**CREDIT AND LIABILITIES**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Streamlined Accept Documentation</th>
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</thead>
<tbody>
<tr>
<td>Completing Liabilities Section of the Loan Application</td>
<td>Review the Mortgage application, credit report, borrower's paystubs (if provided) and other file documentation for borrower liabilities. The liabilities portion of the application may be completed directly from the credit reports either manually or through an automated process. If the credit reports identify fewer than three open tradelines (except for Accept Mortgages), ask the borrower if any additional tradeline references exist. Additionally, must include other debts in monthly debt as detailed under the Monthly Debt Payment section below.</td>
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</tr>
<tr>
<td>Credit data for Loan Prospector Mortgages (Guide Section 37.10)</td>
<td>Obtain the same type of credit report for all borrowers from:</td>
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<td></td>
<td>• Infile(s) or merged/joint merged obtained through Loan Prospector</td>
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<tr>
<td></td>
<td>• Infile(s), merged/joint merged, or RMCR obtained outside of Loan Prospector</td>
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<td>Once you have selected a type of credit report, review all reports of that type for all borrowers. In general, credit reports must be dated within 120 days before the Note date (see 37.10(i) for exceptions). All infiles for an individual borrower must be dated within 14 days of each other. Retain all credit reports in the file.</td>
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<tr>
<td>Credit report inquiries within previous 120 days</td>
<td>Determine if additional credit was granted. If additional credit was granted, verification of the debt must be obtained and the debt must be considered when qualifying the borrower. A letter from the creditor or, if such a letter is unobtainable, a signed statement from the borrower may be used to determine whether additional credit was obtained.</td>
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<tr>
<td>(Guide Section 37.7(c))</td>
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<tr>
<td>Verification of Housing Debt (Guide Sections 37.4, 37.11, 37.15 and C33.3)</td>
<td>Direct verification of housing payment history is not required if all borrowers have a usable credit score.</td>
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<td>Third-party documentation to verify the payment amount is required if the credit report does not contain a required monthly payment. Examples of acceptable third-party documentation include (but are not limited to) a HUD-1 (if recently purchased), billing coupons, tax statement, insurance statement and, if applicable, HOA/Condo statement.</td>
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<td></td>
<td><strong>Reminder</strong>: When application indicates property owned free and clear, total monthly debt must include taxes, insurance, and HOA or Condo fees, as applicable.</td>
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<td></td>
<td><strong>Accept</strong>: Same as Streamlined Accept</td>
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<td></td>
<td><strong>Caution (A-minus eligible) loans</strong>: Same as Streamlined Accept, with the following exception: If not adequately shown on the Loan Prospector credit report, directly verify the payment history of that mortgage debt for the most recent 12 months. During the most recent 12 months, if any borrower was 30 days or more delinquent more than once, or 60 days or more delinquent on any directly verified mortgage or combination of directly verified mortgages, the mortgage is ineligible for delivery to Freddie Mac.</td>
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<td></td>
<td><strong>Caution (not A-minus eligible) loans</strong>: When the borrower has a housing payment history, verify both current and prior housing payment histories for the most recent 12 months (or length of housing payment history if less than 12 months) in accordance with Section 37.11(c) and payment amount for any debt (housing or other) not reported on the credit report.</td>
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</tbody>
</table>

Note: A vertical revision bar " | " is used in the margin of this quick reference to highlight new requirements and significant changes.
### CREDIT AND LIABILITIES, Continued

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<tr>
<td>Direct verification of other debts (Guide Sections 37.9, 37.11 and 37.16)</td>
<td>Direct verification of payment history is <strong>not</strong> required if all borrowers have a usable credit score. Obtain documentation to verify the payment amount for any installment debt if the credit report does not contain a required monthly payment. <strong>Example:</strong> When application indicates alimony, child support or separate maintenance fee, selected pages from the applicable agreement may be used to evidence the required monthly payment, and duration of debt if less than 10 months of payments remain and excluding the payment from the borrower's liabilities.</td>
<td><strong>Accept and Caution (A-minus eligible) loans:</strong> Same as Streamlined Accept. <strong>Caution (not A-minus eligible):</strong> Verify most recent 12-months' payment history for any significant debt (housing or other) not reported on the credit report. If credit report does not contain a required monthly installment payment amount, then verify the amount with third-party documentation. Accounts listed on the credit report as, “will rate by mail only” or “need written authorization” require separate verification.</td>
</tr>
</tbody>
</table>
| Monthly debt payment (Guide Sections 37.15 and 37.16) | **Must** include all of the following, if applicable:  
- Monthly housing expense  
- Payments on installment debts with more than 10 months remaining, including debts that are in a period of deferment or forbearance. If the credit report does not reflect a monthly payment, document file with monthly payment used (payment coupon, canceled check, etc.). When student loans are deferred or in forbearance, provide documentation verifying the proposed monthly payment amount, or use a minimum of 2% of the outstanding balance for qualifying purposes. Payments on installment debts secured by financial assets made by a financial institution may be excluded for qualifying purposes; however, the payments must be included on the loan application.  
- Alimony, child support or separate maintenance payments with more than 10 months remaining  
- Monthly payments on revolving or open-end accounts, regardless of the balance. In the absence of a monthly payment on the credit report or direct verification, 5% of the outstanding balance is considered to be the required monthly payment. Monthly payments on open-end accounts (accounts requiring the balance to be paid in full monthly) are not required to be included in the monthly debt payment if the borrower has sufficient verified funds to pay off the outstanding account balance. The funds must be in addition to any funds required for down payment, closing costs, financing costs, prepaids/escrows or reserves, as applicable.  
- Auto lease payments, regardless of number of payments remaining  
- Aggregate net rental loss from all investment properties owned and 2- to 4-unit primary residences  
- Monthly payment amounts for other properties, including principal and interest on the First Lien and any secondary financing, real estate taxes, property hazard insurance premiums and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) | |
| Loans on financial assets (Guide Section 37.16) | Payments on loans secured by financial assets that may be repaid through liquidation of the asset may be excluded from the qualifying ratios provided the loan was made by a financial institution, and the asset is reduced by the outstanding balance of the loan when including it in the funds available to the borrower. | |
**CREDIT AND LIABILITIES, Continued**

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| Excluding contingent liabilities from monthly debt payment-to-income (DTI) ratio (Guide Section 37.17) | Provide the following:  
  - 12 months most recent, consecutive, canceled checks or a statement from the lender that someone other than the borrower has made 12 months most recent consecutive payments on the debt  
  - Documentation showing timely payments on the debt with credit report or lender payment reference for most recent 12 months  
  **OR**  
  - If the borrower is listed as the borrower on a Mortgage that has been assumed by another, obtain a copy of the documents transferring the property and any assumption agreement executed by the transferee. As long as the borrower no longer owns the property, the contingent liability may be disregarded, without having to document the most recent 12 months’ payment history.  
  - If a contingent liability (secured debt or mortgage) was assigned by a court order such as a divorce decree, provide:  
    - Appropriate pages of the court order  
    - Transfer of title out of the borrower's name  
  **Reminder:** All of the borrower’s debt incurred through the Note Date must be considered when qualifying borrowers. The final Form 65, *Uniform Residential Loan Application*, and Form 65A, *Statement of Assets and Liabilities*, must reflect accurate and complete information as of the Note Date of the subject mortgage. |                                                                                                                                                      |
| Derogatory credit information (Guide Section 37.7)                    | No documentation required                                                                          | Accept and Caution (A-minus eligible):  
  - When a Seller has determined the derogatory information is significant, you must document the extenuating circumstances or conclude the difficulties were due to financial mismanagement.  
  - Refer to Guide Section 37.7 and the Caution Reminders Quick Reference ([http://www.FreddieMac.com/learn/pdfs/uw/caution_remind.pdf](http://www.FreddieMac.com/learn/pdfs/uw/caution_remind.pdf)) for documenting the recovery period and re-establishment of credit. |                                                                                                                                                      |

