### Agency Guideline Revisions

**Note:** Underlined items indicate an overlay.

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</thead>
</table>
| Alimony, Child Support, and Maintenance Payments | Correspondent Section 2.01 Agency Loan Programs-Guideline | • Standard Agency (Non-AUS, DU & LP)  
• Agency Plus (DU)  
• Texas Cash-Out Refi (DU) | Income  
Non-AUS  
• Income may be used if received for a minimum of six months and must continue for at least three years after the date of the loan application.  
• The borrower must provide the following:  
  • a copy of the complete divorce decree or complete separation agreement, and documentation of income receipt (i.e., canceled checks, bank statements, etc.).  
  • The following is acceptable in lieu of a divorce decree or separation agreement:  
  • copy of complete written legal agreement or complete court order describing the payment terms, or  
  • copy of a state law requiring alimony and/or child support payment and specifies payment conditions.  
• 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.  
Fannie Mae DU  
Non-AUS guidelines apply.  
Freddie Mac LP  
For streamlined and standard documentation, Non-AUS guidelines apply. | Income  
Non-AUS  
• Document that alimony or child support will continue to be paid for at least three years after the date of the mortgage application, as verified by one of the following:  
  • A copy of a divorce decree or separation agreement (if the divorce is not final) that indicates payment of alimony or child support and states the amount of the award and the period of time over which it will be received.  
• Note: If a borrower who is separated does not have a separation agreement that specifies alimony or child support payments, the lender should not consider any proposed or voluntary payments as income.  
  • Any other type of written legal agreement or court decree describing the payment terms for the alimony or child support.  
• Documentation that verifies any applicable state law that mandates alimony, child support, or separate maintenance payments, which must specify the conditions under which the payments must be made.  
• Check for limitations on the continuance of the payments, such as the age of the children for whom the support is being paid or the duration over which alimony is required to be paid.  
• Document no less than six months of the borrower’s most recent regular receipt of the full payment.  
• Review the payment history to determine its suitability as stable qualifying income. To be considered stable income, full, regular, and timely payments must have been received for six months or longer. Income received for less than six months is considered unstable and may not be used to qualify the borrower for the mortgage. In addition, if full or partial payments are made on an inconsistent or sporadic basis, the income is not acceptable for the purpose of qualifying the borrower.  
• Streamlined and standard documentation requirements for alimony and separate maintenance payments, which must specify the conditions under which the payments must be made.  
  • Evidence that the payments have been received for the most recent six months is required.  
  • If the payor has been obligated to make payments for less than six months, 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.  
  • Streamlined and standard documentation requirements for alimony and separate maintenance payments are as follows:  
    • Proof of receipt of the total court ordered amount for the most recent six months, 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.  
  • Streamlined and standard documentation requirements for child support are as follows:  
    • Proof of receipt of the total court ordered amount for the most recent six months,  
    • Proof of the ages of the children for which child support is received in order to prove three-year continuance, and. |
### Agency Guideline Revisions

**Note:** Underlined items indicate an overlay.

|--------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Alimony, Child Support, and Maintenance Payments | Correspondent Section 2.01 Agency Loan Programs-Guideline | • Standard Agency (non-AUS, DU & LP)  
• Agency Plus (DU)  
• DU Refi Plus™  
• Texas Cash-Out Refi (DU) | Liabilities  
Non-AUS  
• Alimony and/or child support payments are not counted in the total debt ratio if there are 10 or less payments remaining.  
• The borrower must provide a complete copy of the divorce decree or complete separation agreement to verify the payment amount.  
Fannie Mae DU  
Non-AUS guidelines apply.  
Freddie Mac LP  
Non-AUS guidelines apply. | Liabilities  
Non-AUS  
When the borrower is required to pay alimony, child support, or maintenance payments under a divorce decree, separation agreement, or any other written legal agreement—and those payments must continue to be made for more than ten months—the payments must be considered as part of the borrower’s recurring monthly debt obligations. Voluntary payments must also be taken into consideration.  
Fannie Mae DU  
Follow DU guidelines, which are the same as Non-AUS guidelines.  
Freddie Mac LP  
Alimony, child support or maintenance payments (required and voluntary payments) with more than 10 months of payments remaining must be included in the borrower’s monthly debt payment. |

| Appraisal Requirements | Correspondent Section 1.07 Appraisal-Guideline | • Standard Agency (non-AUS, DU & LP)  
• Agency Plus (DU)  
• DU Refi Plus™  
• Texas Cash-Out Refi (DU) | Appraisal Date Requirements  
General Non-AUS  
• Reuse of an appraisal when the initial transaction has closed is permitted as long as the following requirements are met:  
• The subsequent transaction must be a limited cash-out (rate/term) refinance.  
• The appraisal report must not be more than 12 months old on the note date of the subsequent transaction.  
• If the appraisal report is greater than 4 months old on the note date of the subsequent transaction, then an appraisal update is required to ensure that the property has not undergone any significant remodeling, renovation, or deterioration that would materially affect the market value of the subject property. The Appraiser may require an interior and exterior inspection to verify if any significant remodeling, renovation, or deterioration has occurred since the original property inspection.  
• The lender/client must be the same on the original and subsequent transaction.  
• The borrower must be the same on the original and subsequent transaction, with the following exception:  
• In the event of a divorce or legal separation, the borrower for the new transaction must be one of the borrowers on the prior transaction, and the file must document that the borrower for the new transaction obtained the property through a divorce or legal separation.  
Fannie Mae DU  
Non-AUS guidelines apply.  
Freddie Mac LP  
Non-AUS guidelines apply. | Appraisal Date Requirements  
Agency Loan Programs Non-AUS  
• Properties must be appraised within the 12 months that precede the date of the note and mortgage.  
• For new construction and existing properties, the appraisal report cannot be more than four months old on the date of the note and mortgage.  
• When an appraisal report will be more than four months old on the date of the note and mortgage, regardless of whether the property was appraised as proposed or existing construction, the appraisal must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D).  
• If the appraiser indicates on the Form 1004D that the property value has declined, then the lender must obtain a new appraisal for the property.  
• If the appraiser indicates on the Form 1004D that the property value has not declined, then the lender may proceed with the loan in process without requiring any additional fieldwork.  
Note: The appraisal update must occur within the four months that precede the date of the note and mortgage. See the Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442) subtopic for additional information.  
• The original appraiser should complete the appraisal update; however, lenders may use substitute appraisers. When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser’s opinion of market value was reasonable on the date of the original appraisal report. The lender must note in the file why the original appraiser was not used.  
• Use of an Appraisal for a Subsequent Transaction  
• The use of an origination appraisal for a subsequent transaction is allowed if the following requirements are met: |
### Agency Guideline Revisions

**Note:** Underlined items indicate an overlay.

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<td>Following requirements are met:</td>
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<td>• The subsequent transaction must be a limited cash-out (rate/term) refinancing.</td>
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<td>• The borrower and the lender/client must be the same on the original and subsequent transaction.</td>
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<td>• The original appraisal must be dated within 90 days prior to the note date of the subsequent transaction; and</td>
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<td>• An appraisal update (form 1004D) must be fully completed to ensure that the property has not undergone any significant remodeling, renovation, or deterioration of the property that would materially affect the market value of the subject property. Recertification of value is not acceptable.</td>
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<td>Existing Properties</td>
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<td>• The appraisal report cannot be more than 120 days old prior to the Note date.</td>
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<td>• If prepared more than 120 days but less than 365 days prior to the Note date, the original appraiser (if available) or a qualified appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the original appraisal date.</td>
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<td>• If the appraiser indicates that the property has declined in value, a new appraisal is required.</td>
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<td>• If the appraiser indicates that the property has not declined in value, recertification or update to the original appraisal, based on the appraiser’s exterior inspection of the property and knowledge of current market conditions, is required. The inspection and appraisal update must occur within the 120 days (for existing and new construction) that precede the Note date and security instrument.</td>
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<td>• If the loan does not close within 90 days of the initial recertification, an additional recertification must be performed along with two (2) new comparables.</td>
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<td>• If the appraisal is more than 365 days old, a new one is required.</td>
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<td>The Key Loan Program</td>
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<td>• The Key Loan Program must follow the appraisal date requirements outlined below.</td>
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<td>• The appraisal report must be dated within 90 days prior to the Note date.</td>
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<td>• If prepared more than 90 days but less than 365 days prior to the Note date, the original appraiser (if available) must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the original appraisal date.</td>
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<td>• If the appraiser indicates that the property has declined in value, a new appraisal is required.</td>
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<td>• If the appraiser indicates that the property has not declined in value, recertification or update to the original appraisal, based on the appraiser’s exterior inspection of the property and knowledge of current market conditions, is required. A completed Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442) must be included in the loan file.</td>
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<td>• If the loan does not close within 90 days of the initial recertification, an additional recertification must be performed along with two (2) new comparables.</td>
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<td>New Construction Properties</td>
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<td>• If construction of the subject property is completed after loan application, the appraisal report must be dated within 120 days prior to the date of loan closing except for the following loan products:</td>
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<td>• The appraisal report must be dated within 90 days prior to the date of loan closing for the Key Loan Program.</td>
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<td>• If the appraisal is over 120 days but less than one year, a new appraisal is not necessarily required; however, a completed Appraisal Update (Fannie Mae Form 1004D/Freddie Mac Form 442) must be in the file.</td>
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<td>• For all loan products, if the loan does not close within 90 days of the initial recertification, an appraisal report must be completed.</td>
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- The subsequent transaction may only be a limited cash-out (rate/term) refinancing. The appraisal report must not be more than 12 months old on the note date of the subsequent transaction.
- If the appraisal report is greater than 4 months old on the date of the note and mortgage, then an appraisal update is required.
- The lender must ensure that the property has not undergone any significant remodeling, renovation, or deterioration to the extent that the improvement or deterioration of the property would materially affect the market value of the subject property.
- The borrower and the lender/client must be the same on the original and subsequent transaction.

