Agency Guideline Revisions

***Note**: Truist specific overlays are underlined.*

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER November 20, 2020
Appraisal Requirements	Correspondent Section 1.07 Appraisal Guidelines	• Standard Agency (LPA) • Agency Plus (LPA) • Home Possible® (LPA) • Texas Section 50(a)(6) Mortgages (LPA)	**Appraisal Analysis: Agency Loan Programs / Neighborhood Section of the Appraisal Report** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • The "Neighborhood" section of the appraisal report requires the appraiser to: identify the neighborhood boundaries; describe the neighborhood characteristics as either "Urban," "Suburban" or "Rural"; describe the percent built-up as either "Over 75%," "25-75%" or "Under 25%"; describe the growth rate as either "Rapid," "Stable" or "Slow"; and to report on market conditions, housing trends, price and age ranges and present land uses for the properties in the neighborhood. • Mortgages secured by residential properties in urban, suburban and rural market areas are eligible for delivery to Freddie Mac as long as the mortgaged premises is adequate collateral for the transaction based on the value, condition and marketability of the property. Neighborhood or market area characteristics and market conditions vary based on property location. Characteristics that are typical in certain locations may not exist in other locations; therefore, they must be viewed in the context of the location of the property. **For example**: Urban locations often consist of a variety of different property types that have different uses. It is not unusual to find properties with mixed-uses such as residential properties with a secondary business or commercial use in urban neighborhoods. Additionally, rural locations may have agricultural zoning and/or consist of a variety of different property types and land uses, such as large sites with an outbuilding(s), farms, ranches and undeveloped land, etc. • The existence of non-residential property types or land uses such as agricultural properties, undeveloped land and land development properties within the neighborhood or market area is a characteristic that the appraiser considers when performing the neighborhood or market area analysis. These non-residential properties or land uses in the neighborhood or market area do not make the residential properties in those locations ineligible. For example, a property located in a rural area where agricultural activities are prevalent may be eligible if it is determined the subject property is residential based on the subject property's characteristics and land use. • Outbuildings on a property, such as barns or stables, must be considered in the underwriting process to determine whether the property is primarily residential or non-residential. A property with a small barn or stable may be acceptable if the contributory value of the outbuilding(s) is minimal in relation to the total appraised value of the subject property. The appraiser must demonstrate in the appraisal (e.g., through the use of comparable sales, pending sales or listings) that these characteristics are typical for residential properties in the market area. • When a property has a large outbuilding, such as a large barn, or silo, or multiple outbuildings or facilities for farm-type animals, it may indicate that the property is agricultural or non-residential regardless of whether the appraiser assigns value to these improvements, and ineligible as security for a Freddie Mac mortgage. • Properties in rural locations often have relatively large sites as compared to other locations. In addition, there may be a lack of comparable sales due to the relatively low number of recent sales transactions in the market area. In such cases, appraisers may have to use comparable sales that are located a considerable distance from the subject property or comparable sales that are not very similar to the subject property. This is acceptable as long as the appraiser can justify and support the use of the comparable sales and analysis in the appraisal report. For example, if the subject property is a ranch-style home on a large parcel of land (e.g., 44 acres), the most relevant comparable sales may be two-story homes located on smaller parcels (e.g., 6-12 acres) that are located some distance from the subject property (e.g., 8-18 miles away). If an appraiser uses comparable sales such as the ones in this example, he or she must provide a reasonable justification for the use and make appropriate adjustments to account for the differences between the properties and/or location.	**Appraisal Analysis: Agency Loan Programs / Neighborhood Section of the Appraisal Report** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • The "Neighborhood" section of the appraisal report requires the appraiser to: identify the neighborhood boundaries; describe the neighborhood characteristics as either "Urban," "Suburban" or "Rural"; describe the percent built-up as either "Over 75%," "25-75%" or "Under 25%"; describe the growth rate as either "Rapid," "Stable" or "Slow"; and to report on market conditions, one-unit housing trends, price and age ranges and present land uses for the properties in the neighborhood. • Mortgages secured by residential properties in urban, suburban and rural market areas are eligible for delivery to Freddie Mac as long as the mortgaged premises is adequate collateral for the transaction based on the value, condition and marketability of the property. Market conditions and neighborhood or market area characteristics vary based on property location. • Freddie Mac will purchase eligible mortgages in all markets whether market values are increasing, stable, or declining. The appraiser must perform an analysis of listings and contract sales in addition to closed sales to determine the trend of neighborhood property values and marketing times. Appraisers must pay particular attention to the use of sales or financing concessions in a neighborhood or market area as they may be an indication of over-supply, extended marketing times, and declining market values. The appraiser must include an explanation of their conclusions in the appraisal report. • Neighborhood or market area characteristics that are typical in certain locations may not exist in other locations; therefore, they must be viewed in the context of the location of the property. **For example**: Urban locations often consist of a variety of different property types that have different uses. It is not unusual to find properties with mixed-uses such as residential properties that also have a commercial use in urban neighborhoods. Additionally, rural locations may have agricultural zoning and/or consist of a variety of different property types and land uses, such as large sites with an outbuilding(s), farms, ranches and undeveloped land, etc. • A mixed-use property or the existence of non-residential property types or land uses such as agricultural properties, undeveloped land and land development properties within the neighborhood or market area are characteristics that the appraiser considers when performing the neighborhood or market area analysis. These non-residential properties or land uses in the neighborhood or market area do not make the residential properties in those locations ineligible. For example, a property located in a rural area where agricultural activities are prevalent may be eligible if it is determined the subject property is residential based on the subject property's characteristics and land use. • ~~Outbuildings on a property, such as barns or stables, must be considered in the underwriting process to determine whether the property is primarily residential or non-residential. A property with a small barn or stable may be acceptable if the contributory value of the outbuilding(s) is minimal in relation to the total appraised value of the subject property. The appraiser must demonstrate in the appraisal (e.g., through the use of comparable sales, pending sales or listings) that these characteristics are typical for residential properties in the market area.~~ • ~~When a property has a large outbuilding, such as a large barn, or silo, or multiple outbuildings or facilities for farm-type animals, it may indicate that the property is agricultural or non-residential regardless of whether the appraiser assigns value to these improvements, and ineligible as security for a Freddie Mac mortgage.~~ • ~~Properties in rural locations often have relatively large sites as compared to other locations. In addition, there may be a lack of comparable sales due to the relatively low number of recent sales transactions in the market area. In such cases, appraisers may have to use comparable sales that are located a considerable distance from the subject property or comparable sales that are not very similar to the~~

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				~~subject property. This is acceptable as long as the appraiser can justify and support the use of the comparable sales and analysis in the appraisal report. For example, if the subject property is a ranch-style home on a large parcel of land (e.g., 44 acres), the most relevant comparable sales may be two-story homes located on smaller parcels (e.g., 6-12 acres) that are located some distance from the subject property (e.g., 8-18 miles away). If an appraiser uses comparable sales such as the ones in this example, he or she must provide a reasonable justification for the use and make appropriate adjustments to account for the differences between the properties and/or location.~~

			Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			
			***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
			
			• **Conformity of Improvements to Neighborhood**
			  • When the subject property does not conform to its neighborhood in terms of type, design, age, and the materials and techniques used in its construction, the appraisal must evaluate the effect the nonconformance has on the property's value and marketability. The appraisal must not improperly take into consideration the age of the dwelling.
				Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				
				***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
				
				• **Non-Conformity to the Neighborhood and Non-Traditional or Unique Property Types**
				  • When the subject property does not conform to its neighborhood in terms of type, design, age, materials or techniques used in its construction, the appraisal must evaluate the effect the nonconformance has on the property's value and marketability.
				  • Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to, "barndominiums" (barn conversions or barn-style buildings), "shouses" (living-space and work/storage combinations), berm homes, log homes and geodesic dome dwellings. The appraiser must demonstrate that the dwelling type or style is marketable and must ensure the property has an acceptable quality and condition rating. Additional analysis may be required to determine whether the design or style represents a mixed-use configuration. (See the "Mixed-Use Properties" subtopic within Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide* for mixed-use requirements.)
				  • The appraiser may use traditional homes as comparable sales for non-traditional or unique properties as long as the appraiser determines and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report.

			Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			
			***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
			
			• **Properties with Outbuildings**
			  • See the "Neighborhood Section of the Appraisal Report" subtopic previously outlined in this topic for guidance related to properties with outbuildings.
				Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				
				***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
				
				• **Outbuildings on a Property**
				  • Outbuildings on a property, such as barns or stables, must be considered in the underwriting process to determine whether the property is primarily residential or non-residential. A property with a small barn or stable may be acceptable if the contributory value of the outbuilding(s) is minimal in relation to the total appraised value of the subject property. The appraiser must demonstrate in the appraisal (e.g., through the use of comparable sales, pending sales or listings)

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				that these characteristics are typical for residential properties in the market area. • When a property has a large outbuilding, such as a large barn, or silo, or multiple outbuildings or facilities for farm-type animals, it may indicate that the property is agricultural or non-residential regardless of whether the appraiser assigns value to these improvements, and ineligible as security for a Freddie Mac mortgage.

			Appraisal Analysis: Agency Loan Programs / Sales Comparison Approach Section of the Appraisal Report
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			• Freddie Mac considers the sales comparison approach to be the most reliable approach to value. Therefore, a lender must place primary emphasis on this approach when reviewing and judging the acceptability of each appraisal report.
			
			• **Location**
			  • For appraisal report forms that are required to be completed using the UAD, the appraisal report form must include a rating of the location of the subject property and each comparable sale by providing a rating of either "Neutral," "Beneficial" or "Adverse." The location rating is for the location of the subject property within the neighborhood or market area, and is not a rating for the overall neighborhood or market area.
			  • The location rating (which will be abbreviated as N, B, or A in the appraisal report form) should describe the overall effect on value and marketability of the location of the property within the neighborhood.
			
			• **View**
			  • For appraisal report forms that are required to be completed using the UAD, the overall view associated with the subject property and each comparable sale must be rated as either "Neutral," "Beneficial" or "Adverse." The UAD view rating (which will be abbreviated as N, B, or A in the appraisal) should describe the overall effect on value and marketability of the view associated with the property.
			  • In all appraisals, appropriate adjustments must be made for differences in view between the subject property and each comparable property to reflect the value of the differences, if any, to the market.
			
			• **Condition and quality**
			  • In all appraisals, appropriate adjustments must be made for differences in condition and quality between the subject property and each comparable property to reflect the value, if any, of the differences to the market. Sometimes, it may be appropriate for an appraiser to make an adjustment for differences in quality and condition between the subject property and a comparable property even though the properties have the same UAD quality or condition rating. The appraiser is expected to provide a sufficient explanation of the basis and rationale for all adjustments (or, if necessary, lack of adjustments) within the appraisal report or addenda.
			
			Reference: See "Property Condition and Quality of Construction of the Improvements" within the "Appraisal Analysis: Agency Loan Programs" subtopic previously presented in this document for guidance.
				Appraisal Analysis: Agency Loan Programs / Sales Comparison Approach Section of the Appraisal Report
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				• Freddie Mac requires the use of the sales comparison approach in the development of the appraisal report.
				
				• **Adjustments**
				  • See "Adjustments" in the "Adjustments to Comparable Sales" subtopic subsequently presented in this topic for guidance.
				
				• **Sales and Financing Concessions**
				  • See "Sales and Financing Concessions" in the "Adjustments to Comparable Sales" subtopic subsequently presented in this topic for guidance.
				
