

Effective June 1, 2011, we are reducing the maximum financing requirements for Home Possible Mortgages to 95 percent as announced in *Single-Family Seller/Service Guide Bulletin 2011-4* on March 1, 2011.

Feature	Home Possible <sup>®</sup> 97	Home Possible Neighborhood Solution <sup>®</sup> 97
<b>Eligible Mortgages</b>	<ul style="list-style-type: none"> <li>▪ Fixed-rate mortgages with an original maturity not greater than 30 years (40 years on 1-unit Primary Residence)</li> <li>▪ ARM mortgages including 5/1 (2/2/5 caps), 7/1 and 10/1 convertible and non-convertible ARMs with an original maturity not greater than 30 years on 1- to 2-unit Primary Residence</li> <li>▪ Home Possible Mortgages with Rural Housing Service (RHS) Leveraged Seconds meeting the requirements in Guide Section 35.</li> </ul>	
<b>Temporary Subsidy Buydowns</b>	<p>Limited Buydown allowed:</p> <ul style="list-style-type: none"> <li>▪ Initial interest rate reduced by no more than 2 percentage points below the Note Rate, and</li> <li>▪ Increased by no more than one percentage point annually for no more than 2 years</li> <li>▪ Must comply with requirements of Guide Section 25.4 and A34.5</li> <li>▪ 1-unit Primary Residence only</li> </ul> <p><b>Note:</b> Temporary subsidy buydowns are not eligible for:</p> <ul style="list-style-type: none"> <li>▪ Mortgages secured by Manufactured Homes (refer to Guide Chapter H33)</li> <li>▪ Mortgages with variable rate secondary financing</li> <li>▪ Mortgages with Mortgage Credit Certificates</li> </ul>	<p>Limited Buydown allowed. Extended Buydown allowed:</p> <ul style="list-style-type: none"> <li>▪ Initial interest rate reduced by no more than 1.5 percentage points below the Note Rate, and</li> <li>▪ Increased no more than 0.5 percentage points annually for no more than 3 years</li> <li>▪ Must comply with requirements of Guide Section 25.4 and A34.5 (except the underwriting requirements of Section 25.4(c)).</li> <li>▪ 1-unit Primary Residence</li> </ul> <p><b>Note:</b> Temporary subsidy buydowns are not eligible for:</p> <ul style="list-style-type: none"> <li>▪ Mortgages secured by Manufactured Homes (refer to Guide Chapter H33)</li> <li>▪ Mortgages with variable rate secondary financing</li> <li>▪ Mortgages with Mortgage Credit Certificates</li> </ul>
<b>Loan Purpose</b>	<ul style="list-style-type: none"> <li>▪ Purchase</li> <li>▪ No cash-out refinance</li> </ul>	
<b>Property Type</b>	<ul style="list-style-type: none"> <li>▪ 1- to 4-unit Primary Residence, including condos, and PUDs</li> <li>▪ Manufactured Homes (refer to Guide Chapter H33)</li> </ul> <p><b>Note:</b> Manufactured Homes not permitted with 5/1 ARMs</p>	<ul style="list-style-type: none"> <li>▪ 1- to 2-unit Primary Residence</li> <li>▪ Manufactured Homes (refer to Guide Chapter H33)</li> </ul> <p><b>Note:</b> Manufactured Homes not permitted with 5/1 ARMs</p>

