Freddie Mac Home Possible Product Profile

Overlays to Freddie Mac are Underlined.

Maximum LTV/TLTV and Credit Requirements

Freddie Mac – LPA Accept | Home Possible Fixed Rate Only

Owner-Occupied Only, Purchase, and Refinance Fixed Rate only

	Maximum LTV/TLTV		Min Credit Score
	Standard Balance	Super Conforming	
1 Unit	97	95	580 with LPA Accept. (580-619 Max LTV 80%)
2 Unit	95	85	580 with LPA Accept. (580-619 Max LTV 80%)
3-4 Unit	95	80	580 with LPA Accept. (580-619 Max LTV 80%)

Loan Amount:	
	Minimum Loan amount $50,000
	Maximum Loan Amount found at: www.fanniemae.com/singlefamily/loan-limits

Homeownership Education

- At least one occupying Borrower must participate in a homeownership education program before the Note Date for purchase transactions when all occupying Borrowers are First-Time Homebuyers.
- 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)
    - Homeownership education programs developed by mortgage insurance companies or other providers' programs that meet the standards of the Nation Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com)
- As an alternative to the programs listed above, Freddie Mac's free financial literacy curriculum, CreditSmart, meets the homeownership education requirements, provided:
    - The Borrower completes the on-line Credit Smart – Steps to Homeownership Tutorial, which includes Module 1 (Your Credit and Why It is Important), Module 2 (Managing Your Money), Module 7 (Thinking Like a Lender), Module 11 (Becoming a Homeowner), and Module 12 (Preserving Homeownership: Protecting Your Investment)
    - The financial literacy curriculum is not provided by an interest party to the transaction, the originating lender or by the Seller.
- 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.
- Landlord education (2 to 4-unit Primary Residences)
    - Purchase Transaction – at least one qualifying Borrower must participate in a landlord education program before the Note Date. Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller.
        - A copy of a certificate evidencing successful completion of the landlord education program must be retained in the mortgage file.
    - Refinance Transactions – Landlord education is not required but is recommended for Borrowers who have not previously attended a program.

Ability to Repay and Qualified Mortgage Rule

- For loans subject to the ATR/GM rule, Windsor Mortgage will only purchase loans that comply with ATR/QM requirements.
  - Note: Investment properties for business purposes (Borrower does not intend to be 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.
- Correspondents are responsible for providing evidence of compliance with the ATR/QM rules.

Age of Documents

- For new and existing construction, credit documents must be no more than four months old on the date the note is signed, including credit reports and employment, income, and asset documents.
- Preliminary Title Policies must be no more than 90 days old on the date the note is signed.

Assignment of Mortgages

All loans must be registered with MERS at delivery time to Windsor Mortgage. The Seller must initiate a MERS transfer of beneficial rights and transfer of servicing rights to Plains Commerce Bank (#1005210) within 24 hours of purchase.

Appraisals

- AUS Findings determine them. Property Inspection Waivers through LPA are acceptable.
- If the appraiser identifies an addition(s) that does not have the required permit. In that case, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the subject property's market value.
- <u>Transferred Appraisals – Any transferred appraisal must have a Freddie Mac SSR score below four and no "overvaluation" flag. Scores above four or containing an "overvaluation" flag require a new appraisal.</u>

Properties With Unpermitted Secondary Kitchen May be eligible if:

- It is typical for the area.
- No negative impact on marketability
- Appraiser comments on the quality of construction, any health/safety issues, and any soundness issues, which must meet Freddie Mac requirements.