**Note:** The appraisal report must comply with all other appraisal requirements.

#### Fannie Mae DU

Follow DU requirements, which are the same as Non-AUS guidelines, except as outlined below:

- For new construction and existing properties, the appraisal report cannot be more than 120 days old as of the date of the note and mortgage.
- When an appraisal report will be more than 120 days old as of the date of the note and mortgage, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D).
  - If the appraiser indicates on the Form 1004D that the property value has declined, then the lender must obtain a new appraisal for the property.
  - If the appraiser indicates on the Form 1004D that the property value has not declined, then the lender may proceed with the loan in process without requiring any additional fieldwork.

**Note:** The appraisal update must occur within the 120 days that precede the date of the note and mortgage.

#### Freddie Mac LP

Follow LP requirements, which are outlined below:

- For new construction and existing properties, the appraisal report cannot be more than 120 days old before the note date.
- If the effective date of the appraisal report is more than 120 days before the note date, an appraisal update is required.

**Reference:** See the Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442) subtopic for additional information.

- If the value of the subject property has declined, the lender must adjust the terms of the mortgage transaction as appropriate and resubmit the loan to LP.
- Re-use of an appraisal report for a subsequent transaction:
  - When an appraisal is required for a subsequent transaction secured by the mortgaged premises, the prior appraisal report may be re-used if an appraisal update is obtained and the following requirements are met:
    - The borrowers on the new transaction must be the borrowers on the prior transaction.

**Note:** The only exception is in the event of a divorce or legal separation. The borrower for
### Agency Guideline Revisions

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**Current Guidelines**

Effective for Loan Applications PRIOR TO January 30, 2015

- Under no circumstances may the appraisal be dated more than twelve (12) months prior to the date of loan closing.
- The **Key Loan Program** must follow the appraisal date requirements outlined below.
  - The appraisal report must be dated within ninety (90) days prior to the date of loan closing.
  - If prepared more than ninety (90) days but less than twelve (12) months prior to the date of loan closing, the original appraiser (if available) must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the original appraisal date.
    - if the appraiser indicates that the property has declined in value, a new appraisal is required.
    - if the appraiser indicates that the property has not declined in value, recertification or update to the original appraisal, based on the appraiser’s exterior inspection of the property and knowledge of current market conditions, is required. A completed Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac form 442) must be included in the loan file.
    - if the loan does not close within 90 days of the initial recertification, an additional recertification must be performed along with two (2) new comparables.

**Revised Guidelines**

Effective for NEW Loan Applications ON OR AFTER January 30, 2015

- the new transaction must be one of the borrowers on the prior transaction, and the file must document that the borrower for the new transaction obtained the property through a divorce or legal separation.
  - Since the effective date of the prior appraisal report, the mortgaged premises must not have undergone any substantial rehabilitation or renovation or have been affected by disaster to the extent that the improvement or deterioration of the property would affect marketability or market value
  - The new transaction may not be a purchase transaction, a cash-out refinancing, or a payoff of secondary financing.
  - The appraisal report from the prior transaction must meet all the following requirements:
    - The effective date of the appraisal report from the prior transaction must not be more than 12 months prior to the note date of the subsequent transaction.
    - The lender/client is the seller of the loan to the GSE or a third party specifically authorized by the seller of the loan to the GSE.
    - The appraisal update must meet all other appraisal requirements and reflect the mortgage transaction (e.g., the current borrowers, the appropriate transaction type, owner of record, lender/client).

**Note:** Key Loan Program and Jumbo Solution Second Mortgage guidelines remain unchanged.

**Key Loan Program and Jumbo Solution Second Mortgage Loans**

- Reuse of an unexpired appraisal when the initial transaction has closed is permitted as long as the following requirements are met:
  - The subsequent transaction must be a limited cash-out (rate/term) refinance.
  - The borrower and the lender/client must be the same on the original and subsequent transaction.
  - The original appraisal must be dated within 90 days prior to the note date of the subsequent transaction; and
  - An appraisal update (form 1004D) must be fully completed to ensure that the property has not undergone any significant remodeling, renovation, or deterioration of the property that would materially affect the market value of the subject property. Recertification of value is not acceptable.

**Existing Properties**

- The **Key Loan Program** must follow the appraisal date requirements outlined below.
  - The appraisal report must be dated within 90 days prior to the Note date.
  - If prepared more than 90 days but less than 365 days prior to the Note date, the original appraiser (if available) must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the original appraisal date.
    - if the appraiser indicates that the property has declined in value, a new appraisal is required.
    - if the appraiser indicates that the property has not declined in value, recertification or update to the original appraisal, based on the appraiser’s exterior inspection of the property and knowledge of current market conditions, is required. A completed Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac form 442) must be...
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| **Appraisal Requirements** | Correspondent Section 2.07 Agency Plus Loan Program-Guideline | • Agency Plus (DU) | • Agency Plus loan transactions may be documented with a full appraisal (i.e., Form 1004 or 1073 if a condominium) with an interior and exterior inspection.  
• A full appraisal (i.e., Form 1004 or 1073 if a condominium) AND a field review (i.e., Form 2000) is required if the property value is >/= $1,000,000 AND the LTV/TLTV/HTLTV is >/= 75%.  
  
  **Note:** If the field review results in a different opinion of value, the lower of the original appraised value, the Field review value, or the sales price (for purchase transactions) should be used to calculate the LTV ratios.  
  
  • For units located in a condominium project, two (2) comparables must be from projects outside the subject project.  
  
  • For both existing properties and new construction, the age of the appraisal can be up to 120 days old at the time of closing. If the appraisal is greater than 120 days, but less than 12 month old, an appraisal update is required.  
  
  Reference: See Section 1.07: Appraisal Guidelines, of the Correspondent Seller Guide, for additional information concerning appraisals and appraisal requirements. | • Agency Plus loan transactions must be documented with a full appraisal (i.e., Form 1004 or 1073 if a condominium) with an interior and exterior inspection.  
• A full appraisal (i.e., Form 1004 or 1073 if a condominium) AND a field review (i.e., Form 2000) is required if the property value is >/= $1,000,000 AND the LTV/TLTV/HTLTV is >/= 75%.  
  
  **Note:** If the field review results in a different opinion of value, the lower of the original appraised value, the Field review value, or the sales price (for purchase transactions) should be used to calculate the LTV ratios.  
  
  • For properties in attached condo projects, the appraisal must contain two comparable sales from projects outside of the subject’s project in addition to the current comparable sale requirements as outlined in Section 1.07: Appraisal Guidelines of the Correspondent Seller Guide.  
  
  Reference: See Section 1.07: Appraisal Guidelines, of the Correspondent Seller Guide, for additional information concerning appraisals and appraisal requirements. |
| **Authorized User Accounts** | Correspondent Section 2.01 Agency Loan Programs-Guideline | • Standard Agency (Non-AUS, DU & LP)  
• Agency Plus (DU)  
• DU Refi Plus™  
• Texas Cash-Out Refi (DU) | **Non-AUS**  
• When a credit account owner permits another person to have access to and use an account, the user is referred to as an authorized user of the account.  
• Credit report tradelines that list a borrower as an “authorized user” cannot be used to meet the minimum tradeline requirements and cannot be considered in the underwriting decision, except in the following instances:  
  
  • if another borrower in the mortgage transaction is the owner of the tradeline, or  
  
  • the borrower can provide written documentation (e.g. canceled checks, payment receipts, etc.) | **Non-AUS**  
• When a credit account owner permits another person, typically a family member who is managing credit for the first time, to have access to and use an account, the user is referred to as an authorized user of the account. This practice is intended to assist related individuals in legitimately establishing a credit history and credit score based on the account and payment history of the account owner, even though the authorized user is not the account owner.  
• For manually underwritten loans, credit report tradelines that list a borrower as an authorized user cannot be considered in the underwriting decision, except as outlined below.  
  