Regardless of the Loan Prospector Risk Classification returned, if there is any evidence of a short sale disclosed on the credit report or contained elsewhere in the mortgage file, you must apply the requirements related to a short sale as indicated in Guide Sections 37.7(b)(i) and 37.7(b)(ii) for handling significant adverse or derogatory information caused by extenuating circumstances or financial mismanagement for Manually Underwritten Mortgages.

| Sale or Conversion of Primary Residence (Guide Section 37.16.2)       | Refer to Guide Section 37.16.2 and the Freddie Mac Rental Income Matrix ([http://www.FreddieMac.com/learn/pdfs/uw/rental.pdf](http://www.FreddieMac.com/learn/pdfs/uw/rental.pdf)), if either:  
  - Pending sale of the primary residence and the sale will not close before the Mortgage Note Date, or for Construction Conversion or Renovation Mortgages, the Effective Date of Permanent Financing  
  - Converting the current primary residence to a second home or an Investment Property |                                                                                                                                                      |
| Payoff of existing judgments and tax liens (Guide Section 22.3)       | The mortgage must be a valid First Lien on the Mortgaged Premises. The Mortgaged Premises must be free and clear of all prior liens and encumbrances and no rights or condition may exist that could give rise to such liens, except for:  
  - Liens for real estate taxes and special assessment not yet due and payable,  
  - Rights and conditions specified in Guide Section 39.4 |                                                                                                                                                      |
## INCOME AND EMPLOYMENT DOCUMENTATION

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<thead>
<tr>
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<tbody>
<tr>
<td>Calculation of stable monthly income and asset qualification sources (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Stable monthly income is the borrower's verified gross monthly income from all acceptable and verifiable sources, with a two-year history (in most cases) of providing income that can reasonably be expected to continue for at least the next three years.*&lt;br&gt;  ▪ For each income and asset qualification source used to qualify the borrower, obtain the verifications and documentation described in the Guide, and maintain them in the Mortgage file. Both the source and amount must be determined to be stable.&lt;br&gt;  ▪ Provide a written analysis of the income used to qualify the borrower(s) on the Transmittal Summary or like document(s) in the Mortgage file. Sellers are required to use Guide Form 91, <em>Income Analysis Form</em>, or a comparable form to calculate self-employed and commission income.&lt;br&gt;  *Determining continuance of income should focus on the borrower’s past employment/self-employment history, history of receipt of other income and the probability of continued consistent receipt. If income source has less than a two-year history, provide a written analysis justifying your determination that the qualifying income is stable. For all income, the Seller may consider the income for qualifying the borrower provided the Seller does not have knowledge, information or documentation that contradicts a reasonable expectation of continuance or probability of consistent receipt over the next three years.</td>
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</tr>
<tr>
<td>Documentation requirements (Guide Sections 37.13, 37.20, 37.22 and 37.23)</td>
<td>Proper documentation must be supplied in accordance with risk class and documentation level to support all stable income and asset sources for each borrower including:&lt;br&gt;  ▪ Documentation that supports employed, self-employed or non-employed borrower’s income&lt;br&gt;  ▪ The dollar amount&lt;br&gt;  ▪ Documentation that supports the stability of the income and asset sources&lt;br&gt;  AND&lt;br&gt;  ▪ When required, monthly income must be within allowable program limitations (i.e., Home Possible® Mortgages).&lt;br&gt; <strong>Verbal VOE:</strong> When required, in lieu of a verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date, a written verification of employment or third-party verification of employment is an acceptable alternative when the verbal VOE is unavailable from the borrower’s employer. For written VOE requirements and information about Guide Form 90, <em>Verbal Verification of Employment</em>, see General Underwriting Requirements, Date and Verification Requirements in this matrix.&lt;br&gt; <strong>Reminder:</strong> Sellers are reminded that in accordance with Section 6.11, <em>Warranties and Representations by the Seller</em>, the Seller represents and warrants that the requirements stated in the Purchase Documents have been fully satisfied as of the Delivery Date. If the Seller is unable to verify the borrower’s employment or the existence of the business, as applicable, before the Delivery Date, the Mortgage is not eligible for sale to Freddie Mac.</td>
<td></td>
</tr>
<tr>
<td>IRS Form 4506-T (Guide Sections 37.22 and 37.23)</td>
<td>All borrowers whose income is used to qualify must sign IRS Form 4506-T (or an alternate form acceptable to the IRS that authorizes the release of comparable tax information) on the application date and again on the Note Date. If the 4506-T obtained on the application date is submitted to the IRS and transcripts are received back from the IRS, Seller is not required to obtain an additional borrower signed 4506-T.</td>
<td></td>
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</table>

### Employed income

<table>
<thead>
<tr>
<th>Topic</th>
<th>Streamlined Accept Documentation</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Employment income (salary and hourly income) (Guide Sections 37.22 and 37.23)</td>
<td>Obtain all of the following:&lt;br&gt;  ▪ Written VOE(s) covering the most recent year&lt;br&gt;  ▪ Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;  OR, all of the following:</td>
<td>Obtain all of the following:&lt;br&gt;  ▪ Written VOE(s) covering <strong>two</strong> full years&lt;br&gt;  ▪ Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;  OR, all of the following:</td>
</tr>
</tbody>
</table>
### Income and Employment Documentation, Continued

<table>
<thead>
<tr>
<th>Topic</th>
<th>Streamlined Accept Documentation</th>
<th>Standard Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment income (salary and hourly income)</td>
<td>Most recent YTD paystub or salary voucher documenting at least 30 days of income</td>
<td>Most recent YTD paystub or salary voucher documenting at least 30 days of income</td>
</tr>
<tr>
<td>Guide Sections 37.22 and 37.23) (continued)</td>
<td>W-2(s) for the most recent tax year</td>
<td>W-2(s) for the most recent two tax years</td>
</tr>
<tr>
<td></td>
<td>Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date</td>
<td>Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date</td>
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<tr>
<td>Commission income (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Must have a two-year consecutive history of receipt to use as qualifying income. To document, obtain all of the following:</td>
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<td>Written VOE covering the most recent two years</td>
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<td>Signed individual federal tax returns for the most recent two years</td>
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<td>Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date</td>
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<td>OR, all of the following:</td>
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<td>Most recent YTD paystub or salary voucher documenting at least 30 days of income</td>
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<td></td>
<td>W-2s and/or 1099s covering the most recent two years</td>
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<td></td>
<td>Complete signed individual federal tax returns for the most recent two years</td>
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<td></td>
<td>Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date</td>
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<tr>
<td>Bonus income (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Must have a two-year consecutive history of receipt to use as qualifying income. To document, obtain all of the following:</td>
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<td></td>
<td>Written VOE covering two full years</td>
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<td>Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date</td>
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<td>OR, all of the following:</td>
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<td></td>
<td>Most recent YTD paystub or salary voucher documenting at least 30 days of income</td>
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<td></td>
<td>W-2s covering the most recent two years</td>
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<tr>
<td></td>
<td>Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date</td>
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<tr>
<td>Employed by a family member, the property seller or real estate broker (Guide Sections 37.22 and 37.23)</td>
<td>Obtain all of the following:</td>
<td>Obtain all of the following:</td>
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<tr>
<td></td>
<td>Most recent YTD paystub or salary voucher documenting at least 30 days of income</td>
<td>Most recent YTD paystub or salary voucher documenting at least 30 days of income</td>
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<tr>
<td></td>
<td>W-2s covering the most recent year</td>
<td>W-2s covering the most recent two years</td>
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<td>Complete signed individual federal tax returns for the most recent year</td>
<td>Complete signed individual federal tax returns for the most recent two years</td>
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<td>Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date</td>
<td>Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date</td>
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<td>OR, all of the following:</td>
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<td></td>
<td>Written VOE covering the most recent year</td>
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<tr>
<td></td>
<td>Complete signed individual income tax returns for the most recent year</td>
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<tr>
<td></td>
<td>Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date</td>
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### INCOME AND EMPLOYMENT DOCUMENTATION, Continued

