

# Correspondent Lending Announcement

Attention All Correspondent Lending Sellers:  
CA 18-037 Announcing Freddie Mac Home Possible and Home Possible Advantage

April 20, 2018

**Subject Summary**

Freedom Mortgage Corporation Correspondent Lending is pleased to announce the expansion of our Freddie Mac product suite to include Home Possible and Home Possible Advantage.

The attached rate sheet template provides you an opportunity to map these changes to your rate sheet. The Loan Level Price Adjustment (LLPA) changes are highlighted in yellow.

**Effective Date**

Effective with Best Efforts locks and Mandatory Commitments taken on and after April 30, 2018.

**General Eligibility Requirements**

**Home Possible Advantage Mortgage**

The Home Possible Advantage Mortgage is a Home Possible Mortgage with additional flexibility of higher loan-to-value (LTV) and total LTV (TLTV) ratio limits.

- Fixed rate mortgage transactions only.
- Purchase or no cash-out refinance of a primary residence.
- Secondary Financing is permitted with Home Possible Advantage Mortgage, but it must be an Affordable Second, and the Affordable Second must not be a Home Equity Line of Credit (HELOC). Refer to Section [720.07](#) for additional information on subordinate financing.
- The Home Possible Advantage Mortgage must comply with all Home Possible Mortgage requirements, except as otherwise stated.

**Maximum LTV, TLTV and HTLTV**

Maximum LTV/TLTV/HTLTV Primary Residence Only (Purchase and No Cash-Out Refinance)		
Property Type	LTV	TLTV/HTLTV
<b>Home Possible Mortgage (Fixed Rate Mortgage)</b>		
1-4 Units	95%	95%
<b>Home Possible Mortgage (Adjustable Rate Mortgage)</b>		
1-2 Units	95%	95%
<b>Home Possible Advantage Mortgage (Fixed Rate Mortgage Only)</b>		
1 Unit	97%	105%

Freedom Mortgage Corporation is a mortgage lender licensed in all 50 states. NMLS # 2767. Corporate office located at 907 Pleasant Valley Avenue, Suite 3, Mt. Laurel, NJ 08054, (800) 220-3333. Please visit our website at [www.freedommortgage.com/state-licensing](http://www.freedommortgage.com/state-licensing) for our complete list of state licenses. This communication is sent only by Freedom Mortgage Corporation and is not intended to imply that any of our loan products will be offered by or in conjunction with HUD, FHA, VA, the U.S. government or any federal, state or local governmental body. This information is intended for use by mortgage brokers and other industry professionals. This is a business-to-business communication and is not an advertisement to or solicitation of a consumer. For additional information about Freedom Mortgage Corporation, please visit the NMLS Consumer Access page at: [nmlsconsumeraccess.org](http://nmlsconsumeraccess.org). Equal Housing Lender.

## Other Product Highlights

### **Credit Requirements**

#### **Traditional Credit:**

- Tri-Merged Credit Report required for all Borrowers.
- Per Loan Product Advisor Feedback Certificate, with a minimum representative credit score of 620.

#### **Non-Traditional Credit:**

- The use of nontraditional credit history is permitted with eligible Borrowers and acceptable transactions, but \*Loan Product Advisor Accept/Eligible recommendation is required.
- Refer to Section [720.11.01](#) for details and requirements.

### **Debt-to-Income (DTI)**

Maximum DTI is the more restrictive of Loan Product Advisor or \*50%.

### **Early Delinquency Counseling (Post-Purchase)**

- The “Borrower’s Authorization for Counseling” form must be completed and signed prior to or at closing and included in the loan file.
- Early Delinquency Counseling must be provided (at no cost to the Borrower) to all Borrowers who experience problems meeting their Mortgage obligations, in accordance with Freddie Mac Seller Guide Chapter [4501.12](#).

### **Homeownership Education**

At least one Borrower must participate in a homeownership education program before the Note Date in each of the following instances:

- For purchase transactions when all Borrowers are First-Time Homebuyers, or
- For any transaction when the credit reputation for all Borrowers is established using only Noncredit Payment References.

