

Bulletin

TO: All Freddie Mac Sellers and Servicers

June 26, 2006

SUBJECT: Enhancements to Home PossibleSM Mortgages, enhancements to Loan Prospector[®] and updated temporary selling requirements for Home Possible Mortgages secured by properties impacted by Hurricane Katrina and Hurricane Rita

Freddie Mac is pleased to announce that we are simplifying our affordable lending offerings and expanding homeownership opportunities by enhancing our Home Possible Mortgage requirements to include additional features, including features of certain Affordable Gold[®] products and retiring the Affordable Gold product line.

Specifically, we are enhancing Home Possible to:

- Eliminate the requirement for a minimum Borrower Contribution of \$500 if the Mortgage is secured by a 1-unit Primary Residence, and reduce the required Borrower Contribution for Mortgages secured by 3- and 4-unit Primary Residences to 3% (from 5%)
- Eliminate the Home Possible Mortgage postsettlement delivery fee (delivery fee) for Home PossibleSM 97 Mortgages and Home Possible Neighborhood SolutionSM 97 Mortgages secured by 1-unit Primary Residences (other than a Manufactured Home) when the Borrower provides 3% toward down payment from Borrower Personal Funds, or for a “no cash-out” refinance that has 3% Equity and/or Borrower Personal Funds (these Mortgages are referred to in this Bulletin as “Home Possible 3% Cash Mortgages” and “Home Possible Neighborhood Solution 3% Cash Mortgages”)
- Permit Home Possible Mortgages with Affordable Seconds[®] to be submitted to Loan Prospector with the Affordable Second amount entered in the Total Gift Fund field, subject to conditions, including delivery of a special characteristics code (SCC) upon sale to Freddie Mac
- Eliminate the requirement that at least one qualifying Borrower participate in a homeownership education program before the Note Date, if the Mortgage is secured by a 1-unit Primary Residence. However, Sellers should encourage Borrowers to participate in a homeownership education program.

We are also requiring that Sellers provide the Loan Prospector AUS Key Number on the Form 11, Mortgage Submission Schedule, or Form 13SF, Mortgage Submission Voucher, as applicable, for all Home Possible Mortgages. This requirement includes Home Possible Mortgages that receive a Loan Prospector evaluation status of invalid, ineligible or incomplete.

We are retiring the Affordable Gold line (Affordable Gold 5, Affordable Gold 3/2, Affordable Gold 97, Affordable Gold Alt 97[®]) and retaining certain features of Affordable Gold within the Home Possible Mortgage suite.

We are also pleased to announce that we are enhancing Loan Prospector to remove the transaction fee for the submission of conventional conforming Mortgages that receive a Risk Class of Caution on their first submission.

We are also removing the median income limits for Borrowers with Home Possible Mortgages secured by properties affected by Hurricane Katrina and Hurricane Rita with Note Dates of December 31, 2007, or earlier.

EFFECTIVE DATES

The following changes are effective immediately for Home Possible Mortgages:

- Eliminate the requirement for a minimum Borrower Contribution if the Home Possible Mortgage is secured by a 1-unit Primary Residence
- Allow an Affordable Second amount to be entered in the Total Gift Fund field for Home Possible Mortgages submitted to Loan Prospector
- Eliminate the homeownership education requirement for qualifying Borrowers before the Note Date if the Home Possible Mortgage is secured by a 1-unit Primary Residence. Sellers should encourage Borrowers to participate in a homeownership education program.
- Delivery of Loan Prospector AUS Key Number for all Home Possible Mortgages submitted to Loan Prospector, including those Mortgages that receive an evaluation status of invalid, ineligible or incomplete
- Remove the median income limits for Borrowers with Home Possible Mortgages secured by properties affected by Hurricane Katrina and Hurricane Rita

Effective August 1, 2006, we are removing the transaction fee for submission of conforming conventional Mortgages to Loan Prospector that receive a Risk Class of Caution on their first submission.

The following changes are effective September 1, 2006:

- The reduced minimum Borrower Contribution to 3% required for Home Possible Mortgages secured by 3- and 4-unit Primary Residences
- The Home Possible 3% Cash Mortgage and Home Possible Neighborhood Solution 3% Cash Mortgage are eligible for assessment in Loan Prospector and for delivery
- Mortgage Credit Certificates and RHS Leveraged Seconds, available for Affordable Gold products, are permitted for Home Possible Mortgages

Effective December 31, 2006, Affordable Gold Mortgages will be retired. Affordable Gold Mortgages may not be submitted to Loan Prospector on or after August 20, 2006.

HOW THESE CHANGES AFFECT YOU

Changes in minimum Borrower Contribution for Home Possible

Effective immediately, Freddie Mac no longer requires a minimum Borrower Contribution of \$500 if the Home Possible Mortgage is secured by a 1-unit Primary Residence.

Effective September 1, 2006, the minimum required Borrower Contribution for Home Possible Mortgages secured by 3- and 4-unit Primary Residences is reduced to 3% (from 5%).

To reflect these changes, Guide Section A34.10(a) is amended in the chart below, under Home Possible 3% Cash Mortgage and Home Possible Neighborhood Solution 3% Cash Mortgage.

Home Possible 3% Cash Mortgage and Home Possible Neighborhood Solution 3% Cash Mortgage

Effective September 1, 2006, these two new Home Possible Mortgage options for 1-unit Primary Residences (other than Manufactured Homes), that mirror features previously available with Affordable Gold products, will be eligible for assessment in Loan Prospector. When the Borrower provides 3% towards down payment from Borrower Personal Funds for a purchase transaction, or has 3% Equity and/or Borrower Personal Funds for a “no cash-out” refinance transaction, no Home Possible delivery fee will be assessed on a Home Possible 97 Mortgage (Home Possible 3% Cash Mortgage) or Home Possible Neighborhood Solution 97 Mortgage (Home Possible Neighborhood Solution 3% Cash Mortgage).