				• **Date of Sale and Time Adjustments**
				  • See "Date of Sale and Time Adjustments" in the "Adjustments to Comparable Sales" subtopic subsequently presented in this topic for guidance.
				
				• **Location**
				  • For appraisal report forms that are required to be completed using the UAD, the appraisal report form must include a rating of the location of the subject property and each comparable sale by providing a rating of either "Neutral," "Beneficial" or "Adverse." The location rating is for the location of the subject property within the neighborhood or market area, and is not a rating for the overall neighborhood or market area. See *Appendix D – Field Specific Standardization Requirements of the Uniform Appraisal Dataset Specification ("UAD Specification")* for additional requirements regarding location.
				  • The location rating (which will be abbreviated as N, B, or A in the appraisal report form) should describe the overall effect on value and marketability of the location of the property within the neighborhood.
				  • The lender should be aware that there are varying conditions that characterize different types of locations. Conditions that are typical of certain locations may not be present in other locales. This does not mean that the conditions are unacceptable, rather that they must be viewed in context with the nature of the area in which the mortgaged premises is located.
				
				  For example:
				    • When the mortgaged premises is located in a suburban or urban area, the appraiser would most likely use comparable sales in the immediate vicinity of the property since suburban and urban areas are usually more densely developed and comparable sales are typically available in the subject neighborhood.
				    • Rural areas often have less real estate sales activity than more populated locations. Property

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			• **Sales Comparison Approach for 2- to 4-Unit Properties**
			  ◦ In addition to the other requirements in this section, the appraisal must contain the unadjusted units of comparison for the comparable sales. If the appraisal is prepared in conjunction with a purchase transaction, the units of comparison must be provided for the subject property as well. These units of comparison are the sales price per square foot of gross building area (GBA), per unit and per room and the gross rent multiplier (GRM). The comment area of the sales comparison analysis must reconcile the adjusted sales prices of the comparable sales and the unadjusted units of comparison, as appropriate, according to the manner in which such properties sell in the defined market area.
			  ◦ The appraiser must indicate in the comments area which factors are deemed most consistent and which factors typical investors or purchasers in that market consider when purchasing a similar property.
				sales in rural locations often involve a variety of property types and may have relatively large parcels as compared to other locations. Given the potential challenges with appraising properties in these market areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area. In such cases, appraisers may have to use older comparable sales, comparable sales that are located a considerable distance from the subject property or comparable sales that are not similar to the subject property. The appraiser must justify and support such use in the appraisal report. For example, if the subject property is a ranch-style home on a large parcel of land (e.g., 44 acres), the most relevant comparable sales may be two-story homes located on smaller parcels (e.g., 6-12 acres) that are located some distance from the subject property (e.g., 8-18 miles away). If an appraiser uses comparable sales such as the ones in this example, he or she must provide a reasonable justification for the use and make appropriate adjustments to account for the differences between the properties and/or location.
				
				• **View**
				  ◦ For appraisal report forms that are required to be completed using the UAD, the overall view associated with the subject property and each comparable sale must be rated as either "Neutral," "Beneficial" or "Adverse." The UAD view rating (which will be abbreviated as N, B, or A in the appraisal) should describe the overall effect on value and marketability of the view associated with the property. See *Appendix D – Field Specific Standardization Requirements of the UAD Specification* for additional requirements regarding view.
				  ◦ ~~In all appraisals, appropriate adjustments must be made for differences in view between the subject property and each comparable property to reflect the value of the differences, if any, to the market.~~
				
				Reference: See the "Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal (UCDP)" subtopic previously presented in this topic for additional information.
				
				• **Condition and Quality**
				  ◦ In all appraisals, appropriate adjustments must be made for differences in condition and quality between the subject property and each comparable property to reflect the value, if any, of the differences to the market. Sometimes, it may be appropriate for an appraiser to make an adjustment for differences in quality and condition between the subject property and a comparable property even though the properties have the same UAD quality or condition rating. ~~The appraiser is expected to provide a sufficient explanation of the basis and rationale for all adjustments (or, if necessary, lack of adjustments) within the appraisal report or addenda.~~
				
				References:
				  ◦ See the "Property Condition and Quality of Construction of the Improvements" subtopic previously presented in this topic for additional information related to the property condition and quality of construction.
				  ◦ See the "Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal (UCDP)" subtopic previously presented in this topic for additional information.
				
				• **Selection of Comparable Sales and Analysis**
				  ◦ See "Selection of Comparable Sales and Analysis" in the "Comparable Sales" subtopic subsequently presented in this topic for guidance.
				
				• **Sales Comparison Approach for 2- to 4-Unit Properties**

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			Appraisal Analysis: Agency Loan Programs / Comparable Sales
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			• **Selection of Comparable Sales and Analysis**
			  ○ The appraiser must report a minimum of three comparable sales as part of the sales comparison approach. The appraiser may submit more than three comparable sales, including contract sales
				○ In addition to the other requirements in this section, the appraisal must contain the unadjusted units of comparison for the comparable sales. If the appraisal is prepared in conjunction with a purchase transaction, the units of comparison must be provided for the subject property as well. These units of comparison are the sales price per square foot of gross building area (GBA), per unit and per room and the gross rent multiplier (GRM). The comment area of the sales comparison analysis must reconcile the adjusted sales prices of the comparable sales and the unadjusted units of comparison, as appropriate, according to the manner in which such properties sell in the defined market area.
				  ○ The appraiser must indicate in the comments area which factors are deemed most consistent and which factors typical investors or purchasers in that market consider when purchasing a similar property.
				
				• **Sale and Listing History**
				  ○ The appraiser must research, verify, analyze and report:
				    ▪ Any current agreement for sale for the subject property
				    ▪ Any offering for sale of the subject property in the twelve months prior to the effective date of the appraisal
				    ▪ Any prior sales or transfers of the subject property for the three years prior to the effective date of the appraisal
				    ▪ Any prior sales or transfers of each comparable sale for the year prior to the date of sale of each comparable sale
				  ○ The lender's review of the acceptability of each appraisal should include an analysis of the sale and listing history. The lender must confirm that the sale price trend in relation to the appraiser's opinion of market value is reasonable and representative of the market.
				  ○ For purchase transactions, the lender should analyze the appraisal report and the current contract for sale for the subject property.
				  ○ For both purchase and refinance transactions, the lender's underwriting analysis of the appraisal report should include any current listing or offering for sale for the subject property, the sales history of the subject property and comparable sales, and the current ownership of the subject property.
				  ○ To reduce the lender's risk of liability resulting from fraudulent or inaccurate appraisals, the lender should analyze the subject property and comparable sales and evaluate the time elapsed between the date(s) the property was acquired and the date(s) resold, or the date of the current resale contract, if applicable. If the sales history of the subject property or comparable sales indicates current or prior sale prices may be excessive, and resale dates occurred shortly after the property seller's acquisition of the property, the appraisal report should provide evidence to justify and support a rapidly appreciating real estate market, significant improvements that resulted in a corresponding increase in the property value or a previous sale that was below market value due to a distress or tax sale.
				
				Appraisal Analysis: Agency Loan Programs / Comparable Sales
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				• **Selection of Comparable Sales and Analysis**
				  ○ The appraiser must report a minimum of three comparable sales as part of the sales comparison approach. The appraiser may submit more than three comparable sales, including contract sales

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			(pending sales) and /or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales. Generally, the appraiser should use comparable sales that have been closed within the last 12 months. However, the appraiser may use older comparable sales, as long as the appraiser can justify and support such use in the appraisal report. The appraiser must comment on the reasons for using any comparable sales that are more than six months old.
			• Each comparable sale that is used in the sales comparison approach must be analyzed for differences and similarities between it and the property that is being appraised. The appraiser must make appropriate adjustments for location, terms and conditions of sale, date of sale, and the physical characteristics of the properties. The proper selection of comparable properties minimizes both the need for, and the size of, any price adjustments.
			• **Comparable sale requirements for properties in established subdivisions, units in established Planned Unit Developments (PUDs) or units in Established Condominium Projects**
			  • For properties located in established subdivisions, units in established PUDs or units in Established Condominium Projects, the appraiser should use comparable sales from within the subject subdivision or project when they are the best indicators of value for the subject property.
			• **Comparable sale requirements for properties in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects**
			  • To demonstrate the marketability and develop an opinion of market value for units in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects, the appraiser must comply with the following requirements:
			    • One comparable sale must be from inside the subject subdivision or project, when available. Additionally:
			      • The comparable sale from inside the subject subdivision or project can be a sale by the builder or developer of the subject property.
			      • If there are no closed comparable sales from inside the subject subdivision or project, contract sales may be used from inside the subject subdivision or project to satisfy this requirement. However, the use of contract sales must be in addition to the three actual closed sales obtained from outside the subject subdivision or project.
			      • In the event the subject subdivision or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision or project may be used. However, the appraiser must comment on the marketability of the new subdivision or project, and justify and support the use of the comparable sales from outside the new subdivision or project.
			    • One comparable sale from outside the subject subdivision or project, and
			    • The third comparable sale from either inside or outside the subject subdivision or project
			  • When resales are available from inside the subject subdivision or project, they are preferable and should be given significant consideration as they provide a reliable indicator of the market value of units within the subdivision or project.
			  • At a minimum, at least two comparable sales must be sales in which the builder or developer of the subject property is not involved in the sales transaction.
			• **Additional Requirements for Condominium Units**
			  • The appraiser must report the project name, the assessments, including special assessments and the property rights for each comparable sale and must compare them to the subject project. The appraiser must also identify the common elements including the amenities
				(pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales. Generally, the appraiser should use comparable sales that have been closed within the last 12 months. However, the appraiser may use older comparable sales, as long as the appraiser can justify and support such use in the appraisal report. The appraiser must comment on the reasons for using any comparable sales that are more than six months old.
				• The proper selection of comparable properties minimizes both the need for, and the size of, any price adjustments. Occasionally, there may be no similar or truly comparable sales for a particular property because of the uniqueness of the property or other conditions. As a result, additional due diligence on behalf of the appraiser may be necessary. In such cases, the appraiser must use knowledge and judgment to select comparable sales that represent the best indicators of value for the subject property.
				• Comparable sales may be taken from a competing neighborhood if:
				  • The appraiser has established that the neighborhoods are comparable and compete for the same buyers, and
				  • Comparable sales taken from the competing neighborhood are better indicators of current market trends in the subject neighborhood than the existing comparable sales available in the subject neighborhood
				• **Comparable Sale Requirements for Properties In Established Subdivisions, Units in Established Planned Unit Developments (PUDs) or Units In Established Condominium Projects**
				  • For properties located in established subdivisions, units in established PUDs or units in Established Condominium Projects, the appraiser should use comparable sales from within the subject subdivision or project when they are the best indicators of value for the subject property.
				• **Comparable Sale Requirements for Properties In New Subdivisions, Units In New PUDs or Units in Recently Converted or New Condominium Projects**
				  • To demonstrate the marketability and develop an opinion of market value for units in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects, the appraiser must comply with the following requirements:
				    • One comparable sale must be from inside the subject subdivision or project, when available. Additionally:
				      • The comparable sale from inside the subject subdivision or project can be a sale by the builder or developer of the subject property.
				      • If there are no closed comparable sales from inside the subject subdivision or project, contract sales may be used from inside the subject subdivision or project to satisfy this requirement. However, the use of contract sales must be in addition to the three actual closed sales obtained from outside the subject subdivision or project.
				      • In the event the subject subdivision or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision or project may be used. However, the appraiser must comment on the marketability of the new subdivision or project, and justify and support the use of the comparable sales from outside the new subdivision or project.
				    • One comparable sale must be from outside the subject subdivision or project, and
				    • The third comparable sale may be from either inside or outside the subject subdivision or project
				  • When resales are available from inside the subject subdivision or project, they are preferable