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<tr>
<td><strong>Overtime</strong>&lt;br&gt;(Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Must have a <strong>two</strong>-year consecutive history of receipt and be likely to continue for the next three years. To document, obtain all of the following:&lt;br&gt; - Written VOE covering <strong>two</strong> full years&lt;br&gt; - Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt; <strong>OR</strong>, all of the following:&lt;br&gt; - Most recent YTD paystub or salary voucher documenting at least 30 days of income&lt;br&gt; - W-2s covering the most recent <strong>two</strong> years&lt;br&gt; - Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;The employer must verify that the borrower will continue to have opportunities to earn overtime income.</td>
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<tr>
<td><strong>Automobile allowance</strong>&lt;br&gt;(Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Must have a <strong>two</strong>-year consecutive history of receipt. To document, obtain all of the following:&lt;br&gt; - Written VOE covering <strong>two</strong> full years&lt;br&gt; - Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt; <strong>OR</strong>, all of the following:&lt;br&gt; - Most recent YTD paystub or salary voucher documenting at least 30 days of income&lt;br&gt; - W-2s covering the most recent <strong>two</strong> years&lt;br&gt; - Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;If the auto allowance is not reflected on the paystub or VOE, provide additional documentation from the employer showing the amount of the automobile allowance.</td>
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<tr>
<td><strong>Mortgage differential</strong>&lt;br&gt;(Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Two-year history not required. Obtain a copy of the agreement from the employer stating the amount and duration of the payments. The payments must be likely to continue for the next three years.</td>
<td></td>
</tr>
<tr>
<td><strong>Tip income</strong>&lt;br&gt;(Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Must have a <strong>two</strong>-year consecutive history of receipt. To document, obtain all of the following:&lt;br&gt; - Written VOE covering <strong>two</strong> full years reflecting a breakout of tip income&lt;br&gt; - Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt; <strong>OR</strong>, all of the following:&lt;br&gt; - Most recent YTD paystub or salary voucher documenting at least 30 days of income&lt;br&gt; - W-2s covering the most recent <strong>two</strong> years&lt;br&gt; - Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;The employer must verify that the tip income is expected to continue in the written VOE or in a separate statement.</td>
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</table>
| Military income (including reserve income) (Guide Sections 37.13, 37.22 and 37.23) | Obtain all of the following:  
- Written VOE covering the most recent year  
- Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date  **OR**, all of the following:  
- YTD LES documenting at least 30 days of income  
- W-2s covering the most recent year  
- Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date  
In lieu of a verbal VOE, an LES dated no more than 30 days prior to Note Date may be provided. | Obtain all of the following:  
- Written VOE covering two full years  
- Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date  **OR**, all of the following:  
- YTD LES documenting at least 30 days of income  
- W-2s covering the most recent two years  
- Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date  
In lieu of a verbal VOE, an LES dated no more than 30 days prior to Note Date may be provided. |
| Income from a second or additional job (Guide Sections 37.13, 37.22 and 37.23) | Must have a **two-year** consecutive history of receipt. To document, obtain all of the following:  
- Written VOE covering two full years  
- Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date  **OR**, all of the following:  
- Most recent YTD paystub or salary voucher documenting at least 30 days of income  
- W-2s covering the most recent two years  
- Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date | Must have a **two-year** consecutive history of receiving income from seasonal employment and the seasonal employment income must be likely to continue for the next three years in order to consider the income for qualifying. Unemployment compensation associated with seasonal employment may be considered qualifying income if the borrower has a two-year history of receipt and the unemployment compensation is likely to continue for the next three years. Seasonal employment income and unemployment compensation must be reported on the borrower’s two most recent years’ federal tax returns. To document, obtain all of the following:  
- Written VOE covering two full years for the seasonal employment  
- Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date  
- Proof of receipt of unemployment compensation for two years (if applicable)  **OR**, all of the following:  
- YTD paystub or salary voucher documenting at least 30 days of income  
- W-2s covering the two most recent years  
- Verbal VOE obtained either no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date  
- Proof of receipt of unemployment compensation for two years (if applicable) |
| Income from seasonal employment with associated unemployment compensation (Guide Sections 37.13, 37.22 and 37.23) | | |
### Loan Prospector® Documentation Matrix

**INCOME AND EMPLOYMENT DOCUMENTATION, Continued**

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| Newly employed borrowers / borrowers re-entering the workforce (Guide Section 37.13) | ▪ 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 |  |
| Income while on temporary leave (Guide Section 37.13) | For guidance on underwriting borrowers on temporary leave from their current employment, refer to Guide Section 37.13(a)(vii). |  |

#### Self-employed Income

**Self-employment indicator and additional requirements (Guide Sections 37.13 and 37.20)**

A borrower who has an ownership interest of 25% or more in a business is considered to be self-employed. The Seller must indicate to Loan Prospector that a borrower is self-employed when the borrower meets Freddie Mac’s definition of self-employed as stated above. This is required in all cases whether or not the Seller is using the self-employment income to qualify the borrower. If using self-employment income for qualification:

▪ Analyze the tax returns and provide a written analysis of the borrower’s self-employed income on Form 91, or a comparable form

▪ Document a two-year history of self-employment (in most instances) to ensure that income is stable. If the self-employment history is less than two years, the Seller must consider the acceptance of the company’s service or products in the marketplace and document a two-year history of receipt of income at the same or greater level in the same or similar occupation. The Seller must consider the borrower’s experience in the business before considering the income for qualifying purposes and the borrower’s tax returns must reflect at least one year of self-employment income.

▪ If the borrower is relocating to a different geographic area, the Seller must consider the acceptance of the company’s service or products in the marketplace before considering the income for qualifying purposes, and document and explain how you determined that the borrower’s income will continue at the same level in the new location.

▪ If the borrower is self-employed and the self-employment income is not used to qualify, the Seller must obtain the borrower’s individual federal tax returns to determine if there is a business loss that may have an impact on the stable monthly income used for qualifying. If a business loss is reported on the borrower's individual federal tax returns, the Seller may need to obtain additional documentation in order to fully evaluate the impact of a business loss on the income used for qualifying.

▪ The Seller must verify the existence of the borrower’s business from a third party source no more than 30 days prior to the Note Date. Alternatively, the Seller may obtain the verification of the existence of business, as applicable, after the Note Date but prior to the Delivery Date.