Accessory Units are Acceptable When Meeting Freddie Mac Requirements:

- The a**ccessory unit is permitted or complies with zoning when:**
  - The property is defined as a one-unit property.
  - There is only one accessory unit on the property; multiple units are not permitted.
  - The appraisal report demonstrates that the improvements are typical for the market by analyzing at least one comparable property with the same use.
  - The borrower qualifies for the mortgage without considering any rental income from the accessory unit.
- **When the accessory unit is NOT permitted or DOES NOT comply with zoning:**
  - Windsor Mortgage confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
  - The use conforms to the subject neighborhood and to the market.
  - The property is appraised based on its current use.
  - The appraisal must report that the improvements represent a use that does not comply with zoning.
  - The appraisal report must demonstrate that the improvements are typical for the market by analyzing at least three comparable properties with the same non-compliant zoning use.

Recert of Values in Accordance with Freddie Mac Guidelines is Acceptable.

- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms or hydroponic equipment, are ineligible.

AUS

- LPA with "Accept/Eligible" Findings is required.
- Manual UW is not accepted.

Borrower Eligibility

- U.S. citizens
- Limited to 4 natural persons per application
- Permanent resident aliens with proof of lawful permanent residence
- Non-permanent resident alien immigrants with proof of lawful residence

Credit

- All borrowers may have no credit score. Freddie Mac and LPA requirements must be met.
    - For LTV/CLTV above 95%, at least one borrower must have a usable credit score as determined by LPA.
- No more than one credit bureau can have frozen credit information for borrowers with frozen credit.
- Current Housing Payment, applicable when the payment for the primary residence for any borrower is not reported on credit (renting primary and the subject is 2nd/NOO):
    - When the payment is not reported on the credit report, provide third-party verification of the payment amount.

Credit: Derogatory

Derogatory Event	Waiting Period Requirements
	• 4 years
Bankruptcy – Chapter 13	• 2 years from the discharge date • 4 years from the dismissal date
Multiple Bankruptcy Filings	• 5 years if more than one filing within the past 7 years.
Foreclosure	• 7 years • 3 years with documented extenuating circumstances (see section below) are allowed subject to: • Up to the lesser of 90% LTV/CLTV per the eligibility matrix • Purchase of an OO, or • Rate and term of any occupancy
Deed-in-Lieu of Foreclosure	• 4 years
Pre-foreclosure Sale (Short Sale)	• 2 years with documented extenuating circumstances.
Mortgage Charge-off	**See the Extenuating Circumstances section.**

All transactions require an LPA Accept/ Eligible regardless of which time frame for the derogatory event is met, standard, or extenuating circumstances.

Extenuating Circumstances

- Extenuating circumstances are nonrecurring events beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.
- If a borrower claims derogatory information results from extenuating circumstances, the lender must substantiate the claim. Examples of documentation that can be used to support extenuating circumstances include documents that confirm the event (such as a copy of a divorce decree, medical reports or bills, notice of job layoff, job severance papers, etc.) and documents that illustrate factors that contributed to the borrower's inability to resolve the problems that resulted from the event (such as a copy of insurance papers or claim settlements, property listing agreements, lease agreements, tax returns (covering the periods prior to, during, and after a loss of employment), etc.).
- The lender must obtain a letter from the borrower explaining the relevance of the documentation. The letter must support the claims of extenuating circumstances, confirm the nature of the event that led to the bankruptcy or foreclosure-related action, and illustrate the borrower had no reasonable options other than to default on their financial obligations.

Condominiums

- Must adhere to Freddie Mac Project standards.
- Freddie Mac to Freddie Mac rate and term refinances up to 80% LTV may be eligible for a waiver of the project eligibility review.
    - Documentation confirming refinanced loan was owned by Freddie Mac is required.
    - Condo Type V required.
- Limited Review allowed in accordance with Freddie Mac Guidelines, including NOO up to 75% LTV/CLTV/HCLTV.
- Projects in which the HOA is named as a party to pending litigation or for which the project sponsor or developer is named as a party to pending litigation related to the project's safety, structural soundness, habitability, or functional use are ineligible.
- Projects with pending litigation that involve minor matters with no impact on the safety, structural sound habitability, or functional use of the project may be eligible if the litigation meets Freddie Mac's requirements matters.
- Florida Condos are allowed in accordance with Freddie Mac requirements.
- Lenders must provide all documentation used to verify the condo warranty type. Including but not limited
    - HOA questionnaire
    - Loan documentation with warranty type
    - Copies of applicable insurance policies
    - Any additional documentation as required by the warranty type.