We are revising several sections in Guide Chapter A34, including the following:

Guide Section A34.1 is amended as follows:

This chapter details requirements for (i) Home Possible Mortgages, including Home Possible 3% Cash, Home Possible 97 and Home Possible 100 Mortgages and (ii) Home Possible Neighborhood Solution Mortgages, including Home Possible Neighborhood Solution 3% Cash, Home Possible Neighborhood Solution 97 and Home Possible Neighborhood Solution 100 Mortgages.

Guide Section A34.10(a) is amended as follows to reflect these changes:

Number of Units	Maximum LTV Ratio	Maximum TLTV Ratio	Minimum Borrower Contribution From Borrower Personal Funds for Purchase Transactions*	Minimum Down Payment or Equity
Home Possible 100 and Home Possible Neighborhood Solution 100 Mortgages				
1-unit	100%	105%	None	None
Home Possible 3% Cash and Home Possible Neighborhood Solution 3% Cash				
1-unit	97%	105%	3%	3%
Home Possible 97 and Home Possible Neighborhood Solution 97 Mortgages				
1-unit	97%	105%	None	3%
2-units	97%	105%	3%	3%
3- and 4-units**	95%	105%	3%	5%
Manufactured Home	See Sections H33.3(d) and H33.3(e)	See Sections H33.3(d) and H33.3(e)	5%	5%

 *There is no minimum Borrower Contribution required from Borrower Personal Funds for “no cash-out” refinance transactions for Home Possible 100, Home Possible Neighborhood Solution 100, Home Possible 97, and Home Possible Neighborhood Solution 97 Mortgages. The Borrower must have at least 3% Equity and/or Borrower Personal Funds for “no cash-out” refinance transactions for Home Possible 3% Cash and Home Possible Neighborhood Solution 3% Cash.

**3- and 4-unit Primary Residences are not permitted with Home Possible Neighborhood Solution 97 Mortgages.

Loan Prospector feedback messages will be updated at a later date to support the elimination of the minimum Borrower Contribution for a 1-unit Primary Residence. Until Loan Prospector is enhanced to support this change, Sellers may ignore the following feedback message in Loan Prospector:

Verify borrower(s) has minimum \$500 from borrower’s personal funds in the transaction toward down payment, closing costs, financing costs or prepaids/escrows.

Special selling requirements

When selling Home Possible 3% Cash and Home Possible Neighborhood Solution 3% Cash Mortgages, in addition to the other delivery requirements for Home Possible Mortgages, the Seller must enter the Special Characteristics Code below on the Form 11 or Form 13SF:

- G20, for Home Possible 3% Cash Mortgages
- G21, for Home Possible Neighborhood Solution 3% Cash

Special Loan Prospector provisions for Home Possible Mortgages with Affordable Seconds

When submitting a Home Possible Mortgage with an Affordable Second to Loan Prospector, a Seller may enter the amount of the Affordable Second in the “Total Gift Fund” field of Loan Prospector instead of entering it in the “Subordinate Amount” field, provided that the Affordable Second does not require a payment before the Due Date of the 61st monthly payment under the Home Possible Mortgage and that it meets all the other requirements for an Affordable Second stated in Guide Section 25.1(g).

Except for entering the Affordable Second amount into Loan Prospector as a gift, Sellers must include the Affordable Second as secondary financing in all circumstances, including:

- Calculating the TLTV ratio for delivery,
- Complying with the delivery requirements in Section 17.13.1, including providing details of the Affordable Second on the Form 11 or Form 13SF, as applicable, such as the source of the Affordable Second and applicable special characteristics codes (SCCs), and
- Documenting the Affordable Second in the Mortgage file

Special selling requirements

When selling Home Possible Mortgages with Affordable Seconds submitted to Loan Prospector where the Affordable Second amount was entered in the “Total Gift Fund” field instead of the “Subordinate Amount” field, Sellers must enter “G18” in one of the SCC fields on Form 11 or Form 13SF, as applicable.

We are revising our requirements to require that Sellers report the Key Number (Loan Prospector AUS Key Number) for all Home Possible transactions, including those with the status of invalid, ineligible or incomplete, on the Form 11 and Form 13SF, as applicable. Sellers are not required to report the Loan Prospector AUS Key Number for a Home Possible Mortgage with an RHS Leveraged Second that is a Manually Underwritten Mortgage.

All other delivery requirements in Guide Section 17.13.1 for Home Possible Mortgages remain in effect.

Elimination of certain homeownership education requirements for Home Possible Mortgages

Homeownership education is no longer required for a qualifying Borrower if the Home Possible Mortgage is secured by a 1-unit Primary Residence. However, Sellers should encourage Borrowers to participate in a homeownership education program, particularly those Borrowers who have not previously participated in such a program.

Guide Section A34.12(a) is amended as follows to reflect this change:

For purchase transaction Home Possible Mortgages secured by 2- to 4-unit Primary Residences, at least one qualifying Borrower must participate in a homeownership education program before the Note Date, unless at least one qualifying Borrower meets all the following conditions:

- Has previously owned a home, and
- Makes a down payment of at least 5% of value from Borrower Personal Funds, and
- Has reserves after closing equal to at least two monthly Mortgage payments

Internet web-based on-line homeownership education programs that have been developed by mortgage insurance companies are acceptable.

A copy of Exhibit 20, Homeownership Education Certification, or another document containing comparable information must be retained in the Mortgage file.

Until Loan Prospector is enhanced to support the elimination of the homeownership education requirement for Mortgages secured by a 1-unit Primary Residence, Sellers may ignore the following feedback message in Loan Prospector for these Mortgages:

Homeownership Education: Homeownership education is required unless the borrower previously owned a home, makes a 5% down payment, and has 2 months' reserves. Retain Homeownership Education Certificate or comparable document in the mortgage file.