▪ When business assets are used for down payment and Closing Costs, Financing Costs, Prepaids/Escrows and reserves, the assets must be verified in accordance with Guide sections 37.20 through 37.23 and must be related to the business that the borrower owns. Because the borrower's withdrawal of assets from a sole proprietorship, a partnership or a corporation may have a negative impact on the business’ ability to continue operating, the impact of withdrawal must be considered in the Seller's analysis of the borrower's self-employed income. Document a cash flow analysis for the borrower's business using the individual and/or business tax returns, as applicable.
### Income and Employment Documentation, Continued

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<tr>
<td>Self-employed income - sole proprietor</td>
<td>Obtain all of the following:&lt;br&gt;- Complete signed individual federal tax return for the most recent year. The individual federal tax return must reflect at least 12 months of self-employed income&lt;br&gt;- Verification of existence of the business through a third party source obtained either no more than 30 Calendar Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;- Completed Income Analysis Form 91, or comparable form</td>
<td>Obtain all of the following:&lt;br&gt;- Complete signed individual federal tax return for the most recent two years. The individual federal tax return must reflect at least 12 months of self-employed income&lt;br&gt;- Verification of existence of the business through a third party source obtained either no more than 30 Calendar Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;- Completed Income Analysis Form 91, or comparable form</td>
</tr>
<tr>
<td>Self-employed – S-corporation</td>
<td>Obtain all of the following:&lt;br&gt;- Complete signed individual federal and S Corporation tax returns, including K-1s, for the most recent year. The individual federal tax return must reflect at least 12 months of self-employed income&lt;br&gt;- Verification of existence of the business through a third party source obtained either no more than 30 Calendar Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;- Completed Income Analysis Form 91, or comparable form</td>
<td>Obtain all of the following:&lt;br&gt;- Complete signed individual federal and S Corporation tax returns, including K-1s, for the most recent two years. The individual federal tax return must reflect at least 12 months of self-employed income&lt;br&gt;- Verification of existence of the business through a third party source obtained either no more than 30 Calendar Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;- Completed Income Analysis Form 91, or comparable form</td>
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<tr>
<td>Self-employed – partnership</td>
<td>Obtain all of the following:&lt;br&gt;- Complete signed individual federal and Partnership tax returns, including K-1s, for the most recent year. The individual federal tax return must reflect at least 12 months of self-employed income&lt;br&gt;- Verification of existence of the business through a third party source obtained either no more than 30 Calendar Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;- Completed Income Analysis Form 91, or comparable form</td>
<td>Obtain all of the following:&lt;br&gt;- Complete signed individual federal and Partnership tax returns, including K-1s, for the most recent two years. The individual federal tax return must reflect at least 12 months of self-employed income&lt;br&gt;- Verification of existence of the business through a third party source obtained either no more than 30 Calendar Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;- Completed Income Analysis Form 91, or comparable form</td>
</tr>
<tr>
<td>Self-employed – corporation</td>
<td>Obtain all of the following:&lt;br&gt;- Complete signed individual federal and corporate tax returns, including W-2s, for the most recent year. The individual federal tax returns must reflect at least 12 months of self-employed income&lt;br&gt;- Verification of existence of the business through a third party source obtained either no more than 30 Calendar Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;- Completed Income Analysis Form 91, or comparable form</td>
<td>Obtain all of the following:&lt;br&gt;- Complete signed individual federal and corporate tax returns, including W-2s, for the most recent two years. The individual federal tax returns must reflect at least 12 months of self-employed income&lt;br&gt;- Verification of existence of the business through a third party source obtained either no more than 30 Calendar Days prior to the Note Date or after the Note Date but prior to the Delivery Date&lt;br&gt;- Completed Income Analysis Form 91, or comparable form</td>
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### INCOME AND EMPLOYMENT DOCUMENTATION, Continued

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| Other Income general requirements (Guide Section 37.13) | Non-employment/non-self-employment income may be considered for qualifying provided there’s no knowledge, information or documentation that contradicts a reasonable expectation of continuance or probability of consistent receipt for at least the next three years. In some instances, a two-year history of receipt of the non-employment/non-self-employment income is not required. In other instances where the borrower has less than a two-year history of receiving income, the Seller may be able to use the income to qualify the borrower but must provide a written analysis to justify the determination that the income that is used to qualify the borrower is stable. Factors that must be considered in determining the likelihood of consistent receipt of non-employment/non-self-employment income below include, but are not limited to, the following:  
- Whether the payments are received pursuant to a written agreement, court decree or law  
- The length of time the payments have been received  
- The regularity of receipt of the income  
- The consistency of the amount of income  
- The availability of procedures to compel payment  
- Whether full or partial payments have been made  
- The age of each child for which child support payments are made (if applicable)  
- Eligibility criteria governing the continued receipt of the income, such as age of dependents or accumulation of assets |  |
| Alimony, child support or separate maintenance income (Guide Sections 37.13, 37.22 and 37.23) | Must obtain the following:  
- Proof of receipt by the borrower of the total court ordered amount for the most recent six months; if child support, proof of the ages of the children for which child support is received to prove three year continuance; and  
- Copy of the signed court order documenting the payor’s obligation for the previous six months and evidence the payor is obligated to make payments to the borrower for the next three years If the payor has been obligated to make payments for less than six months, or if the payments are not for the full amount or are not received on a consistent basis, the income must not be considered for qualifying. |  |
| Retirement income (Guide Sections 37.13, 37.22 and 37.23) | Obtain the following:  
- Copy of the award letter, 1099 or equivalent documentation showing income type, source, amount, and  
- Most recent two months bank statements or other equivalent documentation evidencing consistent receipt of the retirement income |  |
| Survivor and dependent benefit income (Guide Sections 37.13, 37.22 and 37.23) | Obtain the following:  
- A copy of the award letter or other equivalent documentation showing income type, source, amount, and  
- The most recent two months bank statements or equivalent documentation evidencing current receipt |  |
**INCOME AND EMPLOYMENT DOCUMENTATION, Continued**

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<td>Long-term disability income (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Obtain the following:&lt;br&gt;  - A copy of the award letter, W-2 or other equivalent documentation showing income type, source, amount, and&lt;br&gt;  - The most recent two months bank statements or equivalent documentation evidencing current receipt&lt;br&gt; If the disability benefit is provided by an employer, private insurer and/or has a pre-determined expiration date, obtain a copy of the certificate of coverage, award letter, or other equivalent documentation evidencing a disability income benefit and/or policy expiration date that exceeds three years. Pending or current re-evaluation of medical eligibility for insurance and/or benefit payments is not considered an indication that insurance and/or benefit payment will not continue.</td>
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<td>Social Security Supplemental Security Income (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Obtain the following:&lt;br&gt;  - A copy of the award letter or other equivalent documentation showing income type, amount, and&lt;br&gt;  - The most recent two months bank statements or equivalent documentation evidencing current receipt&lt;br&gt; Pending or current re-evaluation of medical eligibility for insurance and/or benefit payments is not considered an indication that the insurance and/or benefit payment will not continue.</td>
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<tr>
<td>Tax exempt income (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Only the nontaxable portion of income may be grossed up. Obtain either:&lt;br&gt;  - Complete signed individual federal tax returns for the most recent year, or&lt;br&gt;  - Other documentation evidencing that the income, or a portion of the income, is nontaxable.&lt;br&gt; <strong>Note:</strong> Tax-exempt income that is established as continuing into the foreseeable future may be grossed up by using either 25%, or the current federal and state income tax withholding tables to determine an amount which can be prudently employed to adjust or &quot;gross up&quot; the borrower’s actual income.</td>
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<td>Notes receivable (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Obtain a copy of the note and proof of receipt of the payments for the most recent one year.</td>
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<td>Dividend and interest (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Must have a two-year consecutive history of receipt. To document, obtain all of the following:&lt;br&gt;  - Complete signed individual federal income tax returns for the most recent two years&lt;br&gt;  - Evidence of sufficient assets to generate dividends and interest</td>
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<td>Trust income (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Obtain a copy of the Trust Agreement.</td>
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<td>Capital gains (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Must have a two-year history of receipt. To document, obtain all of the following:&lt;br&gt;  - Complete signed individual federal income tax returns, including Schedule D, for the most recent two years reflecting capital gain income&lt;br&gt;  - Evidence of sufficient assets to generate capital gains</td>
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<tr>
<td>Royalty payments (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Must have a 12-month history of receiving payments on a regular basis. Obtain complete signed individual federal tax returns for the most recent year, including Supplemental Income and Loss and Schedule E</td>
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<td>Public assistance income (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Obtain evidence of receipt of consistent payments for the most recent two months and documentation from the applicable agency that indicates the amount and frequency of the benefit payments and the length of time the benefit payments will be received.</td>
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<tr>
<td>Section 8 homeownership assistance payments (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>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. The documentation must reflect that the payments are made directly to the borrower.</td>
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### INCOME AND EMPLOYMENT DOCUMENTATION, Continued