  **Note:** The age of appraisal guidance previously referenced in this section was removed due to the fact it was redundant guidance. This information is currently outlined in the appraisal date requirements section of Section 1.07: Appraisal Guidelines previously outlined in this document. |
## Agency Guideline Revisions

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**Current Guidelines**

**Effective for Loan Applications PRIOR TO January 30, 2015**

- When a credit account owner permits another person to have access to and use an account, the user is referred to as an authorized user of the account.
- If an authorized user account is identified on the credit report, Fannie Mae DU takes the tradeline into consideration as part of the Fannie Mae DU credit risk assessment and will issue a message providing the name of the creditor and account number for each identified authorized user tradeline.
- No further review of the authorized user account is required if the authorized user tradeline belongs to the borrower’s spouse and the spouse is NOT a borrower in the mortgage transaction.
- If the authorized user tradeline belongs to another borrower on the mortgage loan, no additional investigation is required.
- When ensuring tradelines are an accurate reflection of the borrower’s credit history, a general guide, if the borrower has several authorized user accounts but only has a few accounts of his/her own, the lender should establish:
  - the relationship of the borrower to the owner of the account;
  - if the borrower uses the account;
  - if the borrower makes the payment on the account.

**Fannie Mae DU**

- If it is believed the authorized user tradelines are NOT an accurate reflection of the borrower’s credit history, then the borrower’s credit history must be evaluated without the benefit of the authorized user tradelines and use prudent underwriting judgment to make a final underwriting decision. In order to assist the lender in its review of authorized user tradelines, DU issues a message providing the name of the creditor and account number for each identified authorized user tradeline identified.

**Notes:**

- If it is confirmed that the borrower is not responsible for the payment for the authorized user account, then the payment may be omitted from the borrower’s total debt.

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**Revised Guidelines**

**Effective for NEW Loan Applications ON OR AFTER January 30, 2015**

- An authorized user tradeline may be considered if:
  - another borrower in the mortgage transaction is the owner of the tradeline; or
  - the borrower can provide written documentation (e.g., canceled checks, payment receipts, etc.) that he or she has been the actual and sole payer of the monthly payment on the account for at least 12 months preceding the date of the application.

- If authorized user accounts are present on the borrower’s credit report, the "Accept" Risk Class must be disregarded and the loan must be manually underwritten according to Non-AUS guidelines, unless there is proof in the mortgage file of at least one of the following:
  - another borrower on the Mortgage owns the tradeline in question,
  - the tradeline is owned by a spouse, or
  - the borrower has been making the payments on the account for the last 12 months.

- Freddie Mac LP will take the tradeline into consideration as part of the Freddie Mac LP credit risk assessment, and must be included in the DTI unless it is confirmed the borrower is not responsible for the payment.

- The lender is not required to review an authorized user tradelines that belongs to the borrower’s spouse when the spouse is not on the mortgage transaction.

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**Effective for Loan Applications PRIOR TO January 30, 2015**

- When the lender has information available that an applicant is an "authorized user" on a spouse’s credit report tradeline AND that spouse is not a borrower in the mortgage transaction, the lender MUST consider such "authorized user" tradelines in the underwriting decision.

**Reference:** See the Traditional Credit History section subsequently presented in this document.

**Fannie Mae DU**

- DU takes credit report tradelines designated as authorized user tradelines into consideration as part of the DU credit risk assessment. However, the lender must review credit report tradelines in which the applicant has been designated as an authorized user in order to ensure the tradelines are an accurate reflection of the borrower’s credit history. If the lender believes the authorized user tradelines are not an accurate reflection of the borrower’s credit history, the lender should evaluate the borrower’s credit history without the benefit of these tradelines and use prudent underwriting judgment when making its final underwriting decision. In order to assist the lender in its review of authorized user tradelines, DU issues a message providing the name of the creditor and account number for each identified authorized user tradeline identified.

**Notes:**

- If it is confirmed that the borrower is not responsible for the payment for the authorized user account, then the payment may be omitted from the borrower’s total debt.

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**Effective for NEW Loan Applications ON OR AFTER January 30, 2015**

- The lender is not required to review an authorized user tradelines that belongs to the borrower’s spouse when the spouse is not on the mortgage transaction.

**Fannie Mae DU**

- Follow DU guidelines which are noted below:
  - DU takes credit report tradelines designated as authorized user tradelines into consideration as part of the DU credit risk assessment. However, the lender must review credit report tradelines in which the applicant has been designated as an authorized user in order to ensure the tradelines are an accurate reflection of the borrower’s credit history. If the lender believes the authorized user tradelines are not an accurate reflection of the borrower’s credit history, the lender should evaluate the borrower’s credit history without the benefit of these tradelines and use prudent underwriting judgment when making its final underwriting decision. In order to assist the lender in its review of authorized user tradelines, DU issues a message providing the name of the creditor and account number for each identified authorized user tradeline identified.

**Notes:**

- If the authorized user tradeline belongs to another borrower on the mortgage loan, no additional investigation is required.
- If authorized user tradelines are an accurate reflection of the borrower’s credit history, as a general guide, if the borrower has several authorized user accounts but only has a few accounts of his/her own, the lender should establish:
  - the relationship of the borrower to the owner of the account;
  - if the borrower uses the account;
  - if the borrower makes the payment on the account.

- When ensuring tradelines are an accurate reflection of the borrower’s credit history, a general guide, if the borrower has several authorized user accounts but only has a few accounts of his/her own, the lender should establish:
  - the relationship of the borrower to the owner of the account;
  - if the borrower uses the account;
  - if the borrower makes the payment on the account.

- Follow DU guidelines which are noted below:
  - DU takes credit report tradelines designated as authorized user tradelines into consideration as part of the DU credit risk assessment. However, the lender must review credit report tradelines in which the applicant has been designated as an authorized user in order to ensure the tradelines are an accurate reflection of the borrower’s credit history. If the lender believes the authorized user tradelines are not an accurate reflection of the borrower’s credit history, the lender should evaluate the borrower’s credit history without the benefit of these tradelines and use prudent underwriting judgment when making its final underwriting decision. In order to assist the lender in its review of authorized user tradelines, DU issues a message providing the name of the creditor and account number for each identified authorized user tradeline identified.

**Notes:**

- If the borrower has several authorized user accounts but only has a few accounts of his/her own, the lender should establish:
  - the relationship of the borrower to the owner of the account;
  - if the borrower uses the account;
  - if the borrower makes the payment on the account.

- When ensuring tradelines are an accurate reflection of the borrower’s credit history, as a general guide, if the borrower has several authorized user accounts but only has a few accounts of his/her own, the lender should establish:
  - the relationship of the borrower to the owner of the account;
  - if the borrower uses the account;
  - if the borrower makes the payment on the account.

- Follow DU guidelines which are noted below:
  - DU takes credit report tradelines designated as authorized user tradelines into consideration as part of the DU credit risk assessment. However, the lender must review credit report tradelines in which the applicant has been designated as an authorized user in order to ensure the tradelines are an accurate reflection of the borrower’s credit history. If the lender believes the authorized user tradelines are not an accurate reflection of the borrower’s credit history, the lender should evaluate the borrower’s credit history without the benefit of these tradelines and use prudent underwriting judgment when making its final underwriting decision. In order to assist the lender in its review of authorized user tradelines, DU issues a message providing the name of the creditor and account number for each identified authorized user tradeline identified.

**Notes:**

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  - the relationship of the borrower to the owner of the account;
  - if the borrower uses the account;
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  - the relationship of the borrower to the owner of the account;
  - if the borrower uses the account;
  - if the borrower makes the payment on the account.

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  - DU takes credit report tradelines designated as authorized user tradelines into consideration as part of the DU credit risk assessment. However, the lender must review credit report tradelines in which the applicant has been designated as an authorized user in order to ensure the tradelines are an accurate reflection of the borrower’s credit history. If the lender believes the authorized user tradelines are not an accurate reflection of the borrower’s credit history, the lender should evaluate the borrower’s credit history without the benefit of these tradelines and use prudent underwriting judgment when making its final underwriting decision. In order to assist the lender in its review of authorized user tradelines, DU issues a message providing the name of the creditor and account number for each identified authorized user tradeline identified.