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			available to the unit owners, comment on their condition and analyze how they compare to the common elements and amenities of competing projects. Comparable sales must be from condominium projects in the same market, be similar to the subject project and compete for the same purchasers.
			• **Additional Appraisal Requirements for Detached Condominium Units**
			  • The appraiser must use similar detached condominium unit comparable sales from the same project or from similar detached condominium projects in the same market area. The appraiser may use other types of 1-unit detached comparable sales that are not located in a condominium project only if the appraiser supports the use of such sales in the appraisal report and reflects any effect that the condominium form of ownership has on the market value and marketability of the subject property.
			• **Additional Requirements for 2- to 4-Unit Properties**
			  • In addition to the other requirements and guidelines set forth in this section, the following requirements and guidelines are applicable to completing Form 72, Small Residential Income Property Appraisal Report, for 2- to 4-unit properties.
			    • **Comparable Rent Data for 2- to 4-unit Properties**
			      • At least three rental comparables must be analyzed in the "comparable rental data" section. These rental comparables must:
			        • Have current rental information
			        • Be units similar to and located near the subject property
			      • The rental comparables are usually not the same comparable properties used in the sales comparison approach. The appraisal report should state that the units and properties selected as rental comparables are comparable to the subject property (both the units and the overall property) and should accurately represent the rental market for the subject property unless otherwise stated in the report.
			• **Comparable sale requirements for a 1-Unit Property with an Accessory Unit (Legal or Legal Non-Conforming Zoning Compliance)**
			  • The appraiser must include:
			    • At least one comparable sale with an accessory unit, when available, to demonstrate the property's conformity and marketability to its market area. If a recent comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood, or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales.
			    • If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property.
			• **Comparable sale requirements for a 1-Unit Property with an Accessory Unit (Illegal Zoning Compliance)**
			  • The appraiser must include at least two comparable sales with each having only one accessory unit. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area.
				and should be given significant consideration as they provide a reliable indicator of the market value of units within the subdivision or project.
				  • At a minimum, at least two comparable sales must be sales in which the builder or developer of the subject property is not involved in the sales transaction.
				• **Additional Requirements for Condominium Units**
				  • The appraiser must report the project name, the assessments, including special assessments and the property rights for each comparable sale and must compare them to the subject project. The appraiser must also identify the common elements including the amenities available to the unit owners, comment on their condition and analyze how they compare to the common elements and amenities of competing projects.
				  • Comparable sales must be from condominium projects in the same market, be similar to the subject project and compete for the same purchasers.
				• **Additional Appraisal Requirements for Detached Condominium Units**
				  • The appraiser must use similar detached condominium unit comparable sales from the same project or from the same market area. The appraiser may use other types of 1-unit detached comparable sales that are not located in a condominium project only if the appraiser supports the use of such sales in the appraisal report and reflects any effect that the condominium form of ownership has on the market value and marketability of the subject property. Each appraisal must comply with all applicable requirements.
				• ~~**Additional Requirements for 2- to 4-Unit Properties**~~
				  • ~~In addition to the other requirements and guidelines set forth in this section, the following requirements and guidelines are applicable to completing Form 72, Small Residential Income Property Appraisal Report, for 2- to 4-unit properties.~~
				    • ~~**Comparable Rent Data for 2- to 4-unit Properties**~~
				      • ~~At least three rental comparables must be analyzed in the "comparable rental data" section. These rental comparables must:~~
				        • ~~Have current rental information~~
				        • ~~Be units similar to and located near the subject property~~
				      • ~~The rental comparables are usually not the same comparable properties used in the sales comparison approach. The appraisal report should state that the units and properties selected as rental comparables are comparable to the subject property (both the units and the overall property) and should accurately represent the rental market for the subject property unless otherwise stated in the report.~~
				• **Additional Requirements for Leasehold Estates**
				  • See the "Leasehold Estates" subtopic in the "Appraisal Requirements" topic within Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide* for requirements.)
				• **Comparable Sale Requirements for a 1-Unit Property with an Accessory Unit**
				  • See "Property with an Accessory Unit "in the "Improvements Section of the Appraisal Report" subtopic previously presented in this topic for guidance.
				• ~~**Comparable sale requirements for a 1-Unit Property with an Accessory Unit (Legal or Legal Non-Conforming Zoning Compliance)**~~
				  • ~~The appraiser must include:~~

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			• The lender should be aware that there are varying conditions that characterize different types of locations. Conditions that are typical of certain locations may not be present in other locales. This does not mean that the conditions are unacceptable, rather that they must be viewed in context with the nature of the area in which the mortgaged premises is located.
			
			For example:
			  ◦ When the mortgaged premises is located in a suburban or urban area, the appraiser would most likely use comparable sales in the immediate vicinity of the property since suburban and urban areas are usually more densely developed and comparable sales are typically available in the subject neighborhood.
			  ◦ Rural areas often have less real estate sales activity than more populated locations. Property sales in rural locations often involve a variety of property types, and may have relatively large parcels as compared to other locations. Given the potential challenges with appraising properties in these market areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area. In such cases, appraisers may have to use older comparable sales, comparable sales that are located a considerable distance from the subject property or comparable sales that are not similar to the subject property. The appraiser must justify and support such use in the appraisal report.
			
			• Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to, "barndominiums" (barn conversions or barn-style buildings), "shouses" (living-space and work/storage combinations), berm homes, log homes and geodesic dome dwellings. The appraiser must demonstrate that the dwelling type or style is marketable and must ensure the property has an acceptable quality and condition rating. Additional analysis may be required to determine whether the design or style represents a mixed-use configuration. (See the “Mixed-Use Properties” subtopic within Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide* for mixed-use requirements.)
			• The appraiser may use traditional homes as comparable sales for non-traditional or unique properties as long as the appraiser determines and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report.
			• Occasionally, there may be no similar or truly comparable sales for a particular property because of the uniqueness of the property or other conditions. As a result, additional due diligence on behalf of the appraiser may be necessary. In such cases, the appraiser must use knowledge and judgment to select comparable sales that represent the best indicators of value for the subject property.
			• In addition, comparable sales may be taken from a competing neighborhood if:
			  ◦ The appraiser has established that the neighborhoods are comparable and compete for the same buyers, and
			  ◦ Comparable sales taken from the competing neighborhood are better indicators of current market trends in the subject neighborhood than the existing comparable sales available in the subject neighborhood.
				◦ ~~At least one comparable sale with an accessory unit, when available, to demonstrate the property's conformity and marketability to its market area. If a recent comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood, or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales.~~
				◦ ~~If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property.~~
				• ~~**Comparable sale requirements for a 1-Unit Property with an Accessory Unit (Illegal Zoning Compliance)**~~
				  ◦ ~~The appraiser must include at least two comparable sales with each having only one accessory unit. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area.~~
				
				• ~~The lender should be aware that there are varying conditions that characterize different types of locations. Conditions that are typical of certain locations may not be present in other locales. This does not mean that the conditions are unacceptable, rather that they must be viewed in context with the nature of the area in which the mortgaged premises is located.~~
				
				~~For example:~~
				  ◦ ~~When the mortgaged premises is located in a suburban or urban area, the appraiser would most likely use comparable sales in the immediate vicinity of the property since suburban and urban areas are usually more densely developed and comparable sales are typically available in the subject neighborhood.~~
				  ◦ ~~Rural areas often have less real estate sales activity than more populated locations. Property sales in rural locations often involve a variety of property types, and may have relatively large parcels as compared to other locations. Given the potential challenges with appraising properties in these market areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area. In such cases, appraisers may have to use older comparable sales, comparable sales that are located a considerable distance from the subject property or comparable sales that are not similar to the subject property. The appraiser must justify and support such use in the appraisal report.~~
				
				• ~~Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to, "barndominiums" (barn conversions or barn-style buildings), "shouses" (living-space and work/storage combinations), berm homes, log homes and geodesic dome dwellings. The appraiser must demonstrate that the dwelling type or style is marketable and must ensure the property has an acceptable quality and condition rating. Additional analysis may be required to determine whether the design or style represents a mixed-use configuration. (See the “Mixed-Use Properties” subtopic within Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide* for mixed-use requirements.)~~

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				• ~~The appraiser may use traditional homes as comparable sales for non-traditional or unique properties as long as the appraiser determines and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report.~~
				• ~~Occasionally, there may be no similar or truly comparable sales for a particular property because of the uniqueness of the property or other conditions. As a result, additional due diligence on behalf of the appraiser may be necessary. In such cases, the appraiser must use knowledge and judgment to select comparable sales that represent the best indicators of value for the subject property.~~
				• ~~In addition, comparable sales may be taken from a competing neighborhood if:~~
				  • ~~The appraiser has established that the neighborhoods are comparable and compete for the same buyers, and~~
				  • ~~Comparable sales taken from the competing neighborhood are better indicators of current market trends in the subject neighborhood than the existing comparable sales available in the subject neighborhood.~~

			Appraisal Analysis: Agency Loan Programs / Adjustments to Comparable Sales
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			
			• **Adjustments**
			  • Each comparable sale must be analyzed for similarities and differences between it and the subject property. When the appraiser's analysis concludes an adjustment is necessary, the appraiser must make an adjustment for differences and indicate the dollar amount of the adjustment to reflect the value of the differences to the market. The appraiser may also need to consider whether the income approach, cost analysis, market surveys or other methods are appropriate for supporting adjustments.
			  • Comparable sales must be adjusted to the subject property, except for sales and financing concessions that must be adjusted to the market at the time of the sale. Large adjustments typically occur in rural markets, and with unique properties, due to limited market activity. Freddie Mac does not have limitations on gross or net adjustment percentages.
			
			• **Sales and Financing Concessions**
			  • The appraiser must independently verify and analyze all pending and recent sales of comparable properties, report how the sales were verified and whether concessions were granted. At least three verified, closed (settled) sales of comparable properties must be analyzed and market-based adjustments made for significant differences between the comparable sales and the subject property.
			  • Sales or financing concessions are offered by interested parties to the transaction (e.g., the builder, developer, property seller or real estate agent). Because the effect of concessions on sale prices can vary with the type and amount of the concessions, any adjustments to comparable sales must be based on the market reaction to them. The appraiser should provide comparable sales that sold without concessions to justify and support the adjustments made in determining the market reaction to the concessions. Adjustments may not be based solely on dollar-for-dollar deductions equal to the dollar value of the concessions. If comparable sales without concessions are not available, adjustments to comparable sales with concessions must reflect the differences
				Appraisal Analysis: Agency Loan Programs / Adjustments to Comparable Sales
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				• **Adjustments**
				  • Each comparable sale must be analyzed for similarities and differences between it and the subject property. When the appraiser's analysis concludes an adjustment is necessary, the appraiser must make an adjustment for differences and indicate the dollar amount of the adjustment to reflect the value of the differences to the market. The appraiser may also need to consider whether the income approach, cost analysis, market surveys or other methods are appropriate for supporting adjustments. The appraiser must provide a sufficient explanation of the basis and rationale for all adjustments (or, if necessary, lack of adjustments) within the appraisal report or addenda.
				  • Comparable sales must be adjusted to the subject property, except for sales and financing concessions that must be adjusted to the market at the time of the sale. Large adjustments typically occur in rural markets, and with unique properties, due to limited market activity. Freddie Mac does not have limitations on gross or net adjustment percentages.
				