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<td>Foster care income (Guide Sections 37.13, 37.22 and 37.23)</td>
<td>Obtain proof of a two-year history of receipt from a state- or county-sponsored organization.</td>
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</table>
| Housing or parsonage allowance (non-military) (Guide Sections 37.13, 37.22 and 37.23) | Must have a 12-month history of receipt. Obtain all the following:  
- A written VOE, letter from the employer or YTD paystub reflecting the amount of the housing or parsonage allowance and the terms under which it is paid  
- Proof of 12 months receipt of the housing allowance  
The housing allowance may not be used to offset the monthly housing payment. |                                                                                         |
| Assets as a basis of qualification (Guide Sections 37.13 and 37.13(e)) | Assets may only be used for qualification if the Mortgage meets all of the following requirements:  
- Is secured by a one-unit Primary Residence or second home,  
- Is either a purchase transaction Mortgage, "no cash-out" refinance Mortgage, or Relief Refinance MortgageSM, and  
- Has a maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity TLTV (HTLTV) ratio of 70%  
**Note:**  
- The borrower must not currently be using the eligible assets as a source of income.  
- The asset source must meet all the associated requirements listed under “Asset eligibility requirements” as indicated in Guide Section 37.13(e)(1).  
To qualify the borrower for the Mortgage:  
- Determine that both the source of the asset and the amount of the asset source are reasonable and stable for each asset qualification source  
- Include a written analysis of the asset qualification source and amount in the Mortgage file  
- Meet the requirements of Guide Section 37.13(e), regardless of the underwriting path of the Mortgage  
To calculate asset sources, use 70% of the balance of the eligible asset less any funds required to complete the transaction (e.g., downpayment, Closing Costs, Financing Costs, Prepaids/Escrows), divided by 360 months, regardless of loan term or account balance. |                                                                                         |
| Asset qualification: Retirement assets (Guide Sections 37.13, 37.22 and 37.23) | Obtain all of the following:  
- Most recent retirement asset account statement(s),  
- Documented evidence of the following:  
  - Borrower(s) must be the sole owner of the account  
  - Retirement asset account is a retirement account recognized by the IRS  
  - 100% of balance is fully vested and immediately accessible  
  - Account is not subject to a penalty |                                                                                         |
| Asset qualification: Lump-sum distribution funds (Guide Sections 37.13, 37.22 and 37.23) | If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirements for retirement assets described above. Otherwise, obtain all of the following:  
- Most recent three months personal depositary or brokerage account statements  
- Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received)  
- Documented evidence of the following:  
  - Funds verified in the non-retirement account and used for Mortgage qualification must have been derived from eligible retirement assets  
  - Lump-sum distribution funds must not have been or currently be subject to a penalty |                                                                                         |
## INCOME AND EMPLOYMENT DOCUMENTATION, Continued

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| Asset qualification: Proceeds from sale of business (Guide Sections 37.13, 37.22 and 37.23) | Obtain all of the following:  
  - Most recent three months personal depository or brokerage account statements  
  - Fully executed closing documents evidencing final sale of business to include sales price and net proceeds  
  - Contract for sale of business  
  - Most recent business tax return prior to sale of business  
  - Documented evidence that the funds verified in the non-retirement account and used for Mortgage qualification were derived from the sale of the borrower's business | |
| Mortgage Credit Certificate (MCC) (Guide Sections 31.13, 37.22 and 37.23) | Obtain a copy of the MCC. Refer to Guide Section 37.13 for requirements on the amount of the MCC tax credit that may be considered as qualifying income. | |
| Gaps in employment (Guide Sections 37.22 and 37.23) | No explanation required. | Document gaps of more than 60 days on the application and provide explanation from borrower. |