**Notes:**

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|-------|------------------|-------------------|------------------------------------------------|------------------------------------------------------------------------------------------------|
| Business Debt in Borrower’s Name | Correspondent Section 2.01 Agency Loan Programs-Guideline | • Standard Agency (non-AUS, DU & LP)  
• Agency Plus (DU)  
• DU Refi Plus™  
• Texas Cash-Out Refi (DU) | Non-AUS  
• If a business debt in the borrower’s name has a history of delinquency, it must be counted in the debt ratio.  
• If a business debt in the borrower’s name does not have a history of delinquency, it is not counted in the debt ratio if documentation verifies payment from company funds (i.e., 12 months canceled checks) and the cash flow analysis took the payment into consideration.  
Fannie Mae DU  
Non-AUS guidelines apply.  
Freddie Mac LP  
Non-AUS guidelines apply. | Non-AUS  
• When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report is being paid by the borrower’s business, the lender must confirm that it verified that the obligation was actually paid out of company funds and that this was considered in its cash flow analysis of the borrower’s business.  
• The account payment does not need to be considered as part of the borrower’s individual recurring monthly debt obligations if:  
  • the account in question does not have a history of delinquency,  
  • the business provides acceptable evidence that the obligation was paid out of company funds (such as 12 months of canceled company checks), and  
  • the lender’s cash flow analysis of the business took payment of the obligation into consideration.  
Fannie Mae DU  
Follow DU guidelines, which are the same as Non-AUS guidelines.  
Freddie Mac LP  
For “Accept/Eligible” mortgages, business debt in the borrower’s name has already been considered by LP. No further evaluation of the business debt in the borrower’s name is required. |
| Co-Signed Debt | Correspondent Section 2.01 Agency Loan Programs-Guideline | • Standard Agency (non-AUS, DU & LP)  
• Agency Plus (DU) | Non-AUS  
• If a borrower has co-signed a debt but is not making the payments, it is not included in the debt ratio if the following applies:  
  • the account does not reflect late payments in the last 12 months, and  
  • the borrower provides 12 months of canceled checks to identify who is making the payments. | Non-AUS  
• When a borrower co-signs for a loan to enable another party (the primary obligor) to obtain credit, but is not the party who is actually repaying the debt—the borrower has a contingent liability.  
• The liability does not need to be considered as part of the borrower’s recurring monthly debt obligations if the lender can verify a history of documented payments on the co-signed monthly debt by the borrower. |

Last Revision Date: 01/30/2015 (Correspondent)
### Agency Guideline Revisions

**Note:** Underlined items indicate an overlay.

|-------|-------------------|-------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Court Assigned Debt | Correspondent Section 2.01 Agency Loan Programs-Guideline | • Standard Agency (non-AUS, DU & LP)  
• Agency Plus (DU)  
• DU Refi Plus™  
• Texas Cash-Out Refi (DU) | Fannie Mae DU  
Non-AUS guidelines apply.  
Freddie Mac LP  
Non-AUS guidelines apply, in addition to the following:  
• If assigned in divorce decree, the borrower must provide appropriate pages from the court order and a copy of the title transfer (if applicable). | Fannie Mae DU  
Follow DU guidelines, which are the same as Non-AUS guidelines.  
Freddie Mac LP  
• If the borrower is a co-signer/guarantor on a debt (which includes mortgage debt) for another person, the lender must determine who actually makes the payments on the debt when deciding whether the contingent liability needs to be included in debts submitted to Loan Prospector.  
• The lender must obtain evidence that timely payments are being made by someone other than the borrower and document that someone other than the borrower makes the payments by obtaining copies of canceled checks or a statement from the lender. The lender may document that timely payments are being made through a reference on the borrower’s credit report or by obtaining a payment reference from the lender, if someone other than the borrower has been making the payments for the most recent 12 months and the payments have been timely for the most recent 12 months, the contingent liability may be excluded.  
• If the payments on the contingent liability have not been timely over the most recent 12 months or if the lender is unable to document that someone other than the borrower made the payments for the most recent 12 months, the liability must be included in the data submitted to Loan Prospector. |

Last Revision Date: 01/30/2015 (Correspondent)
Employer Assistance
Correspondent
Section 2.01
Agency Loan Programs-Guideline

**Impacted Documents:**
- Standard Agency (non-AUS, DU & LP)
- Agency Plus (DU)

**Impacted Products:**
- Employer Assisted Housing Programs
- Non-AUS
  - An owner-occupant borrower can use funds provided by his/her employer to pay part of the closing costs or to supplement his/her financial reserves.
  
  **Note:** Unsecured employer assisted funds cannot be applied to reserves.
  
  - The borrower generally must use his/her own funds to make the minimum cash down payment, although the down payment can be supplemented with financial assistance from the borrower’s employer.
  
  - Employer’s affiliated credit union (in addition to the employer) may provide funds under the following conditions:
    - If credit union provides funds then the loan file must be documented that the credit union is affiliated with the employer.
    - Only employees (not employee family members) are eligible.
  
  **Note:** The Employer Assisted Housing Program must be an established, ongoing, company-wide employer benefit program, not just an accommodation developed for an individual employee.
  
  - The employer’s financial assistance for either closing costs or the down payment may be in the form of a grant, a direct, fully repayable second mortgage, or unsecured loan; a forgivable second mortgage or unsecured loan; a deferred payment second mortgage or unsecured loan; or mortgage payment assistance.
  
  - When assistance is a secured second mortgage, the transaction must satisfy the requirements for mortgages subject to subordinate financing.
  
  - The financing does not have to require regular payments of either principal and interest or interest only. Instead, the financing may be structured in any of the following ways: fully amortizing level monthly payments; deferred payments for some period before changing to fully amortizing level payments; deferred payments over the entire term; or forgiveness of the debt over time. The financing terms may provide for the employer to require full repayment of the debt if the borrower’s employment is terminated (either voluntarily or involuntarily) before the maturity date of the subordinate financing.

For SunTrust Internal Employees Only:
- On MLCS, SFC D25 MUST entered on screen M0B (process flow 05/01) in the field labeled “Agency Special Feature Codes” when employer assisted homeownership benefits are a source of funds.

Fannie Mae DU
Non-AUS Guidelines apply.

Freddie Mac LP
- Streamlined and Standard Accept documentation requirements are the same.
- Gift funds are not allowed on investment property mortgages.
- Documentation supporting a gift or grant from an employer must:
  - establish funds were provided by the employer, municipality, nonprofit religious organization or nonprofit community organization.
  - establish the organization has a formal gift program,
  - establish that the funds are a gift or grant that does not have to be repaid.

**Agency Guideline Revisions**

**Note:** Underlined items indicate an overlay.

**Effective for Loan Applications PRIOR TO January 30, 2015**

**Effective for NEW Loan Applications ON OR AFTER January 30, 2015**

**Forms of Employer Assistance**
- The employer assistance may be in the form of:
  - a grant,
  - a direct, fully repayable second mortgage or unsecured loan,
  - a forgivable second mortgage or unsecured loan, or
  - a deferred payment second mortgage or unsecured loan.

- A borrower of a mortgage loan secured by a principal residence may use funds provided by an employer to fund all or part of the down payment or closing costs subject to the minimum borrower contribution requirements. Employer assistance can also be used for financial reserves for all types of assistance with the exception of unsecured loans (which may only be used for the down payment and closing costs). Employer assistance funds are not allowed on a second home or an investment property.

- Funds must come directly from the employer, including through an employer-affiliated credit union.

- When employer assistance is extended as a secured second mortgage, the transaction must satisfy the eligibility criteria for mortgages that are subject to subordinate financing.

- If the secured second mortgage or unsecured loan does not require regular payments of either principal and interest or interest only, the lender does not need to calculate an equivalent payment for consideration as part of the borrower’s monthly debt. If regular payments are required for the secured second mortgage, the payments must be included in the calculation of the debt-to-income ratio.

**Documentation Requirements**
- The lender must document:
  - that the program is an established company program, not just an accommodation developed for an individual employee;
  - the dollar amount of the employer’s assistance;
  - an unsecured loan from an employer with an award letter or legal agreement from the note holder and must disclose the terms and conditions of the loan;
  - the terms of any other employee assistance being offered to the borrower (such as relocation benefits or gifts);
  - that the borrower received the employer assistance funds directly from the employer (or through the employer-affiliated credit union).

