

AGENCY	FREDDIEMAC – LP			FREDDIE MAC- LP		
FINANCE TYPE	PURCHASE & RATE/TERM REFINANCE			CASH OUT REFINANCE		
OCCUPANCY	OWNER OCCUPIED			OWNER OCCUPIED		
TERM	Fixed Rate – ARM's			Fixed Rate – ARM's		
<p>LTV's 80.01% or greater require MI</p> <p>¹Maximum LTV reduced by 5% LTV points when there is Secondary Financing (TLTV)</p> <p>The TLTV ratio is calculated by adding the disbursed (or to be disbursed at closing) amount of the HELOC to the first mortgage amount.</p> <p>The CLTV ratio is calculated by adding the amount of HELOC in use to the first mortgage.</p> <p>HCLTV is calculated by adding the HELOC <u>credit line limit</u> to the first mortgage.</p> <p>C/O Transaction - Properties listed for sale in the six months preceding the Application date of the new mortgage loan are limited to 70% LTV/CLTV</p>	Property Type	LTV/CLTV ¹	Credit Score	Property Type	LTV/CLTV ¹	Credit Score
	1 Unit	95	620	1 Unit	80	620
	2 Unit	80	620	2 Unit	75	620
	3-4 Unit	80	620	3-4 Unit	75	620
	SECOND HOME			SECOND HOME		
	Fixed Rate – ARM's			Fixed Rate – ARM's		
	Property Type	LTV/CLTV ¹	Credit Score	Property Type	LTV/CLTV ¹	Credit Score
	1 Unit - Purchase	85	620	1 Unit	75	620
	1 Unit – R/T Refi	85	620			
	INVESTMENT PROPERTY			INVESTMENT PROPERTY		
Fixed Rate – ARM's			Fixed Rate – ARM's			
Property Type	FIXED LTV/CLTV ¹	ARM LTV/CLTV ¹	Credit Score	Property Type	LTV/CLTV ¹	Credit Score
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1 Unit – R/T Refi	75	65	620			
2-4 Unit	75	75	620	2-4 Unit	70	620
FREDDIE MAC	LP - REQUIREMENTS					
Ability To Repay and Qualified Mortgage Rule	<p>For loans subject to the ATR/QM rule, CSL will only lend on loans that comply with the ATR/QM requirements.</p> <p>Note: Investment properties which are for business purposes (borrower does not intend to occupy for greater than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements and are subject to the applicable points and fees threshold.</p> <p>Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans</p>					

<p>Adding/Removing Borrowers On Application</p>	<ul style="list-style-type: none"> ▪ Upon receipt of the application or loan file, we cannot remove/change the status of any of the existing co-applicants. Instead a new application must be resubmitted as a new transaction. (This policy applies to any transaction where a credit report is pulled and/or a loan number is assigned.) ▪ Additional borrowers may be added during the application process without the need to create a new transaction. ▪ Each transaction is limited to no more than (4) four applicants/borrowers.
<p>Age of Documents</p>	<ul style="list-style-type: none"> ▪ Must be dated within 90 days old on the note date, including credit reports and employment, income and asset documents. ▪ Preliminary Title Policies must be no more than 90 days old from the date of the document.
<p>Appraisals</p>	<ul style="list-style-type: none"> ▪ Determined by AUS Findings. ▪ Full Appraisal required on all loans (1004 or equivalent) accompanied by 1004MC. ▪ The appraiser performing the initial appraisal and the appraisal field review report must be qualified to perform appraisals without oversight or supervision by a "supervisory" appraiser. ▪ When the subject property is an attached condominium, the appraiser must provide at least two comparable sales from outside the subject project and outside the influence of the developer, builder or property seller. ▪ 1004D -Recert of values with photo in accordance with CSL guidelines 90 days from date of original appraisal and Photo). <p>Appraisal Exhibits - In addition to standard exhibits required to be included as part of the appraisal report, at minimum interior photographs of the following areas of the subject is required:</p> <ul style="list-style-type: none"> - Kitchen, All bathrooms, and Main Living area - Physical deterioration, if present <ul style="list-style-type: none"> ▪ Recent updates, such as restoration, remodeling, and renovation if present within the lesser of 12 months. ▪ Loans secured by properties with "unpermitted" structural additions under the following conditions: <ul style="list-style-type: none"> - The quality of the work is described in the appraisal and deemed acceptable ("workmanlike quality") by the appraiser; - The addition does not result in a change in the number of units comprising the subject property (e.g. a 1 unit converted into a 2 unit). ▪ If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions. Refer to Freddie Mac seller guide for additional requirements. ▪ The gross monthly rent for each unit in the subject property, all investment properties AND all 2-4 unit primary residences, must be documented in each loan, even when the borrower is not utilizing rental income to qualify. <p>Properties with Security Bars - Will be considered unacceptable collateral unless they comply with local fire codes and they meet one of the following conditions:</p> <ul style="list-style-type: none"> ▪ There must be a "Quick Release" on at least one window in each bedroom; or* ▪ All bedrooms must have adequate egress to the exterior of the home (occupants of a bedroom must be able to get outside the home if there is a fire. <p>Note: If an enclosed patio (solid walls) covers the bedroom window, it is possible that the bedroom won't qualify as a habitable bedroom.</p>