### **Income Limits**

- The Borrower’s income converted to an annual basis must not exceed 100% of the Area Median Income (AMI) or higher percentage in designated high cost areas as indicated in Freddie Mac Seller Guide Chapter [4501.7](#).
- Loan Product Advisor will determine the income eligibility of the Mortgage.
- Additional information is available with the [Home Possible Income & Eligibility tool](#) found on <http://www.freddiemac.com/homepossible>.

### **Landlord Education (2-4 Unit Primary Residence)**

- Purchase transactions - At least one qualifying Borrower must participate in a landlord education program before the Note Date.
  - Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller.
  - A copy of a certification evidencing successful completion of the landlord education program must be provided in the loan file.
- Refinance transactions - Landlord education is not required but is recommended for Borrowers who have not previously attended a program.

### **Loan Limits**

Standard Conforming Loan Limits are available at <http://alturl.com/oszvj>.

### **Occupancy**

- Primary residence only.
- All Borrowers must occupy the property.
- Non-occupant Co-Borrowers or Co-Signors are not permitted.

### **Ownership of Other Residential Property**

- Borrower may not have any ownership interest in any other residential property as of the Note date.
- A manufactured home, regardless of the type of land ownership, is considered a residential dwelling for this purpose.

- Ownership in a timeshare, either as a deeded interest or a right-to-use arrangement, is not considered ownership in a residential dwelling, due to the very limited (typically one or two weeks per year) access to the unit.
- Borrower may have an ownership interest in a residential property other than the Mortgage Premises if the Borrower does not occupy the property, and the Seller documents the following in the Mortgage file in accordance with Freddie Mac Seller Guide Chapter [4501.7](#).

**Private Mortgage Insurance (Coverage Requirements)**

<b>Fixed Rate 25 &amp; 30 Year Amortization and ARM 30 Year Amortization</b>	
<b>LTV/CLTV</b>	<b>Standard MI</b>
95.01% - 97.00%	25%
90.01% - 95.00%	25%
85.01% - 90.00%	25%
80.01% - 85.00%	12%
<b>Fixed Rate 10, 15 &amp; 20 Year Amortization</b>	
<b>LTV/CLTV</b>	<b>Standard MI</b>
95.01% - 97.00%	25%
90.01% - 95.00%	25%
85.01% - 90.00%	12%
80.01% - 85.00%	6%

**Private Mortgage Insurance (Eligible Programs)**

- Borrower Paid Monthly and Single Premium.
- Non-Refundable Lender Paid Single Premium.
- Standard Coverage is required, regardless of Loan Product Advisor feedback.
- Integrated Mortgage Insurance (IMAGIN) through Freddie Mac (Refer to IMAGIN topic in Section [700.02](#) for details).

**Private Mortgage Insurance (Ineligible Programs)\***

- Agency Minimum Coverage (Reduced or Custom MI)
- Financed MI
- Lender Paid Monthly Premium
- Split Premium

**Online Guide Updates**

- Section [704](#)
- [Correspondent Overlay Matrix](#) - \*Asterisked items within this announcement denote Freedom Mortgage Corporation Overlays.
- [Freddie Mac Only Conforming Fixed Rate and Adjustable Rate Mortgage](#)
- [Freddie Mac Super Conforming Fixed Rate and Adjustable Rate Mortgage](#)
- [Freddie Mac Home Possible and Home Possible Advantage Fixed and Adjustable Rate](#)

**Questions**

If you have questions, please contact your Freedom Mortgage Corporation Correspondent Lending Regional Manager.

Freedom Mortgage Corporation is a mortgage lender licensed in all 50 states. NMLS # 2767. Corporate office located at 907 Pleasant Valley Avenue, Suite 3, Mt. Laurel, NJ 08054, (800) 220-3333. Please visit our website at [www.freedommortgage.com/state-licensing](http://www.freedommortgage.com/state-licensing) for our complete list of state licenses. This communication is sent only by Freedom Mortgage Corporation and is not intended to imply that any of our loan products will be offered by or in conjunction with HUD, FHA, VA, the U.S. government or any federal, state or local governmental body. This information is intended for use by mortgage brokers and other industry professionals. This is a business-to-business communication and is not an advertisement to or solicitation of a consumer. For additional information about Freedom Mortgage Corporation, please visit the NMLS Consumer Access page at: [nmlsconsumeraccess.org](http://nmlsconsumeraccess.org). Equal Housing Lender.