**Eligible Repayment Terms for Employer Subordinate Financing**
- If the subordinate financing is from the borrower’s employer, it does not have to require regular payments of either principal and interest or interest only. Employer subordinate financing may be structured in any of the following ways:
  - fully amortizing level monthly payments;
  - deferred payments for some period before changing to fully amortizing level payments;
  - deferred payments over the entire term, or
  - forgiveness of the debt over time.

- If the financing terms provide for the employer to require full repayment of the debt if the borrower’s employment is terminated (either voluntarily or involuntarily) before the maturity date of the subordinate financing, the borrower must have sufficient assets to pay off the debt if the employment is terminated.

**Last Revision Date:** 01/30/2015 (Correspondent)
### Agency Guideline Revisions

**Note:** Underlined items indicate an overlay.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Impacted Document</th>
<th>Impacted Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homebuyer Education and Counseling</td>
<td>Correspondent Section 2.01 Agency Loan Programs-Guideline</td>
<td>• Standard Agency (non-AUS, DU &amp; LP)</td>
</tr>
<tr>
<td>Homebuyer Education</td>
<td></td>
<td>Non-AUS</td>
</tr>
<tr>
<td></td>
<td>Homebuyer education is not required on any non-AUS product.</td>
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<tr>
<td></td>
<td>Fannie Mae DU Non-AUS guidelines apply.</td>
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<tr>
<td></td>
<td>Freddie Mac LP</td>
<td></td>
</tr>
<tr>
<td>Homebuyer Education and Counseling</td>
<td></td>
<td>Non-AUS</td>
</tr>
<tr>
<td></td>
<td>Fannie Mae recognizes that credit and underwriting guidelines alone are not always enough to assess a borrower’s readiness for homeownership. Fannie Mae believes that high-quality counseling provides the borrower with the additional information and resources necessary to make informed decisions that ultimately lead to long-term homeownership sustainability.</td>
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<tr>
<td></td>
<td>See the applicable first mortgage product description to determine if homebuyer education is required.</td>
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<tr>
<td></td>
<td>Following balance of the employer subordinate financing in addition to the required funds to complete the transaction. If this requirement is not met, the employer subordinate financing is not eligible.</td>
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<tr>
<td></td>
<td>For SunTrust Mortgage Internal Employees Only: SFC D25 is required for delivery to the GSE.</td>
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</tbody>
</table>

#### Current Guidelines

**Effective for Loan Applications PRIOR TO January 30, 2015**

- Evidence the funds were received by the borrower or by the property seller on the borrower’s behalf, and
- Identify the donor’s mailing address.
- Examples of acceptable documentation supporting a gift or grant from an employer include copies of grant program materials, award letters or terms and conditions provided to the borrower.
- If “Accept” and the LTV/TLT/HTLTV is over 80%, the borrower must have a down payment of at least 5% from his/her own cash funds.
- If the LTV/TLTV/HTLTV is 80% or less, gift funds may be used for the full down payment.
- If proceeds will be from an unsecured loan, the following documentation is required:
  - A copy of the established, ongoing and documented employer benefit program showing the amount of the benefit and terms of the program,
  - The employer is not an interested party,
  - The funds were not obtained from an interested party either directly or through a third party, and
  - Proof of receipt of the benefit.
- **For SunTrust Internal Employees Only:** On MLCS, SFC D25 MUST entered on screen M0B (process flow 05/01) in the field labeled “Agency Special Feature Codes” when employer assisted homeownership benefits are a source of funds.

#### Revised Guidelines

**Effective for NEW Loan Applications ON OR AFTER January 30, 2015**

- An Employer Assisted Homeownership (EAH) Benefit may be used as a source of funds for down payment, closing costs, financing costs, prepaids/escrows and reserves if the terms of the EAH benefit comply with Unsecured Loans guidelines and the following:
  - The EAH Benefit is provided to an employee from the employer pursuant to an established, ongoing and documented employer benefit program, provided:
    - The employer is not an interested party, and
    - The funds were not obtained from an interested party either directly or through a third party
  - The mortgage is secured by a 1- to 4-unit Primary Residence

**Reference:** See the Unsecured Loans guidelines for additional guidance.

- The EAH Benefit may be any of the following structures:
  - A grant,
  - Matching funds from an Individual Development Account (IDA),
  - A fully repayable, deferred payment or forgivable unsecured loan,
  - A fully repayable, deferred payment or forgivable secondary financing,
  - The loan terms may permit the borrower to continue making payments on the loan in the event the borrower no longer works for the employer,
  - If the financing terms provide for the employer to require full repayment of the debt if the borrower’s employment is terminated (either voluntarily or involuntarily) before the maturity date of the subordinate financing, the borrower must have sufficient assets to pay off the outstanding balance of the employer subordinate financing in addition to the required funds to complete the transaction. If this requirement is not met, the employer subordinate financing is not eligible.
  - Provide the following for purchase transactions:
    - A copy of the established, ongoing and documented employer benefit program (must show the amount of the benefit and terms of the program),
    - Evidence of receipt of the EAH benefit,
    - **For SunTrust Mortgage Internal Employees Only:** SFC D25 is required for delivery to the GSE.
### Agency Guideline Revisions

**Note:** Underlined items indicate an overlay.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Non-AUS guidelines apply.</td>
<td></td>
</tr>
</tbody>
</table>

- **Compliance With Law**
  - All education, collection, and counseling efforts must comply with the requirements of applicable federal and state laws, including the Equal Credit Opportunity Act, the Fair Debt Collections Practices Act, and the Fair Credit Reporting Act.

- **Borrowers Required to Complete Pre-Purchase Homebuyer Education and Counseling**
  - At least one borrower must complete pre-purchase homebuyer education and counseling if all borrowers on the loan are relying solely on nontraditional credit to qualify, regardless of product or homeowner status.

- **Standards for Pre-Purchase Homebuyer Education and Counseling**
  - Fannie Mae endorses standards to ensure quality pre-purchase homebuyer education and counseling is provided in a consistent manner.
  - To ensure quality and consistency, the pre-purchase homebuyer education and counseling must meet the standards defined by the National Industry Standards for Homeownership Education and Counseling or those of comparable quality as established by other organizations. Counseling and education sessions that adhere to these standards are deemed acceptable.

- **Providers of Pre-Purchase Homebuyer Education and Counseling**
  - All pre-purchase homebuyer education and counseling must be provided by a third party that is independent of the lender. Mortgage insurance companies can provide counseling, without regard to whether they provide mortgage insurance coverage for the particular transaction.
  - Fannie Mae encourages face-to-face group education and counseling; however, telephone and online counseling is also permitted from eligible providers. These types of sessions should cover the same topics as face-to-face sessions, even though they typically provide individual borrower counseling without a group or classroom education session.
  - Online counseling is permitted if it is developed and provided by a mortgage insurance company. Telephone and online options provide flexibility to borrowers who are unable to attend face-to-face sessions or who do not have an eligible provider within their area.

- **Evidence of Completion of Pre-Purchase Homebuyer Education and Counseling**
  - The pre-purchase homebuyer education and counseling program must meet the standards and requirements outlined above. Evidence of completion of the homebuyer education session must be documented in the individual loan file by a certificate or letter from the counseling provider.

- **Additional Resources**
  - The U.S. Department of Housing and Urban Development (HUD) sponsors housing counseling agencies throughout the country. Lenders and borrowers can search for counseling providers by state and view the types of counseling sessions available by accessing HUD’s website at [HUD.gov](http://HUD.gov).
  - Fannie Mae provides additional resources to lenders, borrowers, and counseling agencies in support of homeownership education and counseling.
  - Home Counselor Online™ is a free web-based application available to counseling providers that assesses the borrower’s financial readiness for homeownership, compares loan products and identifies options more quickly by populating approvable loan products, and moves newly mortgage-ready clients from counseling to loan origination with automated referrals.
  - the Housing Counselors page on Fannie Mae’s website includes FAQs on homebuyer education policies.

**Fannie Mae DU Loans**
Pre-purchase homebuyer education is not required.

**Freddie Mac LP Loans**
Pre-purchase homebuyer education is not required.
### Inter Vivos Trusts
- **Correspondent Section 2.01c Texas Cash-out Refinance – Guideline**
- **Eligible Borrowers / Inter Vivos Trusts**


- An inter vivos revocable trust that meets borrower eligibility criteria, may be a borrower under a Texas Section 50(a)(6) mortgage, provided that the trust meets the requirements for a "qualifying trust" under Texas law for purposes of owning residential property that qualifies for the homestead exemption.