Disaster Policy

- Windsor Mortgage may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster. See Windsor Mortgage disaster policy located in the Seller's Guide for full details.
- Determined by AUS
    - Lenders must provide the third-party vendor report used in the LPA validation process. Windsor Mortgage will compare the vendor reference number and date to the LPA messages.
- Income or assets derived from the production or sale of marijuana are ineligible for qualifying.

Current Housing Payment

- Borrowers must document their current housing expenses with one of the following when they do not currently own a primary residence and are purchasing a second home or investment property:
  - Six months canceled checks or equivalent payment score.
  - Six months bank statements reflecting a clear and consistent payment to an organization or individual.
  - A copy of a current, fully executed lease agreement and two months canceled checks (or equivalent payment source)
- Borrowers living rent-free must document their rent-free status. A rent-free letter from a third party may be

Down Payment Assistance

- <u>Down Payment Assistance is allowed if a government entity assists—evidence of the terms and provider.</u>
- Employer assistance is acceptable in accordance with guidelines.
- Loans with Community Seconds may be eligible for up to 105% CLTV.

Escrow Holdbacks

Escrow holdbacks are allowed in accordance with Freddie Mac guidelines, including, but not limited to:

- A post-funding stipulation for a copy of a 1004D confirming completion will be placed on loans where the appraisal is "subject to" improvements.
- A post-funding stipulation for a final title policy endorsement that ensures the priority of the first lien will be required on any loan where the appraisal is "subject to" improvements.
- A copy of the escrow agreement will be required to state how the account will be managed and how the funds will be disbursed.
- Escrow Holdback to be 1.5x the higher of 2 bids. New construction can be for the amount stated by the builder.

Financing Concessions

- Financing concessions for primary residences and second homes must be within the following allowable percentages:
  - 9% of the value with LTV/CLTV ratios less than or equal to 75%
  - 6% of the value with LTV/CLTV ratios greater than 75% up to and including 90%
  - 3 % of clues with LTV/CLTV ratios greater than 90%
  - The maximum financing concession for investment properties is 2% of the value regardless of the LTV ratio.
- Value is the lesser of the sales price or appraised value.

LTV/CLTV/HCLTV		Minimum Borrower Contribution Requirement from Borrower's Own Funds
80% or less	1-4 Unit Principal Residence	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
Greater than 80%	1 Unit Principal Residence	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
	2-4 Unit Principal Residence	The borrower must make a 5% minimum borrower contribution from their own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.

Gift Funds

- Follow Freddie Mac's guidelines.

High Cost / High Priced

- Windsor Mortgage will not purchase High-Cost Loans.
- Higher-priced Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require:
  - Establish an escrow account for real estate tax(es) and insurance premium(s) on any transactions secured by the principal residence.
  - Must meet all applicable state and/or federal compliance requirements.
  - A prohibition on ARM loans with an initial fixed-rate period of less than seven years (7/1 ARMs are eligible).

Income: Limits

- The borrower's qualifying income converted to an annual basis must not exceed 80% of the area median income (AMI) for the location of the mortgaged premises.

Income

Rental income from a 1-unit Primary Residence may be considered as stable monthly income (as defined in FHLMC Section 5301.1) provided it meets the requirements in section FHLMC 5306.1 or the following:

- Connection with Borrower. The person providing the rental income and the borrower:
  - We have resided together for at least one year.
  - We will continue residing together in the new residence.
  - 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)
  - The person providing rental income is not obligated on the mortgage and has no ownership interest in the mortgaged premises.
  - The person is not the borrower's spouse or domestic partner.
- Rental payment. Rental income from the person residing in the Mortgaged Premises:
  - Has been paid to the borrower for the past 12 months regularly.
  - 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.
  - 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.
- The Mortgage file must contain a written statement from the borrower affirming:
  - The source of the rental income
  - 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.