## Freddie Mac Home Possible and Home Possible Advantage Fixed Rate & Adjustable Rate Product Guide

### General Eligibility Requirements

**Loans delivered as a Freddie Mac Home Possible product must fully comply with all requirements of this Product Guide, Loan Product Advisor Feedback Certificate, Freddie Mac Seller Guide, Freedom Mortgage Corporation Seller Guide and Freedom Mortgage Corporation Correspondent Overlay Matrix. Overlays are highlighted in yellow in the Product Guide content below.**

#### Maximum LTV/TLTV/HTLTV Primary Residence Only (Purchase and No Cash-Out Refinance\*)

Property Type	LTV	TLTV/HTLTV**
<b>Home Possible Mortgage (Fixed Rate and Adjustable Rate Mortgage)</b>		
1-4 Units	95%	95%
<b>Home Possible Advantage Mortgage*** (Fixed Rate Mortgage Only)</b>		
1 Unit	97%	105%

\*Cash-out refinance is not permitted.

\*\*Secondary Financing must be an Affordable Second, and Affordable Second must not be a Home Equity Line of Credit (HELOC). Refer to Section [720.07](#) for additional information on subordinate financing.

\*\*\* **Home Possible Advantage Mortgages are Home Possible Mortgages with additional flexibility of higher loan-to-value (LTV) and total LTV (TLTV) ratio limits. Home Possible Advantage Mortgages must comply with all Home Possible Mortgage requirements, except as otherwise stated.**

### Loan Program and Underwriting Overview

Ability to Repay Rule and Qualified Mortgage Standards (ATR/QM)	The CFPB's Ability to Repay Rule and Qualified Mortgage Standards are effective for all mortgage loan applications and case numbers assigned on or after January 10, 2014. <ul style="list-style-type: none"> <li>Refer to Section <a href="#">1000</a> for details.</li> </ul>	
Amortization	<b>Fixed Rate Mortgages</b>	<b>Adjustable Rate Mortgage</b>
	<ul style="list-style-type: none"> <li>15, 20, 25, 30-year terms</li> <li>Odd year terms down to 8 years</li> </ul>	<ul style="list-style-type: none"> <li>30-year term only</li> <li>Odd year terms not permitted</li> </ul>
Appraisal Requirements	<ul style="list-style-type: none"> <li>Interior and exterior property inspection accompanied by required exhibits and addenda, as described in Freddie Mac Seller Guide Chapter <a href="#">5601</a>, or</li> </ul>	



