

HOME POSSIBLE CF30HPFR, CF15HPFR



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<p>PURCHASE OF HOME POSSIBLE</p>	<p>Home Possible Mortgages</p> <p>Unless specifically made applicable to Home Possible Mortgages, negotiated underwriting provisions stated in the Purchase Documents will not apply to these Mortgages. In addition, unless specifically permitted, the special negotiated Mortgage products or offerings described in the Purchase Documents may not be used with Home Possible Mortgages.</p>
<p>ELIGIBLE MORTGAGES</p>	<p>Eligible Mortgages Home Possible Mortgages eligible for purchase must be First Lien Mortgages that are fully amortizing and must be one of the following conventional Mortgage products:</p> <ul style="list-style-type: none"> • Fixed rate Mortgages • Home Possible Mortgages may be one of the following provided the Mortgage meets the applicable requirements for that offering and this chapter: <ul style="list-style-type: none"> ○ Home Possible Mortgages with RHS Leveraged Seconds originated in accordance with Freddie Mac guidelines below and with a maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio of 95% ○ Construction Conversion and Renovation Mortgages originated in accordance with Freddie Mac Guidelines ○ Super conforming Mortgages originated in accordance with Freddie Mac Guidelines.
<p>INELIGIBLE MORTGAGES</p>	<ul style="list-style-type: none"> • Cash-Out • Manufactured • Second Homes
<p>LOAN PURPOSE FOR HOME POSSIBLE</p>	<ul style="list-style-type: none"> • A Home Possible® Mortgage must be either a purchase transaction or "no cash-out" refinance Mortgage. A Home Possible Mortgage may not be a cash-out refinance Mortgage.

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ELIGIBLE PROPERTY AND APPRAISAL REQUIREMENTS FOR HOME POSSIBLE MORTGAGES	<ul style="list-style-type: none"> • A Home Possible Mortgage must be secured by a 1- to 4-unit Primary Residence. • Second homes are not eligible • Cash-out refinance transactions are not eligible • Appraisal requirements <ul style="list-style-type: none"> ○ The Branch must obtain an appraisal with an interior and exterior inspection that meets Freddie Macs requirements unless the Last Feedback Certificate includes an automated collateral evaluation offer stating that the Mortgage is eligible for collateral representation and warranty relief with an appraisal waiver and the the Branch has accepted the offer.
ELIGIBLE BORROWERS FOR HOME POSSIBLE	<p>(a) Income limits</p> <ul style="list-style-type: none"> ○ The Borrower's qualifying income converted to an annual basis must not exceed 100% of the area median income (AMI) for the location of the Mortgaged Premises. There is no income limit if the Mortgaged Premises is located in a low-income census tract, which is a census tract where the median tract income is at or below 80% of the AMI. To determine whether the Borrower's income exceeds the income limits, the Underwriter must rely on the income used to qualify the Borrower and submitted to Loan Product Advisor® for Loan Product Advisor Mortgages. ○ For Loan Product Advisor® Mortgages, Loan Product Advisor will determine the income eligibility of the Mortgage; for Non-Loan Product Advisor Mortgages, the Underwriter must use the Home Possible® Income & Property Eligibility tool. The Underwriter may not use other published AMI versions (such as AMIs posted on https://www.huduser.gov/portal/home.html) to determine Mortgage or product eligibility. <p>(b) Occupancy</p> <ul style="list-style-type: none"> ○ At least one Borrower must occupy the property secured by a Home Possible Mortgage as their Primary Residence. ○ Non-occupying Borrowers are permitted provided that: <ul style="list-style-type: none"> ▪ The Mortgage is secured by a 1-unit property ▪ The loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios must not exceed: <ul style="list-style-type: none"> ▪ 95% for Loan Product Advisor Accept Mortgages, except that for fixed-rate Mortgages with Affordable Seconds®, the TLTV ratio must not exceed 105% ▪ 90% for Manually Underwritten Mortgages, except that for fixed-rate Mortgages with Affordable Seconds, the TLTV ratio must not exceed 105%

