by a representative of the employer or the depository institution, as applicable, the representative's information is not required. If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification. The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services.

**PERMITTED
SOURCES OF
FUNDS
(CONTINUED)**

(iii) Evaluation of deposits in the Borrower's accounts

(A) Deposits requiring verification Except as stated below, the Seller is not required to document the sources of unverified deposits for purchase or refinance transactions. However, when qualifying the Borrower, the Seller must consider any liabilities resulting from all borrowed funds. For purchase transactions, when evaluating deposits in the Borrower's accounts, the following requirements apply:

- The Seller 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 payment-to-income ratio in accordance with the requirements of [Section 5307.1](#), if applicable
- When a single deposit consists of both verified and unverified portions, the Seller 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), the Seller must reduce the funds used for qualification purposes by the amount of the unverified deposit. For Loan Product Advisor® Mortgages, the Seller must enter the reduced amount of the asset into Loan Product Advisor.
- 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), the Seller is not required to obtain additional documentation.

(B) Acceptable sources of deposit When a deposit requires verification as stated above, the Seller 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

**PERMITTED
SOURCES OF
FUNDS
(CONTINUED)**

- **INTERESTED PARTY CONTRIBUTIONS:**
 - Freddie Mac will purchase Mortgages that include interested party contributions under the terms of the Purchase Documents and this section.
Interested parties include, but are not limited to:
 - Builder
 - Developer
 - Seller of the property
 - Real Estate agent
 - Interested party contributions may include either financing and/or sales concessions. Freddie mac considers the following to be interested party contributions:
 - Funds from the originating lender, an employer, an municipality, a non-profit organization and a Related Person, are subject to interested party contributions requirements if the contributing party is affiliated with any of the interested parties as stated in the paragraph above, except as stated below for gifts from a Related Person and lender credit.
 - Funds an interested party that flow through a third-party organization or a non-profit agency, used to pay costs associated with the Mortgage transaction on the Borrower's behalf.
 - Funds that are donated to a third party, which in turn provides the funds to pay some or all of the Borrower's Closing Costs
 - Gift funds or gift of equity from a Related Person who is also the seller of the subject property is not subject to the requirements of this section, provided that:
 - The donor has no affiliation with the builder, real estate agent or any other interested party to the transaction, and
 - All the requirements pertaining to gift funds or gift of equity from a Related Person.
 - When Provident Bank Mortgage or originating lender is affiliated with an interested party to the transaction, a lender credit is not considered interest party contribution when it is derived from an increase in the interest rate.

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<p>PERMITTED SOURCES OF FUNDS (CONTINUED)</p>	<ul style="list-style-type: none"> ○ 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) are not eligible for sale to Freddie Mac. ○ The payment of no more than 12 months of homeowner’s association dues by an interested party is not considered abatement but is considered an interest party contribution, subject to the requirements of this section. The funds for the payment of the homeowner’s association dues must be collected at closing and transferred directly to the homeowners association, as documented on the Settlement/Closing Disclosure Statement. ● FINANCING CONCESSIONS <ul style="list-style-type: none"> ○ Financing concessions are funds that originate from an interested party to the transaction that are used to ○ When lender credit is being used for the Mortgage transaction, the requirements in Section 5501.6 must be met.
<p>MORTGAGE INSURANCE</p>	<ul style="list-style-type: none"> ● Standard required, or custom MI coverage levels for HomeOne are 35% or 18%, respectively. ● Annual or monthly premium lender-paid mortgage insurance is not eligible.
<p>COLLATERAL EVALUATIONS</p>	<ul style="list-style-type: none"> ● Freddie Mac Standard Guide requirements apply.
<p>ALL OTHER GUIDELINES</p>	<ul style="list-style-type: none"> ● Refer to Freddie Mac Guidelines in our Classic Conforming Guidelines for all other guidelines not mentioned in these guidelines.