Special selling requirements

To indicate that Borrower education is not required for Home Possible Mortgages secured by 1-unit Primary Residences, Sellers must follow the Form 11 and Form 13SF instructions and enter:

- Borrower Education Counseling Code of "X" on Form 11 and Form 13SF, as applicable
- Borrower Education Format Code of "X" on the Form 11 and Form 13SF, as applicable

Retiring the Affordable Gold line (Affordable Gold 5, Affordable Gold 3/2, Affordable Gold 97, Affordable Gold Alt 97)

Affordable Gold Mortgages and the Guide provisions related to Affordable Gold Mortgages will be retired effective December 31, 2006. In a future Bulletin, the applicable Guide sections supporting Affordable Gold offerings and describing the offerings and underwriting requirements for which Affordable Gold offerings are eligible or ineligible will be removed.

On and before December 31, 2006, Freddie Mac will purchase Affordable Gold Mortgages in accordance with the terms in the Guide in effect before the date of the Bulletin that removes the provisions. To assist you in originating and selling Affordable Gold Mortgages after the removal of the various Guide sections related to Affordable Gold, we are providing Guide Chapter 34 and Section 17.13 in Attachment A. The other Guide sections that describe products, offerings and underwriting requirements for which Affordable Gold Mortgages are eligible or ineligible are not included in Attachment A, but remain effective with respect to Affordable Gold Mortgages until December 31, 2006, as do the provisions of Guide Exhibit 19, with respect to any applicable postsettlement delivery fees.

We are retaining certain features of the Affordable Gold suite within the Home Possible Mortgage suite. Effective September 1, 2006, we are:

- Allowing Mortgage Credit Certificates (MCCs)
- Allowing RHS Leveraged Seconds
- Offering two new Home Possible options: the Home Possible 3% Cash Mortgage and the Home Possible Neighborhood Solution 3% Cash Mortgage (both are described above) that are not subject to the Home Possible postsettlement delivery fees

In a future Bulletin, we will provide further information and the Guide will be updated with these features.

Enhancements to Loan Prospector

To expand homeownership opportunities to more Borrowers, Loan Prospector is being enhanced to eliminate the Loan Prospector transaction fee for all conventional conforming Mortgages that receive a Caution Risk Class on the first submission.

Remember, we assess Loan Prospector transaction fees on the first submission to Loan Prospector, and generate a unique Loan Prospector Key Number on this first submission that we use for fee assessment purposes. If you resubmit an Accept Mortgage and it receives a Caution Risk Class on subsequent resubmissions, you will still be assessed the Loan Prospector transaction fee, regardless of the reason that the risk class changed from Accept to Caution.

Effective date

Effective August 1, 2006, this enhancement to Loan Prospector will be implemented. We have amended Exhibit 18, Loan Prospector Price Structure, to reflect this change. The amended exhibit is provided with this Bulletin.

This change is consistent with numerous changes we've made to improve our ability to purchase more loans. We made changes in June 2005 and June 2006 to Loan Prospector, each time expanding homeownership opportunities for more low- and moderate-income Borrowers and Borrowers living in Underserved Areas. These changes increase the number of submissions to Loan Prospector that receive an Accept Risk Class that previously would have received a Caution Risk Class.

REVISIONS TO EXHIBIT 19

We are revising Exhibit 19, Postsettlement Delivery Fees, to reflect that the new Home Possible options (Home Possible 3% Cash and Home Possible Neighborhood Solution 3% Cash), available September 1, 2006, will not be assessed the Home Possible delivery fee.

REVISIONS TO THE GUIDE

The applicable Guide chapters and Exhibits will be revised in a future Guide Bulletin to reflect these changes, with the exception of Exhibit 18, which is revised and attached to this Bulletin.

TEMPORARY REQUIREMENTS FOR HOME POSSIBLE MORTGAGES AFFECTED BY HURRICANE KATRINA AND HURRICANE RITA

Effective immediately, the median income limits have been removed for Borrowers with Home Possible Mortgages secured by properties located in an eligible Disaster Area affected by Hurricane Katrina and Hurricane Rita. Eligible Disaster Areas are comprised of counties or municipalities, including parishes, that have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance is being made available. These areas are identified by the Federal Emergency Management Agency (FEMA) on its web site.

The removal of the median income limits applies to Home Possible Mortgages secured by property located in eligible Disaster Areas with a Note Date of December 31, 2007, or earlier. Sellers may ignore the following feedback message in Loan Prospector for Home Possible Mortgages secured by property located in an eligible Disaster Area:

Borr(s) income does not meet Hm Poss income limits
Borr(s) income does not meet Hm Poss NHSol income limits

These requirements are temporary and Guide provisions will not be updated to reflect this change. Sellers should retain a copy of this Bulletin to ensure compliance with this requirement.

CONCLUSION

Freddie Mac will continue to work with its Seller/Service providers to identify solutions that help them meet the needs of low- to moderate-income Borrowers who need low down payment options and credit flexibility to realize their dream of homeownership.

For answers to questions about the requirements contained in this Bulletin, Freddie Mac Seller/Service providers should call their Freddie Mac Account Manager or (800) FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "James J. Cotton". The signature is stylized and cursive.

James J. Cotton
Vice President
Single-Family Marketing

AFFORDABLE GOLD® MORTGAGES

Effective December 31, 2006, the provisions in this Attachment A will be deleted. On or before that date, Freddie Mac will purchase Affordable Gold Mortgages originated in accordance with the terms of this attachment, which includes the provisions of Guide Section 17.13 and Guide Chapter 34.

The other Guide sections that described products, offerings and underwriting requirements for which Affordable Gold products are eligible or ineligible are not included in this Attachment A, but remain effective with respect to Affordable Gold Mortgages until December 31, 2006, as do the provisions of Guide Exhibit 19 with respect to any applicable postsettlement delivery fees.