Housing Allowance / Parsonage Income

- Must provide 12 months bank statements showing evidence of receipt.
- Must provide paystubs or VOE in which amount stated match bank statements.
- If allowance has increased within the last 12 months, income to be averaged over the 12 months OR need at least 3 months receipt at higher amount.

Loan Purpose

Purchase

- For LTV/CLTV above 95%: When all borrowers are first-time home buyers, at least one borrower must participate in a homeownership education program acceptable to Freddie Mac

Limited Cash-out/Rate & Term Refinance

- RT to buy out owner's interest: Written agreement must be legible and signed/dated prior to or at application. All other Freddie Mac requirements must be met.
- >95% LTV requires the lender to document the existing loan being refinanced is owned (or securitized) by Freddie Mac. Documentation may come from any of the following.
  - The lender's servicing system
  - Freddie Mac's Loan Lookup tool
  - The current servicer (if the lender's is not the servicer)
  - Any other source confirmed by the lender.
- Proceeds can be used to pay off a first mortgage regardless of age.
- Proceeds can be used to pay off any juror liens related to purchasing the subject property.
- Pay related to closing costs and prepaid items.
- Disburse cash out to the borrower in an amount not to exceed 1% of the new mortgage or $2,000, whichever is greater.

Mortgage Insurance

Acceptable MI Types:	Unacceptable MI Types:
• Borrower Paid Monthly • Borrower Paid Single Premium • Financed: Gross LTV cannot exceed Windsor Mortgage Solution's program maximum • Split Premium • Lender Paid Single Premium • Reduced Coverage • Enterprise Paid MI (EPMI)	• Lender Paid Monthly • Lender Paid Annual • Borrower Paid Annual • Any MI type not listed as acceptable.

Occupancy

- Primary residence – 1-4 units
- Second Homes – 1-unit only
  - See the Documentation section for when borrowers do not own a primary residence.
- Investment 1-4 unit and Primary Residence 2–4-unit properties:
  - When using rental income to qualify from a subject property, the borrower must own a principal residence or document a **reasonable** current housing expense.
  - See the Documentation section for when borrowers do not own a primary residence.

Property: Eligible Types

- Single Family Detached Single Unit
- Single Family Attached Single Unit
- 2-4 Unit Attached/Detached
- PUDs

Property: Ineligible Types

- Low-rise and High-rise Condominiums (must be Freddie Mac eligible)
- Leaseholds
- Rural Properties (in accordance with Agency Guidelines, properties must be residential properties)
- Working Farms and Ranches
- Cooperatives
- Unimproved Land
- Condotels
- Property currently in litigation
- Hotel Condominiums
- Land Trust
- Timeshares
- Conditional Rating C5/C6 or Quality Rating of Q6

Turn-key investment properties. See the Property Turn-key Investments section for additional details.

Property: Maximum Number of Financed Properties

- The loan must comply with Freddie Mac's limited number of financed properties.

Property: Turn-key Investments

- Purchase or refinance transactions involving turn-key investment or other similar arrangements are not eligible for purchase by Windsor Mortgage. Characteristics of a Turn-key property include but are not limited to:
    - The property seller is an LLC (or other entity) that purchases distressed properties and re sells to borrowers at a non-distressed valuation.
    - The property seller or a related entity enters into an agreement to manage the property on behalf of the buyer, including marketing, tenant screening, rent collection, maintenance, etc.
    - The buyer frequently lives out of the area from the subject property.