<p>Assets / Funds to Close</p>	<p>Follow Freddie Mac's guidelines. See Chapter 26 for additional details. http://www.freddiemac.com/singlefamily/guide/</p> <ul style="list-style-type: none"> ▪ Gift funds are allowed in accordance with Freddie Mac guidelines ▪ When using account statements, Originator must document the source of funds for any single deposit exceeding 50% of the total monthly qualifying income for the Mortgage. Originator must document a deposit of any amount if there is any indication that the funds are borrowed. If 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 Originator is not required to obtain additional documentation. ▪ When using a direct account verification (i.e., verification of deposit - VOD), the Originator 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. ▪ Secured Borrowed Funds - Include CD, stocks, bonds, automobiles, real estate, and life insurance policies. Must verify the value, ownership of the secured asset, the terms of the loan and the fact that it is a secured loan. <p>Gift of Equity from a Related Person</p> <p>Borrowers must make 5% minimum down payment contribution from his/her own funds on loans with LTV/CLTV/TLTVs greater than 80% when a gift or non occupant co borrower is present.</p> <p>A gift letter signed by the donor is required. Information provided in the gift letter must:</p> <ul style="list-style-type: none"> ▪ State the donor's name and that the funds are given by a Related Person ▪ Include the donor's mailing address and telephone number ▪ Identify the Mortgaged Premises ▪ State the amount of the gift <p>Establish that the funds are a gift that does not have to be repaid</p>
<p>AUS</p>	<ul style="list-style-type: none"> ▪ Loan Prospector with "Accept" Recommendation is required. ▪ LP A Minus Offering is not allowed. ▪ Manual UW is not allowed.

Borrower Eligibility

- U.S. Citizens
 - Permanent resident aliens, with proof of lawful permanent residence
 - **Non-permanent resident alien:**
 Primary residences and second homes only.
 - A valid social security number is required. However, a social security card may not be used as evidence of employment eligibility.
 - All non-permanent resident aliens must provide evidence of a valid, acceptable visa or EAD as listed within documentation requirements below.
 - When utilizing an acceptable visa, a copy of the unexpired visa and a copy of passport must be included in the loan file. The following are acceptable visa classifications:
 - A Series (A-1, A-2, A-3) E Series (E-1, E-2) Treaty Trader
 - G series (G-1, G-2, G-3, G-4, G-5) H-1, Temporary Worker
 - L-1, Intra-Company Transferee
 - TN, NAFTA visa
 - TN, TC, NAFTA visa
 - I-797 documents can be utilized in lieu of a VISA if it meets the following criteria:
 - I-797 evidences an approval for an acceptable VISA class
 - The approval term is not expired
 - Visa extension is current with an end date that meets CSL policy.
 - Employment Authorization Documents are permitted as long as the meet the following criteria:
 - If the borrower has <2 years within the US, a copy of a Passport used to enter the country and a copy of the I-94 issued by the USCIS are required.
 - If the borrower has > 2 years within the US, a copy of the current and previous EAD card is required.
 - Loans to non-citizens who have been granted political asylum require underwriting to non-permanent resident alien guidelines must provide:
 - An unexpired Arrival and Departure Records (INS Form I-94); and
 - Copies of their employment authorization documents.
 - If the authorization for temporary residency status will expire within 3 months or if it is set to expire, confirmation from USCIS that employer has re-filed petition of extension is required. If there are no prior renewals, proof of a three year continuance must be determined, based on information from USCIS.
 - An individual classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure, or Humanitarian Parole is not eligible.
 - Non-permanent residents must be employed in the U.S. if income is used to qualify.
 - If a non-permanent resident alien is borrowing with a U.S. citizen, it does NOT eliminate or reduce any documentation requirements.
 - ITIN's are not allowed
- ** Refer to [Visa Classification Chart](#) for additional information.
- Properties vested in trusts are permitted for Owner Occupied and Second Homes transactions ONLY and must be in accordance with Freddie Mac Trust guidelines. Investment/Non-Owner Occupied transactions cannot close in the name of a TRUST.

<p>Condominiums/PUDs</p>	<ul style="list-style-type: none"> ▪ Must follow Freddie Mac published Condominium Eligibility Guidelines. ▪ Streamlined Condo review allowed in accordance with Freddie Mac ▪ CSL will allow on case by case basis, a project (Condo, or PUD) in litigation, arbitration, mediation or other dispute in accordance with the following: <ul style="list-style-type: none"> - A project for which the Homeowners Association, or developer if the project has not been turned over to the unit owners, is a party to current litigation, arbitration, mediation or other dispute resolution process and the reason for the dispute involves the safety, structural soundness or habitability of the project except for instances where: - The litigation amount is known, the insurance company has committed to providing defense and the litigation amount is covered by the insurance policy. - The matters involve non-monetary neighbor disputes regarding rights of enjoyment, or - The Homeowners Association is the plaintiff in the litigation and the Seller has determined that the matter is minor with insignificant impact to the financial status of the Condominium Project. <p>Freddie Mac Condo Requirements September 2014 reference information: link</p>
<p>Continuity of Obligation</p>	<p>When an existing Mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:</p> <p>Requirements for Continuity of Obligation</p> <p>All refinance transactions must</p> <ul style="list-style-type: none"> ▪ comply with the definition above, ▪ meet one of the permissible exceptions described below, or ▪ comply with the limited eligibility parameters described below. <p>Note the following:</p> <ul style="list-style-type: none"> ▪ Continuity of obligation requirements do not apply when there is no existing mortgage on the subject property as a result of the borrower either having purchased the subject property with cash or when any prior mortgage for which the borrower was an obligor was paid in full. <p>All time period references in this section are <u>measured from the date of the event</u> (for example, transfer of title) <u>and end with the disbursement date of the new refinance transaction.</u></p> <p>Permissible Exceptions to Continuity of Obligation</p> <p>The new refinance transaction will be eligible and not bound by the limited eligibility parameters described below if any of the following are applicable:</p> <ul style="list-style-type: none"> ▪ The borrower on the new refinance transaction was added to title 24 months or more prior to the disbursement date of the new refinance transaction. ▪ The lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (for example, divorce, separation, or dissolution of a domestic partnership). There is no minimum waiting period with regard to when the borrower acquired the property before completing a new refinance transaction. ▪ The borrower on the new refinance transaction has been added to title through a transfer from a trust, or a limited liability company (LLC), or partnership. The following requirements apply: <ul style="list-style-type: none"> - the borrower must have been a beneficiary/creator (trust) or a 25% or more owner of the LLC or partnership prior to the transfer, and - the transferring entity and/or the borrower has had a consecutive ownership (on title) for at least the most recent 6 months prior to disbursement of the new loan.