<table>
<thead>
<tr>
<th>Topic</th>
<th>Impacted Document</th>
<th>Impacted Products</th>
<th>Current Guidelines</th>
<th>Revised Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter Vivos Trusts</td>
<td>Correspondent Section 2.01c</td>
<td>Texas Cash-out Refi (DU)</td>
<td>Eligible Borrowers / Inter Vivos Trusts</td>
<td>Eligible Borrowers / Inter Vivos Trusts</td>
</tr>
<tr>
<td>Minimum Borrower Contribution Requirements</td>
<td>Correspondent Section 2.01 Agency Loan Programs - Guideline &amp; Correspondent Section 2.07 Agency Plus Loan Program - Guideline</td>
<td></td>
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<td></td>
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</tbody>
</table>

| Minimum Borrower Contribution Requirements (Non-AUS Loans) | | | | |

- **Standard Agency**

#### Non-AUS Loans

- Minimum borrower contribution requirements are outlined in the table below.

<table>
<thead>
<tr>
<th>LTV, TLTV, or HTLTV Ratio</th>
<th>Occupancy Type</th>
<th>Minimum Borrower Contribution Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% or less</td>
<td>1-4 Unit Primary Residences 1 Unit Second Homes</td>
<td>A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction may come from a gift.</td>
</tr>
<tr>
<td>Greater than 80%</td>
<td>1 Unit Primary Residences</td>
<td>A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction may come from a gift.</td>
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<td>1 Unit Second Homes</td>
<td>The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.</td>
</tr>
<tr>
<td>All LTV/TLTV/HTLTVs</td>
<td>1-4 Unit Investment Properties</td>
<td>All funds needed to meet the down payment, closing cost, and reserve requirements must come from the borrower’s own funds. Gifts are not permitted.</td>
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#### Standard Agency

**Non-AUS Loans**

- Minimum borrower contribution requirements are outlined in the table below.

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**Fannie Mae DU Loans**

Follow DU requirements, which are the same as Non-AUS guidelines.

**Freddie Mac LP Loans**

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Last Revision Date: 01/30/2015 (Correspondent)
### Topic Impacted Document Impacted Products

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<tr>
<td><strong>Fannie Mae DU Loans</strong> Non-AUS guidelines apply.</td>
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<tr>
<td><strong>Freddie Mac LP Loans</strong></td>
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#### Current Guidelines Effective for Loan Applications PRIOR TO January 30, 2015

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<td>Greater than 80%</td>
<td>1 Unit Primary Residences</td>
<td>The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves. <strong>Note:</strong> For transactions with a non-occupant co-borrower, for LTVs over 80%, the first 5% down payment must come from the occupant borrower's funds. Funds that are owned jointly by the occupant borrower and the non-occupying borrower are considered the funds of the occupant borrower.</td>
</tr>
<tr>
<td>Greater than 80%</td>
<td>1 Unit Second Homes</td>
<td>The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves. <strong>Note:</strong> For transactions with a non-occupant co-borrower, for LTVs over 80%, the first 5% down payment must come from the occupant borrower's funds. Funds that are owned jointly by the occupant borrower and the non-occupying borrower are considered the funds of the occupant borrower.</td>
</tr>
</tbody>
</table>

#### Revised Guidelines Effective for NEW Loan Applications ON OR AFTER January 30, 2015

<table>
<thead>
<tr>
<th>LTV, TLTV, or HTLTV Ratio</th>
<th>Occupancy Type</th>
<th>Minimum Borrower Contribution Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% or less</td>
<td>1-4 Unit Primary Residences</td>
<td>A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction may come from a gift.</td>
</tr>
<tr>
<td>80% or less</td>
<td>1 Unit Second Homes</td>
<td>A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction may come from a gift.</td>
</tr>
<tr>
<td>Greater than 80%</td>
<td>1 Unit Primary Residences</td>
<td>The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, gifts or employer assistance can be used to supplement the down payment, closing costs, and reserves. <strong>Note:</strong> For transactions with a non-occupant co-borrower, for LTVs over 80%, the first 5% down payment must come from the occupant borrower's funds. Funds that are owned jointly by the occupant borrower and the non-occupying borrower are considered the funds of the occupant borrower.</td>
</tr>
<tr>
<td>Greater than 80%</td>
<td>1 Unit Second Homes</td>
<td>The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves. <strong>Note:</strong> For transactions with a non-occupant co-borrower, for LTVs over 80%, the first 5% down payment must come from the occupant borrower's funds. Funds that are owned jointly by the occupant borrower and the non-occupying borrower are considered the funds of the occupant borrower.</td>
</tr>
</tbody>
</table>

### Additional Notes
- A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction may come from a gift. **Note:** For transactions with a non-occupant co-borrower, for LTVs over 80%, the first 5% down payment must come from the occupant borrower’s funds. Funds that are owned jointly by the occupant borrower and the non-occupying borrower are considered the funds of the occupant borrower.
- All funds needed to meet the down payment, closing cost, and reserve requirements must come from the borrower's own funds. Gifts are not permitted.

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Last Revision Date: 01/30/2015 (Correspondent)
### Agency Guideline Revisions

Note: Underlined items indicate an overlay.

<table>
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<tbody>
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<td></td>
<td>Properties Requirements must come from the borrower’s own funds. Gifts are not permitted.</td>
<td></td>
</tr>
</tbody>
</table>

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**Agency Plus**

- Minimum borrower contribution requirements are outlined in the table below.

<table>
<thead>
<tr>
<th>LTV, TLTV, or HTLTV Ratio</th>
<th>Occupancy Type</th>
<th>Minimum Borrower Contribution Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% or less</td>
<td>1-2 Unit Primary Residences</td>
<td>A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction may come from a gift.</td>
</tr>
<tr>
<td>80% or less</td>
<td>1 Unit Second Homes</td>
<td>A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction may come from a gift.</td>
</tr>
<tr>
<td>Greater than 80%</td>
<td>1 Unit Primary Residences</td>
<td>The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, gifts or employer assistance can be used to supplement the down payment, closing costs, and reserves. <strong>Note:</strong> If the borrower receives a gift or employer assistance, documentation must be provided to verify these requirements.</td>
</tr>
<tr>
<td>All LTV/TLTV/HTLTVs</td>
<td>1 Unit Investment Properties</td>
<td>All funds needed to meet the down payment, closing cost, and reserve requirements must come from the borrower’s own funds. Gifts are not permitted.</td>
</tr>
</tbody>
</table>

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Last Revision Date: 01/30/2015 (Correspondent)
Agency Guideline Revisions
Note: Underlined items indicate an overlay.

|-------------------------------|-------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Property Assessed Clean Energy (PACE) Loan | Correspondent Section 2.01 Agency Loan Programs-Guideline & Correspondent Section 2.04 DU Refi Plus Loan Program-Guideline | • Standard Agency (non-AUS, DU & LP)  
• Agency Plus (DU)  
• DU Refi Plus™  
• Texas Cash-Out Refi (DU) | Guidance regarding PACE Loans was not previously provided. | Cash-Out Refinance |

Non-AUS
Cash-out refinance transactions must meet the following requirements:

- The transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have a mortgage lien against it.
- Properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV/TLTV/HTLTV ratios (or less if mandated by the specific product, occupancy, or property).

Note: Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan.