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<p>ELIGIBLE BORROWERS FOR HOME POSSIBLE CONTINUED</p>	<ul style="list-style-type: none"> ○ For Manually Underwritten Mortgages, the occupant Borrower's: <ul style="list-style-type: none"> ▪ Monthly housing expense-to-income ratio should not exceed 35% of the occupant Borrower's stable monthly income; and ▪ Monthly debt payment-to-income (DTI) ratio must not exceed 43% of the occupant Borrower's stable monthly income ○ Funds used to qualify for the Mortgage may come from the occupying and/or the non-occupying Borrower.
<p>UNDERWRITING REQUIREMENTS FOR HOME POSSIBLE MORTGAGES</p>	<ul style="list-style-type: none"> ● A Home Possible® Mortgage may be submitted to Loan Product Advisor® or may be a Manually Underwritten Mortgage, except as otherwise stated below. <ul style="list-style-type: none"> ○ Loan Product Advisor <ul style="list-style-type: none"> ▪ The Borrower's credit reputation is acceptable if the Mortgage is submitted to Loan Product Advisor in accordance with Chapter 5101 and receives a Risk Class of Accept. ▪ A Home Possible Mortgage that is a super conforming Mortgage must be submitted to Loan Product Advisor and receive a Risk Class of Accept. ● For special requirements for submitting Mortgages with Affordable Seconds® to Loan Product Advisor, see Classic Conforming guidelines Freddie Mac Section. ● Manually Underwritten Mortgages must meet the requirements of these guidelines and Classic Conforming Guidelines Freddie Mac Section, but not limited to, the requirement that each Borrower individually, and all Borrowers collectively, have an acceptable credit reputation as described in the Classic Conforming guidelines Freddie Mac Section. <ul style="list-style-type: none"> ○ Corporate Underwriting Second Signature is required. ● An individual Borrower with insufficient credit history, for whom the Underwriter cannot document a credit reputation because the Borrower does not have sufficient credit history, is considered to have an acceptable credit reputation provided that: <ol style="list-style-type: none"> 1. The Borrower has no evidence of any derogatory credit, such as a lien, judgment or collection, paid or unpaid, reflected on the credit report or elsewhere in the Mortgage file, and 2. At least one other Borrower whose income and assets are used for qualification has an acceptable credit reputation as described in Classic Conforming guidelines Freddie Mac Section.

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<p align="center">UNDERWRITING REQUIREMENTS FOR HOME POSSIBLE MORTGAGES CONTINUED</p>	<p>For Manually Underwritten Mortgages, the minimum Indicator Scores are:</p> <table border="1" data-bbox="397 325 1550 619"> <thead> <tr> <th>Property/Mortgage Type</th> <th>Minimum Indicator Score</th> </tr> </thead> <tbody> <tr> <td>1-unit fixed-rate Mortgages that are purchase transactions</td> <td>660</td> </tr> <tr> <td> <ul style="list-style-type: none"> • 1-Unit Mortgages </td> <td>680</td> </tr> <tr> <td> <ul style="list-style-type: none"> • 2-to 4-unit properties </td> <td>700</td> </tr> </tbody> </table> <p>If none of the Borrowers have a usable Credit Score, Mortgages that are not (i) Home Possible Mortgages with LTV, TLTV or HTLTV ratios greater than 95%, may be manually underwritten without Credit Scores provided that for these Mortgages, in addition to meeting the requirements in Classic Conforming Guidelines Freddie Mac section, each Borrower's credit history for the most recent 24 months must show:</p> <ul style="list-style-type: none"> ○ No unpaid judgments, tax liens or collections ○ No payments 60 days or more past due ○ No more than two payments 30 days past due ○ No housing payments past due <p>Home Possible Mortgages with LTV, TLTV or HTLTV ratios greater than 95% for which none of the Borrowers has a usable Credit Score are not eligible for sale to Freddie Mac.</p>	Property/Mortgage Type	Minimum Indicator Score	1-unit fixed-rate Mortgages that are purchase transactions	660	<ul style="list-style-type: none"> • 1-Unit Mortgages 	680	<ul style="list-style-type: none"> • 2-to 4-unit properties 	700
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<p align="center">BORROWER INCOME AND QUALIFYING RATIOS FOR HOME POSSIBLE MORTGAGES</p>	<p>a) Rental income from 1-unit Primary Residence</p> <p>Rental income from a 1-unit Primary Residence may be considered as stable monthly income provided it meets the requirements of Freddie Mac or the following:</p> <ul style="list-style-type: none"> • Connection with Borrower. The person providing the rental income and the Borrower: <ul style="list-style-type: none"> ○ Have resided together for at least one year ○ Will continue residing together in the new residence, and ○ The person providing the rental income provides appropriate documentation to evidence residency with the Borrower (i.e., copy of a driver's license, bill, bank statement, etc., that shows the address of that person to be the same as the Borrower's address) • 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 months ○ Can be verified by the Borrower with evidence showing receipt of regular payments of rental income to the Borrower for at least nine of the past 12 months (i.e., copies of canceled checks) ○ Must be averaged over 12 months for qualifying purposes when fewer than 12 months of payments are documented ○ Does not exceed 30% of total income used to qualify for the Mortgage 								