				• **Sales and Financing Concessions**
				  • The appraiser must independently verify and analyze all pending and recent sales of comparable properties, report how the sales were verified and whether concessions were granted. At least three verified, closed (settled) sales of comparable properties must be analyzed and market-based adjustments made for significant differences between the comparable sales and the subject property.
				  • Sales or financing concessions are offered by interested parties to the transaction (e.g., the builder, developer, property seller or real estate agent). Because the effect of concessions on sale prices can vary with the type and amount of the concessions, any adjustments to comparable sales must be based on the market reaction to them. The appraiser should provide comparable sales that sold without concessions to justify and support the adjustments made in determining the market reaction to the concessions. Adjustments may not be based solely on dollar-for-dollar deductions equal to the dollar value of the concessions. If comparable sales without concessions are not available, adjustments to comparable sales with concessions must reflect the differences

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			between what the comparable sales actually sold for with the concessions and what they would have sold for without the concessions. • The appraiser's opinion of market value must reflect the value of the subject property without the concessions. The appraiser must also provide the dollar value of the concessions as a comment in the appraisal report. Reference: See the "Interested Party Contributions (IPCs)" topic outlined in Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide* for information related to sales or financing concessions for the subject transaction. • **Sale and Listing History** • The appraiser must research, verify, analyze and report: • Any current agreement for sale for the subject property • Any offering for sale of the subject property in the twelve months prior to the effective date of the appraisal • Any prior sales or transfers of the subject property for the three years prior to the effective date of the appraisal • Any prior sales or transfers of each comparable sale for the year prior to the date of sale of each comparable sale • The lender's review of the acceptability of each appraisal should include an analysis of the sale and listing history. The lender must confirm that the sale price trend in relation to the appraiser's opinion of market value is reasonable and representative of the market. • For purchase transactions, the lender should analyze the appraisal report and the current contract for sale for the subject property. • For both purchase and refinance transactions, the lender's underwriting analysis of the appraisal report should include any current listing or offering for sale for the subject property, the sales history of the subject property and comparable sales, and the current ownership of the subject property. • To reduce the lender's risk of liability resulting from fraudulent or inaccurate appraisals, the lender should analyze the subject property and comparable sales and evaluate the time elapsed between the date(s) the property was acquired and the date(s) resold, or the date of the current resale contract, if applicable. If the sales history of the subject property or comparable sales indicates current or prior sale prices may be excessive, and resale dates occurred shortly after the property seller's acquisition of the property, the appraisal report should provide evidence to justify and support a rapidly appreciating real estate market, significant improvements that resulted in a corresponding increase in the property value or a previous sale that was below market value due to a distress or tax sale.	between what the comparable sales actually sold for with the concessions and what they would have sold for without the concessions. • The appraiser's opinion of market value must reflect the value of the subject property without the concessions. The appraiser must also provide the dollar value of the concessions as a comment in the appraisal report. Reference: See the "Interested Party Contributions (IPCs)" topic outlined in Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide* for information related to lender treatment of sales or financing concessions. • **Date of Sale and Time Adjustments** • The appraisal report must include time adjustments to reflect any change in market conditions over the period analyzed. This is essential to determine an accurate market value for the subject property. Time adjustments reflect market condition changes from the time a comparable went under contract to the effective date of the subject property appraisal. Adjustments may be either positive or negative and should be supported by comparables that may include listings, contract sales or closed sales. The appraiser must provide an explanation for the use of time adjustments. • ~~**Sale and Listing History**~~ • ~~The appraiser must research, verify, analyze and report:~~ • ~~Any current agreement for sale for the subject property~~ • ~~Any offering for sale of the subject property in the twelve months prior to the effective date of the appraisal~~ • ~~Any prior sales or transfers of the subject property for the three years prior to the effective date of the appraisal~~ • ~~Any prior sales or transfers of each comparable sale for the year prior to the date of sale of each comparable sale~~ • ~~The lender's review of the acceptability of each appraisal should include an analysis of the sale and listing history. The lender must confirm that the sale price trend in relation to the appraiser's opinion of market value is reasonable and representative of the market.~~ • ~~For purchase transactions, the lender should analyze the appraisal report and the current contract for sale for the subject property.~~ • ~~For both purchase and refinance transactions, the lender's underwriting analysis of the appraisal report should include any current listing or offering for sale for the subject property, the sales history of the subject property and comparable sales, and the current ownership of the subject property.~~ • ~~To reduce the lender's risk of liability resulting from fraudulent or inaccurate appraisals, the lender should analyze the subject property and comparable sales and evaluate the time elapsed between the date(s) the property was acquired and the date(s) resold, or the date of the current resale contract, if applicable. If the sales history of the subject property or comparable sales indicates current or prior sale prices may be excessive, and resale dates occurred shortly after the property seller's acquisition of the property, the appraisal report should provide evidence to justify and support a rapidly appreciating real estate market, significant improvements that resulted in a corresponding increase in the property value or a previous sale that was below market value due to a distress or tax sale.~~

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			Appraisal Analysis: Agency Loan Programs / Cost and Income Approach to Value
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			• **Cost Approach**
			  • The cost approach to value is not required for appraisals of attached planned unit development or condominium units.
			  • The lender may request the appraiser to develop and report the cost approach to value when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the lender did not request it.
			  • In markets with unique property styles, a lack of comparable sales, or the presence of unique features such as outbuildings, the cost approach to value can provide support for adjustments made in the sales comparison approach. The cost approach to value may be appropriate especially when appraising properties that are:
			    • New or proposed construction
			    • Under renovation
			    • Unique because of property features (e.g., outbuildings, stables, pole-barns, or shops)
			    • Unique because of their styles or construction methods (e.g., barn conversions ("barndominiums"), "shouses" (living-space and work/storage combinations), berm homes, log homes, or geodesic dome dwellings), or
			    • Not typical for the market or have functional obsolescence
			  • When the cost approach to value is developed, the appraiser must make proper adjustments for any items detrimental to stability or marketability, such as physical, functional and external depreciation that are not typical for the market.
			  • Appraisals that rely primarily on the cost approach to value for the opinion of market value are unacceptable.
			
			• **Income Approach**
			  • The income approach to value is required for appraisals of 2- to 4-unit properties. The lender may request the appraiser to develop and report the income approach to value when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the lender did not request it.
			  • Appraisals that rely primarily on the income or cost approaches to value in order to estimate market value are unacceptable.
				Appraisal Analysis: Agency Loan Programs / Cost and Income Approach to Value
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				• **Cost Approach**
				  • The cost approach to value is not required.
				  • The lender may request the appraiser to develop and report the cost approach to value when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the lender did not request it.
				  • In markets with unique property styles, a lack of comparable sales, or the presence of unique features such as outbuildings, the cost approach to value can provide support for adjustments made in the sales comparison approach. The cost approach to value may be appropriate especially when appraising properties that are:
				    • New or proposed construction
				    • Under renovation
				    • Unique because of property features (e.g., outbuildings, stables, pole-barns, or shops)
				    • Unique because of their styles or construction methods (e.g., barn conversions ("barndominiums"), "shouses" (living-space and work/storage combinations), berm homes, log homes, or geodesic dome dwellings), or
				    • Not typical for the market or have functional obsolescence
				  • When the cost approach to value is developed, the appraiser must make proper adjustments for any items detrimental to stability or marketability, such as physical, functional and external depreciation that are not typical for the market.
				  • Appraisals that rely solely on the cost approach to value for the opinion of market value are unacceptable.
				  • Freddie Mac does not require an estimate of remaining economic life.
				
				• **Income Approach**
				  • The income approach to value is required for appraisals of 2- to 4-unit properties. The lender may request the appraiser to develop and report the income approach to value when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the lender did not request it.
				  • Appraisals that rely solely on the income or cost approaches to value in order to estimate market value are unacceptable.

Cash-Out Refinance Mortgages	Correspondent Section 2.01 Agency Loan Programs	• Standard Agency (LPA) • Agency Plus (LPA) • Texas Section 50(a)(6) Mortgages (LPA)	**Refinances / Cash-Out Refinance** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • A cash-out refinance mortgage must meet the applicable requirements outlined in the "Continuity of Obligation" subtopic previously presented in this topic. • 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, except as specified below.	**Refinances / Cash-Out Refinance** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • A cash-out refinance mortgage must meet the applicable requirements outlined in the "Continuity of Obligation" subtopic previously presented in this topic. • 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 considered a cash-out refinance mortgage, except for CHOICERenovation® mortgages when proceeds are used only to finance the eligible renovations as described in the "Freddie Mac's CHOICERenovation℠ Mortgage" guidelines previously presented in the "Eligible Transactions" topic. These CHOICERenovation

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			• 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, the following requirement(s) must be met:
			  • At least one borrower on the refinance mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership)
			OR
			  • All of the Delayed Financing Cash-Out Refinance guidelines must be met. See the Delayed Financing Cash-Out Refinance subtopic for further details.
			
			Reference: See the Property Assessed Clean Energy (PACE) Loans subtopic for additional information.
				mortgages are considered "no cash-out" refinance mortgages. For more information, see the "Freddie Mac's CHOICERenovation℠ mortgage" guidelines previously presented in the "Eligible Transactions" topic.
				• At least one borrower must have been on the title to the subject property for at least six months prior to the note date, except as specified below.
				• For cases in which the property is a leasehold estate, at least one borrower must have been lessee on the ground lease or lease agreement of the subject leasehold estate for at least six months.
				• 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, the following requirement(s) must be met:
				  • At least one borrower on the refinance mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership)
				OR
				  • All of the Delayed Financing Cash-Out Refinance guidelines must be met. See the "Delayed Financing Cash-Out Refinance" subtopic for further details.
				
				Reference: See the "Property Assessed Clean Energy (PACE) Loans" subtopic for additional information.

CHOICERenovation Mortgages	Correspondent Section 2.01 Agency Loan Programs
	
	&
	
	Correspondent Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages
		• Standard Agency (LPA)
		• Agency Plus (LPA)
		• Home Possible® (LPA)
		• Texas Section 50(a)(6) Mortgages (LPA)
			Section 2.01 Agency Loan Programs
			Refinances / Limited Cash-Out Refinance (LPA Terminology: "No Cash-Out" Refinance)
			
			***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			• A "no cash-out" refinance mortgage must meet the applicable requirements outlined in the "Continuity of Obligation" subtopic previously presented in this topic.
			• 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
			
			Truist Note: Truist provides the following GSE clarification:
			  • If paying off an existing HELOC in first lien position, the HELOC must be paid off and closed.
			