	<ul style="list-style-type: none"> <li>Automated Collateral Evaluation (ACE), if offered by Loan Product Advisor. Refer to Freddie Mac Seller Guide Chapter <a href="#">5601.9</a> for complete details and requirements.</li> <li>Appraisals expire after 120 days. Appraisal updates must comply with Freddie Mac Seller Guide Chapter <a href="#">5601.8</a>.</li> </ul>
ARM Products	<ul style="list-style-type: none"> <li>5/1 LIBOR ARM</li> <li>7/1 LIBOR ARM</li> <li>10/1 LIBOR ARM</li> </ul> <p><b>Note: Home Possible Advantage is not eligible for ARM transactions.</b></p>
ARM Cap Structure	<ul style="list-style-type: none"> <li>5/1 – 2% Initial, 2% Subsequent, 5% Lifetime</li> <li>7/1 &amp; 10/1 – 5% Initial, 2% Subsequent, 5% Lifetime</li> </ul>
ARM Index	<ul style="list-style-type: none"> <li>The “index” is the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market (“LIBOR”), as published in “The Wall Street Journal.” The most recent Index figure available as of the date 45 days before each Change Date is called the “Current Index.”</li> </ul>
ARM Margin and Floor	<ul style="list-style-type: none"> <li>2.25%</li> </ul>
ARM Convertibility	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
Assets	<ul style="list-style-type: none"> <li>In accordance with Section <a href="#">720.08</a>.</li> <li>Eligible assets include, but are not limited to, cash on hand and sweat equity, when fully compliant with Freddie Mac Seller Guide Chapter <a href="#">4501.10</a>.</li> </ul>
Borrower Eligibility	<p><b>Eligible borrowers:</b></p> <ul style="list-style-type: none"> <li>U.S. Citizen</li> <li>Permanent and non-permanent resident aliens</li> </ul> <p><b>Ineligible borrowers:</b></p> <ul style="list-style-type: none"> <li>Foreign Nationals who have no lawful residency in the United States</li> <li>Transactions involving borrowers with Diplomatic Immunity</li> </ul>
Buy-down (Temporary)	<ul style="list-style-type: none"> <li><b>Not permitted.</b></li> </ul>
Co-Borrowers	<ul style="list-style-type: none"> <li>Non-occupant co-borrowers or co-signors are not permitted.</li> </ul>
Condominiums	<ul style="list-style-type: none"> <li>Mortgages secured by new condominium units in Florida are ineligible, except when approved through the Fannie Mae PERS process.</li> <li>All other Freddie Mac condominium loan transactions must be Freddie Mac warrantable <b>in accordance with Freedom Mortgage Corporation</b> and Freddie Mac guidelines: <ul style="list-style-type: none"> <li>Freedom Mortgage Corporation Section <a href="#">720.16.01</a>, and</li> <li>Freddie Mac Seller Guide Chapter <a href="#">5701</a></li> </ul> </li> </ul>



Credit Requirements	<p><b>Traditional Credit:</b></p> <ul style="list-style-type: none"> <li>• Tri-Merged Credit Report required for all borrowers.</li> <li>• Per Loan Product Advisor Feedback Certificate, with a minimum representative credit score of 620.</li> <li>• Derogatory credit requirements (i.e. waiting periods and re-establishment of credit) and documentation requirements are determined by Loan Product Advisor Feedback Certificate, Freddie Mac guidelines and any requirements outlined in the Freedom Mortgage Corporation Correspondent Overlay Matrix.</li> </ul> <p><b>Nontraditional Credit:</b></p> <ul style="list-style-type: none"> <li>• The use of nontraditional credit history is permitted with eligible borrowers and acceptable transactions.</li> <li>• Refer to Section <a href="#">720.11.01</a> for details and requirements.</li> <li>• <b>Loan Product Advisor Accept/Eligible recommendation is required.</b></li> </ul>
Debt-to-Income (DTI)	<ul style="list-style-type: none"> <li>• <b>Maximum DTI is the more restrictive of Loan Product Advisor or 50%.</b></li> </ul>
Documentation Requirements	<ul style="list-style-type: none"> <li>• Document in accordance with the Loan Product Advisor Feedback Certificate and Chapter <a href="#">5302.1</a> of the Freddie Mac Seller Guide.</li> <li>• Eligible qualifying income commencing after the Note date must be documented in accordance with the <a href="#">Qualifying Income Commencing After the Note Date</a> topic within this guide.</li> <li>• Valuation documentation, as determined by the Loan Product Advisor Feedback Certificate.</li> </ul>
Early Delinquency Counseling (Post-Purchase)	<ul style="list-style-type: none"> <li>• The “Borrower’s Authorization for Counseling” form must be completed and signed prior to or at closing and included in the loan file.</li> <li>• Early Delinquency Counseling must be provided (at no cost to the Borrower) to all Borrowers who experience problems meeting their Mortgage obligations, in accordance with Freddie Mac Seller Guide Chapter <a href="#">4501.12</a>.</li> </ul>
Homeownership Education	<p>At least one Borrower must participate in a homeownership education program before the Note Date in each of the following instances:</p> <ul style="list-style-type: none"> <li>• For purchase transactions when all Borrowers are First-Time Homebuyers, or</li> <li>• For any transaction when the credit reputation for all Borrowers is established using only Noncredit Payment References.</li> </ul>
Income Limits	<ul style="list-style-type: none"> <li>• The Borrower’s income converted to an annual basis must not exceed 100% of the Area Median Income (AMI) or higher percentage in designated high cost areas as indicated in Freddie Mac Seller Guide Chapter <a href="#">4501.7</a>.</li> <li>• Loan Product Advisor will determine the income eligibility of the Mortgage.</li> </ul>