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**BORROWER
INCOME AND
QUALIFYING
RATIOS FOR HOME
POSSIBLE
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CONTINUED**

- The Mortgage file must contain a written statement from the Borrower affirming:
 - 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
- b) Rental income from 2- to 4-unit Primary Residences**
Rental income from a 2- to 4-unit Primary Residence that meets Freddie Mac’s requirements may be considered as stable monthly income.
- c) Contribution to total qualifying income from Borrowers with insufficient credit history**
For Manually Underwritten Mortgages, the Underwriter may consider as qualifying income, the income contributed by a Borrower with insufficient credit history, per Freddie Mac guidelines, provided the amount contributed by the Borrower with insufficient credit history is not more than 30% of the total qualifying income.
- d) Qualifying ratios**
There is no maximum monthly housing expense-to-income ratio.
Debt payment-to-income ratios must not exceed the following limits:

Underwriting Path	Home Possible Mortgages
Loan Product Advisor Mortgages	Determined by Loan Product Advisor
Manually Written Mortgages	45%

**LTV/TLTV/HTLV
RATIOS,
BORROWER
CONTRIBUTION,
RESERVES,
SOURCES OF FUNDS
FOR HOME
POSSIBLE
MORTGAGES**

- 1. Loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios, Borrower contribution**
 - i. LTV/TLTV/HTLTV ratios**
The following requirements apply to purchase and "no cash-out" refinance transactions:

Property Type	Maximum LTV ratio	Maximum TLTV Ratio	Maximum HTLTV ratio
Fixed-Rate Mortgages			
1- Unit	97%	105% ^{**}	97% ^{**}
2- to 4-unit	95%	95%	95%

*Super conforming Mortgages secured by 1-unit properties must have LTV, TLTV and HTLTV ratios not exceeding 95%. A 105% TLTV ratio is permitted when secondary financing is an Affordable Second

** When the TLTV ratio exceeds 97%, the secondary financing subordinated to a Home Possible Mortgage must be an Affordable Second. The Affordable Second financing cannot be a Home Equity Line of Credit.

See “Eligible Borrowers for Home Possible Mortgages” for additional LTV/TLTV/HTLTV ratio requirements for Home Possible Mortgages with non-occupying Borrowers.

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LTV/TLTV/HTLV RATIOS, BORROWER CONTRIBUTION, RESERVES, SOURCES OF FUNDS FOR HOME POSSIBLE MORTGAGES CONTINUED

ii. Borrower contribution requirements
The following requirements apply to purchase transactions:

Minimum contribution from Borrower personal funds, per Freddie Mac Guidelines			
Property Type	Home Possible Mortgages with LTV, TLTV and HTLTV ratios ≤ 80%	Home Possible Mortgages with LTV, TLTV and HTLTV ratios > 80% or ≤ 95%	Home Possible Mortgages with LTV, TLTV, or HTLTV ratios >95%
1-unit	None	None	None
2-to -4 unit	None	3% of value	N/A

2. Reserves

- For Loan Product Advisor® Mortgages, the Underwriter must verify all reserves required by Loan Product Advisor, as stated on the Feedback Certificate.
- For Manually Underwritten Mortgages, the Borrower must have the following minimum reserves, using the monthly payment amount.
 - 1-unit: None required
 - 2- to 4-unit: Two months

3. Source of funds

- The following sources of funds are permitted and must meet Freddie Mac requirements and the following below:

USE	PERMITTED SOURCES OF FUNDS
Minimum Borrower Contribution	Borrower personal funds
Down Payment	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	Borrower personal funds Other eligible sources of funds
Closing Cost	Borrower personal funds Other eligible sources of funds Flexible sources of funds
Reserves	Borrower personal funds Other eligible sources of funds.

a) Borrower personal Funds

When used with Home Possible Mortgages, Borrower personal funds include:

- 1) Borrower personal fund per Freddie Mac guidelines
- 2) Cash on Hand, if the following requirements are met:
 - The Underwriter reasonable 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

**LTV/TLTV/HTLV
RATIOS,
BORROWER
CONTRIBUTION,
RESERVES,
SOURCES OF FUNDS
FOR HOME
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CONTINUED**

- 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 Freddie Mac requirements to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash
 - A credit report, obtained at the time of loan application, meeting the requirements of Freddie Mac. 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 all funds used to qualify the Borrower for the Mortgage transaction are deposited in a financial institution or are held in an institutional escrow account prior to closing

b) Other eligible sources of funds

When used with the Home Possible Mortgages, other eligible sources of funds used to qualify the Borrower for the Mortgage transaction, include:

- 1) Other eligible sources of funds per Freddie Mac guidelines.
- 2) A gift or grant from the originating lender, provided that a contribution of at least 3% of value per Freddie Mac guidelines is made from Borrower personal funds and/or other eligible sources of funds. The gift or grant must be funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering.
- 3) For purchase transactions, proceeds from an unsecured loan from the following sources:
 - Except as stated in item 6 below, an Agency that is not:
 - Provident Bank Mortgage/Broker or has participated in any aspect of the Mortgage origination process.

**LTV/TLTV/HTLV
RATIOS,
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CONTINUED**

- Affiliated with, under contract to, or financed (directly or indirectly)
For these purposes, “affiliated with” means that the Agency or Provident Bank Mortgage or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

- A Related Person, or
- A Community Savings System(funds in excess of the Borrower contribution to the Community Savings System)

4) An unsecured loan must meet the following requirements:

- Must not contain provisions that allow or could result in negative amortization
- Must have a maturity date that:
 - 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
- 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.

If 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 Mortgages Premises and/or material furnished for the Mortgaged Premises by the Borrower. Such/Credit must be fully explained and documented.

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POSSIBLE
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CONTINUED**

Any labor performed must be completed in a skillful and workmanlike manner to support the appraised value. A Certification of completion (Form 442) must be obtained verifying the work has been completed. The full amount of the Borrower's Down Payment may be in the form of sweat equity or a combination of sweat equity and Borrower personal funds per Freddie Mac guidelines.

- Sweat Equity can also be used in combination with an Affordable Second.

A. Eligible repairs and improvements

Sweat equity is an eligible source of funds in connection with the following repairs and improvements:

- All repairs and improvements to be completed by the Borrower that are listed in the sales contract and included in the appraisal report.
- Repairs or improvements that are reflected on the appraisal report that are outstanding at the time of the appraisal. Credit for work completed prior to the original property inspection by the appraiser is not eligible for sweat equity.

B. Determining the value of the sweat equity

The value of the sweat equity that may be used as an eligible source of funds equals the value of the labor performed plus the value of the materials furnished, documented as follows:

- The value of the labor performed must be estimated by the appraiser or a cost estimating service and documented in the appraisal report or separately in the Mortgage file; and
- The value of materials furnished must either be estimated by the appraiser or a cost estimating service, or be calculated using receipts from the purchase of the materials. The estimates or costs as evidenced by receipts must be documented in the Mortgage file.

C. Maximum loan-to-value (LTV) and total LTV (TLTV) ratios

For Home Possible Mortgages that use sweat equity as an eligible source of funds, the following maximum LTV/TLTV ratios apply:

Property type	Maximum LTV/TLTV ratio
1-unit Primary Residence	97%/105%
2-to-4-unit	95%/95%

D. No cash out at closing

If sweat equity is used as an eligible source of funds, the Borrower must not receive cash back at closing. All excess funds must result in a reduction of the principal balance on the Mortgage.

E. Contact Secondary for special delivery requirements for Home Possible

Mortgages originated with sweat equity as a credit towards the Down Payment and/or Closing Costs.