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<b>LTV/TLTV</b>  <b>Purchases and No Cash-Out Refinances</b>	1-unit Primary Residence: <ul style="list-style-type: none"> <li>▪ 97% LTV with or without secondary financing</li> <li>▪ 105% TLTV with secondary financing</li> </ul> 2- to 4-unit Primary Residence: <ul style="list-style-type: none"> <li>▪ 95% LTV with or without secondary financing</li> <li>▪ 100% TLTV with secondary financing</li> </ul> Manufactured Homes: In accordance with Guide Sections H33.3 (d) and (e)	1-unit Primary Residence: <ul style="list-style-type: none"> <li>▪ 97% LTV with or without secondary financing</li> <li>▪ 105% TLTV with secondary financing</li> </ul> 2-unit Primary Residence: <ul style="list-style-type: none"> <li>▪ 95% LTV with or without secondary financing</li> <li>▪ 100% TLTV with secondary financing</li> </ul> Manufactured Homes: In accordance with Guide Sections H33.3 (d) and (e)
	Manually Underwritten Mortgages: maximum LTV ratio is 95% Manually Underwritten Mortgages <b>with no Indicator Score</b> may not exceed 97% TLTV ratio <b>Note:</b> All Home Possible Mortgages with TLTV greater than 97% must have an Indicator Score equal to or greater than 700.	
<b>Underwriting Path</b>	<ul style="list-style-type: none"> <li>▪ All mortgages must be submitted to Loan Prospector<sup>®</sup>, except a Home Possible Mortgage with Rural Housing Service (RHS) Leveraged Seconds is permitted to be either a Loan Prospector Mortgage or a Manually Underwritten Mortgage.</li> <li>▪ For mortgages that receive an AUS Status of Invalid, Ineligible, or Incomplete, the Seller must make every attempt to correct the information and resubmit the loan to Loan Prospector for an assessment and deliver the Loan Prospector AUS Key number. The Loan Prospector AUS Key number must be submitted for Manually Underwritten Mortgages.</li> <li>▪ Mortgages that receive the following AUS Status or risk class must be manually underwritten in accordance with Guide Chapter A34:               <ul style="list-style-type: none"> <li>- An AUS Status of Incomplete; or</li> <li>- A risk class of Caution, due to significantly inaccurate data</li> </ul> </li> <li>▪ Manually Underwritten Mortgages must meet minimum indicator score requirements in accordance with Guide Sections A34.8 (c) and (d)</li> </ul>	
<b>Income Limits</b>	<ul style="list-style-type: none"> <li>▪ The borrowers' annual income cannot exceed 100% of the area median income limits or a higher percentage established by Guide Section A34.7 or if property is located in a high cost area. Refer to the <a href="#">Affordable Income Property &amp; Eligibility</a> tool to determine eligibility if not using Loan Prospector.</li> <li>▪ No income limits apply if the Mortgaged Premises are located in an Underserved Area.</li> <li>▪ Seller must attempt to verify all income reported on the Uniform Residential Loan Application. All reported income that is verified and stable monthly income must be used to qualify the borrower and to determine whether the borrower meets the income limits.</li> </ul>	
<b>Borrowers</b>	Occupant borrowers only. Borrower(s) may <b>not</b> , as of the Note Date, have any ownership in any other residential properties.	
<b>Mortgage Insurance</b>	<ul style="list-style-type: none"> <li>▪ These coverage levels are required for all mortgages except Manufactured Homes:               <ul style="list-style-type: none"> <li>- Greater than 95% up to 97% LTV: 18%</li> <li>- Greater than 90% up to 95% LTV: 16%</li> <li>- Greater than 85% up to 90% LTV: 12%</li> <li>- Greater than 80% up to 85% LTV: 6%</li> </ul> </li> <li>▪ Lender-paid monthly and annual premiums require Freddie Mac approval [Approval may be obtained by calling your Freddie Mac representative or (800) FREDDIE]</li> <li>▪ Not eligible for Custom or Reduced mortgage insurance</li> </ul> <b>Note:</b> Refer to Guide Section H33.3 for mortgage insurance coverage for Manufactured Homes.	

