

**FREDDIE MAC CONFORMING & SUPER CONFORMING (LP ACCEPT) MATRIX**

4/11/2016

**PRIMARY RESIDENCE: PURCHASE AND RATE/TERM REFINANCE**

TRANSACTION TYPE	PROPERTY TYPE	MAXIMUM LTV/CLTV	MINIMUM FICO SCORE
Fixed Rate, Fixed Period ARM	1 Unit	95%	620 w/ AUS
	2-4 Units	80%	

**PRIMARY RESIDENCE: CASH OUT REFINANCE**

TRANSACTION TYPE	PROPERTY TYPE	MAXIMUM LTV/CLTV	MINIMUM FICO SCORE
Fixed Rate, Fixed Period ARM	1 Unit	80%	620 w/ AUS
	2-4 Units	75%	

**SECONDARY RESIDENCE: PURCHASE AND RATE/TERM REFINANCE**

TRANSACTION TYPE	PROPERTY TYPE	MAXIMUM LTV/CLTV	MINIMUM FICO SCORE
Fixed Rate, Fixed Period ARM	1 Unit	85%	620 w/ AUS

**SECONDARY RESIDENCE: CASH OUT REFINANCE**

TRANSACTION TYPE	PROPERTY TYPE	MAXIMUM LTV/CLTV	MINIMUM FICO SCORE
Fixed Rate, Fixed Period ARM	1 Unit	75%	620 w/ AUS

**INVESTMENT PROPERTY: PURCHASE AND RATE/TERM REFINANCE**

TRANSACTION TYPE	PROPERTY TYPE	MAXIMUM LTV/CLTV	MINIMUM FICO SCORE
Fixed Rate, Fixed Period ARM	1 Unit	85%	620 w/ AUS
	2-4 Units	75%	

**INVESTMENT PROPERTY: CASH OUT REFINANCE**

TRANSACTION TYPE	PROPERTY TYPE	MAXIMUM LTV/CLTV	MINIMUM FICO SCORE
Fixed Rate, Fixed Period ARM	1 Unit	75%	620 w/ AUS
	2-4 Units	70%	

## GUIDELINES (A–Z)

### Ability To Repay and Qualified Mortgage Rule

- For loans subject to the ATR/QM rule, CHMW will only consider loans that comply with the ATR/QM requirements.  
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.
- Brokers are responsible for providing evidence of compliance with the ATR/QM rules.
- Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans.

### Age of Documents

- Must be dated within 120 days old on the note date, including credit reports and employment, income and asset documents.
- Preliminary Title Policies must be no more than 180 days old on the date the note is signed.

### Appraisals

- Determined by LP findings. Property Inspection Alternative (PIA), through LP is acceptable with a \$50 delivery fee. Super conforming loans only.
- A Field Review (form 1C32) is required when property value is  $\geq$  \$1,000,000 and the LTV/CLTV exceeds 75%
- 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
- CHMW will purchase loans secured by properties with "unpermitted" structural additions under the following conditions:
  - The subject addition complies with all guidelines;
  - 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 and state the following in the appraisal:
    - Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage of the property.
    - The appraiser has no reason to believe the addition would not pass inspection for a permit.
- Recert of values in accordance with Freddie Mac guidelines are acceptable.

### Assets

- Follow Freddie Mac guidelines relative to funds to close.
- Gift funds are allowed in accordance with Freddie Mac guidelines
- The following requirements apply when evaluating deposits on the Borrower's account statements:
  - Except as stated below, the broker is not required to document the sources of unverified deposits for purchase or refinance transactions. However, when qualifying the borrower, the lender must consider any liabilities resulting from all borrowed funds.
  - For purchase transactions, the lender must document the source of funds for any single deposit exceeding 50% of the total monthly qualifying income for the mortgage if the deposit is needed to meet the requirements for borrower funds and/or reserves.

- When a large deposit is not documented and is not needed for borrower funds and/or required reserves, we must reduce the funds used for qualifying purposes by the amount of the unverified deposit. For Loan Prospector mortgages, we must enter the reduced amount of the asset into Loan Prospector.
- When a single deposit consists of both verified and unverified portions, we may use just the unverified portion when determining whether the deposit exceeds the 50% requirement.
- When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the mortgage file (e.g. tax refund amounts appearing on the tax returns in the file), the lender is not required to obtain additional documentation.
- Must document the source of a deposit of any amount regardless of the transaction type if there is any indication that the funds are borrowed or are not from an eligible source.
- When using a direct account verification (i.e., verification of deposit (VOD), broker must submit 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.

#### AUS

- Loan Prospector with 'Accept' Recommendation is required. LP A minus offering is not allowed.
- Manual UW is not allowed.
- Loan amount can never exceed \$1 million since that requires a manual underwrite.

#### Borrower Eligibility

- US Citizens
- Permanent resident aliens, with proof of lawful permanent residence
- Nonpermanent resident alien immigrants, with proof of lawful permanent residence
- Properties vested in trusts are permitted for all occupancy types in accordance with Freddie Mac Trust guidelines. CHMW allows investment properties to be vested in the name of the trust.