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<p>LTV/TLTV/HTLV RATIOS, BORROWER CONTRIBUTION, RESERVES, SOURCES OF FUNDS FOR HOME POSSIBLE MORTGAGES CONTINUED</p>	<p>5. Proceeds from an Affordable Second or other secondary financing that meets Freddie Mac requirements. When the TLTV ratio exceeds 97%, the secondary financing subordinated to a Home Possible Mortgage must be an Affordable Second.</p> <p>6. Funds provided by an Agency that is affiliated with, under contract to, or financed (directly or indirectly) by the Originating Lender, when:</p> <ul style="list-style-type: none"> • The source of funds is an eligible source of meeting all applicable Guide requirements (for example, a gift or grant from an Agency must meet Freddie Mac guidelines. • A contribution of at least 3% of value is made from Borrower personal funds and/or other eligible sources of funds; and • The source of funds is not funded through the Mortgage transaction, including differential pricing in rate, discount, or fees for individual loans or across the Home Possible offering. <p>iii. Flexible sources of funds</p> <p>When used with Home Possible Mortgages, flexible sources of funds include:</p> <ol style="list-style-type: none"> 1. Financing concessions meeting the applicable Freddie Mac requirements. 2. Lender credit, as documented on the Settlement/Disclosure Statement. 3. Proceeds from an unsecured loan from the originating lender meeting the following requirements: <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 not 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 Form 65 <p>If the monthly payment or principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment or 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 the calculating the monthly debt payment-to-income ratio.</p>
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MORTGAGE FOR INSURANCE HOME POSSIBLE

- The required coverage for mortgage insurance for Home Possible Mortgages as stated below: The LTV ratio is obtained by dividing the original loan amount by the value. The "value" of Mortgaged Premises located in the State of New York, as used solely for the purpose of determining whether mortgage insurance is required or should be canceled, is the appraised value of the Mortgaged Premises on the Note Date of the Mortgage. (This definition of the "value" of Mortgaged Premises located in the State of New York applies only to the above-stated mortgage insurance requirements, and is not applicable for any other purposes under the terms of the Purchase Documents. In particular, this definition of "value" is not applicable in determining the LTV ratios for the required percentage of mortgage insurance coverage.)
- The required mortgage insurance must be in full force and effect as of the Delivery Date. Mortgage insurance coverage must not be subject to any exclusion besides those exclusions stated in the MI's master policy. Coverage must run to the benefit of Freddie Mac for a whole loan or a participation loan insured under a participation policy, or to Provident Bank Mortgage for any other insured participation loan. No action may have been taken, or no action may have failed to be taken, that would impair the rights of Freddie Mac or the Provident Bank Mortgage. Participation policies with provisions inconsistent with this section or that impose premium payment or reporting requirements on Freddie Mac are not acceptable.
- The insurance must remain in force until canceled in accordance with Freddie Mac or pursuant to applicable law. The Underwriter warrants that the Borrower has been given all disclosures required by law, including, but not limited to, the Homeowners Protection Act of 1998 (HPA), as amended, relating to the terms on which Borrower-paid mortgage insurance may be canceled. This includes all disclosures required by the HPA at loan origination to describe the Borrower's mortgage insurance cancellation rights under the HPA.
- **Freddie Mac's mortgage insurance coverage level options**
 - Freddie Mac offers two mortgage insurance coverage level options: standard mortgage insurance and custom mortgage insurance.
 - Custom mortgage insurance option provides an alternative to standard mortgage insurance coverage.
 - Custom mortgage insurance is available only for Accept Mortgages. The premiums for custom mortgage insurance may not be financed as part of the principal amount of the Mortgage. The lender-paid mortgage insurance option may not be used in conjunction with custom mortgage insurance.
 - Custom mortgage insurance is not permitted for super conforming Mortgages.
 - A special Credit Fee in Price will be assessed and billed to the Branch in conjunction with the sale of Mortgages with custom mortgage insurance coverage.

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**MORTGAGE FOR
INSURANCE HOME
POSSIBLE
CONTINUED**

- The standard and custom minimum coverage levels apply as stated in the table below:

Transaction type	Mortgage insurance coverage	LTV ratio			
		>80% & ≤85%	>85% & <90%	>90% & <95%	>95% & <97%
Fixed rate, term < 20 years	Standard	6%	12%	25%	35%
	Custom ¹	N/A	N/A	16%	18%
Fixed rate, term > 20 years	Standard	12%	25%	30%	35%
	Custom ¹	6%	12%	16%	18%
Home Possible® Mortgages, fixed rate, term ≤ 20 years	Standard	6%	12%	25%	25%
	Custom ¹	N/A	N/A	16%	18%
Home Possible Mortgages: Fixed rate, term > 20 years	Standard	12%	25%	25%	25%
	Custom ¹	6%	12%	16%	18%

¹ If custom mortgage insurance is chosen, in addition to all other applicable Credit Fees in Price, the custom mortgage insurance Credit Fee in Price in Freddie Mac's Exhibit 19, applies, including Home Possible Mortgage.