17.13: Special requirements for Affordable Gold® Mortgages**(a) General requirements**

See Chapter 34 for special eligibility requirements for Affordable Gold Mortgages.

See Exhibit 17, Offer Product and Offer Program Numbers, for applicable offer product numbers for Mortgages sold through MIDANET®. Refer to Exhibit 17S, Mortgage Products Available Through the Selling System, for more information about eligibility and coding requirements for Mortgages sold through the Selling System.

(b) Special Form 11, Mortgage Submission Schedule, instructions

In connection with the delivery of each Affordable Gold Mortgage, the Seller must deliver all the Mortgage data required by Form 11. The Seller must complete certain fields of the Form 11 as follows:

Field Title	Completion Instructions
Loan Feature Code for:	
■ Affordable Gold® 3/2 Mortgages	P
■ Affordable Gold® 97 Mortgages	Q
Special Characteristics Codes for Affordable Housing Initiative Mortgages	071
Special Characteristics Code for:	
■ Mortgages using Noncredit Payment References	532
■ Mortgages with TLTV ratios greater than 100%	535
■ Mortgages using cash on hand as Borrower Funds	547
■ Mortgages with secondary financing	583
Offering Code for Affordable Gold Alt 97 Mortgages	210
Monthly P&I Payment	Insert actual monthly PITI payment, not the subsidized amount for Mortgages using Mortgage Credit Certificates

Additionally, the following fields on the Form 11 must be completed for all Affordable Housing Initiative Mortgages:

- Down Payment Sources
- Down Payment Amounts
- Closing Cost Sources
- Closing Cost Amounts
- Secondary Financing Sources
- Secondary Financing Amounts
- Borrower Education Counseling Codes

(c) Eligibility

All Affordable Gold Mortgages may be sold under the following:

- Gold Cash®
- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

(d) Special delivery requirements for Gold Cash

Affordable Gold Mortgages delivered under Gold Cash must use offer product numbers 523, 578 and 580 for 30-, 20- and 15-year Affordable Gold Mortgages, respectively.

(e) Pooling requirements for Gold PCs® and Giant PCs

There are no special pooling requirements for Affordable Gold 5, 3/2 and 97 and Affordable Gold Alt 97 Mortgages.

Refer to Chapter 13 for general pooling requirements for fixed-rate Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

Special Eligibility Requirements for Affordable Gold® Mortgages

34.1: Common requirements for all Affordable Gold® Mortgages

(a) Overview

This chapter details requirements for Affordable Gold Mortgages. The products covered in this chapter are:

Topic	Section
Affordable Gold 5	34.2
Affordable Gold 3/2	34.3
Affordable Gold 97	34.4
Affordable Gold Alt 97	34.5

Sellers should be familiar with the following Freddie Mac definitions in the Glossary as they relate to Affordable Gold Mortgages:

- Affordable Second
- An Agency
- Borrower Funds
- Community Savings System
- Homeownership Education Certificate
- Mortgage Credit Certificate
- MSA
- Premium Financing
- Related Person
- Underserved Area

(b) Eligible Mortgages

Affordable Gold Mortgages are Mortgages that are:

- First Lien, 15-, 20-, or 30-year fully amortizing fixed-rate conventional Mortgages
- Secured by 1-unit Primary Residences
- Made to a Borrower with annual income that does not exceed 100% of area median income, or the following percentages in the designated areas, provided that there is no income limit if the Mortgaged Premises are located in an Underserved Area:
 - 170% in Hawaii
 - 165% in the New York, NY, MSA
 - 165% in Dutchess County, NY
 - 165% in the Nassau-Suffolk, NY, MSA
 - 165% in the Newburgh (Orange County), NY, MSA
 - 165% in Rockland County, NY
 - 165% in Ulster County, NY
 - 165% in Westchester County, NY
 - 140% in California
 - 135% in the Boston, MA, MSA
 - 125% in the Newark, NJ, MSA
 - 120% in the Seattle, WA, MSA,
 - 120% in the Portland, OR, MSA
 - 120% in Bergen/Passaic, NJ, MSA

For Loan Prospector® Mortgages, Loan Prospector will determine the income eligibility of the Mortgage; for Non-Loan Prospector Mortgages, the Seller should use the Affordable Gold Income & Property Eligibility tool on www.freddiemac.com.

The provisions of this section that permit the sale of Affordable Gold Mortgages secured by Mortgaged Premises in Underserved Areas with no Borrower income limitation are Discretionary Provisions under Section 12.13 and Exhibit 26, Discretionary Provisions, of the Guide.

An Affordable Gold Mortgage must not have a temporary subsidy buydown plan. Affordable Gold Mortgages must not be Initial InterestSM Mortgages or Home PossibleSM Mortgages.

Affordable Gold 5 and Affordable Gold 97 Mortgages may be submitted to Loan Prospector.

An Affordable Second may be used with any Affordable Gold Mortgage. See Section 25.1(g) for Affordable Second requirements.

(c) Unsecured loans

Moved to Section 26.6.1.