	<ul style="list-style-type: none"> <li>Additional information is available with the <a href="http://www.freddiemac.com/homepossible">Home Possible Income &amp; Eligibility tool</a> found on <a href="http://www.freddiemac.com/homepossible">http://www.freddiemac.com/homepossible</a>.</li> </ul>	
Landlord Education (2-4 Unit Primary Residence)	<ul style="list-style-type: none"> <li>Purchase transactions – At least one qualifying Borrower must participate in a landlord education program before the Note Date. <ul style="list-style-type: none"> <li>Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller.</li> <li>A copy of a certification evidencing successful completion of the landlord education program must be provided in the loan file.</li> </ul> </li> <li>Refinance transactions – Landlord education is not required but is recommended for Borrowers who have not previously attended a program.</li> </ul>	
Loan Limits	<ul style="list-style-type: none"> <li>Standard Conforming Loan Limits are available at <a href="http://alturl.com/oszvj">http://alturl.com/oszvj</a></li> </ul>	
Non-Occupant Co-Borrower	<ul style="list-style-type: none"> <li>Non-occupant Co-borrowers or Co-signors are not permitted.</li> </ul>	
Occupancy	<ul style="list-style-type: none"> <li>Primary Residence only</li> <li>All Borrowers must occupy the property</li> </ul>	
Ownership of Other Residential Property	<ul style="list-style-type: none"> <li>Borrower may not have any ownership interest in any other residential property as of the Note Date.</li> <li>A manufactured home, regardless of the type of land ownership, is considered a residential dwelling for this purpose.</li> <li>Ownership in a timeshare, either as a deeded interest or a right-to-use arrangement, is not considered ownership in a residential dwelling, due to the very limited (typically one or two weeks per year) access to the unit.</li> <li>Borrower may have an ownership interest in a residential property other than the Mortgage Premises if the Borrower does not occupy the property, and the Seller documents the Mortgage file in accordance with Freddie Mac Seller Guide Chapter <a href="#">4501.7</a>.</li> </ul>	
Private Mortgage Insurance (Coverage Requirements)	<b>Fixed Rate 25 &amp; 30 Year Amortization and ARM 30 Year Amortization</b>	
	<b>LTV/CLTV</b>	<b>Standard MI</b>
	95.01% - 97.00%	25%
	90.01% - 95.00%	25%
	85.01% - 90.00%	25%
	80.01% - 85.00%	12%
	<b>Fixed Rate 10, 15 &amp; 20 Year Amortization</b>	
	<b>LTV/CLTV</b>	<b>Standard MI</b>
	95.01% - 97.00%	25%
	90.01% - 95.00%	25%
	85.01% - 90.00%	12%
80.01% - 85.00%	6%	