			  • Pay off or pay down any junior liens secured by the mortgaged premises, that were used in their entirety to acquire the subject property. Any remaining balance must be subordinated to the refinance mortgage.
			  • Pay related closing costs
			  • Disburse cash out to the borrower (or any other payee) up to the greater of 1% of the new refinance mortgage or $2,000
			  • Pay off the outstanding balance of a land contract or contract for deed if the requirements in the "Installment Land Contract" subtopic are met
			  • Pay off of a Property Assessed Clean Energy (PACE) or PACE-like obligation, subject to the additional requirements outlined in the "Property Assessed Clean Energy (PACE) Loans" subtopic
			  • For GreenCHOICE Mortgages℠, pay off the existing mortgage debt and any existing debt for which the funds were used to finance energy and/or water efficiency improvements, with such debt being limited to 15% of the appraised value, subject to the additional requirements outlined in the "Fannie Mae's HomeStyle® Energy for Improvements on Existing Properties/Freddie Mac's GreenCHOICE Mortgages℠" subtopic
			  • For GreenCHOICE Mortgages℠, pay off the existing mortgage debt and finance energy and/or water efficiency improvements, subject to the additional requirements outlined in the "Fannie
				Section 2.01 Agency Loan Programs
				Refinances / Limited Cash-Out Refinance (LPA Terminology: "No Cash-Out" Refinance)
				
				***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				• A "no cash-out" refinance mortgage must meet the applicable requirements outlined in the "Continuity of Obligation" subtopic previously presented in this topic.
				• 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
				
				Truist Note: Truist provides the following GSE clarification:
				  • If paying off an existing HELOC in first lien position, the HELOC must be paid off and closed.
				
				  • Pay off or pay down any junior liens secured by the mortgaged premises, that were used in their entirety to acquire the subject property. Any remaining balance must be subordinated to the refinance mortgage.
				  • Pay related closing costs
				  • Disburse cash out to the borrower (or any other payee) up to the greater of 1% of the new refinance mortgage or $2,000
				  • Pay off the outstanding balance of a land contract or contract for deed if the requirements in the "Installment Land Contract" subtopic are met
				  • Pay off of a Property Assessed Clean Energy (PACE) or PACE-like obligation, subject to the additional requirements outlined in the "Property Assessed Clean Energy (PACE) Loans" subtopic
				  • For GreenCHOICE® Mortgages, pay off existing debts incurred to make energy and/or water efficiency improvements, with such debt being limited to 15% of the appraised value, subject to the additional requirements outlined in the "Fannie Mae's HomeStyle® Energy for Improvements on Existing Properties/Freddie Mac's GreenCHOICE Mortgages®" subtopic
				  • For GreenCHOICE Mortgages, finance energy and/or water efficiency improvements, subject to the additional requirements outlined in the "Fannie Mae's HomeStyle® Energy for Improvements on Existing Properties/Freddie Mac's GreenCHOICE® Mortgages" subtopic

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			Mae's HomeStyle® Energy for Improvements on Existing Properties/Freddie Mac's GreenCHOICE Mortgages℠" subtopic
			• In the event there are remaining proceeds from the "no cash-out" refinance mortgage after the proceeds are applied as described above:
			  • The mortgage amount must be reduced, or
			  • The excess amount must be applied as a principal curtailment to the new refinance mortgage at closing and must be clearly reflected on the Settlement/Closing Disclosure Statement.
			• Under no circumstances may cash disbursed to the borrower (or any other payee) exceed the maximum permitted for "no cash-out" refinance mortgages.
			
			All other currently published guidelines in this section remain the same.
			
			--- 	
			
			Section 2.01 Agency Loan Programs
			Eligible Transactions
			Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation℠ Mortgage
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			
			***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
			
			• **General Eligibility Requirements**
			  • **Required Completion Date**
			    • With the exception of LIBOR ARM loans, all renovation work <u>must be completed and the loan delivered to Truist for purchase within 9 months of the date of the mortgage note</u>.
			    • For All LIBOR ARM loans, all renovation work <u>must be completed</u> and the loan delivered to Truist for purchase within 5 months of the date of the mortgage note.
			
			  • **Mortgage Purpose**
			    • CHOICERenovation mortgages must be either purchase transaction or "no cash-out" refinance mortgages with proceeds used as follows:
			      • For purchase transaction mortgages, CHOICERenovation mortgage proceeds may be used to purchase the mortgaged premises and to pay for the eligible renovations described in this section
			      • For "no cash-out" refinance mortgages, CHOICERenovation mortgage proceeds may be used as described in the "Limited Cash-Out Refinance (LPA Terminology: "No Cash-Out" Refinance)" subtopic subsequently presented in this document and may also be used to pay for the eligible renovations described in this section, except that proceeds may not be used to disburse cash out to the borrower
				• For CHOICERenovation® Mortgages, pay off the exiting mortgage debt and/or finance the eligible renovations (subject to the additional requirements) outlined in the "Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation® Mortgage" subtopic
				• In the event there are remaining proceeds from the "no cash-out" refinance mortgage after the proceeds are applied as described above:
				  • The mortgage amount must be reduced, or
				  • The excess amount must be applied as a principal curtailment to the new refinance mortgage at closing and must be clearly reflected on the Settlement/Closing Disclosure Statement.
				• Under no circumstances may cash disbursed to the borrower (or any other payee) exceed the maximum permitted for "no cash-out" refinance mortgages.
				
				All other currently published guidelines in this section remain the same.
				
				--- 	
				
				Section 2.01 Agency Loan Programs
				Eligible Transactions
				Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation® Mortgage
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				
				***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
				
				• **General Eligibility Requirements**
				  • **Required Completion Date**
				    • With the exception of LIBOR ARM loans, all renovation work <u>must be completed and the loan delivered to Truist for purchase within 9 months of the date of the mortgage note</u>.
				    • For all ARM loans, all renovation work <u>must be completed</u> and the loan delivered to Truist for purchase within 5 months of the date of the mortgage note.
				
				  • **Mortgage Purpose**
				    • CHOICERenovation mortgages must be either purchase transaction or "no cash-out" refinance mortgages with proceeds used as follows:
				      • For purchase transaction mortgages, CHOICERenovation mortgage proceeds may be used to purchase the mortgaged premises and to pay for the eligible renovations described in this section
				      • For "no cash-out" refinance mortgages, CHOICERenovation mortgage proceeds may be used as described in the "Limited Cash-Out Refinance (LPA Terminology: "No Cash-Out" Refinance)" subtopic subsequently presented in this document, except that proceeds may not be used to disburse cash out to the borrower. A CHOICERenovation mortgage secured by a property previously owned free and clear by the borrower is considered a "no cash-out" refinance mortgage if the proceeds are used only to finance the eligible renovations described in the "Eligible Renovations" section below. At least one borrower must have been on the title to the subject property for at least six months prior to the note date, unless one of the exceptions to this title requirement that are specified in the "Cash-Out Refinance" subtopic, subsequently presented in this document, applies.

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			Section 2.01 Agency Loan Programs
			Eligible Transactions
			Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation℠ Mortgage
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			
			***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
			
			• **Eligible Renovations**
			  • **Eligible and Ineligible Uses of Mortgage Proceeds**
			    • CHOICERenovation mortgage proceeds must only be used to finance renovations that are made to an existing dwelling, and may include:
			      • Fees related to plans and specifications, permits, title updates, appraisals, draw inspections and the final inspection
			      • An amount up to, but no more than, six monthly payments of principal, interest, taxes and insurance (PITI)
			    • Proceeds may be used to renovate or repair a property that has been damaged in a disaster or for renovations that will protect the mortgaged premises in case of a future disaster (e.g., storm surge barriers, foundation retrofitting for earthquakes, retaining walls, etc.)
			    • Proceeds may not be used:
			      • To raze an existing structure and build a new dwelling
			      • For personal property with the exception of new appliances
			
			  Note: There are no further restrictions on the type of renovations that may be financed in accordance with this offering.
			
			  • **Compliance with Applicable Laws and Project Documents**
			    • Renovations must comply with all applicable state and local laws and regulations, including zoning regulations. All required permits and approvals must be obtained. Renovations of properties located in PUDs or Condominium projects must comply with all applicable project conditions, covenants and restrictions.
			
			--- 	
			
			Section 2.01 Agency Loan Programs
			Eligible Transactions
			Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation℠ Mortgage
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			
			***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
			
			• **Lender Responsibilities for Renovation Work and Process**
			  • **Responsibilities During the Renovation Period**
			    • During the renovation period, the lender is responsible for managing:
				Section 2.01 Agency Loan Programs
				Eligible Transactions
				Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation® Mortgage
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				
				***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
				
				• **Eligible Renovations**
				  • **Eligible and Ineligible Uses of Mortgage Proceeds**
				    • CHOICERenovation mortgage proceeds must only be used to finance renovations that are made to a property with an existing dwelling, and may include:
				      • Fees related to plans and specifications, permits, title updates, appraisals, draw inspections and the final inspection
				      • An amount up to, but no more than, six monthly payments of principal, interest, taxes and insurance (PITI)
				    • Proceeds may be used to renovate or repair a property that has been damaged in a disaster or for renovations that will protect the mortgaged premises in case of a future disaster (e.g., storm surge barriers, foundation retrofitting for earthquakes, retaining walls, etc.)
				    • Proceeds may not be used:
				      • To raze an existing structure and build a new dwelling
				      • For personal property with the exception of new appliances
				
				  Note: There are no further restrictions on the type of renovations that may be financed in accordance with this offering.
				
				  • **Compliance with Applicable Laws and Project Documents**
				    • Renovations must comply with all applicable state and local laws and regulations, including zoning regulations. All required permits and approvals must be obtained. Renovations of properties located in PUDs or condominium projects must comply with all applicable project conditions, covenants and restrictions.
				
				--- 	
				
				Section 2.01 Agency Loan Programs
				Eligible Transactions
				Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation® Mortgage
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				
				***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
				
				• **Lender Responsibilities for Renovation Work and Process**
				  • **Responsibilities During the Renovation Period**
				    • During the renovation period, the lender is responsible for managing:

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER November 20, 2020
			• Any changes to the plans and specifications the borrower has requested during the renovation process. If any changes are made to the plans and specifications and/or the estimated time of completion for the renovations, the changes must be agreed upon via a change order by the borrower and the contractor and approved by the lender. Documentation evidencing the change order must be signed by the borrower and the contractor and must include the following, as applicable: • Detailed description of the changes • Updated itemized renovation costs • Updated total cost of the renovations • Any changes to the estimated completion date • The lender may not approve changes to the plans and specifications if such changes impact LTVTLTV/HTLTV ratio or the property such that either the mortgage: • Would not have been eligible for sale to Freddie Mac on the settlement date (i.e. date the loan is sold to Freddie Mac), or • Would have been eligible for sale but under different terms • **Other Lender Responsibilities** • The lender is responsible for compliance with the following requirements: • The mortgage file must contain all relevant documentation, including, but not limited to, copies of costs of the renovations, purchase contracts, bids, appraisal(s), renovation contract, plans and specifications, permits and applicable homeowners association approvals, documents related to change orders and draws, certification of completion, and title updates • Unless the borrower, acting as general contractor, performs all the work in accordance with the "Borrower as Contractor" guidance below, all contractor(s) and/or tradespersons chosen by the borrower to complete the renovations must: • Have entered into an executed, binding renovation contract with the borrower to complete the renovations within a reasonable time period. The contract must include an indemnification provision requiring the contractor to indemnify the Borrower for any property loss or damage caused by the contractor, its employees or its subcontractors. • Be licensed and insured as required by local and/or state requirements, and • Be financially able to perform the duties necessary to complete the renovation work in a timely manner. • The lender must obtain title updates as necessary to ensure that the CHOICERenovation mortgage meets all title insurance requirements • After all renovations are completed there must be no outstanding liens related to the renovations and the CHOICERenovation mortgage must remain a valid first lien • **Lender Responsibilities for Third Parties** • For a CHOICERenovation mortgage, a third party may perform all or some of the processing, management and performance of draw inspections and/or maintenance and management of disbursements from the completion escrow account or custodial account for renovation funds (as described in the "Funds for Renovations Requirements" guidance below), as applicable, and other requirements described above as responsibilities or obligations of the lender. • Although these functions may not be performed directly by the lender, the lender is responsible for the accuracy and integrity of the information provided by the third party and for compliance with these and all Freddie Mac requirements.	• Any changes to the plans and specifications the borrower has requested during the renovation process. If any changes are made to the plans and specifications and/or the estimated time of completion for the renovations, the changes must be agreed upon via a change order by the borrower and the contractor and approved by the lender. Documentation evidencing the change order must be signed by the borrower and the contractor and must include the following, as applicable: • Detailed description of the changes • Updated itemized renovation costs • Updated total cost of the renovations • Any changes to the estimated completion date • The lender may not approve changes to the plans and specifications if such changes impact LTVTLTV/HTLTV ratio or the property such that either the mortgage: • Would not have been eligible for sale to Freddie Mac on the settlement date (i.e. date the loan is sold to Freddie Mac), or • Would have been eligible for sale but under different terms • **Other Lender Responsibilities** • The lender is responsible for compliance with the following requirements: • The mortgage file must contain all relevant documentation, including, but not limited to, copies of costs of the renovations, purchase contracts, bids, appraisal(s), renovation contract, plans and specifications, permits and applicable homeowners association approvals, documents related to change orders and draws, certification of completion, and title updates • Unless the borrower, acting as general contractor, performs all the work in accordance with the "Borrower as Contractor" guidance below, all contractor(s) and/or tradespersons chosen by the borrower to complete the renovations must: • Have entered into an executed, binding renovation contract with the borrower to complete the renovations within a reasonable time period. The contract must include an indemnification provision requiring the contractor to indemnify the Borrower for any property loss or damage caused by the contractor, its employees or its subcontractors. • Be licensed and insured as required by local and/or state requirements, and • Be financially able to perform the duties necessary to complete the renovation work in a timely manner. • The lender must obtain title updates as necessary to ensure that the CHOICERenovation mortgage meets all title insurance requirements • After all renovations are completed there must be no outstanding liens related to the renovations and the CHOICERenovation mortgage must remain a valid first lien • **Lender Responsibilities for Third Parties** • For a CHOICERenovation mortgage, a third party may perform all or some of the processing, management and performance of draw inspections and/or maintenance and management of disbursements from the completion escrow account or custodial account for renovation funds (as described in the "Funds for Renovations Requirements" guidance below), as applicable, and other requirements described above as responsibilities or obligations of the lender. (**Note**: A third party may not open and perform ongoing maintenance of the custodial account for renovation funds). • Although these functions may not be performed directly by the lender, the lender is responsible for the accuracy and integrity of the information provided by the third party and

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			Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages
			Eligible Transactions
			Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation℠ Mortgage
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			• Home Possible loans are eligible in combination with CHOICERenovation; however, the ***more restrictive*** requirements of Home Possible or CHOICERenovation apply when these two products are combined on a loan. For example, a Home Possible CHOICERenovation mortgage must be a primary residence transaction, whereas standard CHOICERenovation permits second homes and investment properties.
			
			Exceptions:
			  • For purchase transactions with LTV, TLTV, or HTLTV ratios 95.01 - 97% that combine Home Possible and CHOICERenovation, Freddie Mac is not requiring at least one borrower to be a first-time homebuyer.
			  • The mortgage insurance requirements for Home Possible apply when Home Possible and CHOICERenovation are combined. See the "Mortgage Insurance" topic subsequently presented in this document for additional details.
			
			• See the "Fannie Mae's HomeStyle Renovation / Freddie Mac CHOICERenovation Mortgage" subtopic presented in the "Eligible Transactions" topic of Section 2.01: Agency Loan Programs for additional guidance related to CHOICERenovation mortgage requirements.
				for compliance with these and all Freddie Mac requirements.
				
				Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages
				Eligible Transactions
				Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation® Mortgage
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				• Home Possible loans are eligible in combination with CHOICERenovation; however, the ***more restrictive*** requirements of Home Possible or CHOICERenovation apply when these two products are combined on a loan. For example, a Home Possible CHOICERenovation mortgage must be a primary residence transaction, whereas standard CHOICERenovation permits second homes and investment properties.
				
				Exceptions:
				  • For purchase transactions with LTV, TLTV, or HTLTV ratios 95.01 - 97% that combine Home Possible and CHOICERenovation, Freddie Mac is not requiring at least one borrower to be a first-time homebuyer.
				  • The mortgage insurance requirements for Home Possible apply when Home Possible and CHOICERenovation are combined. See the "Mortgage Insurance" topic subsequently presented in this document for additional details.
				
				• See the "Fannie Mae's HomeStyle Renovation / Freddie Mac CHOICERenovation Mortgage" subtopic presented in the "Eligible Transactions" topic of Section 2.01: Agency Loan Programs for additional guidance related to CHOICERenovation mortgage requirements.

Co-Signers, Guarantors and Non-Occupant Borrowers	Correspondent Section 2.01 Agency Loan Programs-Guideline	• Standard Agency (non-AUS & DU)
		• Agency Plus (DU)
		• HomeReady® Mortgage (non-AUS & DU)
			Eligible Borrowers / Non-Occupant Borrowers
			
			Non-AUS Loans
			• Non-occupant borrowers are credit applicants on a primary residence transaction who:
			  • Do not occupy the subject property;
			  • May or may not have an ownership interest in the subject property as indicated on the title;
			  • Sign the mortgage or deed of trust note;
			  • Have joint liability for the note with the borrower(s); and
			  • Do not have an interest in the property sales transaction, such as the property seller, the builder, or the real estate broker.
			• If the income of a co-borrower is used for qualifying purposes and that co-borrower will not occupy the subject property, the maximum LTV, TLTV, and HTLTV ratio may not exceed 90% (unless a Community Seconds is part of the transaction, in which case the TLTV ratio may not exceed 105% where permitted in the "Maximum LTV/TLTV/HTLTV Matrices").
			
			Fannie Mae DU
			• Follow DU requirements, which are the same as non-AUS guidelines, except as outlined below:
			  • DU analyzes the risk factors in the loan casefile for all borrowers on the mortgage loan. Regardless of whether an individual borrower will be occupying the property as his or her primary residence, DU will consider the income, assets, liabilities, and credit of that borrower.
			  • If the income of a co-borrower is used for qualifying purposes and that co-borrower will not occupy the subject property, the maximum LTV, TLTV, and HTLTV ratio may not exceed 95%
				Eligible Borrowers / Non-Occupant Borrowers
				
				Non-AUS Loans
				• Non-occupant borrowers are credit applicants on a primary residence transaction who:
				  • Do not occupy the subject property;
				  • May or may not have an ownership interest in the subject property as indicated on the title;
				  • Sign the mortgage or deed of trust note;
				  • Have joint liability for the note with the borrower(s); and
				  • Do not have an interest in the property sales transaction, such as the property seller, the builder, or the real estate broker.
				
				Note: Non-Occupant borrowers are permitted on purchase, limited cash-out, and cash-out refinance transactions.
				
				• If the income of a co-borrower is used for qualifying purposes and that co-borrower will not occupy the subject property, the maximum LTV, TLTV, and HTLTV ratio may not exceed 90% (unless a Community Seconds is part of the transaction, in which case the TLTV ratio may not exceed 105% where permitted in the "Maximum LTV/TLTV/HTLTV Matrices").
				
				Fannie Mae DU
				• Follow DU requirements, which are the same as non-AUS guidelines, except as outlined below:
				  • DU analyzes the risk factors in the loan casefile for all borrowers on the mortgage loan. Regardless

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			(unless a Community Seconds is part of the transaction, in which case the TLTV ratio may not exceed 105% where permitted in the "Maximum LTV/TLTV/HTLTV Matrices").
			
			Freddie Mac LP
			Follow LP requirements, which are as follows:
			• The maximum LTV/TLTV/HTLTV is 95%.
			
			Eligible Borrowers / Co-Signers and Guarantors
			
			Non-AUS
			• Co-signers and guarantors are credit applicants who:
			  • do not have ownership interest in the subject property as indicated on the title;
			  • sign the mortgage or deed of trust note;
			  • have joint liability for the note with the borrower; and
			  • do not have an interest in the property sales transaction, such as the property seller, the builder, or the real estate broker.
			• If the income of a co-signer or guarantor is used for qualifying purposes and that co-signer or guarantor will not occupy the subject property, the maximum LTV, TLTV, and HTLTV ratio may not exceed 90% (unless a Community Seconds is part of the transaction, in which case the TLTV ratio may not exceed 105% where permitted in the "Maximum LTV/TLTV/HTLTV Matrices").
			
			Fannie Mae DU
			Follow DU requirements, which are the same as non-AUS guidelines, except as follows:
			• DU analyzes the risk factors in the loan casefile for all borrowers on the mortgage loan. Regardless of whether an individual borrower will be occupying the property as his or her primary residence, DU will consider the income, assets, liabilities, and credit of that borrower.
			• If the income of a co-signer or guarantor is used for qualifying purposes and that co-signer or guarantor will not occupy the subject property, the maximum LTV, TLTV, and HTLTV ratio may not exceed 95% (unless a Community Seconds is part of the transaction, in which case the TLTV ratio may not exceed 105% where permitted in the "Maximum LTV/TLTV/HTLTV Matrices").
				of whether an individual borrower will be occupying the property as his or her primary residence, DU will consider the income, assets, liabilities, and credit of that borrower.
				• If the income of a co-borrower is used for qualifying purposes and that co-borrower will not occupy the subject property, the maximum LTV, TLTV, and HTLTV ratio may not exceed 95% (unless a Community Seconds is part of the transaction, in which case the TLTV ratio may not exceed 105% where permitted in the "Maximum LTV/TLTV/HTLTV Matrices").
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				• The maximum LTV/TLTV/HTLTV is 95%.
				
				Eligible Borrowers / Co-Signers and Guarantors
				
				Non-AUS
				• Co-signers and guarantors are credit applicants who:
				  • do not have ownership interest in the subject property as indicated on the title;
				  • sign the mortgage or deed of trust note;
				  • have joint liability for the note with the borrower; and
				  • do not have an interest in the property sales transaction, such as the property seller, the builder, or the real estate broker.
				
				Note: Guarantors and co-signers are permitted on purchase, limited cash-out, and cash-out refinance transactions.
				
				• If the income of a co-signer or guarantor is used for qualifying purposes and that co-signer or guarantor will not occupy the subject property, the maximum LTV, TLTV, and HTLTV ratio may not exceed 90% (unless a Community Seconds is part of the transaction, in which case the TLTV ratio may not exceed 105% where permitted in the "Maximum LTV/TLTV/HTLTV Matrices").
				
				Fannie Mae DU
				Follow DU requirements, which are the same as non-AUS guidelines, except as follows:
				• DU analyzes the risk factors in the loan casefile for all borrowers on the mortgage loan. Regardless of whether an individual borrower will be occupying the property as his or her primary residence, DU will consider the income, assets, liabilities, and credit of that borrower.
				• If the income of a co-signer or guarantor is used for qualifying purposes and that co-signer or guarantor will not occupy the subject property, the maximum LTV, TLTV, and HTLTV ratio may not exceed 95% (unless a Community Seconds is part of the transaction, in which case the TLTV ratio may not exceed 105% where permitted in the "Maximum LTV/TLTV/HTLTV Matrices").