(d) Cash on hand

For Affordable Gold Mortgages, cash on hand may be used as Borrower Funds if the following conditions are met:

- The minimum LTV ratio is 90%, and:
 - The maximum LTV ratio is 95% for Affordable Gold 5 or Affordable Gold 3/2 Mortgages, or
 - The maximum LTV ratio is 97% for Affordable Gold 97 or Affordable Gold Alt 97 Mortgages
- The Seller reasonably concludes and supports that the Borrower is a cash-basis individual and that the cash on hand is not borrowed and could have been saved by the Borrower. A cash-basis individual is an individual who does not use checking, savings or other similar type accounts but may be a limited user of credit (i.e., revolving or installment debt). The following support the Seller's conclusion:

- The monthly receipts or alternative documentation do not indicate that the Borrower has checking, savings or similar type accounts
- The credit report does not show more than three tradeline references for the Borrower
- The updated credit report does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the Borrower
- The Monthly Budget and Residual Income Analysis Form (Exhibit 23) confirms that the total monthly residual income available for savings is a positive number
- The Mortgage file contains the following documents:
 - A completed Monthly Budget and Residual Analysis Form or another document containing the same information
 - Copies of six months' cash receipts (such as rent or utility receipts) or other alternative documentation (such as direct verifications, money order receipts, wire transfers) meeting the requirements of Section 37.11(c) to verify that all recurring obligations, including the payment of revolving and installment debt, are paid in cash
 - A credit report, obtained at the time of loan application, meeting the requirements of Section 37.10
 - Copies of three months' statements for any open revolving account that reveal cash advances are not the source of Borrower Funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency situation)
 - An updated credit report, obtained approximately one week before closing, that reveals no new accounts or substantial increases to balances on already existing accounts

(e) Qualifying ratios

There is no maximum monthly housing expense-to-income ratio, except when there is a non-occupying Borrower. See Section 37.15 for details.

The guideline for monthly debt payment-to-income ratio described in Section 37.16 is 38 to 40%, except when there is a non-occupying Borrower. For Borrowers with a higher ratio see Section 37.16.

(f) Rental income from a 1-unit Primary Residence

Rental income may be considered as stable monthly income if the Borrower is a member of a group of Related Persons who:

- Have resided together for at least one year
- Will continue residing together in the new residence, and
- Have paid rent to the Borrower for the past 12 months on a regular basis

Additionally, all of the following conditions must be met:

- The amount of rental income used does not exceed 30% of the total qualifying income for the Mortgage
- The Mortgage is a purchase transaction or 'no cash-out' refinance Mortgage secured by a 1-unit Primary Residence
- Each Related Person provides appropriate documentation to evidence residency with the Borrower (i.e., copy of a driver's license, bill, bank statement, etc., that shows the address of that Related Person to be the same as the Borrower's address)
- The Borrower provides evidence of receipt of regular payments of rental income to the Borrower for the past 12 months (such as copies of cancelled checks)

In addition, the Borrower must attest, by affidavit executed at application, to the:

- Source of the rental income
- Relationship between the Related Person(s) and Borrower
- Fact that the Related Person(s) has resided with the Borrower for the past year and intends to continue residing with the Borrower in the new residence for the foreseeable future

The affidavit need not be notarized or acknowledged but must be kept in the Mortgage file.

For Accept Mortgages that receive a Documentation Level of Accept Plus, rental income from Related Person(s) may be used as stated on the application without verifying documentation.

(g) Mortgage Credit Certificates

Mortgage Credit Certificates (MCCs) may be used with Affordable Gold Mortgages if:

- The Seller performs an analysis to determine the amount of the tax credit stated in the MCC that the occupying Borrower is actually entitled to use in the current tax year calculated on a monthly basis
- The Seller deducts the adjusted amount of the tax credit from the actual monthly housing expense payment and uses the adjusted monthly housing expense to compute the monthly debt payment-to-income ratio, and the monthly housing expense-to-income ratio, and
- The Seller documents its calculations of the adjusted monthly housing expense, including the analysis of the amount of the mortgage tax credit to be used, using either the MCC Worksheet developed by Freddie Mac (see Exhibit 21, Mortgage Credit Certificate Worksheet) or a worksheet containing substantially similar information and calculations

The Mortgage file must contain a copy of the:

- MCC
- W-4 and W-4 Worksheet
- MCC Worksheet

MCCs may not be used with Affordable Seconds derived from federal tax-exempt financing.

(h) Homeownership education

For purchase transaction Affordable Gold Mortgages, at least one qualifying Borrower must participate in a homeownership education program before the Note Date of the Affordable Gold Mortgage, unless at least one qualifying Borrower:

- Has previously owned a home
- Makes a down payment of at least 5% of value
- Has reserves after closing equal to at least two monthly Mortgage payments

A copy of Exhibit 20, Homeownership Education Certification, or another document containing comparable information must be retained in the Mortgage file.

(i) Delivery requirements

See Section 17.13 for applicable delivery requirements for Affordable Gold Mortgages.

34.2: Affordable Gold® 5 Mortgages

This section contains additional requirements for Affordable Gold 5 Mortgages. An Affordable Gold 5 Mortgage is an Affordable Gold Mortgage in which the Borrower has provided a down payment or has Equity of at least 5% of value from Borrower Funds.

(a) Eligible Mortgages

An Affordable Gold 5 Mortgage must be one of the following:

- A purchase transaction Mortgage
- A 'no cash-out' refinance Mortgage
- A Freddie Mac-owned streamlined refinance Mortgage (see Chapter 24)

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

- Purchase and 'no cash-out' refinance Mortgages:
 - Maximum LTV ratio is 95%
 - Maximum TLTV ratio with an Affordable Second is 105%

- Freddie Mac-owned streamlined refinance Mortgages:
 - Maximum LTV ratio is 95%
 - Maximum TLTV ratio with an Affordable Second is 105%

(c) Sources of funds

Affordable Gold 5 Mortgages may be originated using funds for the down payment, Closing and Financing Costs, and Prepaids/Escrows that come from any of the sources listed in Sections 26.2 and 26.3, as well as the following additional sources, subject to the limitations on use or other special requirements indicated.

Source of Funds

Limitations on Use and Special Requirements

Gift/Grant from the Seller, as originating lender

A Gift/Grant from the Seller, as originating lender, may be used for Closing and Financing Costs and Prepaids/Escrows only. There is no limit on the amount, but the minimum down payment from Borrower Funds requirements must be satisfied.