- The property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage loan except for the following:
  - There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
  - The delayed financing requirements are met.
  - Continuity of obligation must be demonstrated unless one of the following conditions is met:
    - the borrower was added to title 24 months or more prior to the disbursement date of the new loan, or
    - there is no existing mortgage on the subject property as a result of the borrower(s) having purchased the subject property with cash or paid off any prior mortgage for which the borrower was an obligor.
- The following transaction types are not eligible as cash-out refinances:
  - The mortgage is subject to a temporary interest rate buydown.
  - The subject property was purchased by the borrower within the six months preceding the disbursement date of the new mortgage loan except if delayed financing guidelines are met.
  - Investor and second home borrowers with five to ten financed properties are ineligible for cash-out refinance transactions unless all of the delayed financing exception requirements are met.
  - The existing mortgage is a "restructured mortgage." For certain transactions on properties that have a Property Assessed Clean Energy (PACE) loan, borrowers who refinance the first mortgage loan and have sufficient equity to pay off the PACE loan but choose not to do so will be ineligible for a cash-out refinance. See the Property Assessed Clean Energy Loans subtopic for additional information.
  - Transactions in which a portion of the proceeds of the refinance is used to pay off the outstanding balance on an installment land contract, regardless of the date the installment land contract was executed.
  - The new loan amount includes the financing of real estate taxes that are more than 60 days delinquent and an escrow account is not established, unless requiring an escrow account is not permitted by applicable law or regulation. For example, if a particular state law does not allow a lender to require an escrow account under certain circumstances, the loan would be eligible for sale to Fannie Mae without an escrow account.
- The following are acceptable uses for cash-out refinance transactions:
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<tbody>
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<td>• paying off the unpaid principal balance of the existing first mortgage;</td>
<td>• paying off the unpaid principal balance of the existing first mortgage;</td>
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<td></td>
<td>• financing the payment of closing costs, points, and prepaid items. The borrower can include real</td>
<td>• financing the payment of closing costs, points, and prepaid items. The borrower can include real</td>
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<tr>
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<td>estate taxes in the new loan amount. Delinquent real estate taxes (taxes past due by more than</td>
<td>estate taxes in the new loan amount. Delinquent real estate taxes (taxes past due by more than</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>60 days) can also be included in the new loan amount, but if they are, an escrow account must</td>
<td>60 days) can also be included in the new loan amount, but if they are, an escrow account must</td>
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<td>be established, subject to applicable law or regulation;</td>
<td>be established, subject to applicable law or regulation;</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• paying off any outstanding subordinate mortgage liens of any age;</td>
<td>• paying off any outstanding subordinate mortgage liens of any age;</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• taking equity out of the subject property that may be used for any purpose;</td>
<td>• taking equity out of the subject property that may be used for any purpose;</td>
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<td>• financing a short-term refinance mortgage loan that combines a first mortgage and a non-</td>
<td>• financing a short-term refinance mortgage loan that combines a first mortgage and a non-</td>
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<td>purchase-money subordinate mortgage into a new first mortgage or a refinance of the short-</td>
<td>purchase-money subordinate mortgage into a new first mortgage or a refinance of the short-</td>
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<tr>
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<td>term refinance loan within six months.</td>
<td>term refinance loan within six months.</td>
</tr>
</tbody>
</table>

Reference: See the Geographic Restrictions topic subsequently presented for additional information on properties located in the state of Texas.

**Fannie Mae DU**

Follow DU requirements, which are the same as Non-AUS guidelines:

**Freddie Mac LP**

- A cash-out refinance Mortgage must be an "Accept/Eligible" Mortgage.
- A cash-out refinance Mortgage is a Mortgage in which the use of the loan amount is not limited to specific purposes.
- A Mortgage placed on a property previously owned free and clear by the Borrower is always considered a cash-out refinance Mortgage.
- At least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date.
- If none of the Borrowers have been on the title to the subject property for at least six months prior to the Note Date of the cash-out refinance Mortgage, refer to Delayed Financing section for further details.

Reference: See the Property Assessed Clean Energy (PACE) Loans subtopic for additional information.

**Limited Cash-Out (Rate/Term Refinance)**

**Non-AUS**

- Limited cash-out refinance transactions must meet the following requirements:
  - The transaction is being used to pay off an existing first mortgage loan by obtaining a new first mortgage loan secured by the same property, or for single-closing construction-to-permanent loans to pay for construction costs to build the home, which may include paying off an existing lot lien.
  - Only subordinate liens used to purchase the property may be paid off and included in the new mortgage.
  - Continuity of obligation must be demonstrated with the exception of single-closing construction-to-permanent mortgages.
  - The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions).
  - When the following conditions exist, the transaction is ineligible as a limited cash-out refinance and
### Topic | Impacted Document | Impacted Products | Current Guidelines | Revised Guidelines
---|---|---|---|---

<table>
<thead>
<tr>
<th>Topic</th>
<th>Impacted Document</th>
<th>Impacted Products</th>
<th>Current Guidelines</th>
<th>Revised Guidelines</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Effective for Loan Applications PRIOR TO January 30, 2015</td>
<td>Effective for NEW Loan Applications ON OR AFTER January 30, 2015</td>
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<tr>
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<td>must be treated as a cash-out refinance:</td>
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<td></td>
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<td>• no continuity of obligation;</td>
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<td>• no outstanding first lien on the subject property (except for single-closing construction-to-permanent transactions, which are eligible as a limited cash-out refinance even though there is not an outstanding lien on the subject property);</td>
<td></td>
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<td></td>
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<td>• the proceeds are used to pay off a subordinate lien that was not used to purchase the property;</td>
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<td></td>
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<td></td>
<td>• the proceeds are used to pay off the unpaid principal balance of a Property Assessed Clean Energy (PACE) loan.</td>
<td></td>
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<tr>
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<td></td>
<td></td>
<td>Reference: See the Property Assessed Clean Energy (PACE) Loans subtopic for additional information.</td>
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<tr>
<td></td>
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<td>• the borrower finances the payment of real estate taxes for the subject property in the loan amount, but does not establish an escrow account;</td>
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<td></td>
<td></td>
<td></td>
<td>• the borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount; and</td>
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<tr>
<td></td>
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<td></td>
<td>• a short-term refinance mortgage loan that combines a first mortgage and a non-purchase-money subordinate mortgage into a new first mortgage or any refinance of that loan within six months.</td>
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<td>• The following are acceptable in conjunction with a limited cash-out refinance transaction:</td>
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<td>• modifying the interest rate and/or term for existing mortgages;</td>
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<td>• paying off the unpaid principal balance of the existing first mortgage (including prepayment penalties);</td>
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<td></td>
<td></td>
<td></td>
<td>• for single-closing construction-to-permanent transactions, paying for construction costs to build a home, which may include paying off an existing lot lien;</td>
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<td>• financing the payment of closing costs, points, and prepaid items. With the exception of real estate taxes that are more than 60 days delinquent, the borrower can include real estate taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation. (For example, if a particular state law does not allow a lender to require an escrow account under certain circumstances, the loan would be eligible as a limited cash-out refinance without an escrow account.) If an escrow account is not being established, the transaction must be structured as a Cash-Out Refinance Transaction;</td>
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<td>• receiving cash back in an amount that is not more than the lesser of 2% of the new refinance loan amount or $2,000;</td>
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<td>• buying out a co-owner pursuant to an agreement; or</td>
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<td></td>
<td>• paying off a subordinate mortgage lien (including prepayment penalties) used to purchase the subject property. The lender must document that the entire amount of the subordinate financing was used to acquire the property.</td>
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<tr>
<td></td>
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<td>• The borrower may receive a small amount of cash back in a limited cash-out refinance transaction. The lender may also refund the borrower for the overpayment of fees and charges due to federal or state laws or regulations. Refunds such as these are not included in the maximum cash back limitation, provided that:</td>
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<td>• the HUD-1 Settlement Statement clearly identifies the refund with a notation of the reason, and</td>
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<td>• the loan file includes documentation to support the amount and reason for the refund.</td>
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<td>Notes:</td>
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<td>• This applies to standard limited cash-out refinance transactions and DU Refi Plus transactions.</td>
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<td>• These refunds may also be applied as a principal balance curtailment.</td>
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<td>• To treat a transaction as a limited cash-out refinance transaction, the lender must document that all</td>
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<tr>
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<td></td>
<td>Proceeds of the existing subordinate lien were used to fund part of the subject property purchase price.</td>
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<td></td>
<td>• Written confirmation must be maintained in the mortgage file. The following are acceptable forms of documentation:</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• a copy of the HUD-1 Settlement Statement for the purchase of the property,</td>
<td></td>
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<td></td>
<td>• a copy of the title policy from the purchase transaction that identifies the subordinate financing, or</td>
<td></td>
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<td></td>
<td>• other documentation from the purchase transaction that indicates that a subordinate lien was used to purchase the subject property.</td>
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<td></td>
<td>• Existing Subordinate Liens That Will Not Be Paid Off</td>
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<td>• When a new limited cash-out refinance transaction will not satisfy existing subordinate liens, the existing liens must be clearly subordinate to the new refinance mortgage. The refinance mortgage must meet Fannie Mae’s eligibility criteria for mortgages that are subject to subordinate financing.</td>
<td></td>
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<td>• New Subordinate Financing</td>
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<td>• When a borrower obtains new subordinate financing with the refinancing of a first mortgage loan, Fannie Mae treats the transaction as a limited cash-out refinance provided the first mortgage loan meets the eligibility criteria for a limited cash-out refinance transaction.</td>
<td></td>
</tr>
</tbody>
</table>

Note: It is acceptable for borrowers to obtain cash from the proceeds of the new subordinate mortgage.

Reference: See Construction Lending – Single Closing subtopic in this document for additional information on single closing limited cash-out (rate/term) refinance transactions.

Fannie Mae DU
Follow DU requirements, which are the same as Non-AUS guidelines.