Delayed Financing Cash-Out Refinance	Correspondent Section 2.01 Agency Loan Programs	• Standard Agency (LPA)
		• Agency Plus (LPA)
		• Texas Section 50(a)(6) Mortgages (LPA)
			Refinances / Delayed Financing Cash-Out Refinance
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			• 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, the following requirement(s) must be met:
			  • The Settlement/Closing Disclosure Statement or an alternative form required by law from the purchase transaction must reflect that no financing secured by the subject property was used to
				Refinances / Delayed Financing Cash-Out Refinance
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				• 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, the following requirement(s) must be met:
				  • The Settlement/Closing Disclosure Statement or an alternative form required by law from the purchase transaction must reflect that no financing secured by the subject property was used to

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			purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement or an alternative form required by law was not used for the purchase transaction. • The preliminary title report for the refinance transaction must reflect the borrower as the owner of the subject property and must reflect that there are no liens on the property • The source of funds used to purchase the subject property must be fully documented • If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the Settlement/Closing Disclosure Statement for the refinance transaction • The amount of the cash-out refinance mortgage must not exceed the sum of the original purchase price and related closing costs as documented by the Settlement/Closing Disclosure Statement or an alternative form required by law for the purchase transaction, less any gift funds used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement or an alternative form required by law was not used for the purchase transaction. • There must have been no affiliation or relationship between the buyer and seller of the purchase transaction	purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement or an alternative form required by law was not used for the purchase transaction. • The preliminary title report for the refinance transaction must reflect the borrower as the owner of the subject property and must reflect that there are no liens on the property • The source of funds used to purchase the subject property must be fully documented • If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the Settlement/Closing Disclosure Statement for the refinance transaction • The amount of the refinance mortgage must not exceed the sum of the original purchase price and related closing costs as documented by the Settlement/Closing Disclosure Statement or an alternative form required by law for the purchase transaction, less any gift funds used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement or an alternative form required by law was not used for the purchase transaction. • There must have been no affiliation or relationship between the buyer and seller of the purchase transaction

Properties Subject to Resale Restrictions	Correspondent Section 2.01 Agency Loan Programs	• Standard Agency (LPA)
		• Agency Plus (LPA)
		• Home Possible® (LPA)
		• Texas Section 50(a)(6) Mortgages (LPA)
			Occupancy/Property Types
			Properties with Resale Restrictions
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			
			***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
			
			• **Right of First Refusal**
			  • For properties subject to resale restrictions, any right of first refusal must run to:
			    • The enabling authority or jurisdiction that imposed the resale restrictions, or
			    • The subsidy provider or program administrator
			  • When a mortgage secured by a resale-restricted property is in foreclosure and/or subject to an approved short sale, the right of first refusal must have a time period not exceeding 90 days from the date of written notice to the parties to which the notice runs that the resale restricted property is being offered for sale.
			
			All other currently published guidelines in this section remain the same.
				Occupancy/Property Types
				Properties with Resale Restrictions
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				
				***Note**: Below is an EXCERPT only of the guidelines from the above referenced section.*
				
				• **Right of First Refusal**
				  • For properties subject to resale restrictions, any right of first refusal must run to:
				    • The enabling authority or jurisdiction that imposed the resale restrictions, or
				    • The subsidy provider or program administrator
				  • When a mortgage secured by a resale-restricted property is in foreclosure and/or subject to an approved short sale, the right of first refusal must have a time period not exceeding 120 days from the date of written notice to the parties to which the notice runs that the resale restricted property is being offered for sale.
				
				All other currently published guidelines in this section remain the same.

Property with an Accessory Unit	Correspondent Section 1.07 Appraisal Guidelines
	
	&
	
	Correspondent Section 2.01 Agency Loan Programs
	
	&
		• Standard Agency (non-AUS, DU & LPA)
		• Agency Plus (DU & LPA)
		• HomeReady® Mortgage (non-AUS & DU)
		• Home Possible® (LPA)
		• Texas Section 50(a)(6) Mortgages
			Section 1.07 Appraisal Guidelines
			Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report
			
			Non-AUS
			***Note**: Below is an EXCERPT only of the guidelines from the above referenced section. All other currently published guidelines in this section remain the same.*
			
			• **Accessory Units**
			  • Fannie Mae will purchase a one-unit property with an accessory unit. An accessory unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not
				Section 1.07 Appraisal Guidelines
				Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report
				
				Non-AUS
				***Note**: Below is an EXCERPT only of the guidelines from the above referenced section. All other currently published guidelines in this section remain the same.*
				
				• **Accessory Dwelling Units**
				  • An accessory dwelling unit (ADU) is generally an additional living area independent of the primary dwelling that may have been added to, created within, or detached from the primary dwelling. The ADU must have basic requirements for living, sleeping, cooking, and bathroom facilities on the same parcel as the primary dwelling. See the "Accessory Dwelling Units" subtopic within <u>Section 2.01: Agency Loan Programs</u> of the *Correspondent Seller Guide* for complete ADU requirements.

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<tr><th>Topic</th><th>Impacted Document</th><th>Impacted Products</th><th>Current Guidelines</th><th>Revised Guidelines
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<td>Correspondent Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages</td>
<td>(non-AUS, DU & LPA)</td>
<td>limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit, and analyze any effect it has on the value or marketability of the subject property.
• If the property contains an accessory unit, the property is eligible under the following conditions:
  ◦ The property is defined as a one-unit property.
  ◦ There is only one accessory unit on the property; multiple accessory units are not permitted.
  ◦ The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
  ◦ The borrower qualifies for the mortgage without considering any rental income from the accessory unit.

Reference: See the “Rental Income from a One-Unit Primary Residence with an Accessory Unit” subtopic within Section 2.01a: Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages for an exception to this guideline for HomeReady mortgage loans.

• If it is determined that the property contains an accessory unit that does not comply with zoning, the property is eligible under the following additional conditions:
  ◦ The lender confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
  ◦ The use conforms to the subject neighborhood and to the market.
  ◦ The property is appraised based upon its current use.
  ◦ The appraisal must report that the improvements represent a use that does not comply with zoning.
  ◦ The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three comparable properties that have the same non-compliant zoning use.

• **Additions without Permits**
  ◦ If the appraiser identifies an addition(s) that does not have the required permit, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the market value of the subject property.

• **Mixed-Use Properties**
Reference: See the “Mixed-Use Properties” subtopic within Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide* for additional guidance.

• **Properties with Outbuildings**
  ◦ A lender must give properties with outbuildings special consideration in the appraisal report review to ensure that the property is residential in nature. Descriptions of the outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form.
<table>
<tr><th>Type of Outbuilding</th><th>Acceptability</th></tr>
<tr><td>Minimal outbuildings, such as small barns or stables, that are of relatively insignificant value in relation to the total appraised value of the subject property.</td><td>The appraiser must demonstrate through the use of comparable sales with similar amenities that the improvements are typical of other residential properties in the subject</td></tr>
</table>
</td>
<td>• **Manufactured Home Accessory Dwelling Unit**
  ◦ A mortgage on a one-unit dwelling that contains a manufactured home accessory dwelling unit (ADU) is not eligible.
• When reporting the living area of an ADU, it should not be included with the Gross Living Area calculation of the primary dwelling. It should be reported and adjusted for on a separate line in the grid, unless the ADU is contained within or part of the primary dwelling with interior access and above grade. If a standalone structure does not meet the ADU minimum requirements, it should be treated as any other ancillary structure and included as a separate line item in the sales comparison approach then adjusted based on its contributory value to the subject property.
• Whether a property is defined as a one-unit property with an ADU or a two-to four-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utility meter(s), a unique postal address, and whether the unit can be legally rented. The appraiser must determine compliance with this definition as part of the analysis in the Highest and Best Use section of the appraisal. When there is an ADU, the appraisal report must include a description of the ADU, and analysis of any effect it has on the value or marketability of the subject property. The appraisal report must demonstrate that the improvements are acceptable for the market. An aged settled sale will qualify as a comparable, and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability.
• ~~If the property contains an accessory unit, the property is eligible under the following conditions:~~
  ◦ ~~The property is defined as a one-unit property.~~
  ◦ ~~There is only one accessory unit on the property; multiple accessory units are not permitted.~~
  ◦ ~~The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.~~
  ◦ ~~The borrower qualifies for the mortgage without considering any rental income from the accessory unit.~~

~~Reference: See the “Rental Income from a One-Unit Primary Residence with an Accessory Unit” subtopic within Section 2.01a: Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages for an exception to this guideline for HomeReady mortgage loans.~~

• **Zoning for an ADU**
  ◦ If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstances), the property is eligible under the following additional conditions:
    ▪ The lender confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
    ▪ The illegal use conforms to the subject neighborhood and to the market.
    ▪ The property is appraised based upon its current use.
    ▪ The appraisal report states that the improvements represent a use that does not comply with zoning.
    ▪ The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least two comparable sales with the same non-compliant zoning use. Aged settled sale(s) with the same non-compliant zoning use are acceptable if recent sales are not available. At a minimum, the appraisal report must include a total of three settled sales.

• **Additions without Permits**
  ◦ If the appraiser identifies an addition(s) that does not have the required permit, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the market</td>
</tr>
</table>

<table>
<tr><th>Topic</th><th>Impacted Document</th><th>Impacted Products</th><th>Current Guidelines</th><th>Revised Guidelines
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<tr><td></td><td></td><td></td>
<td>
<table>
<tr><td></td><td>area for which an active, viable residential market exists.</td></tr>
<tr><td>An atypical minimal outbuilding.</td><td>The property is acceptable provided the appraiser’s analysis reflects little or no contributory value for it.</td></tr>
<tr><td>Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals.</td><td>The presence of the outbuildings may indicate that the property is agricultural in nature. The lender must determine whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings.</td></tr>
</table>
Fannie Mae DU
Follow DU requirements, which are the same as non-AUS guidelines.

Freddie Mac LPA
Follow LPA requirements, which are as follows:

Note: Below is an EXCERPT only of the guidelines from the above referenced section.

Layout and Floor Plans
An unusual floor plan, such as a home with tandem bedrooms or a bathroom off the kitchen, does not make a property ineligible for financing. The appraiser should address whether an unusual floor plan or similar obsolescence is also found in other properties in the neighborhood, and to the extent possible, comparables used should also have similar obsolescence in order to demonstrate marketability and support value.
Property with an Accessory Unit

Freddie Mac will purchase an eligible mortgage on a 1-unit property that has an accessory unit. A mortgage is eligible if the accessory unit is either legal or legal non-conforming based on the zoning and land use requirements. If the accessory unit is illegal based on the zoning and land use requirements, a mortgage is eligible according to the requirements below. A mortgage secured by a 2- to 4-unit property with one or more accessory units is not eligible for purchase by Freddie Mac.
An accessory unit is an additional living area that includes at least a kitchen, a bathroom, and a separate entrance and is independent of the primary dwelling unit. Examples of such properties include a dwelling with a unit above a garage, a dwelling with an attached or detached guest apartment or a dwelling with a unit in the basement. The primary factor that differentiates a 2-unit property from a 1-unit property with an accessory unit is the zoning and land use requirements.
For a 1-unit property with an accessory unit the appraiser must describe the accessory unit and appraise the property based on its current use. Any effect the accessory unit has on the market value or marketability of the subject property must be analyzed and reported.
If the subject property accessory unit complies with the zoning and land use requirements, the appraisal report must include:
At least one comparable sale with an accessory unit, when available, to demonstrate the property's conformity and marketability to its market area. If a recent comparable

</td>
<td>
value of the subject property.