Unsecured loan meeting the requirements of Section 26.6.1 from An Agency or Seller, as originating lender

- An unsecured loan from An Agency may be used for down payment, Closing and Financing Costs, and Prepaids/Escrows.

- An unsecured loan from the Seller, as originating lender, is limited to Closing and Financing Costs, and Prepaids/Escrows

Excluding unsecured loans that are Employer Assisted Homeownership (EAH) Benefits, the aggregate amount of all unsecured loans cannot exceed the lesser of 2% of value or the actual amount being used for the down payment (if applicable), Closing and Financing Costs, and Prepaids/Escrows; there is no limit for unsecured loans that are EAH Benefits.

Premium Financing

Funds from Premium Financing may be used for Closing and Financing Costs, and Prepaids/Escrows only. There is no limit on the amount.

Affordable Seconds

Affordable Seconds may be used to supplement the amount of the down payment, Closing and Financing Costs, and Prepaids/Escrows, if the minimum down payment from Borrower Funds requirement is satisfied.

(d) Borrower reserves

Borrower reserves are not required, but are recommended.

34.3: Affordable Gold® 3/2 Mortgages

This section contains additional requirements for Affordable Gold 3/2 Mortgages. An Affordable Gold 3/2 Mortgage is an Affordable Gold Mortgage in which the Borrower has provided a down payment or has Equity of at least 5% of value, with at least 3% of value from Borrower Funds.

If the Borrower Funds include a gift from a Related Person or an unsecured loan that is an Employer Assisted Homeownership (EAH) Benefit, the Borrower's down payment from other sources of cash or other Equity as required by Section 26.2 (numbers 2 and 11, respectively), is 3% instead of 5%.

(a) Eligible Mortgages

An Affordable Gold 3/2 Mortgage must be one of the following:

- A purchase transaction Mortgage
- A 'no cash-out' refinance Mortgage
- A Freddie Mac-owned streamlined refinance Mortgage

An Affordable Gold 3/2 Mortgage must be a Non-Loan Prospector® Mortgage.

(b) Maximum LTV and TLTV ratios

- Purchase and 'no cash-out' refinance Mortgages:
 - Maximum LTV ratio is 95%
 - Maximum TLTV ratio with an Affordable Second is 105%
- Freddie Mac-owned streamlined refinance Mortgages:
 - Maximum LTV ratio is 95%
 - Maximum TLTV ratio with an Affordable Second is 105%

(c) Sources of funds

An Affordable Gold 3/2 Mortgage may be originated using funds for the down payment, Closing and Financing Costs, and Prepays/Escrows that come from any of the sources listed in Sections 26.2 and 26.3, as well as the following additional sources, subject to the limitations on use or other special requirements indicated.

Source of Funds

Gift/Grant from the Seller, as originating lender

Unsecured loan meeting the requirements of Section 26.6.1 from An Agency or Seller, as originating lender

Limitations on Use and Special Requirements

A Gift/Grant from the Seller, as originating lender, may be used for Closing and Financing Costs, and Prepays/Escrows only. There is no limit on the amount, but the minimum down payment from Borrower Funds requirements must be satisfied.

■ An unsecured loan from An Agency may be used for down payment, Closing and Financing Costs, and Prepays/Escrows.

■ An unsecured loan from the Seller, as originating lender, is limited to Closing and Financing Costs, and Prepays/Escrows.

Excluding unsecured loans that are EAH Benefits, the aggregate amount of all unsecured loans cannot exceed the lesser of 2% of value or the actual amount being used for the down payment (if applicable), Closing and Financing Costs, and Prepays/Escrows; there is no limit for unsecured loans that are EAH Benefits.

Premium Financing	Funds from Premium Financing may be used for Closing and Financing Costs, and Prepaids/Escrows only. There is no limit on the amount.
Affordable Seconds	Affordable Seconds may be used to supplement the amount of the down payment, Closing and Financing Costs, and Prepaids/Escrows, if the minimum down payment from Borrower Funds requirement is satisfied.

(d) Borrower reserves

A minimum of one month's Borrower reserves is required.

34.4: Affordable Gold® 97 Mortgages

This Section 34.4 contains additional requirements for Affordable Gold 97 Mortgages. An Affordable Gold 97 Mortgage is an Affordable Gold Mortgage in which the Borrower has provided a down payment of at least 3% of value from Borrower Funds. The provisions of this section are Discretionary Provisions under Section 12.13 and Exhibit 26, Discretionary Provisions.

If the Borrower Funds include a gift from a Related Person or an unsecured loan that is an Employer Assisted Homeownership (EAH) Benefit, the Borrower's down payment from other sources of cash or other Equity as required by Section 26.2 (numbers 2 and 11, respectively), is 3% instead of 5%.

(a) Eligible Mortgages

An Affordable Gold 97 Mortgage must be a purchase transaction or 'no cash-out' refinance Mortgage.

(b) LTV and TLTV ratios

- Maximum LTV ratio is 97%
- Minimum LTV ratio is 95.01%
- Maximum TLTV ratio with an Affordable Second is 105%

For a purchase transaction, if the appraisal report indicates that the property is located in a market with declining values, the Seller must comply with the maximum financing limitations found in Section 23.5.

For a 'no cash-out' refinance Mortgage, maximum financing may be offered in a market with declining values if:

- The Mortgage that is being refinanced is currently owned or securitized by Freddie Mac, and
- The new refinance Mortgage amount is limited to the unpaid principal balance (UPB) of the existing first Mortgage (rounded up to the nearest \$100) with 'no cash-out' to the Borrower, and
- Any existing subordinate liens are paid off or remain subordinate to the lien of the new refinance Mortgage

(c) Sources of funds

An Affordable Gold 97 Mortgage may be originated using funds for the down payment, Closing and Financing Costs, and Prepaids/Escrows that come from any of the sources listed in Sections 26.2 and 26.3, as well as the following additional sources, subject to the limitations on use or other special requirements indicated.