Continuity of Obligation continued

Note: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.

- The borrower has been on title for at least 12 months but is not obligated on the existing mortgage(s) that is being refinanced and the borrower meets at least one of the following requirements:
 - has been residing in the property for at least 12 months,
 - has paid the mortgage for at least 12 months, or
 - can demonstrate a relationship with the current obligor (for example, relative or domestic partner).

All Other Refinance Transactions — Limited Eligibility

All other refinance transactions that do not meet either the continuity of obligation requirements or a permissible exception must comply with the following LTV, CLTV, HCLTV ratio restrictions regardless of the occupancy of the property. The LTV, CLTV, HCLTV ratios must be based on the current appraised value.

Months on Title	Eligibility Requirements
< 6 months	Ineligible
≥ 6 months < 24 months	Limited to 50% LTV/CLTV/HCLTV ratios
≥ 24 months	No additional restrictions

Credit

At least one borrower must have a minimum of one credit score to be eligible. When not all borrowers have a usable Credit Score, all of the following requirements apply:

- The transaction is a purchase or "no cash-out" refinance
- The Mortgage is secured by a 1-unit property and all borrowers occupy the property as their Primary Residence
- Borrowers with a usable Credit Score contribute more than 50% of the total monthly income
- Borrowers without a Credit Score are not self-employed

Current Housing Payment:

When the payment is not reported on the credit report, provide third party verification of payment amount.

- If living rent free, a rent free letter from landlord or person obligated on lease required.
- If living with relative, a rent free and relationship letter required.

Note: Any debt not reported on the credit report must be documented as being repaid in a satisfactory manner.

- Credit report inquiries dated within the previous 120 days: a letter from the creditor, or if such letter is unobtainable, a signed statement from the borrower may be used to determine whether additional credit was obtained.
- Must payoff any existing judgments or tax liens.

Accuracy of Credit Information in a Credit Report

The lender cannot use a credit score in the underwriting of the application if the disputed information is incorrect and the credit files need to be corrected. Borrower should provide a letter indicating the reason for the dispute. The credit data evaluated by AUS must be accurate for AUS finding to be valid.

If AUS issues a disputed message, borrower must update credit directly with the bureaus. Lender will re-run credit and AUS once disputed tradeline(s) has been updated and corrected.

Derogatory Credit

PRE-FORECLOSURE/SHORT SALE REQUIREMENTS

Access the Guide - See [Freddie Mac's Seller/Servicer Guide](#) for detailed requirements for pre-foreclosure/short sale.

BANKRUPTCY, FORECLOSURE, DEED-IN-LIEU OF FORECLOSURE, AND PRE-FORECLOSURE/SHORT SALE REQUIREMENTS

Access the Guide - See [Freddie Mac's Seller/Servicer Guide](#) for detailed requirements for borrowers who have experienced a bankruptcy, foreclosure, Deed-in-lieu of foreclosure, pre-foreclosure sale or short sale event.

RESTRUCTURED / MODIFIED LOANS

Mortgage loans that have been restructured, as defined below, are not eligible. A restructured loan is a mortgage loan in which the terms of the original transaction have been changed resulting in either forgiveness of all or a portion of the debt or a restructure of the debt through the modification of the original loan or origination of a new loan that results in:

- Forgiveness of a portion of the principal and/or interest on either the first or second mortgage;
- Conversion of any portion of the original mortgage debt to a "soft" subordinate mortgage; or
- Conversion of any portion of the original mortgage debt from secured to unsecured.

LP cannot read or analyze the restructured loans therefore the LP findings become null and void. The loan is not eligible for delivery to the agencies.

Extenuating Circumstances

Mortgage file must contain:

- A written statement regarding the cause of the financial difficulties to outside factors beyond the Borrower's control
- Third-party documentation confirming that the events related by the Borrower in the explanation were an isolated occurrence and significantly reduced the Borrower's income and/or increased expenses and rendered the Borrower unable to repay as agreed
 Evidence on the credit report and other documentation in the Mortgage file of the length of time since completion of the significant derogatory event to the date of application and of completion of the recovery time period requirements.

Derogatory Credit	Waiting Period Requirement - Extenuating Circumstances	
Bankruptcy – CH 7 or 11	2 years from discharge date	
Bankruptcy – CH 13	2 years from discharge or dismissal date	
Multiple Bankruptcy Filings	5 years re-establishment of credit after the discharge or dismissal of a bankruptcy when more than one bankruptcy petition in the past 7 years	
Foreclosure	3 years from completion date as reported on the credit report	Event within the last seven years, requires: Purchase transaction - Secured by a Primary Residence - Max LTV/CLTV of the lesser of 90% or the max for the transaction, or No Cash-Out - Refinance in accordance with Lender and Freddie Mac guidelines
Deed-in-Lieu of Foreclosure	2 years from the execution / completion date	
Short Sale	Not allowed since Freddie Mac requires Manual Underwriting	