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<b>Secondary Financing</b>	<ul style="list-style-type: none"> <li>▪ Affordable Seconds (Guide Section 25.1) and Rural Housing Service (RHS) Leveraged Seconds meeting the requirements in Guide Section 35.3 are permitted as a source of funds for down payment, closing costs, financing costs and prepaids/escrows for Home Possible Mortgages. Affordable Seconds with no payments before the 61st payment on the Home Possible Mortgage may be entered in the Total Gift field of Loan Prospector.</li> <li>▪ For refinances, any secondary financing that is resubordinated to the lien of the new refinance mortgage must be an Affordable Second that meets the requirements of Section 25.1, or an RHS Leveraged Second that meets the requirements of Section 35.3.</li> </ul>	
<b>Qualifying Ratios</b>	<ul style="list-style-type: none"> <li>▪ There is no maximum monthly housing expense-to-income ratio</li> <li>▪ Maximum monthly debt payment-to-income ratios are as follows:               <ul style="list-style-type: none"> <li>- Loan Prospector mortgages: Determined by Loan Prospector</li> <li>- Manually Underwritten Mortgages: 43%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ There is no maximum monthly housing expense-to-income ratio</li> <li>▪ Maximum monthly debt payment-to-income ratios are as follows:               <ul style="list-style-type: none"> <li>- Loan Prospector mortgages: Determined by Loan Prospector</li> <li>- Manually Underwritten Mortgages:/ Neighborhood Solution borrowers: 45%</li> </ul> </li> </ul>
<p><b>Note:</b> For Limited and Extended Buydowns:</p> <ul style="list-style-type: none"> <li>▪ For fixed-rate mortgages, the borrower must be qualified using monthly payments calculated at the Note rate.</li> <li>▪ For ARMs, the borrower must be qualified using monthly payments calculated at the higher of the Note rate or the fully indexed rate as defined in Section 30.16(a).</li> </ul>		
<b>Mortgage Credit Certificates (MCCs)</b>	Mortgage Credit Certificates (MCCs) are allowed for Home Possible Mortgages, refer to Guide Section A34.9 (f) for details.	
<b>Down Payment</b>	<ul style="list-style-type: none"> <li>▪ 1-unit: 3% of value</li> <li>▪ 2- to 4-units: 5% of value</li> <li>▪ Manufactured Homes: 5% of value and in accordance with Guide Section 23.1 and H33.3</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1-unit: 3% of value</li> <li>▪ 2-units: 5% of value</li> <li>▪ Manufactured Homes: 5% of value and in accordance with Guide Section 23.1 and H33.3</li> </ul>
<b>Borrower Contribution</b>	<p>Minimum from Borrower Personal Funds for:</p> <ul style="list-style-type: none"> <li>▪ 1-unit: Not required</li> <li>▪ 2- to 4-units: 3% of value</li> <li>▪ Manufactured Homes: 5% of value per Guide Section 23.1</li> </ul> <p>See Guide Chapter A34 for more information.</p>	<p>Minimum from Borrower Personal Funds for:</p> <ul style="list-style-type: none"> <li>▪ 1-unit: Not required</li> <li>▪ 2-units: 3% of value</li> <li>▪ Manufactured Homes: 5% of value per Guide Section 23.1</li> </ul> <p>See Guide Chapter A34 for more information</p>
<b>Source of Funds</b>	Refer to Guide Chapter A34 for more information.	
<b>Reserves</b>	<ul style="list-style-type: none"> <li>▪ 1-unit: No reserves required</li> <li>▪ 2- to 4-units: 2 months reserves required (may not be from gift funds)</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1- to 2-unit: 1 month reserves required (reserves may be from gift funds)</li> </ul>

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<b>Homebuyer Education</b>	<ul style="list-style-type: none"> <li>▪ For purchase transaction secured by 1- to 4-unit Primary Residences, Homeownership education is required before the Note Date for at least one qualifying borrower if all borrower(s) are First-Time Homebuyers*.</li> <li>▪ A copy of Exhibit 20, Homeownership Education Certification, or another document containing comparable information must be retained in the mortgage file. The following types of homeownership education are acceptable: <ul style="list-style-type: none"> <li>- Internet-based homeownership education programs that have been developed by mortgage insurance companies</li> <li>- Homeownership education programs that meet the standards of the National Industry for Homeownership Education and Counseling (<a href="http://www.homeownershipstandards.com/">http://www.homeownershipstandards.com/</a>)</li> <li>- Programs using Freddie Mac's CreditSmart® financial education curriculum, provided modules 1, 2, 7, 11 and 12 are included</li> </ul> </li> </ul>	
<b>Landlord Education</b>	<ul style="list-style-type: none"> <li>▪ For purchase transaction mortgages secured by 2- to 4-unit Primary Residences, at least one qualifying borrower must participate in a landlord education program before the Note Date.</li> <li>▪ Landlord education is not required for refinance transactions; however, Freddie Mac recommends these classes for borrowers refinancing 2- to 4-unit Primary Residences, particularly those who have not previously attended.</li> </ul>	
<b>Post-settlement Delivery Fees</b>	See Guide Exhibit 19 for post-settlement delivery fees that may or may not apply.	

\*First Time Homebuyer is an individual who is purchasing the mortgaged premises, will reside in the mortgaged premises as a Primary Residence, had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the mortgaged premises. In addition, a displaced homemaker or a single parent may also be considered a First-Time Homebuyer if the individual had no ownership interest in a residential property during the preceding three-year period other than an ownership interest in the marital residence with a spouse. If a displaced homemaker or a single parent solely owned the marital residence, or solely or jointly owned a second home or investment property, the individual may not be considered a First-Time Homebuyer.

For information on executions, delivery codes and servicing requirements refer to [Home Possible: Delivery and Servicing Details](#) quick reference.

**Note:** It is important that borrowers have sufficient information on the terms of a mortgage product and that the associated features, benefits, and risks of the selected mortgage product are clearly explained to the borrower prior to the borrower making a product or payment choice.