## ASSET DOCUMENTATION

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| Required funds (Guide Chapter 26) | All Borrower Funds and reserves used in the evaluation of the mortgage must be from eligible sources meeting the requirements of Guide Chapter 26.  
  - For purchases, document the borrower has sufficient funds from eligible sources for down payment, closing costs, prepaids, and reserves (if required).  
  - For refines, verification of funds is required.  
  - For loan-to-value (LTV) ratios greater than 80%, document the minimum required contribution of occupant borrower from borrower personal funds – typically 5%. For non-occupant co-borrower transactions, funds must be from occupant borrower. | Asset documentation must meet the requirements of Guide Sections 37.20, and 37.22 or 37.23, as applicable, and be maintained in the mortgage file. In addition:  
  - For purchase transactions, 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 borrower funds/reserves, reduce the funds used for qualifying purposes by the amount of the unverified deposit. For Loan Prospector mortgages, enter the reduced amount of the asset into Loan Prospector.  
  - When a single deposit consists of both verified and unverified funds, use just the unverified amount when determining whether the deposit exceeds 50% of the total monthly qualifying income.  
  - When the source of funds can clearly be identified (e.g., direct payroll deposits or tax refund), additional documentation is not required. |
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<td>Documentation Requirements / Large deposits or balances (Continued) (Guide Sections 37.22(b) and 37.23(b))</td>
<td>If you have any indication that the funds are borrowed, or are not from an eligible source under Chapter 26, document the source of the deposit of any amount regardless of the transaction type. You must consider any liabilities resulting from all borrower funds.</td>
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<td>If an account was opened within 90 days of a direct verification (i.e., VOD) and/or reflects a current balance significantly greater than the average balance, document the source of funds.</td>
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<td>If a portion of the borrower’s funds were to be saved by the borrower between the date of loan application and the date of loan closing, the mortgage file documents must show that funds were accumulated and on deposit prior to closing.</td>
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<td>Depository accounts (Guide Sections 37.20, 37.22 and 37.23)</td>
<td>Obtain:</td>
<td>Obtain:</td>
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<td>▪ A depository account statement covering a <strong>one-month period</strong>, or</td>
<td>▪ A depository account statement covering a <strong>two-month period</strong>, or</td>
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<td>▪ A direct account verification (i.e., VOD)</td>
<td>▪ A direct account verification (i.e., VOD)</td>
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<td>Proceeds of a loan fully secured by the borrower’s assets (Guide Sections 37.22, 37.23)</td>
<td>Provide:</td>
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<td>▪ Documentation verifying the value and ownership of the asset used to secure the loan as well as the amount and terms of the loan, and</td>
<td>▪ Evidence of receipt of the loan proceeds</td>
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<td>Proceeds from the sale of real property (Guide Sections 37.20(a), 37.22, 37.23)</td>
<td>Obtain one of the following:</td>
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<td>▪ Executed HUD-1 or equivalent closing statement, <strong>or</strong></td>
<td>▪ Executed buy-out agreement and accompanying settlement statement from an employer relocation plan where the employer/relocation company takes responsibility for the outstanding mortgage(s)</td>
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<td>Proceeds from the sale of an asset (other than real property or exchange-traded securities) (Guide Sections 37.22, 37.23)</td>
<td>Proceeds <strong>must</strong> be verified with:</td>
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<td>▪ A bill of sale, and</td>
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<td>Earnest money deposit (Guide Sections 26.1, 37.22, 37.23)</td>
<td>The source of the earnest money deposit for a purchase transaction must be from an eligible source meeting the requirements of Guide Chapter 26 and documented in accordance with the requirements for the applicable asset type. <strong>Note:</strong> Ensure the earnest money deposit is not counted twice in the evaluation of the mortgage (i.e., deducted from the funds to close and counted in assets).</td>
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<tr>
<td>Gifts (Guide Sections 22.22.1, 25.3, 26.2, 37.22 and 37.23)</td>
<td>Gift funds are not allowed on investment property mortgages</td>
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<td>If a gift from a related person is used with a Mortgage that has an LTV ratio greater than 80%, the gift is permitted only if the borrower has made a down payment of at least 5% from borrower personal funds unless provided for otherwise in the Guide.</td>
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<td>Documentation supporting a gift or gift of equity from a related person that does not have to be repaid must include a gift letter signed by the donor and contain the following information:</td>
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<td>▪ Donor’s name and that funds are given by a related person, as defined in the Guide</td>
<td>▪ Address of the mortgaged premises</td>
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<td>▪ Donor’s mailing address and telephone number</td>
<td>▪ Amount of the gift</td>
</tr>
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<td>▪ Address of the mortgaged premises</td>
<td>▪ Establish that the funds are a gift that does not have to be repaid</td>
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<td>▪ If the gift funds are not verified in the borrower’s account, provide evidence of transfer from the donor to the borrower. A gift of equity must be reflected on the HUD-1 form.</td>
<td>▪ If the gift funds are not verified in the borrower’s account, provide evidence of transfer from the donor to the borrower. A gift of equity must be reflected on the HUD-1 form.</td>
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<td><strong>Gifts (Continued)</strong>&lt;br&gt;(Guide Sections 22.22.1, 25.3, 26.2, 37.22 and 37.23)</td>
<td>▪ Documentation supporting a gift or grant from an agency must:&lt;br&gt;− Establish funds were provided by an agency, as defined in the Guide&lt;br&gt;− Establish the organization has an established gift or grant program&lt;br&gt;− Establish that the funds are a gift or grant that does not have to be repaid&lt;br&gt;− Evidence the funds were received by the borrower or by the property seller on the borrower’s behalf&lt;br&gt;− Identify the donor’s mailing address&lt;br&gt;Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower.</td>
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<tr>
<td><strong>Funds disbursed from a trust</strong>&lt;br&gt;(Guide Sections 37.22 and 37.23)</td>
<td>Provide verification of the trust funds that includes the following:&lt;br&gt;▪ Typed copy of the trust agreement or&lt;br&gt;▪ Signed statement on letterhead from the trustee that:&lt;br&gt;− Identifies the Trustee including name, address, telephone number and an individual contact.&lt;br&gt;  The trustee must be an independent party that typically handles trust accounts (trust company, financial institution, CPA, lawyer)&lt;br&gt;− Identifies the borrower as the beneficiary&lt;br&gt;− Shows that the borrower has access to all or a certain specific amount of the funds&lt;br&gt;− Shows that the trust has the assets to disburse funds to the borrower&lt;br&gt;If the assets are needed for closing, evidence of receipt of the disbursed funds from the trust is required.</td>
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<tr>
<td><strong>Individual Development Accounts (IDA)</strong>&lt;br&gt;(Guide Sections 26.6, 37.22 and 37.23)</td>
<td>Provide documentation of the IDA program that verifies:&lt;br&gt;▪ If the matching funds are subject to recapture&lt;br&gt;▪ The ratio of matching funds by the agency&lt;br&gt;▪ Regular payments made by the borrower and the matching organization&lt;br&gt;▪ The vested balance or the percentage of vesting&lt;br&gt;Documentation of matching funds subject to a recapture provision must also meet the requirements for a gift or grant from an agency.</td>
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<tr>
<td><strong>Community Savings System accounts – Borrower contributions</strong>&lt;br&gt;(Guide Sections 37.22 and 37.23)</td>
<td>Provide Community Savings Systems account statements or a direct account verification which:&lt;br&gt;▪ Identifies the nonprofit community organization as the administrator, and&lt;br&gt;▪ Shows all Borrower contributions</td>
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<tr>
<td><strong>Pooled funds on deposit from Related Persons who reside with the borrower</strong>&lt;br&gt;(Guide Sections 26.4, 37.22 and 37.23)</td>
<td>▪ Provide: Evidence that the borrower and the related person have resided together for at least one year,&lt;br&gt;▪ A written statement by the borrower meeting the requirements of Guide Section 26.4, and&lt;br&gt;▪ Documentation verifying the pooled funds per the requirements for the applicable asset type.</td>
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<td><strong>Proceeds from an unsecured loan (an Employer Assisted Homeownership (EAH) Benefit)</strong>&lt;br&gt;(Guide Sections 26.6.2, 37.22 and 37.23)</td>
<td>For purchase transactions, provide:&lt;br&gt;▪ A copy of the established, ongoing and documented employer benefit program showing the amount of the benefit and terms of the program, and&lt;br&gt;▪ Evidence of receipt of the EAH benefit</td>
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| Credit card charges, cash advances or an unsecured line of credit used to pay fees associated with the Mortgage application process (Guide Sections 26.6.4, 37.22 and 37.23) | Provide the following:  
  ▪ A copy of the credit card statement or credit card receipt showing the amount charged*, the outstanding balance, and the terms of repayment; and  
  ▪ Verification of sufficient funds to pay the amount charged or advanced (in addition to the funds needed for the down payment, prepaid/escrows, other closing costs, financing costs and reserves, as required)  
  Note: Include the debt as a liability when qualifying the borrower  
  *The maximum amount the borrower may charge or advanced is the greater of 2% of the mortgage amount or $1,500 |                                                                                                             |
| Cash Value Life Insurance (Guide Sections 37.22 and 37.23)           | Provide verification of the cash value life insurance which:  
  ▪ Includes a computer-generated or typed statement from the insurance company,  
  ▪ Identifies the life insurance company,  
  ▪ Identifies the policy owner(s),  
  ▪ Shows the period covered and ending cash value, and  
  ▪ Shows any outstanding loans  
  If the assets are needed for closing, provide evidence of liquidation. |                                                                                                             |
| Stocks, bonds, mutual funds, U.S. Government Securities and other securities (Guide Sections 26.5, 37.22 and 37.23) | Provide one of the following:  
  ▪ A stock or brokerage account statement covering a one-month period, or  
  ▪ A direct account verification (i.e., VOD)  
  If the borrower does not receive a stock/security account statement, provide:  
  ▪ A copy of the stock certificate  
  ▪ The current stock prices from a published source  
  If the assets are needed for closing, evidence of liquidation is required. |                                                                                                             |
| Personal IRA and SEP-IRA accounts that are owned by the borrower and 401(k), KEOGH, 403(b) and other IRS-qualified employer plans (Guide Sections 26.5, 37.22 and 37.23) | Provide one of the following:  
  ▪ An account statement covering a one-month period, or  
  ▪ A direct account verification (i.e., VOD)  
  If the assets are needed for closing, provide evidence of liquidation.  
  In order to use the vested amount of an IRS-qualified employer retirement account as reserves, the mortgage file must include documentation outlining the terms of the retirement plan showing that the borrower is permitted to make withdrawals regardless of current employment status.  
  Note: Retirement accounts used for reserves may be counted at 70% of the vested balance minus any outstanding loans against the asset. In lieu of the 70% requirement, the vested amount less outstanding loans secured by the account funds may be reduced by the minimum federal income tax withholdings required by the IRS. | Provide one of the following:  
  ▪ Account statements covering a two-month period, or  
  ▪ A direct account verification (i.e., VOD)  
  If the assets are needed for closing, provide evidence of liquidation.  
  In order to use the vested amount of an IRS-qualified employer retirement account as reserves, the mortgage file must include documentation outlining the terms of the retirement plan showing that the borrower is permitted to make withdrawals regardless of current employment status.  
  Note: Retirement accounts used for reserves may be counted at 70% of the vested balance minus any outstanding loans against the asset. In lieu of the 70% requirement, the vested amount less outstanding loans secured by the account funds may be reduced by the minimum federal income tax withholdings required by the IRS. |
ASSET DOCUMENTATION, Continued

U.S. Savings Bonds
(Guide Sections 26.5, 37.22 and 37.23)

Provide the following:

- Verification of the U.S. Savings Bonds which includes a written statement from a financial institution (or the Seller) confirming:
  - They have seen the bonds and listing the serial numbers of the bond(s),
  - Date of maturity,
  - Type and amount of bond and
  - The borrower is the owner
- Evidence of the bond value from the appropriate U.S. Treasury Table

If the assets are needed for closing, provide evidence of liquidation.