<p>Derogatory Credit continued</p>	<p>Financial Mismanagement: Mortgage file must contain:</p> <ul style="list-style-type: none"> ➤ Evidence the borrower has reestablished an acceptable credit reputation ➤ Evidence on the credit report and other credit documentation in the Mortgage file of the length of time since completion of the significant derogatory event to the date of the application, and of completion of the recovery time period requirements <table border="1" data-bbox="496 590 1507 1251"> <thead> <tr> <th style="background-color: #d9e1f2;">Derogatory Credit</th> <th colspan="2" style="background-color: #d9e1f2;">Waiting Period Requirement - Financial Mismanagement</th> </tr> </thead> <tbody> <tr> <td style="background-color: #d9ead3;">Bankruptcy – CH 7 or 11</td> <td colspan="2">4 years from discharge date</td> </tr> <tr> <td style="background-color: #d9ead3;">Bankruptcy – CH 13</td> <td colspan="2">2 years from discharge or 4 years after dismissal date</td> </tr> <tr> <td style="background-color: #d9ead3;">Multiple Bankruptcy Filings</td> <td colspan="2">5 years re-establishment of credit after the discharge or dismissal of a bankruptcy when more than one bankruptcy petition in the past 7 years</td> </tr> <tr> <td style="background-color: #d9ead3;">Foreclosure</td> <td>7 years from completion date as reported on the credit report</td> <td rowspan="2"> Event within the last seven years, requires: Purchase transaction - Secured by a Primary Residence - Max LTV/CLTV of the lesser of 90% or the max for the transaction, or No Cash-Out- Refinance in accordance with Lender and Freddie Mac guidelines </td> </tr> <tr> <td style="background-color: #d9ead3;">Deed-in-Lieu of Foreclosure</td> <td>4 years from the execution / completion date</td> </tr> <tr> <td style="background-color: #d9ead3;">Short Sale</td> <td colspan="2">Not allowed since Freddie Mac requires Manual Underwriting</td> </tr> </tbody> </table>	Derogatory Credit	Waiting Period Requirement - Financial Mismanagement		Bankruptcy – CH 7 or 11	4 years from discharge date		Bankruptcy – CH 13	2 years from discharge or 4 years after dismissal date		Multiple Bankruptcy Filings	5 years re-establishment of credit after the discharge or dismissal of a bankruptcy when more than one bankruptcy petition in the past 7 years		Foreclosure	7 years from completion date as reported on the credit report	Event within the last seven years, requires: Purchase transaction - Secured by a Primary Residence - Max LTV/CLTV of the lesser of 90% or the max for the transaction, or No Cash-Out- Refinance in accordance with Lender and Freddie Mac guidelines	Deed-in-Lieu of Foreclosure	4 years from the execution / completion date	Short Sale	Not allowed since Freddie Mac requires Manual Underwriting	
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<p>Documentation</p>	<ul style="list-style-type: none"> ▪ Determined by AUS - Follow Freddie Mac and LP guidance. ▪ Tax transcripts are required for each borrower whose income is utilized as a source of repayment. <ul style="list-style-type: none"> - Transcripts must be provided for the number of years of income used to qualify the borrower. Tax transcripts are required to support the income used to qualify the borrower. <p>Generally, when the documentation used to verify income is from the same calendar period as the tax transcript, the information must match exactly. A 4506-T, signed at application and closing, is required for all transactions.</p>																				

Eligible Mortgage Products
Eligible Mortgage Products

- Agency Fixed Rate: 10, 15, 20, 25 and 30 Year
- Agency Libor ARM: 5/1 ARM with 5/2/5 cap structure is **not available** with LP.

Product LIBOR ARM	Interest Rate Caps			Margin
	First	Subsequent	Life	
5/1*	2%	2%	5%	2.250%
7/1	5%	2%	5%	2.250%
10/1	5%	2%	5%	2.250%

First Adjustment Cap - At the first adjustment, the interest rate cannot be increased or decreased above or below the loan's initial interest more than the percentage listed in the table above.

Subsequent Adjustment Cap - At each subsequent adjustment, the interest rate cannot be increased or decreased above or below the loan's interest rate for the preceding 12 months more than the percentage listed in the table above.

Life Adjustment Cap - The maximum rate payable over the life of the loan is the loan's initial interest plus the percentage listed in the table above.

Floor - The floor rate is the margin. Over the life of the loan, the interest rate can never be lower than the margin.

Product	Qualifying Rate
5/1 LIBOR	Higher of Note Rate + 2% or Fully Indexed Rate (Index + Margin)
7/1 & 10/1 LIBOR	Higher of Fully Indexed Rate or Note Rate

Employment/Income Verification

Employment and income documentation must comply with the requirements of Freddie Mac Seller Guide if not addressed by LP:

- For salaried employees the verbal verification of employment must be completed within 10 business days prior to the note date.
- For self-employed borrowers the verbal verification of employment must be completed within 30 days prior to the note date.
- For borrowers in the military, a military Leave and Earnings Statement dated within 30 days prior to the note date is acceptable in lieu of a verbal verification of employment.
- Borrowers with employment contracts: borrowers must begin employment before the loan closes. The Originator must obtain a paystub from the borrower that includes sufficient information to support the income used to qualify the borrower prior to close.
- An Income Analysis must be completed for self-employed borrowers.

See Freddie Mac (Guide Sections 37.13, 37.22 and 37.23) for additional details.
<http://www.freddiemac.com/singlefamily/guide/>

**Employment/Income Verification
continued**

Borrowers Paid Less than 12 Months Per Year

Some Borrowers' annual salaries may be received over a time period of less than 12 months. It is important to determine how the Borrower is paid in order to accurately calculate income. Sellers should determine how often and for how long the Borrower is paid and then determine monthly income based on the calculations above. For example, if a Borrower is paid 10 months of the year, multiply their monthly salary by 10 months and divide by 12.