#### Condominiums

- Must follow Freddie Mac published Condominium Eligibility Guidelines.
- Streamlined Condo review allowed in accordance with Freddie Mac Guidelines
- Streamlined review for attached Condominium Units in Established Condominium Projects not located in Florida:
  - O/O up to 90%
  - Second Homes up to 75%
  - N/O/O Not Eligible
- CHMW will allow a project (condo, or PUD) in litigation, arbitration, mediation or other dispute in accordance with the following: 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 CHMW has determined that the matter is minor with insignificant impact to the financial status of the Condominium Project.

- Florida Condos are allowed in accordance with Freddie Mac requirements with the exception of newly covered condo projects (see ineligible section):
  - PERS is required for new condo projects
  - Established review allowed
  - Streamline review:
    - O/O up to 75%
    - Second Homes up to 70%
    - N/O/O Not Eligible
- Must provide all documentation used to verify the condo warranty type. This may include, but is not limited to:
  - 1008 with warranty type
  - HOA questionnaire
  - Copies of applicable insurance policies
  - Budget documents

### Continuity of Obligation

When an existing Mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:

- At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced; or
- At least one Borrower on the refinance Mortgage held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12 month period and the Mortgage file contains documentation evidencing that the Borrower, either:
  - Has been making timely Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or
  - Is a Related Person to a Borrower on the Mortgage being refinanced; or
- At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation or dissolution of a domestic partnership

### 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

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.
- Current housing payment, applicable when the payment of the primary residence for any borrower is not reported on credit (ex renting primary and the subject is 2nd/NOO, or non-occupant co-borrower who rents):
  - When the payment is not reported on the credit report, provide third party verification on the payment amount.
  - If living rent free, a rent free letter from landlord or person obligated on lease required

### Derogatory Credit

- No specific waiting times with an LP Accept. All derogatory events must be reflected on the credit report in order for the LP accept to be valid. If derogatory event is not reflected on credit report, or is not accurate, the loan must be manually underwritten. CHMW does not purchase manually underwritten Freddie Mac loans.

### Disaster Policy

- CHMW may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster.

### Documentation

- Determined by LP (one year of tax returns is acceptable if allowed by LP and Freddie Mac guidelines).
- Tax transcripts are required for each borrower whose income is utilized as a source of repayment. 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. If only W2 income is used to qualify, the lender may obtain W2 transcripts as long as tax returns are not included in the loan file. Generally, when the documentation used to verify income is from the same calendar period as the tax transcript, the information must match exactly. However, if the income documentation is from the current calendar year and the transcript is from a prior year, there can be acceptable variances. If this variance exceeds 20%, document the rationale for using current income. If tax transcripts are not available (due to a recent filing) a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and the previous two years tax transcripts.
- A properly executed 4506-T is required for all transactions

### Down Payment Assistance

- Down Payment Assistance is allowed as long as the assistance is provided by a government entity. Evidence of the terms and provider must be included in the loan file and must meet Freddie Mac requirements.
- Employer assistance is acceptable in accordance with Freddie Mac guidelines.

### Eligible Mortgage Products

CHMW will only purchase the following products:

- Agency Fixed Rate: 10 (standard balance only), 15, 20, 25 (standard balance only), and 30yr.
- Temporary buydowns are ineligible.

### Employment/Income Verification

Employment and income documentation must comply with the requirements of Loan Prospector or the 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:
  - Eligible for One Unit Primary Residence, purchase and rate/term transactions only. Ineligible for cash-out;
  - 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's employment must begin within 60 days after the note date;
  - The borrower must have a minimum of 3 months PITIA reserves in addition to all other required reserves; and
  - The lender is not required to provide a Verbal Verification of Employment (VVOE) in connection with the borrower's future employment.
- Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers.
- Assets as a basis of qualification is acceptable in accordance with Freddie Mac.
- Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) are an acceptable source of income. However due to operational constraints, transactions involving HAPs paid directly to the servicer are ineligible for purchase by CHMW. Transactions with HAPs paid directly to the borrower continue to remain eligible for purchase.

### 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 that states how the escrow account will be managed and how the funds will be disbursed.
- CHMW must approve and a max of \$2,000.00 and be deemed a minor repair according to our policy.

### Financing Concessions

- Financing concessions for primary residences and second homes must be within the following allowable percentages:
  - 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 the value with LTV/TLTV ratios greater than 90%
- The maximum financing concession for investment properties is 2% regardless of the LTV ratio
- Property seller can pay up to 12 months future HOA dues per Freddie Mac's guidelines. Amount of HOA dues must meet IPC limits. See Freddie Mac 25.3 for additional information.

### Gifts and Funds to Close

- Follow Freddie Mac's guidelines. See Chapter 5501 of Freddie Mac's guide for additional details.
- Borrowers must make 5% minimum down payment contribution from his/her own funds on loans with LTV/CLTV/TLTVs greater than 80% when the subject is a secondary residence with a gift used as a source of funds.