- Lender-paid and financed mortgage insurance premium described below is permitted.
 - Mortgage insurance premiums may be paid as follows:
 - Monthly, annually, as a single premium, or a combination of these
 - Financed premiums as described below
 - Lender-paid premiums as described below
 - For Borrower-paid mortgage insurance premiums, the Borrower must pay the mortgage insurance premium by a single payment at closing or through monthly Escrow payments. **A Mortgage that includes a Borrower-paid mortgage insurance premium in the Note Rate is not eligible for sale to Freddie Mac.**

1. Financed premiums

For purposes of this section, the following definitions apply:

- Base LTV ratio: The loan-to-value (LTV) ratio calculated using the Mortgage amount without the financed mortgage insurance premium
- Gross LTV ratio: The LTV ratio calculated using the Mortgage amount which includes the financed mortgage insurance premium.

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MORTGAGE FOR INSURANCE HOME POSSIBLE CONTINUED

- Mortgages for which the mortgage insurance premium is included as part of the principal amount of the mortgage (that is, a financed premium) are eligible for purchase provided the Mortgage complies with the requirements below:
 - The Gross LTV ratio must not exceed 95%, except for Home Possible Mortgages, for which the Gross LTV ratio must not exceed 97%
 - The Mortgage is a fixed rate, fully amortizing Mortgage
 - The Coverage meets the standard coverage level requirements in this section using the Base LTV Ratio
 - The mortgage insurance premium must be paid with a single-premium payment, (i.e., monthly premium payments are not eligible)
 - Financed mortgage insurance premium endorsement
 - The mortgage insurance policy must include an endorsement, generally referred to as the “financed mortgage insurance premium endorsement. “This endorsement states that adjustments will be made to the claim calculation to meet the required exposure level for the Base LTV ratio.
 - Maximum original loan amount
 - The maximum original loan amounts apply to the mortgages with the financed mortgage insurance premiums. The original loan amount of the Mortgage inclusive of the amount of any financed mortgage insurance premium may not exceed the maximum original loan limits.
- 2. Lender –paid mortgage insurance**
- Freddie Mac will purchase Mortgages with single, annual or monthly premium lender-paid mortgage insurance as follows:
 - For annual and monthly premiums:
 - The Mortgage is fixed-rate, fully amortizing Mortgage.
 - The Mortgage is not a super conforming Mortgage
 - Coverage will be maintained for the life of the Mortgage. A change in MI may be allowed if approved by Freddie Mac.
- 3. For Single Premiums**
- The entire mortgage insurance premium must be paid at closing.

**HOMEOWNERSHIP
EDUCATION AND
LANDLORD
EDUCATION FOR
HOME POSSIBLE
MORTGAGES**

- A. At least one occupying 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 purchase transactions when all occupying Borrowers are First-Time Homebuyers, or
 - For any transaction when the credit reputation for all Borrowers is established using only Noncredit Payment References.
- 1. 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 purchase transactions Home Possible Mortgages when all occupying Borrowers are First-Time Homebuyers
 - (i) Acceptable education providers and format
Homeownership education must not be provided by an interested party to the transaction, the originating lender or by the Seller.
 - a. Homeownership education programs
Homeownership education programs may use different formats and require different lengths of time to complete. The following are acceptable:
 1. Programs developed by HUD-approved counseling agencies, Housing Finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs)
 2. Programs developed by mortgage insurance companies
 3. Programs that meet the standards of the National Industry Standards for Homeownership Education and counseling(www.homeownershipstandards.com)
 - (ii) As an alternative to the programs listed above, Freddie Mac’s free financial literacy curriculum, Credit Smart <http://www.freddiemac.com/creditsmart/>, meets the homeownership education requirements, provided:
 - The Borrower completes the on-line Credit-Smart- Steps to Homeownership Tutorial-With certificate, 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)

**HOMEOWNERSHIP
EDUCATION AND
LANDLORD
EDUCATION FOR
HOME POSSIBLE
MORTGAGES
CONTINUED**

2. 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.

B. Landlord education (2-to 4-unit Primary Residences)

- Purchase Transactions- At least one qualifying Borrower must participate in a landlord education program before the Note Date, or the Effective Date of the Permanent Financing for Construction Conversion and Renovation Mortgages. Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller.
 - ✓ A copy of the 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.