Income from a Second or Additional Job

Must have a two-year consecutive history of receipt. To document, obtain all of the following:

- Written VOE covering two full years
- Most recent YTD paystubs or salary voucher documenting at least 30 days of income
- OR, all of the following:
 - Most recent YTD paystubs or salary voucher documenting at least 30 days of income
 - W-2s covering the most recent two years

Newly Employed Borrowers / Re-entering the Workforce

- If newly employed borrower with less than a two-year employment history, obtain documentation showing that the borrower was in school or in a training program immediately prior to their current employment
- If borrower is re-entering the workforce, obtain documentation to support the borrower has been at the current employment for a minimum of six months and documentation to show a previous work history

Tax-Exempt Income / Non-Taxable

A borrower with tax-exempt/non-taxable income should be evaluated in the same manner as a borrower who has a higher gross taxable income. Tax-exempt sources may include

- Child support payments,
- Social Security benefits,
- Disability retirement payments,
- Workers' compensation benefits,
- Public Assistance Payments
- Section 8 Housing Payments

Section 8 income may be considered. Two-year history not required.

Obtain documentation from the public housing agency that issued the homeownership voucher showing the amount of the monthly payment and terms and if the income is nontaxable. The payments may not be used to offset the monthly housing payment. The documentation must show that the payments are made directly to the borrower. If the Section 8 income is determined to be nontaxable it may be grossed up as described below.

Tax-exempt income may be considered provided there is sufficient documentation to support the tax-exempt status and that both the income and its tax-exempt status are likely to continue. Acceptable forms of documentation include award letter, policy agreements, and account statements.

If the income is verified to be non-taxable, and its tax exempt status is determined likely to continue, the underwriter must develop an "adjusted gross income" for the borrower if the additional income is needed to qualify. If the borrower was not required to file a tax return or they didn't have any tax liability on their tax return, a 25% tax rate must be used in the calculation.

<p>Employment/Income Verification continued</p>	<p>Documentation Requirements:</p> <ul style="list-style-type: none"> - 1 years most recent tax returns with all Schedules; or - Other documents showing that the income, or a portion is nontaxable <p>Note: If the borrower indicates in any way that s/he did not file a tax return and the 4506T transcript confirms there is no filing, no additional documentation is required.</p> <p>Borrowers with employment contracts</p> <ul style="list-style-type: none"> ▪ The borrower's employment offer must be non-contingent and the non-contingent offer letter must be included in the mortgage file ▪ The borrower's written acceptance of the employment offer must be included in the mortgage file ▪ The borrower must provide a copy of 1st paystub prior to close ▪ The borrower must have a minimum of 3 months PITIA reserves in addition to all other required reserves <ul style="list-style-type: none"> - Eligible for One Unit Primary Residence, purchase and rate/term transactions only. - Ineligible for cash-out. <p>See Freddie Mac (Guide Sections 37.13, 37.22 and 37.23) for additional details. http://www.freddiemac.com/singlefamily/guide/</p>
<p>Financing Concessions</p>	<p>Financing concessions for primary residences and second homes must be within the following allowable percentages:</p> <ul style="list-style-type: none"> - 9% of value with LTV/TLTV ratios less than or equal to 75% - 6% of value with LTV/TLTV ratios greater than 75% up to and including 90% - 3% of value with LTV/TLTV ratios greater than 90% - The maximum financing concession for investment properties is 2% of value regardless of the LTV ratio . <ul style="list-style-type: none"> o Value is the lesser of the sales price or appraised value o Property Seller cannot pay for future HOA dues <p>Note: Maximum financing concessions are based on the LTV ratio when there is no secondary financing and TLTV ratio when secondary financing is present.</p>
<p>High Cost / High Priced</p>	<p>CSL will not purchase High Cost Loans or Higher Priced Mortgage Loans (HPML)</p>

Insurance

Amount of Hazard Insurance Coverage

Evidence of Insurance: The Evidence of Insurance must show the specific coverage limits for the subject property dwelling and endorsements that provide the details of coverage. The following must be provided:

1. Policy Declaration and Endorsements or
2. Form - "The Primary Forms of Residential Dwelling Coverage" shown below specifying coverage or
3. Insurer must state on the E.I. the type of dwelling coverage is included in the policy.

Lender requires replacement coverage equal to the lesser of the following:

- A. 100% of the dwelling coverage of the improvements—as established by the property insurer or
- B. Guaranteed Replacement Cost Endorsement, which provides that the insurer agrees to replace the insurable property, regardless of the cost or the Replacement Cost Endorsement or;
- C. The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80%) of the insurable required to compensate for damage or loss calculated on a replacement cost basis.

If the hazard insurance is not equal to at least one of the minimum coverage amounts, then additional hazard coverage that meets the minimum coverage amounts must be obtained.

Example:

PRIMARY FORMS OF RESIDENTIAL DWELLING COVERAGE

NOTE: Actual Cash Value Coverage is the most limited level of coverage listed. Guaranteed Replacement Cost is the broadest level of coverage.

- ACTUAL CASH VALUE COVERAGE pays the costs to repair the damaged dwelling minus a deduction for physical depreciation. If the dwelling is completely destroyed, this coverage pays the fair market value of the dwelling at time of loss. *In either case, coverage only pays for costs up to the limits specified in the policy.*
- REPLACEMENT COST COVERAGE is intended to provide for the cost to repair or replace the damaged or destroyed dwelling, without a deduction for physical depreciation. Coverage only pays for replacement costs up to the limits specified in the policy.
- EXTENDED REPLACEMENT COST COVERAGE _____% is intended to provide for the cost to repair or replace the damaged or destroyed dwelling without a deduction for physical depreciation. Extended Replacement Cost provides additional coverage above the dwelling limits up to a stated percentage or specific dollar amount.
- GUARANTEED REPLACEMENT COST COVERAGE covers the full cost to repair or replace the damaged or destroyed dwelling for a covered peril regardless of the dwelling limits shown on the policy declarations page.