GENERAL UNDERWRITING REQUIREMENTS

Eligibility (Guide Section 2.2.1 and Chapter 37)

Loan Prospector assumes that the last information submitted to Loan Prospector is the same as the information that is verified and documented in the Mortgage file delivered to Freddie Mac. If the information changes or an error is identified in a prior submission, the mortgage information must be resubmitted to Loan Prospector. See Section 2.2.1(k) for exceptions and requirements for resubmission to Loan Prospector after the Note Date, or for Construction Conversion and Renovation Mortgages, after the Effective Date of Permanent Financing. Incorrect information in Loan Prospector may invalidate the Loan Prospector Feedback Certificate. To qualify as a Loan Prospector mortgage, the mortgage must meet all the following criteria:

- Be submitted to Loan Prospector no more than 120 days before and no later than the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- Have all credit reports (including Loan Prospector credit reports) dated no more than 120 days before and no later than on the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- Receive a “Complete” AUS Status on the Feedback Certificate based on the last submission to Loan Prospector on or before the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- Comply with all requirements of Section 2.2.1 of the Guide – Introduction to Loan Prospector
- Have a Settlement Date that is not more than 12 months after the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing

For Accept Mortgages and A-minus Mortgages, Loan Prospector makes the determination that borrower capacity is acceptable so long as the amount of stable monthly income used by Loan Prospector is correct and meets the requirements in Guide Section 37.13 as verified under the applicable verification requirements of the Guide.

Permanent and nonpermanent resident aliens (Guide Section 22.10.1)

Permanent and nonpermanent resident aliens lawfully residing in the United States are eligible for mortgages on the same terms as U.S. citizens. When selling such mortgages to Freddie Mac, Sellers represent and warrant that the non-U.S. citizen Borrower is lawfully resident in the United States. Freddie Mac does not specify the documentation required to establish lawful U.S. residency. You should consult your own counsel or other information sources to determine documentation that may be used to establish lawful residency.

Borrowers without usable credit scores (Guide Section 37.4)

For Accept Mortgages and A-minus Mortgages where not all borrowers have a usable Credit Score, the following requirements apply:

- At least one borrower on the transaction has a usable Credit Score, as determined by Loan Prospector
- The transaction is a purchase or "no cash-out" refinance Mortgage
- The Mortgage is secured by a one-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 usable Credit Score are not self-employed

For borrower(s) without usable credit scores, any debt not reported on the credit report must be documented as being repaid in a satisfactory manner and the payment must be included in the total monthly debt payment-to-income ratio.
FINANCING CONCESSIONS (GUIDE SECTION 25.3)

- Financing concessions for primary residences and second homes are within allowable percentages:
  - 9 percent of value for mortgages with LTV/TLTV ratios less than or equal to 75 percent
  - 6 percent of value for mortgages with LTV/TLTV ratios greater than 75 percent up to and including 90 percent
  - 3 percent of value for mortgages with LTV/TLTV ratios greater than 90 percent
- The maximum financing concession for investment properties is 2 percent regardless of the LTV ratio

**Note:** Maximum financing concessions are based on the LTV ratio when there is no secondary financing and TLTV ratio when secondary financing is present. Contributions in excess of the above limitations are considered sales concessions.

- Sales concessions are deducted from the purchase price and LTV is calculated using the lower of the reduced purchase price or appraised value.
- Interested party contributions used to reimburse the borrower for payment of short sale fees must be considered and treated as a sales concession.

PROPERTY (GUIDE CHAPERS 42, H33, AND 44)

The Seller must ensure that the mortgage premises (collateral) are eligible for sale to Freddie Mac and that it supports the transaction; Loan Prospector's Minimum Assessment Feedback (MAF) will advise the Seller of the type of appraisal report required.

For units in Condominium Projects, the project must meet Freddie Mac eligibility criteria for the project (e.g., Existing, New, 2- to 4-Unit condominium projects, or Detached condominium projects, etc.). For details, refer to Guide Chapter 42.

Mortgages secured by a Manufactured Home (even if located within a condominium project) must be submitted to Loan Prospector and must identify the property as a single-wide or multiwide Manufactured Home. In addition:

- An appraisal reported on Appraisal Form 70B, Manufactured Home Appraisal Report, is required for all Manufactured Homes.
- If the property is a Manufactured Home located in a Condominium Project, the project must be approved through an acceptable reciprocal review process. For details, refer to Guide Chapter 42. The project information section of Form 465, Individual Condominium Unit Appraisal Report, must also be completed and attached as an addendum to Form 70B.

For purchase transactions, verify the property seller is the Owner of Record. For refinance transactions, verify the borrower is an Owner of Record. For transactions involving the payoff of a land contract, verify the borrower is a vendee on the recorded land contract, and the property seller is the vendor and Owner of Record. Evidence verification with documentation in the file.

If Loan Prospector returns an excessive value message or a message notifying you of REO activity within the preceding 24 months, review the appraisal report carefully to ensure property value is supported.

Use automated valuation models (AVMs) and other tools as part of the origination or pre-funding quality control process to detect fraud and objectively measure the accuracy of the appraisal. Freddie Mac recommends the use of Home Value Explorer® (HVE), Home Value Calibrator® (“Calibrator”) or other validated and tested AVMs, as well as other collateral valuation tools, to assess the quality and accuracy of appraisals. More information about HVE and Calibrator, and a list of distributors, can be found on FreddieMac.com at [http://www.freddiemac.com/hve/](http://www.freddiemac.com/hve/).

**DATE AND VERIFICATION REQUIREMENTS FOR LOAN PROSPECTOR RESULTS, EMPLOYMENT, INCOME, SOURCE OF FUNDS AND PAYMENT HISTORY (OTHER THAN CREDIT REPORTS) (GUIDE SECTIONS 2.2.1 AND 37.20)**

**DATE REQUIREMENTS**

- A Mortgage that was processed through Loan Prospector and received a complete assessment (a Risk Class of Accept or Caution) on the Last Feedback Certificate must have a Settlement Date no more than 12 months after the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing.
Date and verification requirements for Loan Prospector results, employment, income, source of funds and payment history (other than credit reports) (Continued) (Guide Sections 2.2.1 and 37.20)

Loan Prospector results must be dated within 120 days prior to the Note Date. However, if the Seller determines after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages that the information entered into Loan Prospector was not true, complete, and accurate and does not match the terms of the Mortgage to be delivered to Freddie Mac, the Mortgage must be resubmitted to Loan Prospector after the Note Date or the Effective Date of Permanent Financing, as applicable, but prior to the Loan Prospector Assessment Expiration Date and Delivery Date, unless otherwise prohibited or not required by Guide Section 2.2.1. Refer to Resubmission to Loan Prospector After the Note Date.

- Verifications of employment, income, source of funds and payment history must be dated within 120 days prior to the Note Date. Any information verified more than 120 days before the Note Date must be reverified. Verifications made after the Note Date are not acceptable.