Freddie Mac LP
• A "no cash-out" refinance Mortgage is a Mortgage for which the proceeds may be used only to:
  • Pay off the first Mortgage, regardless of its age; for Construction Conversion Mortgages and Renovation Mortgages, the amount of the Interim Construction Financing secured by the Mortgaged Premises is considered an amount used to pay off the first Mortgage. However, paying off unsecured liens or construction costs paid by the Borrower outside of the secured Interim Construction Financing is considered cash out to the Borrower, if above the $2,000 or 2% of loan amount limit. |                                 |
  • Pay off any junior liens secured by the Mortgaged Premises, that were used in their entirety to acquire the subject property. |                                 |

Reference: See the Property Assessed Clean Energy (PACE) Loans subtopic for additional information.

• Pay related Closing Costs, Financing Costs and Prepaids/Escrows |                                 |
• Disburse cash out to the Borrower (or any other payee) not to exceed 2% of the new refinance Mortgage or $2,000, whichever is less |                                 |
• Pay off the outstanding balance of a land contract or contract for deed if the requirements in Installment Land Contract section are met. |                                 |

Note: In the event there are remaining proceeds from the "no cash-out" refinance Mortgage after the...
<table>
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<td>proceeds are applied as described above:</td>
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<td>• The Mortgage amount must be reduced, or</td>
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<td>• The excess amount must be applied as a principal curtailment to the new refinance Mortgage at closing and must be clearly reflected on the HUD-1 form or other equivalent closing statement.</td>
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<td></td>
<td>• Under no circumstances may cash disbursed to the Borrower (or any other payee) exceed the maximum permitted for &quot;no cash-out&quot; refinance Mortgages.</td>
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<td>When the mortgage being refinanced was a purchase money transaction, the mortgage being refinanced must be seasoned for at least 120 days (that is, the Note Date of the mortgage being refinanced must be at least 120 days prior to the Note Date of the &quot;no cash-out&quot; refinance Mortgage).</td>
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<td></td>
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<td></td>
<td>• Secondary financing</td>
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<td>• The Borrower is not required to satisfy outstanding junior liens, provided that:</td>
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<td>• The junior liens remain subordinate to the lien of the new refinance Mortgage;</td>
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<td>• Evidence of the subordination is retained in the Mortgage file; and</td>
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<td>• The junior liens meet the requirements pertaining to secondary financing.</td>
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<td></td>
<td>• Special documentation requirements</td>
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<td></td>
<td>• If a junior lien was paid off as part of the &quot;no cash-out&quot; refinance transaction, documentation must be maintained in the Mortgage file demonstrating that the full amount of the lien was used for the purchase of the subject property.</td>
<td></td>
</tr>
<tr>
<td>Eligible Transactions / Property Assessed Clean Energy (PACE) Loans</td>
<td>Non-AUS</td>
<td></td>
<td>Certain energy retrofit lending programs, often referred to as Property Assessed Clean Energy (PACE) programs, are made by localities to finance residential energy improvements and are generally repaid through the homeowner’s real estate tax bill. These loans typically have automatic first lien priority over previously recorded mortgages. The terms of the Fannie Mae/Freddie Mac Uniform Security Instruments prohibit loans that have senior lien status to a mortgage.</td>
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</tr>
<tr>
<td></td>
<td>Non-AUS</td>
<td></td>
<td>A purchase or refinance (limited cash-out and cash-out) loan transaction with a PACE loan remaining in a first or subordinate lien position to the new mortgage transaction is not eligible. All PACE obligations must be paid off as a condition to obtaining a new mortgage loan.</td>
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<td></td>
<td>On a limited cash-out refinance transaction, the proceeds from the new mortgage transaction may NOT be used to pay off the PACE loan.</td>
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<td>On a cash-out refinance transaction, it is acceptable to use the proceeds from the new mortgage transaction to pay off the PACE loan.</td>
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<tr>
<td>Fannie Mae DU</td>
<td>Non-AUS guidelines apply.</td>
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<tr>
<td>Freddie Mac LP</td>
<td>Non-AUS guidelines apply.</td>
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<tr>
<td>DU Refi Plus</td>
<td>Eligible Transactions</td>
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Last Revision Date: 01/30/2015 (Correspondent)
Agency Guideline Revisions
Note: Underlined items indicate an overlay.

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<tr>
<th>Topic</th>
<th>Impact Document</th>
<th>Impact Products</th>
<th>Current Guidelines</th>
<th>Revised Guidelines</th>
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<tr>
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<td>Effective for Loan Applications PRIOR TO January 30, 2015</td>
<td>Effective for NEW Loan Applications ON OR AFTER January 30, 2015</td>
</tr>
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</table>

- **Unsecured Loans**
  - **Correspondent Section 2.01 Agency Loan Programs-Guideline**
    - **Standard Agency (non-AUS, DU & LP)**
    - **Agency Plus (DU)**
  - **Non-AUS**
    - Unsecured loans are eligible in conjunction with employer assisted housing programs ONLY.
    - Reference: See Employer Assisted Housing Programs previously presented in this topic for additional information.

  - **Fannie Mae DU**
    - Unsecured loans are eligible in conjunction with employer assisted housing programs and for loans that meet the minimum borrower contribution requirements.
    - Reference: See Employer Assisted Housing Programs previously presented in this topic for additional information.
    - The following applies to the unsecured loan:
      - the provider of funds cannot be an interested party to the transaction, nor can the provider obtain the funds to lend to the borrower from an interested party to the transaction,
      - the loan may be from an employer, public agency or nonprofit agency,
      - funds may be used for the down payment, closing costs and prepaids,

  - **Freddie Mac LP**
    - An unsecured loan is a loan that meets all of the following:
      - It is not documented in the local jurisdiction’s land records and is not secured by the mortgaged premises
      - Does not contain provisions that allow or could result in negative amortization
      - Has a maturity date that

- **STM to STM Transactions**
  - **Existing purchase money subordinate financing may NOT be paid off with the proceeds of the DU Refi Plus mortgage loan. All existing subordinate financing must be re-subordinated to maintain the first lien priority of the new DU Refi Plus mortgage loan.**
    - **Notes:**
      - A borrower is permitted to pay off or pay down an existing second mortgage from their own funds.
      - Additional credit overlays may apply for transactions where existing subordinate financing is being re-subordinated.
      - The borrower may receive up to $250 cash back at closing.
    - **Property Assessed Clean Energy (PACE) Loans**
      - A PACE loan may not be paid off with the loan proceeds or remain in a first or subordinate lien position on a DU Refi Plus loan.

- **Non-STM to STM Transactions**
  - STM to STM guidelines apply.

- **Unsecured Loans**
  - **Correspondent Section 2.01 Agency Loan Programs-Guideline**
    - **Standard Agency (non-AUS, DU & LP)**
    - **Agency Plus (DU)**
  - **Non-AUS**
    - Personal unsecured loans are not an acceptable source of funds for the down payment, closing costs, or financial reserves. Examples of personal unsecured loans include signature loans, lines of credit on credit cards, and overdraft protection on checking accounts.
    - Unsecured loans are eligible in conjunction with employer assisted housing programs ONLY.
    - Reference: See Employer Assisted Housing Programs previously presented in this topic for additional information.

  - **Fannie Mae DU**
    - Follow DU requirements, which are the same as Non-AUS guidelines.

  - **Freddie Mac LP**
    - An unsecured loan is a loan that meets all of the following:
      - It is not documented in the local jurisdiction’s land records and is not secured by the mortgaged premises
      - Does not contain provisions that allow or could result in negative amortization
      - Has a maturity date that
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<td>• loans from employers and public or nonprofit agencies must be documented with a complete copy of an award letter or legal agreement from the provider and evidence of funds transfer, and the loan must be a fixed rate loan (at an interest rate not more than 2% over the mortgage note rate, no balloon payments in the first five [5] years). <strong>Note:</strong> Credit unions are NOT considered nonprofit institutions.</td>
<td>• Does not exceed the maturity date of the mortgage, and • Is at least five years after the note date of the mortgage, unless the unsecured loan is fully amortizing • Has an interest rate that is no greater than the note rate on the mortgage • Is not a cash advance from a credit card or unsecured line of credit • Has its source, terms and conditions documented on the Form 65, Uniform Residential Loan Application • Has its terms documented in the mortgage file • For purchase transactions, the required minimum down payment from borrower personal funds, as applicable, is satisfied • If used in connection with a purchase transaction, the lender is not an interested party to the transaction, and did not obtain funds from an interested party to the transaction • For purchase transactions, if the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the first lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio • For purchase transactions, the mortgage file must contain written evidence of the transfer of the unsecured loan proceeds, if they are not verified in the borrower's account.</td>
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<td>Freddie Mac LP Unsecured loans are ineligible.</td>
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