Source of Funds

Limitations on Use and Special Requirements

Gift/Grant from the Seller, as originating lender

A Gift/Grant from the Seller, as originating lender, may be used for Closing and Financing Costs, and Prepaids/Escrows only. There is no limit on the amount, but the minimum down payment from Borrower Funds requirements must be satisfied.

Unsecured loan meeting the requirements of Section 26.6.1 from An Agency or Seller, as originating lender

- An unsecured loan from An Agency may be used for down payment, Closing and Financing Costs, and Prepaids/Escrows.
- An unsecured loan from the Seller, as originating lender, is limited to Closing and Financing Costs and Prepaids/Escrows.

Excluding unsecured loans that are EAH Benefits, the aggregate amount of all unsecured loans cannot exceed the lesser of 2% of value or the actual amount being used for the down payment (if applicable), Closing and Financing Costs, and Prepaids/Escrows; there is no limit for unsecured loans that are EAH Benefits.

Premium Financing

Funds from Premium Financing may be used for Closing and Financing Costs and Prepaids/Escrows only. There is no limit on the amount.

Affordable Seconds

Affordable Seconds may be used to supplement the amount of the down payment, Closing and Financing Costs, and Prepaids/Escrows, if the minimum down payment from Borrower Funds requirement is satisfied.

In addition, the funds needed for both purchase transaction and ‘no cash-out’ refinance Mortgages must be documented in accordance with the requirements of Sections 37.21, 37.21.1, 37.22 and 37.23, as applicable.

(d) Borrower reserves

A minimum of one month’s Borrower reserves is required.

(e) Special underwriting provisions for Affordable Gold 97 Mortgages

For an Affordable Gold 97 Non-Loan Prospector® Mortgage, the Seller must obtain and use Fair, Isaac and Co. (FICO) scores to underwrite the Borrower’s credit reputation as detailed in Chapter 37.

However, if no qualifying Borrower has a usable FICO score, the Seller must underwrite each qualifying Borrower’s credit reputation without FICO scores according to Chapter 37.

(f) Homeownership education

In addition to the requirements detailed in Section 34.1(h) for purchase transaction Affordable Gold Mortgages, the homeownership education program format for purchase transaction Affordable Gold 97 Mortgages must involve an individual face-to-face or a classroom presentation. A telephone conference discussion is acceptable with homeownership education programs that have been developed by mortgage insurance companies and approved by Freddie Mac.

(g) Servicing

Affordable Gold 97 Mortgages must be serviced in accordance with Section 51.11(c) of the Guide, including Servicer eligibility requirements for certain products.

(h) Mortgage insurance

For settlements on and after January 2, 2004, the mortgage insurance coverage required must be equal to 35%. For settlements before January 2, 2004, the mortgage insurance requirements in Section 27.1(a) continue to apply.

34.5: Affordable Gold® Alt 97 Mortgages

This section contains additional requirements for Affordable Gold Alt 97 Mortgages. An Affordable Gold Alt 97 Mortgage is an Affordable Gold Mortgage that permits sources of funds in addition to Borrower Funds for the entire down payment, Closing and Financing Costs, and Prepaids/Escrows. There is no minimum down payment required from Borrower Funds. The provisions of this section are Discretionary Provisions under Section 12.13 and Exhibit 26, Discretionary Provisions.

(a) Eligible Mortgages

An Affordable Gold Alt 97 Mortgage must be a:

- Purchase transaction
- ‘No cash-out’ refinance transaction
- Non-Loan Prospector® Mortgage

(b) LTV and TLTV ratios

- Maximum LTV ratio is 97%
- Minimum LTV ratio is 90%
- Maximum TLTV ratio with an Affordable Second is 105%
- Maximum TLTV ratio with an Affordable Second from the Seller, as originating lender, is 100%

For a purchase transaction, if the appraisal report for the property indicates that the property is located in a market with declining values, the Seller must comply with the maximum financing limitations found in Section 23.5.

For a ‘no cash-out’ refinance Mortgage, maximum financing may be offered for a property located in a market with declining values if:

- The Mortgage that is being refinanced is currently owned or securitized by Freddie Mac, and
- The new refinance Mortgage amount is limited to the unpaid principal balance (UPB) of the existing first Mortgage (rounded up to the nearest \$100) with ‘no cash-out’ to the Borrower, and
- Any existing subordinate liens are paid off or remain subordinate to the lien of the new refinance Mortgage

(c) Sources of Borrower Funds

The Borrower is not required to contribute a minimum down payment from Borrower Funds. For an Affordable Gold Alt 97 Mortgage, funds for the down payment, Closing and Financing Costs, and Prepaids/Escrows may come from the sources listed in Sections 26.2 and 26.3, except Sweat Equity is not permitted, and the additional sources listed below.

Source of Funds	Limitations on Use and Special Requirements
Gift/Grant from the Seller, as originating lender	A Gift/Grant from the Seller, as originating lender, may be used for Closing and Financing Costs, and Prepaids/Escrows only.
Gift/Grant from An Agency or Related Person	There is no limit on the amount.
Unsecured loan meeting the requirements of Section 26.6.1 from An Agency or Related Person	There is no limit on the amount. The Seller, as originating lender, may not provide an unsecured loan.
Premium Financing	Funds from Premium Financing may be used for Closing and Financing Costs, and Prepaids/Escrows only. There is no limit on the amount.
Affordable Seconds	The Affordable Second may be used for down payment, Closing and Financing Costs, and Prepaids/Escrows.

In addition, Borrower Funds for both purchase transaction and ‘no cash-out’ refinance Mortgages must be documented in accordance with the requirements of Sections 37.21, 37.21.1, 37.22 and 37.23, as applicable.