Loan Purpose

Loan Purpose

▪ **Purchase**

▪ **Limited Cash-Out/Rate & Term Refinance**

- Proceeds can be used to Payoff a first mortgage as long as there is at least 120 days seasoning when the mortgage being refinanced was from a purchase money transaction (the note date of the mortgage being refinanced must be at least 120 days prior to the note date of the no cash-out refinance).
- Proceeds can be used to pay off any junior liens related to the purchase of the subject property
- Pay related Closing Costs and Prepaid items
- Disburse cash out to the Borrower in an amount not to exceed 2% of the new Mortgage or \$2,000, whichever is less.

Cash Out 6 months seasoning required; measured from settlement date to the Note Date of the cash-out refinance Mortgage, unless delayed financing is met.

➤ **Freddie Mac's delayed financing provision is acceptable if all of the following requirements are met:**

Requirements for a Delayed Financing Exception
The amount of the cash-out refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs, Financing Costs and Prepays/Escrows as documented by the HUD-1 Settlement Statement for the purchase transaction
The borrower(s) may have initially purchased the property as one of the following: <ul style="list-style-type: none"> ✓ a natural person; ✓ an eligible <i>inter vivos</i> revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust; ✓ an eligible land trust when the borrower is the beneficiary of the land trust; or ✓ An LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.
The original purchase transaction is documented by a HUD-1 Settlement Statement, which confirms that no mortgage financing was used to obtain the subject property. The preliminary title search or report must confirm that there are no existing liens on the subject property.
The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the HUD-1 Settlement Statement for the refinance transaction. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. <p>Note: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan. Borrower may only cash out their actual initial investment.</p> <p>Example: Borrower may only cash out \$50,000 Purchase price \$100,000 Borrower contribution - \$50,000 down payment and closing costs Gift funds - \$ 50,000</p>
The original purchase transaction was an arms-length transaction. There must have been no affiliation or relationship between the buyer and seller of the purchase transaction.

The cash-out refinance Mortgage must comply with the applicable LTV/TLTV/HTLTV ratio limits and all other Freddie Mac requirements.

<p>Min/Max Loan Amount</p>	<p>The maximum loan amount will vary based on the property type and location of the subject property.</p> <p>Loan Limit Increases: 2014-2015, refer to FHFA website for 4 Counties in California with Increases in Maximum Conforming Loan Limits for Fannie Mae and Freddie Mac</p> <p>Refer to the following link for loan limits: http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx</p> <p>Loan Limits for Calendar Year 2015--All Counties [XLS], [PDF] List of 46 Counties with Increases in Loan Limits for 2015 [XLS], [PDF]</p>								
<p>Mortgage Insurance</p>	<ul style="list-style-type: none"> ▪ Standard Coverage Required. Reduced MI is not allowed. ▪ Financed MI is acceptable. The gross LTV cannot exceed lender program maximum. ▪ A valid MI certificate is required on all loans with LTVs > 80%. ▪ LPMI - Lender paid single premium (non-refundable) ▪ BPMI - borrower paid monthly premium (non-refundable) <table border="1" data-bbox="1042 707 1503 951"> <thead> <tr> <th>LTV</th> <th>COVERAGE</th> </tr> </thead> <tbody> <tr> <td>95% - 90.01%</td> <td>30%</td> </tr> <tr> <td>90% - 85.01%</td> <td>25%</td> </tr> <tr> <td>85% & below</td> <td>12%</td> </tr> </tbody> </table>	LTV	COVERAGE	95% - 90.01%	30%	90% - 85.01%	25%	85% & below	12%
LTV	COVERAGE								
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<p>Non-Occupant Co-Borrower</p>	<ul style="list-style-type: none"> ▪ The non-occupant co-borrower may not be an interested third party in the transaction (e.g., builder or real estate agent) ▪ Maximum LTV, down payment and qualifying ratios are determined by LP. For Accept Mortgages with a non-occupying Borrower, it is not required to calculate or evaluate the occupant Borrower's monthly housing expense-to-income ratio. ▪ Blended Ratios allowed on transactions with non-occupant co-borrower in accordance with Freddie Mac guidelines. <u>For Accept Mortgages with a non-occupying Borrower, it is not required to calculate or evaluate the occupant Borrower's monthly housing expense-to-income ratio.</u> Generally however, less flexibility is appropriate for situations involving additional layers of risk, such as adjustable-rate Mortgages (ARMs), a marginal credit reputation, minimal reserves or maximum financing. ▪ Down Payment: When a Mortgage includes a non-occupying Borrower, and the loan-to-value (LTV) ratio is greater than 80%, <u>the occupant Borrower must make the first 5% down payment from the occupant Borrower funds.</u> Funds that are owned jointly by the occupant Borrower and the non-occupying Borrower are considered the funds of the occupant Borrower. The occupant borrower must provide 5% of the purchase price towards the down payment using their own funds (which must come from a source deemed acceptable). Refer to Gift of Equity ▪ Non-occupant CB Blended Ratios MUST be stated on submission sheet. 								