Verification Requirements

- Written verifications:
  - Standard verification forms such as original verifications of employment (VOE), verification of deposit (VOD) and mortgage or rental verification forms must be sent directly from the originator to the borrower’s employer, depository, creditor or landlord and upon completion, returned directly from the entity to the originator.
  - Facsimile verification forms are acceptable if it is clear from the document that the information was sent by facsimile transmission directly from the source to the originator and are considered to be originals.
  - The original documents must not contain any alterations, erasures, correction fluid or correction tape.
  - The Seller’s Mortgage file contains legible copies of the originals.
  - The copies must have been made by the originator or the applicant directly from the originals. Copies provided by any other source, such as the applicant, agent or builder, are not acceptable.

- Electronic verifications (VOE, VOD, VOM/R) are computer-generated documents, accessed and printed from an Intranet or Internet. This includes online bank statements, investment account statements and employment and/or income statements. The borrower may provide the electronic verification directly, or the originator may obtain it directly from the employer, depository or other institution.

- Verbal VOEs must be completed no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date. Use Form 90, or a similar written document that includes the following:
  - Name of the person who contacted the employer
  - Name of the entity contacted
  - Name and title of the individual contacted at the entity
  - The phone number for the individual contacted. The phone number must be obtained from an acceptable third party source
  - Name of the third party source used to obtain the phone number for the employer (e.g., the phone book, internet, 411 information services, etc.)
  - The date of contact
  - The dates of employment
  - Borrower’s position or title
  - Whether the borrower is currently employed and on active status or on leave
  - Additional information that was verified

- Verifications of income, employment and assets may be provided in the form of photocopy, facsimile or electronic verifications. When the originator is not viewing and copying the original document directly, the Seller is strongly encouraged to re-verify the information through the quality control process.

- Third-party employment income and asset verifications obtained through third-party verification service providers are acceptable. The verifications must be received by the originator directly from the third-party verification service provider. A legible copy of the verification must be retained in the Mortgage file and must contain:
GENERAL UNDERWRITING REQUIREMENTS, Continued

**Verification Requirements, Continued**

- Sufficient information to determine stable monthly income in accordance with Section 37.13
- The same information as required for verbal verifications of employment in Subsection 37.20(b) and for direct account verifications or asset account statements in Subsection 37.20(a)

**Note:** Notwithstanding the requirements in Subsections 37.20(a) and 37.20(b), when the verification is generated electronically and is not completed or provided by a representative of the employer or the depository institution, as applicable, the representative’s information is not required. If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification. The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services.

- Paystubs or salary vouchers must:
  - Be computer-generated or typed by the employer
  - Identify the borrower as the employee
  - Show the time period covered and both the current period and year-to-date earnings
- W-2 forms must be complete and be the employee copy provided by the employer.
- Tax returns must be the borrower’s copy of the forms filed with the IRS, be signed by the borrower and include all schedules and forms required in Guide Section 37.21 through 37.23.
- Direct asset account verifications (i.e., verification of deposit form (VOD)) must:
  - Identify the issuing institution or administrator, as applicable, the account owner(s), the account number, the type of account, the account open date, the current account balance, the average balance for the previous two months, and any outstanding loans
  - If it is a securities account, identify the stocks/securities
  - Include the title, signature and phone number of the depository representative who completed the verification
- Asset account statements must:
  - Identify the issuing institution or administrator, as applicable, the account owner(s), and the account number
  - Show all transactions, the period covered, ending balances, and any outstanding loans
  - Identify the stocks/securities if a securities account
- Settlement statements or evidence of sale of assets (bill of sale or HUD-1 form) must:
  - Be computer generated or typed
  - Identify the Borrower as the seller of the property
  - Identify the property sold
  - Show the proceeds to the property seller
  - Show the disposition of all liens against the property
  - Be signed by the buyer and the seller, or their authorized agents

**Date requirements for Credit Reports (Guide Section 37.10(i))**

All credit reports used in conjunction with Loan Prospector Mortgages (including the credit data provided through Loan Prospector, even those reports not used by the Seller) must be dated within 120 days prior to the Note Date or the date of the assumption agreement.

**Resubmission to Loan Prospector (Guide Section 2.2.1(k))**

If the information submitted changes or an error is identified in the prior submission, the Mortgage must be resubmitted to Loan Prospector with new data. Refer to Guide Section 2.2.1(k) for exceptions and requirements for resubmission to Loan Prospector after the Note Date, or for Construction Conversion and Renovation Mortgages, after the effective Date of Permanent Financing.

Resubmission of loan data to Loan Prospector is required prior to the Delivery Date if:

1. Information on the previous submission is not true, complete or accurate. For example:
   - Information on the previous submission is inaccurate, invalid, or changes during the origination process
   - Borrowers are added to or deleted from the loan application
   - Property information changes, the property information included an inaccurate or incomplete property address, or an appraisal provides a different value for the property
Resubmission to Loan Prospector (Guide Section 2.2.1(k)) (continued)

- Credit Alert Interactive Voice Response System (CAIVRS) authorization shows a Federal Delinquency/Lien for any borrower (FHA or VA loan applications only)
- You request a different mortgage product

2. The loan has not closed and the most recent submission (including the date of the Loan Prospector credit report(s)) exceeds the date requirements in Section 37.10(i).

3. Any information used by Loan Prospector changes; however, a change from the previous submission involving the following does not require resubmission:

**Debts/income:**
- The monthly debt payment decreases (including monthly housing expense)
- The income for any borrower increases; however, if the income used to qualify borrowers increases for Home Possible® Mortgages, resubmission is required
- The income for any borrower decreases and/or the monthly debt payment (including monthly housing expense) increases, and
  - The total difference does not change the total debt payment-to-income ratio by more than three percentage points, and
  - The total debt payment-to-income ratio on the previous submission did not exceed 45%

**Assets/reserves:**
- The amount of verified assets increases
- The amount of verified reserves increases
- The amount of verified reserves decreases by no more than 10% (Effective July 19, 2015, the amount of verified reserves decreases to an amount that is no less than the reserves required to be verified on the Feedback Certificate.)

**Loan amount:**
- The loan amount decreases by no more than 1% on a refinance transaction and at the time of the most recent Loan Prospector submission mortgage insurance is not required on the Mortgage
- The loan amount decreases by no more than 1% on a refinance transaction and at the time of the most recent Loan Prospector submission mortgage insurance on the Mortgage is required, and
- The change does not impact the amount of the mortgage insurance coverage, and
- The amount of the mortgage insurance premium collected by the Seller is based on the new loan amount and the Seller obtains a new mortgage insurance certificate

If the Risk Class and/or Documentation Level changes as a result of the resubmission, the Seller must meet the new requirements.

**Resubmission to Loan Prospector after the Note Date**
A Mortgage cannot be resubmitted to Loan Prospector after the Note Date or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages if:
- Resubmission is more than 120 days after the Loan Prospector Assessment Expiration Date displayed on the Feedback Certificate in effect as of the Note Date; or
- A borrower is being added or deleted, or a change is being made to a borrower’s last name or Social Security Number; or
- A new credit report company needs to be selected; or
- The single or joint merged credit report indicator changes; or
- The order of borrowers changes on a joint merged credit request; or
- The merged credit report number does not match the merged credit report number from the most recent complete transaction
- If the Mortgage cannot be resubmitted to Loan Prospector after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the Mortgage must be manually underwritten and is considered a Non-Loan Prospector Mortgage.

**Note:** Select the appropriate Loan Processing Stage, which is Post Closing Quality Control. Once Post Closing Quality Control is selected, you must remain in that processing stage for the life of the loan.