Private Mortgage Insurance (Eligible Providers)	<ul style="list-style-type: none"> <li>• Arch</li> <li>• Essent</li> <li>• Genworth</li> <li>• MGIC</li> </ul>	<ul style="list-style-type: none"> <li>• National</li> <li>• Radian</li> <li>• United Guaranty</li> </ul>
Private Mortgage Insurance (Eligible Programs)	<ul style="list-style-type: none"> <li>• Borrower Paid Monthly and Single Premium</li> <li>• Non-Refundable Lender Paid Single Premium</li> <li>• Standard Coverage is required, regardless of Loan Product Advisor feedback</li> <li>• Integrated Mortgage Insurance (IMAGIN) through Freddie Mac (Refer to IMAGIN topic in Section <a href="#">700.02</a> for details).</li> </ul>	
Private Mortgage Insurance (Ineligible Programs)	<ul style="list-style-type: none"> <li>• Agency Minimum Coverage (Reduced or Custom MI)</li> <li>• Financed MI</li> <li>• Lender Paid Monthly Premium</li> <li>• Split Premium</li> </ul>	
Property Types (Eligible)	<b>Fixed Rate Mortgage</b> <ul style="list-style-type: none"> <li>• 1-4 Units for Home Possible</li> <li>• 1 Unit only for Home Possible Advantage</li> </ul>	<b>Adjustable Rate Mortgage</b> <ul style="list-style-type: none"> <li>• 1-2 Units for Home Possible</li> </ul>
	<ul style="list-style-type: none"> <li>• Warrantable Condominium</li> <li>• Planned Unit Development (PUD)</li> <li>• Townhouse</li> <li>• Leaseholds/Ground Leases</li> <li>• Land Contracts/Contract for Deed</li> <li>• Properties in Lave Zones 1 and 2, with acceptable insurance</li> </ul>	
Property Types (Ineligible)	<b>Fixed Rate Mortgage and Adjustable Rate Mortgage</b> <ul style="list-style-type: none"> <li>• 3-4 units (excluded for Adjustable Rate Mortgage only)</li> <li>• Manufactured Housing, permanently or non-permanently affixed</li> <li>• Second Homes</li> <li>• Investment Properties</li> <li>• Non-Warrantable Condominium</li> <li>• Timeshare</li> <li>• Mixed Use</li> <li>• Cooperative</li> <li>• Condo/PUD Hotel</li> <li>• Commercial Property</li> <li>• Working farms</li> <li>• Properties with Resale Deed Restrictions (Age-related restricted properties may be eligible as detailed in Section <a href="#">720.17</a>)</li> <li>• Land Trust and Community Trust (including Illinois Land Trusts)</li> <li>• Life Estates</li> </ul>	



<p>Qualifying Income Commencing After the Note Date</p>	<ul style="list-style-type: none"> <li>Income commencing after the Note Date can be utilized as qualifying income, provided the loan file is fully documented in complete accordance with Freddie Mac Seller Guide Chapter <a href="#">5303.2(e)</a>.</li> </ul>
<p>Qualifying Rate</p>	<ul style="list-style-type: none"> <li>5/1 ARM – qualify at the greater of the fully indexed rate or the Note rate plus 2.0%.</li> <li>7/1 &amp; 10/1 ARMs qualify at:             <ul style="list-style-type: none"> <li>Note Rate for Mortgages that are not Higher-Priced Mortgage Loans (HPMLs)</li> <li>Greater of the fully-indexed rate or Note Rate for Mortgages that are HPMLs</li> </ul> </li> </ul>
<p>Texas Sections 50(a)(4) and 50(a)(6)</p>	<ul style="list-style-type: none"> <li>Not Eligible with <b>Fixed Rate</b> or ARM transactions</li> </ul>
<p>Underwriting</p>	<ul style="list-style-type: none"> <li><b>Accept/Eligible Recommendation from Loan Product Advisor is required.</b></li> <li><b>Manual Underwriting and Loan Product Advisor manual downgrade are not permitted.</b></li> <li>Comply with Freedom Mortgage Corporation requirements addressed in Product Guide, Seller Guide and Overlay Matrix.</li> <li>As required by Freddie Mac, the final 1003 and 1008 must accurately reflect the final loan term, amortization, purpose, special program, special feature, occupancy, Loan Product Advisor risk class and key number as submitted to Loan Product Advisor.</li> <li>Refer to Section <a href="#">700.02</a> for Contract Underwriting details.</li> </ul>
<p>Verbal Verification of Employment (VVOE)</p>	<ul style="list-style-type: none"> <li>Sellers must obtain a verbal verification of employment (VVOE) for each Borrower whose income is used to qualify.</li> <li>The VVOE must be obtained within 10 business days prior to the Note Date for employment income, and within 120 calendar days prior to the Note Date for self-employment income.</li> <li>The VVOE for eligible Borrowers with qualifying income from future primary employment must be completed in accordance with Freddie Mac Seller Guide Chapter <a href="#">5303.2(e)</a>.</li> </ul>



- This document is not all encompassing. It is a summary reference tool to be utilized in conjunction with Freddie Mac guidelines and applicable Freedom Mortgage Corporation credit and compliance policies.
- Refer to Freddie Mac guidelines when this document, the Freedom Mortgage Corporation Seller Guide and Correspondent Overlay Matrix are silent