(d) Borrower reserves

A minimum of one month’s Borrower reserves is required.

(e) Special underwriting provisions for Affordable Gold Alt 97 Mortgages

For an Affordable Gold Alt 97 Mortgage, the Seller must obtain and use FICO scores to underwrite the Borrower’s credit reputation as detailed in Chapter 37.

The Seller is required to identify the Indicator Score for the Mortgage in accordance with Section 37.5. The Indicator Score for the Mortgage must be equal to or greater than a 680 FICO score. If the Seller determines that no qualifying Borrower has a usable FICO score, the Mortgage is ineligible for sale to Freddie Mac in accordance with Section 37.5(e).

(f) Homeownership education

In addition to the requirements detailed in Section 34.1(h) for purchase transaction Affordable Gold Mortgages, the homeownership education program format for purchase transaction Affordable Gold Alt 97 Mortgages must involve an individual face-to-face or a classroom presentation. A telephone conference discussion is acceptable with homeownership education programs that have been developed by mortgage insurance companies and approved by Freddie Mac.

(g) Mortgage insurance coverage

The mortgage insurance coverage required must be equal to 35%.

(h) Postsettlement delivery fees (delivery fees) for Affordable Gold Alt 97 Mortgages

A special delivery fee will be assessed and billed to the Seller in conjunction with the sale of Affordable Gold Alt 97 Mortgages. The Seller must refer to Exhibit 19, Postsettlement Delivery Fees, for information on the Affordable Gold Alt 97 Mortgages delivery fee and other delivery fees. Delivery fees are paid in accordance with the delivery fee provisions outlined in Section 17.2.

Exhibit 18

Loan Prospector® Price Structure

The Loan Prospector fees below will apply until modified in accordance with the terms of the Loan Prospector User Agreement (Exhibit 15) set forth in the *Single-Family Seller/Service Guide* (Guide).

Assessment Type	Loan Prospector Transaction Fees
<p><u>Conventional for Accept Mortgages:</u></p> <ul style="list-style-type: none"> • Loan Assessment Fee with In-File Credit Reports \$20 • Loan Assessment Fee with Merged Credit Report or Reference Number ⁻¹⁻ \$15 <p><u>No transaction fee is assessed when a Caution Risk Class is received on the first submission. Assessments that receive an Accept Risk Class on the first submission and a Caution Risk Class on a subsequent submission will be assessed the Conventional Accept transaction fee.</u></p>	
<p>FHA:</p> <ul style="list-style-type: none"> • Loan Assessment Fee with Merged Credit Report or Reference Number ⁻¹⁻ \$15 	
<p>VA:</p> <ul style="list-style-type: none"> • Loan Assessment Fee with In-File Credit Reports \$20 • Loan Assessment Fee with Merged Credit Report or Reference Number ⁻¹⁻ \$15 	
<p>Validation Fee:</p> <ul style="list-style-type: none"> • All Validation Assessment Fees ⁻²⁻. <u>Validation fees apply to all assessments, including those that initially receive a Caution Risk Class.</u> \$10 	
<p>Loan Type Changes:</p> <ul style="list-style-type: none"> • Conventional -to- FHA/VA \$0 • FHA/VA -to- Conventional \$0 	

Note(s):

⁻¹⁻ Fees for merged credit reports ordered through LoanProspector.com are outlined on LoanProspector.com at <http://www.loanprospector.com/about/crc.html#pricing>.

⁻²⁻ Validation Assessments are only available to Seller/Serviceirs. The validation fee is assessed when a wholesaler resubmits a loan originally submitted through direct access by a mortgage broker.

Definitions:

Credit Reporting Company (CRC)	CRCs are vendors with whom Freddie Mac has agreements to provide merged credit reports to Loan Prospector customers.
Loan Assessment Fee	Fee charged the first time a loan is submitted for a Loan Prospector assessment. Each loan may be resubmitted up to 15 times without an additional charge. Always enter the LP AUS Key number to avoid additional assessment charges on resubmissions.
LoanProspector.com	A web-enabled system that provides access to Loan Prospector via an industry standard data set. LoanProspector.com can be accessed directly through a browser, other web sites and Loan Origination Systems (LOS).
Reference Number	CRC assigned identifier used by LoanProspector.com to obtain previously ordered credit.
Sponsored Originator	With respect to the use of Loan Prospector, a Mortgage Broker or Correspondent acting on behalf of a Seller/Servicer as described in Exhibit 29, Agreement of Terms and Conditions for Third-Party Use of Loan Prospector®.
Validation Fee	Fee assessed when a Wholesaler resubmits to Loan Prospector a loan that has been previously submitted by a Sponsored Originator.
Wholesaler	Freddie Mac Seller/Servicers funding loans originated by a Sponsored Originator with whom they have an agreement.

Additional Loan Prospector Fees:

New Customer Discount	For Freddie Mac Seller/Servicers using LoanProspector.com, the fee will be \$0 for the first ten (10) conventional loan assessments.
Communications-Related Charges	Customers accessing Loan Prospector through GoldWorks® will incur communications charges at the prevailing GoldWorks rate.
Fees for Other Third-Party Products	Third-Party Products, such as merged credit reports and various types of data, may be made available through Loan Prospector. The charges payable for such Third Party Products are subject to modification at any time, and Users will pay fees based on the pricing schedule in effect for such products and services at the time ordered.
Additional Services and Charges	Charges for other Loan Prospector services are assessed in accordance with the terms of the Loan Prospector User Agreement, the Automated Underwriting Timesharing Agreement, or the Loan Prospector Originator Agreement, as applicable, and the notices provided pursuant to the terms of those agreements.

Merged Credit Report Fees:

Fees for merged credit reports ordered through LoanProspector.com are outlined on LoanProspector.com at <http://www.loanprospector.com/about/crc.html#pricing>.