<p>Occupancy</p>	<ul style="list-style-type: none"> ▪ Primary Residence - 1-4 units ▪ Second Homes - 1-unit only ▪ Investment Properties 1-4 units <table border="1" data-bbox="883 340 1479 816"> <thead> <tr> <th data-bbox="883 340 1479 401">Second Home Requirements</th> </tr> </thead> <tbody> <tr> <td data-bbox="883 401 1479 478">➤ Must be located a reasonable distance away from the borrower's principal residence.</td> </tr> <tr> <td data-bbox="883 478 1479 556">➤ Must be occupied by the borrower for some portion of the year.</td> </tr> <tr> <td data-bbox="883 556 1479 613">➤ Is restricted to one-unit dwellings.</td> </tr> <tr> <td data-bbox="883 613 1479 659">➤ Must be suitable for year-round occupancy.</td> </tr> <tr> <td data-bbox="883 659 1479 737">➤ The borrower must have exclusive control over the property.</td> </tr> <tr> <td data-bbox="883 737 1479 816">➤ Must not be rental property or a timeshare arrangement.</td> </tr> </tbody> </table>	Second Home Requirements	➤ Must be located a reasonable distance away from the borrower's principal residence.	➤ Must be occupied by the borrower for some portion of the year.	➤ Is restricted to one-unit dwellings.	➤ Must be suitable for year-round occupancy.	➤ The borrower must have exclusive control over the property.	➤ Must not be rental property or a timeshare arrangement.
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<p>Points and Fees</p>	<p>Originators may not charge borrowers points and fees (whether or not financed) in an amount that exceeds the greater of (i) 5 percent of the principal amount of the mortgage loan, or (ii) \$1,000. Points and fees must be adequately disclosed in accordance with applicable law and regulation.</p>							
<p>Property; Eligible Types</p>	<ul style="list-style-type: none"> ▪ Single Family Detached Single Unit ▪ Single Family Attached Single Unit ▪ 2-4 Unit Attached/Detached ▪ PUDs ▪ Low-rise and High-rise Condominiums (must be Freddie Mac eligible) ▪ Rural Properties (in accordance with agency Guidelines, loans must be residential in nature) ▪ Leaseholds, (lease term must exceed mortgage maturity date by 5 years provide Freddie Mac Ground Lease Analysis (Form 461) ▪ Properties with Resale / Age Restrictions Only: <ul style="list-style-type: none"> - Owner Occupied transactions only <p>Mortgages subject to resale restrictions secured by one-unit properties (including eligible condo projects and PUDs) or two-unit properties. The property must be the borrower's principal residence.</p>							
<p>Property; Ineligible Types</p>	<ul style="list-style-type: none"> ▪ Manufactured homes, Mobile Homes ▪ Cooperatives, Condominium Conversions that were converted within the last three years, Condotels, Hotel Condominiums ▪ Timeshares, Geodesic Domes ▪ Working Farms and Ranches, Unimproved Land, Land Trust ▪ Property currently in litigation ▪ Condition Rating of C5/C6 or a Quality Rating of Q6. 							

<p>Property; Maximum Number of Financed Properties</p>	<ul style="list-style-type: none"> ▪ The loan must comply with Freddie Mac's limitations on the maximum number of financed properties, including ownership interest in financed properties: <ul style="list-style-type: none"> - owner-occupied: unlimited - second home: four - non-owner occupied: four
<p>Property Flipping / Non-Arms Policy</p>	<ul style="list-style-type: none"> ▪ Properties that involve a re-sale that have a Non-Arms Length or At Interest relationship between the Buyer and Seller or Broker are subject to restrictions. Additional review for those loans in which the appraised value is believed to be excessive or where the value of the property has experienced significant appreciation in a short time period since the prior sale. Due to layered risk associated with excessive values and/or rapid appreciation is by receiving accurate appraisals from knowledgeable, experienced appraisers. ▪ Second Home and Investment property may be considered as an exception on a case by case basis. ▪ An additional appraisal review value product required to support the subject appraised value in instances of greater than 20% appreciation. ▪ A non-arm's length transaction is one where the parties to the transaction are related such as family members, employer/employee, or principal/agent. This relationship may influence the transaction. Common types of non-arm's length transactions include: <ul style="list-style-type: none"> - Family sales - Property in an estate - Employer/employee sales - Flip transactions ▪ An at-interest transaction involves persons who are not closely tied or related but may have a greater vested interest in the transaction, such as a party who plays more than one role in the same transaction (selling/listing agent and mortgage broker, for example). <p>Examples of at-interest transactions include:</p> <ul style="list-style-type: none"> - Builder also acting as Realtor/broker - Realtor/broker selling own property - Realtor/broker acting as listing/selling agent as well the mortgage broker <p>All Non-arm's length transactions are considered at-interest transactions; however, at-interest transactions are not always non-arm's length.</p>

Ratios and Liabilities

- The Maximum DTI is 50% with a LP Accept
- Loans with DTI exceeding 50% regardless of AUS decision are ineligible.
- Blended Ratios allowed on transactions with non-occupant co-borrower in accordance with Freddie Mac guidelines
- Revolving debt
 - Minimum payment (from statement or credit report); or
 - \$10 or 5% of the current balance (or as determined by DU), whichever is greater, if no payment is stated on the credit report. If multiple account payments are not reported, and/or the borrower's ratios are at the maximum permitted, the underwriter may request actual minimum payments from the borrower's account statements to qualify the borrower.

Payoff or Paydown of Debt for Qualification

Payoff or paydown of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis. If the Borrower pays off or pays down existing debts in order to qualify for the Mortgage, borrower must document the payoff or pay down of the debts and the source of the funds used in the Mortgage file. * Underwriter discretion - The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification. A Borrower who increases debt and then periodically uses refinance or debt consolidation to reduce payments to a manageable level presents a higher degree of risk.

Generally,

- Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt.
- If a revolving account is to be paid off and closed, a monthly payment on the current outstanding balance does not need to be included in the borrower's long-term debt.
- If a revolving debt is to be paid off but not closed, a monthly payment on the current outstanding balance does not need to be included in the borrower's long-term debt.
- Auto lease payments, regardless of number of payments remaining

Deferred Installment Debts, Student Loans

For deferred installment debts, the payment amount that will be required once the deferment or forbearance period has ended must always be included as part of the borrower's recurring monthly obligations unless 10 or fewer payments remain.