Property Flipping Policy (Properties resold within 180 days of purchase)

- Properties that involve a re-sale that occurred within the last 180 days that have a non-arms length relationship between the buyer and Seller and an increase in value are prohibited. The time frame is established by the Seller's date of acquisition as the date of settlement on the Seller's purchase of that property and the execution of a sales contract to another party.
- Lenders must pay particular attention and institute extra due diligence 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. Windsor Mortgage believes that one of the best ways lenders can reduce the risk associated with excessive values and/or rapid appreciation is by receiving accurate appraisals from knowledgeable, experienced appraisers.

Windsor Mortgage recommends an additional product to support the subject's appraised value in instances greater than 20 % appreciation.

Ratios

- <u>The maximum DTI is 50% with an LPA Accept. Loans exceeding 50% are not eligible.</u> The preliminary title search or report must not reflect any existing liens on the subject property. If the source of funds that acquired the property was an unsecured loan or HELOC (secured by another property), the new HUD-1 must reflect that all cash-out proceeds be used to pay down, if applicable, the loan (unsecured or secured by an asset other than the subject property) used to purchase the new property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. Funds received as gifts and used to purchase the property may be reimbursed with proceeds of the new mortgage loan.

Recently Listed Properties

- The subject property must not be currently listed for sale. IT must be taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject principal residence transactions).
- If the property was listed in the prior 30 days to the application date, the Early Pay-off (EPO) provision will be extended to 1 year.

Rental Income Calculation

- Follow Freddie Mac guidelines relative to rental income calculation.
- Rent loss insurance is not required.

Reserves

- Follow LPA requirements for reserves.
- Reserves must be based on the property's full monthly payment (PITIA) amount.

Seasoning

Please refer to the Windsor Mortgage Seasoned Loan Policy located in the Windsor Mortgage Seller Guide for requirements and loan-level price adjustments.

State Restrictions

- Illinois Land Trust Vesting is not eligible for loan sale to Windsor.
- Texas 50 (a)(6) refinance mortgages are eligible with Windsor Mortgage Seller Approval:
  - Fixed Rate and 5/1, 7/1 & 10/1 ARMs
  - Owner-Occupied, 1 unit only
  - Maximum 80% LTV/CLTV
  - 2% fee restrictions in accordance with Texas Constitution
  - Full appraisal is required.
  - No new secondary financing
  - Power of Attorney allowed in accordance with requirements.
  - Loans must comply with Freddie Mac and Texas Constitution requirements.

Manufactured Homes

- LTV/CLTV - 95%
- No MH Advantage
- Must be >600 SQ FT double-wide or Triple Wide
- No Leasehold or Condo projects
- Minimum FICO - 620

Tax Transcripts

- Tax transcripts are required for all loans when Tax Returns are needed to qualify.
- When tax transcripts are provided, they must support the income used to qualify.
- A properly executed 4506-C is required for all transactions except when the loan file contains tax transcripts.
- If tax transcripts are not available (due to a recent filing for the current year), a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgment receipt (such as IRS stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.

Amended Tax Returns

1. Timing Restrictions Windsor will not accept amended tax returns that reflect an increase in income of 10% or more if the amended return is filed after either of the following dates—whichever occurs first:
    - The initial credit report date, or
    - The purchase agreement date
2. Documentation Requirements for Early Filings Amended tax returns filed prior to the earlier of the two dates above may be considered only if they are supported by third-party documentation verifying the income increase. Acceptable documentation includes, but is not limited to:
    - IRS Form 1099
    - Employer-issued income statements
    - Other verifiable income records
3. Review Process All amended returns submitted within the acceptable timeframe and with proper documentation will be subject to Windsor's standard underwriting review.

Seller shall deliver loans that were originated in accordance with the Federal Housing Administration. Handbook, unless otherwise noted in the Windsor Seller's Guide.

Windsor does not discriminate in any aspect of a credit transaction on the basis of sex, gender identity or expression, sexual orientation, marital status, familial status, race, color, ethnicity, religion, national origin, age, handicap or disability status, income derived from public assistance, military status or the good faith exercise of rights under the Consumer Credit Protection Act.