## High Cost/High Priced

- CHMW will not purchase High- Cost Loans
- Higher priced mortgage loans (HPML) transactions are eligible for purchase. HPML guidelines require:
  - Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence.
  - Must meet all applicable state and/or federal compliance requirements.

## Loan Purpose

- Purchase
- Limited Cash-Out/Rate & Term Refinance
  - Proceeds can be used to Pay off a first mortgage.
  - 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 at least one borrower on the refinance mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership) or delayed financing is met.
  - Freddie Mac's delayed financing provision is acceptable if all of the following requirements are met:
    - The executed HUD-1 Settlement Statement from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property
    - The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property
    - The source of funds used to purchase the subject property must be fully documented
    - 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
    - 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, less any gift funds used to purchase the subject property.
    - 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
- All refinance transactions must meet Continuity of Obligation requirements

## Mortgage Insurance

### ACCEPTABLE MI TYPES:

- Borrower paid monthly
- Borrower paid single premium
- Financed: Gross LTV cannot exceed PennyMac's program maximum
  - Not allowed for Super Conforming Loans
- Split premium
- Lender paid single premium

**UNACCEPTABLE MI TYPES:**

- Lender paid monthly
- Lender paid annual
- Borrower paid annual
- Any MI type not listed as acceptable
- Reduced coverage

**Occupancy**

- Primary Residence - 1-4 units
- Second Homes - 1-unit only
- Investment Properties 1-4 units

**Property: Eligible Types**

- 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, provide Freddie Mac Ground Lease Analysis (Form 461)

**Property: Ineligible Types**

- Manufactured homes. This includes on-frame modular homes built on a permanent chassis.
- Mobile Homes
- Cooperatives
- Condotels
- Hotel Condominiums
- Timeshares
- Working Farms and Ranches
- Unimproved Land
- Property currently in litigation
- Land Trust
- Condition Rating of C5/C6 or a Quality Rating of Q6.
- HomePossible Financing
- Turn-key investment properties. See property turn-key investment section for additional details.



### Property: Maximum Number of Financed Properties

- The loan must comply with Freddie Mac's limitations on the maximum number of financed properties, including ownership interest in financed properties:
  - owner-occupied: unlimited
  - second home: six
  - non-owner occupied: six
- Borrowers can have up to three CHMW underwritten properties (including the subject transaction), regardless of occupancy.

### 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 are prohibited.
- 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. CHMW 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.
- CHMW may recommend an additional value product to support the subject appraised value in instances of greater than 20% appreciation.

### Property: Turn-Key Investments

Purchase or refinance transactions involving turn-key investment, or other similar arrangements are not eligible for purchase by CHMW. 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.
- 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.
- Buyer frequently lives out-of-the-area from the subject property

### Ratios

- The Maximum DTI is 50% with a LP Accept
- Loans with DTI exceeding 50% regardless of AUS decision are ineligible.
- CHMW allows non-occupant co-borrower blended ratios in accordance with Freddie Mac guidelines

### Recently Listed Properties

- No Cash-Out Transaction - 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 property (for principal residence transactions).
- Cash-Out Transaction - Properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV/CLTV. Properties that were listed for sale must be taken off the market on or before the disbursement date of the new mortgage loan.
- Note: 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.
- On subject and non-subject non-owner properties, must include the principal component of the mortgage in the rental income calculation. See Freddie Mac ch 5306 for details.

## Reserves

- Reserves must be based upon the full monthly payment amount for the property. Monthly payment amount is defined as the sum of the following monthly charges:
  - Principle and interest payments on the mortgage
  - Property hazard insurance premiums
  - Real estate taxes
  - When applicable:
    - Mortgage Insurance premiums
    - Leasehold payments
    - Homeowners association dues (excluding unit utility charges)
    - Payments on secondary financing
- Second homes - Reserves equal to 2 full monthly payments for the mortgaged premises, reserves equal to 2 full monthly payments for each other financed second home and 1-to-4 unit investment property in which the borrower has an ownership interest or in which the borrower is obligated.
- N/O/O - Reserves equal to 6 full monthly payments for the mortgaged premises that could be used to supplement payments during vacancies and make regular and emergency repairs to the subject property as necessary, and reserves equal to 2 full monthly payments for each other financed second home and 1-to-4 unit investment property in which the borrower has an ownership interest or in which the borrower is obligated.

## Seasoning

- Please refer to requirements and loan-level price adjustments.

## State Restrictions

- Illinois Land Trust Vestings are not eligible.
- Texas 50 (a)(6) refinance mortgages are eligible with approval. Must request closing department to verify prior to submission. Ask your AE to confirm with management.
  - Fixed Rate only
  - Owner-occupied, 1 unit only
  - Maximum 80% LTV/CLTV
  - 3% fee restriction in accordance with Texas constitution
  - Full appraisal required
  - No new secondary financing
  - Loans must comply with Freddie Mac and Texas constitution requirements - Power of attorney allowed in accordance with Texas Req.