- If the credit report does not indicate a monthly payment at the end of the deferment period, the following documentation should be requested:
 - A direct verification from the creditor, or
 - A copy of the installment loan agreement or financial institution's student loan certification obtained from the borrower.
- If the above cannot be obtained, the borrower must document the reason why it could not be obtained. A 2% payment amount may be calculated of the balance due in lieu of requesting additional documentation when the credit report does not contain a monthly payment.

If documentation is provided by the borrower or obtained, the actual payment amount must be used.

<p>Recently Listed Properties</p>	<ul style="list-style-type: none"> ▪ No Cash-Out Transaction - The subject property must not be currently listed for sale. It must be taken off the market at minimum 1 day before the date of Application. Borrowers must confirm their intent to occupy the subject property (for principal residence transactions). ▪ Cash-Out Transaction - Properties listed for sale in the six months preceding the Application date of the new mortgage loan are limited to 70% LTV/CLTV or the more restrictive guidelines. Properties that were listed for sale must be taken off the market at minimum 1 day before the the date of Application of the new mortgage loan.
<p>Rental Income Calculation</p>	<p>Follow Freddie Mac guidelines relative to rental income calculation. Whenever rental income from the subject is to be used in qualifying, the Borrower must have rent loss insurance on the Investment Property for at least six months of gross monthly rent.</p> <ul style="list-style-type: none"> ▪ Converting Existing Primary to Investment Property- If rental income from the Departure Residence is being used to qualify the Borrower, the following requirements apply: <ul style="list-style-type: none"> - 30% equity must be documented by an exterior-only 2055 appraisal - In addition, the tax returns must reflect a two year history of rental income/landlord history. - Document receipt of security deposit check and deposit slip or bank statement reflecting deposit transaction. - Minimum 6 months Rent Loss Insurance is required ▪ Subject Property 2- to 4-unit Primary Residence -If rental income from the subject 2- to 4-unit Primary Residence is being used to qualify the Borrower, the following requirements apply: <ul style="list-style-type: none"> - Landlord history Not required, positive net rental income from Schedule E of the borrower's tax returns - Positive Net Cash Flow from Form 998 (216) Operating Income Statement - Copies of current leases substantiate the rental income used to qualify the borrower. - Six months reserves, regardless of whether rental income is used in qualifying the borrower. Refer to reserve requirement section for details. - Rent Loss Insurance not required. ▪ Subject Investment 1- to 4-unit Property - If rental income from the subject Investment Property is to be considered in qualifying the Borrower, the following requirements apply: <ul style="list-style-type: none"> - Borrower's federal tax returns must reflect a two year landlord history. - Positive Net Cash Flow from Form 998 (216) Operating Income Statement - Copies of current leases substantiate the rental income used to qualify the borrower - Six months reserves, regardless of whether rental income is used in qualifying the borrower. Refer to reserve requirement section for details. - Minimum 6 months Rent Loss Insurance is required <p>On subject and non-subject non-owner properties, must include the principal component (current PITIA) of the mortgage in the rental income calculation. Monthly payment amounts for other properties, including principal and interest on the First Lien and any secondary financing, taxes and insurance and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues.</p> <p>See Freddie Mac Ch 37.16 http://www.freddiemac.com/singlefamily/guide/ for additional details and Rental Income Matrix http://www.freddiemac.com/learn/pdfs/uw/rental.pdf</p> <p>Fannie Mae Form 216 / Freddie Mac Form 998: Operating Income Statement for investment and 2-4 unit owner occupied properties or</p> <p>Fannie Mae Form 1007 / Freddie Mac Form 1000: Single Family Comparable Rent Schedule for one-unit investment properties, or</p> <p>Fannie Mae Form 1025 / Freddie Mac Form 72: Small Residential Income Property Appraisal Report</p>

Reserves

- **Primary Residence** - When the existing primary is pending sale or is converting to an investment property:

If the percentage of equity in the current principal residence is...	Then additional reserves (in addition to those required by LP or the <i>Eligibility Matrix</i>) are...
30% or more Equity	2 months on subject property and 2 months on current principal residence
Less than 30% Equity	6 months on subject property and 6 months on current principal residence

Occupancy and Property Type	Then additional reserves (in addition to those required by LP or the <i>Eligibility Matrix</i>) are...
Primary Residence 2-4 units	Require at least 6 months PITIA on subject property regardless of the loan purpose
Second Home	2 months on subject property and 2 months for each investment property
N/O/O - Investment	6 months on subject property and 2 months for each second home or investment property

However if the borrower owns additional financed second homes or investment properties, then 2 months PITI required, regardless of the AUS decision, on each second home or investment property.

- All reserves entered into LP must be verified.

PITIA - monthly payments of principal, interest, taxes, insurance and assessments or dues

The underwriter may consider reduced reserves of no less than 2 months for both properties if there is documented equity of at least 30% in the existing property (derived from an appraisal which must be a 2055 or better, minus outstanding liens).

- **Acceptable Sources of Reserves** - Examples of liquid financial assets that can be used for reserves include:

- Checking or savings accounts, 100% of Certificates of Deposit, less any early withdrawal penalties that should be deducted,

- **Life Insurance Assets, If the cash value entered is the cash value to be used only for reserves, only the cash value must be verified, but does not need to be liquidated and received by the borrower.**

- Investments in stocks, bonds, mutual funds, and Other Securities:

100% of the current market value may be used to calculate reserves if the loan is decided via LP, system output will be followed. Otherwise reserves should be calculated using 70% (60% for retirement accounts) of the current market value unless the redeemable value can be determined and verified.