Mixed-Use Properties
Reference: See the “Mixed-Use Properties” subtopic within <u>Section 2.01: Agency Loan Programs</u> of the Correspondent Seller Guide for additional guidance.
Properties with Outbuildings
A lender must give properties with outbuildings special consideration in the appraisal report review to ensure that the property is residential in nature. Descriptions of the outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form.
<table>
<tr><th>Type of Outbuilding</th><th>Acceptability</th></tr>
<tr><td>Minimal outbuildings, such as small barns or stables, that are of relatively insignificant value in relation to the total appraised value of the subject property.</td><td>The appraiser must demonstrate through the use of comparable sales with similar amenities that the improvements are typical of other residential properties in the subject area for which an active, viable residential market exists.</td></tr>
<tr><td>An atypical minimal outbuilding.</td><td>The property is acceptable provided the appraiser’s analysis reflects little or no contributory value for it.</td></tr>
<tr><td>Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals.</td><td>The presence of the outbuildings may indicate that the property is agricultural in nature. The lender must determine whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings.</td></tr>
</table>

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

Freddie Mac LPA
Follow LPA requirements, which are as follows:

Note: Below is an EXCERPT only of the guidelines from the above referenced section.

Layout and Floor Plans
An unusual floor plan, such as a home with tandem bedrooms or a bathroom off the kitchen, does not make a property ineligible for financing. The appraiser should address whether an unusual floor plan or similar obsolescence is also found in other properties in the neighborhood, and to the extent possible, comparables used should also have similar obsolescence in order to demonstrate marketability and support value.
Property with an Accessory Unit

</td></tr>
</table>

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER November 20, 2020
			sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales. • If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property. • If the subject property accessory unit does not comply with the zoning and land use requirements, the mortgage is eligible if: • The "Site" section of the appraisal report indicates that the accessory unit does not comply with zoning and land use requirements • At least two comparable sales with an accessory unit must be included in the appraisal report. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area; and • The lender confirms that the existence of the accessory unit will not jeopardize future hazard insurance claims References: • See "Rental Income From the Borrower's 1-unit Primary Residence" in the "Rental Income" subtopic within Section 2.01 Agency Loan Programs of the *Correspondent Seller Guide* for additional guidance. • See the "Rental Income from a One-Unit Primary Residence with an Accessory Unit" subtopic within Section 2.01a: Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages for additional guidance for HomeReady and Home Possible mortgage loans.	• Freddie Mac will purchase an eligible mortgage on a 1-unit property that has one accessory unit. An accessory unit is an additional living area that includes at least a kitchen, a bathroom, and a separate entrance and is independent of the primary dwelling unit. To be eligible, the accessory unit must be subordinate in living area and contribute less to the value of the property than the primary dwelling unit. Examples of eligible accessory unit configurations include a dwelling with a unit above a garage, a dwelling with an attached or detached unit or a dwelling with a unit in the basement. • A mortgage may be eligible when the accessory unit is legal, legal non-conforming or illegal based on the unit's compliance with the zoning and land use requirements. The appraiser must identify whether the property is a 1-unit property with an accessory unit or a 2-unit property and report the appraisal on the appropriate report form. The primary factor that differentiates a 2-unit property from a 1-unit property with an accessory unit is the zoning and land use requirements. The appraiser must consider all property characteristics, specifically the unit's utility and the property's highest and best use, when making this determination. The appraisal report must include a description of the accessory unit and reflect any effect the accessory unit has on the market value or marketability of the subject property. A mortgage secured by a 2- to 4-unit property with one or more accessory units is not eligible for purchase by Freddie Mac. • **Comparable Requirements for Properties with Legal or Legal Non-Conforming Zoning Compliance or Locations Without Zoning** • If the subject property accessory unit complies with the zoning and land use requirements (legal or legal non-conforming or locations without zoning), the appraisal report must include: • At least one comparable sale with an accessory unit, when available, to demonstrate the property's conformity and marketability to its market area. If a recent comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her adjustments and opinion of market value, as long as at least three are actual closed (settled) sales. • If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property. • **Comparable Requirements for Properties with Illegal Zoning Compliance** • If the subject property accessory unit does not comply with the zoning and land use requirements (illegal zoning), the mortgage is eligible if: • The "Site" section of the appraisal report indicates that the accessory unit does not comply with zoning and land use requirements • At least two comparable sales with an accessory unit must be included in the appraisal report. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements (illegal zoning) to demonstrate the marketability of the subject property to its market area; and • The lender confirms that the existence of the accessory unit will not jeopardize future hazard insurance claims

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER November 20, 2020
				• **Manufactured Home Accessory Unit** • A mortgage on a one-unit dwelling that contains a manufactured home accessory unit is <u>not eligible</u>. References: • See “Rental Income From the Borrower’s 1-unit Primary Residence” in the “Rental Income” subtopic within Section 2.01 Agency Loan Programs of the *Correspondent Seller Guide* for additional guidance. • See the “Rental Income from a One-Unit Primary Residence with an Accessory Unit” subtopic within Section 2.01a: Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages for additional guidance for HomeReady and Home Possible mortgage loans.

			***Note**: There is currently no specific “Accessory Dwelling Units” subtopic under the “Occupancy/Property Types” topic.*	**Section 2.01 Agency Loan Programs**
				Occupancy/Property Types
				Accessory Dwelling Units
				
				Non-AUS
				• An accessory dwelling unit (ADU) is typically an additional living area independent of the primary dwelling that may have been added to, created within, or detached from a primary one-unit dwelling. The ADU must provide for living, sleeping, cooking, and bathroom facilities and be on the same parcel as the primary one-unit dwelling.
				• The following table describes the requirements for classifying an ADU.
				
				✓ | Requirements
				• Only one ADU is permitted on the parcel of the primary one-unit dwelling.
				• ADUs are not permitted with a two- to four-unit dwelling.
				—
				• The ADU must:
				    • be subordinate in size to the primary dwelling.
				    • have the following separate features from the primary dwelling:
				        • means of ingress/egress,
				        • kitchen,
				        • sleeping area,
				        • bathing area, and
				        • bathroom facilities.
				• The ADU may, but is not required to, include access to the primary dwelling. However, it is not considered an ADU if it can only be accessed through the primary dwelling or the area is open to the primary dwelling with no expectation of privacy.
				—
				• The kitchen must, at a minimum, contain the following:
				    • cabinets;
				    • a countertop;
				    • a sink with running water; and
				    • a stove or stove hookup (hotplates, microwaves, or toaster ovens are not acceptable stove substitutes).
				• An independent second kitchen by itself does not constitute an ADU.
				• The removal of a stove does not change the ADU classification.

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				A borrower must qualify for the mortgage without considering any rental income from the ADU.
				
				References:
				• See "Rental Income", subsequently presented within the "Income" topic, for additional information, and
				• See the "Rental Income from a One-Unit Primary Residence with an Accessory Unit" subtopic within Section 2.01a: Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages for an exception to this guideline for HomeReady mortgage loans.
				
				• **Construction of an ADU**
				  • The construction method of an ADU can be site- or factory-built. If factory-built, all designs must be multi-width and the primary dwelling must be site-built.
				  • **Manufactured Home Accessory Dwelling Unit**
				    • A mortgage on a one-unit dwelling that contains a manufactured home accessory dwelling unit (ADU) is <u>not eligible</u>.
				
				• **Examples of ADUs**
				  • Examples of ADUs include, (but are not limited to):
				    • a living area over a garage,
				    • a living area in a basement,or
				    • a small addition to the primary dwelling.
				  • Whether a property is defined as a one-unit property with an accessory unit or a two- to four-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utility meter(s), a unique postal address, and whether the unit can be legally rented. The appraiser must determine compliance with this definition as part of the analysis in the Highest and Best Use section of the appraisal. See "Accessory Dwelling Units" in the "Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report" topic/subtopic within Section 1.07: Appraisal Guidelines of the *Correspondent Seller Guide* for additional ADU appraisal requirements.
				
				• **Zoning for an ADU**
				  • Some ADUs may predate the adoption of the local zoning ordinance and therefore be classified as legal nonconforming. An ADU should always be considered legal if it is allowed under the current zoning code for the subject property.
				  • If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstance), the property is eligible under the following additional conditions:
				    • The lender confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
				    • The appraisal requirements related to zoning for an ADU are met. See "Accessory Dwelling Units" in the "Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report" topic/subtopic within Section 1.07: Appraisal Guidelines of the *Correspondent Seller Guide* for guidance.
				
				Fannie Mae DU
				Follow DU requirements, which are the same as non-AUS guidelines.

Agency Guideline Revisions

***Note**: Truist specific overlays are underlined.*

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER November 20, 2020
				Freddie Mac LPA Reference: See "Property with an Accessory Unit" in the Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report" topic/subtopic within Section 1.07: Appraisal Guidelines of the *Correspondent Seller Guide*.
			Section 2.01 Agency Loan Programs **Occupancy/Property Types** **Manufactured Housing** **Non-AUS** • Manufactured housing is NOT eligible for financing. • Manufactured housing is defined as any dwelling unit built on a permanent chassis and attached to a permanent foundation system. **Note**: Other factory built housing (not built on a permanent chassis), such as modular, prefabricated, panelized, or sectional housing is NOT considered manufactured housing. **Fannie Mae DU** Non-AUS guidelines apply. **Freddie Mac LP** Non-AUS guidelines apply..	**Section 2.01 Agency Loan Programs** **Occupancy/Property Types** **Manufactured Housing** **Non-AUS** • Manufactured housing is NOT eligible for financing, including manufactured home accessory dwelling units. • Manufactured housing is defined as any dwelling unit built on a permanent chassis and attached to a permanent foundation system. **Note**: Other factory built housing (not built on a permanent chassis), such as modular, prefabricated, panelized, or sectional housing is NOT considered manufactured housing. **Fannie Mae DU** Non-AUS guidelines apply. **Freddie Mac LPA** Non-AUS guidelines apply..
			Section 2.01 Agency Loan Programs **Occupancy/Property Types** **Ineligible Properties** **Non-AUS** Ineligible property types include the following: • Agricultural properties, such as farms or ranches • Bed and breakfast properties • Boarding houses • Condominium hotels or condotels • Co-ops • Georgia Power Leaseholds • Indian lands that are leasehold estates • Land development properties • Manufactured housing • Non-warrantable condominium projects • Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate • Properties that are not readily accessible by roads that meet local standards • Properties that are not suitable for year-round occupancy regardless of location • Vacant land	**Section 2.01 Agency Loan Programs** **Occupancy/Property Types** **Ineligible Properties** **Non-AUS** Ineligible property types include the following: • Agricultural properties, such as farms or ranches • Bed and breakfast properties • Boarding houses • Condominium hotels or condotels • Co-ops • Georgia Power Leaseholds • Indian lands that are leasehold estates • Land development properties • Manufactured housing, including manufactured home accessory dwelling units • Non-warrantable condominium projects • Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate • Properties that are not readily accessible by roads that meet local standards • Properties that are not suitable for year-round occupancy regardless of location • Vacant land

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER November 20, 2020
			Fannie Mae DU Follow DU requirements, which are as follows: • Ineligible property types include the following: • Agricultural properties, such as farms or ranches • Bed and breakfast properties • Boarding houses • Condominium hotels or condotels • Co-ops • Georgia Power Leaseholds • Land development properties • Non-warrantable condominium projects • Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate • Properties that are not readily accessible by roads that meet local standards • Properties that are not suitable for year-round occupancy regardless of location • Vacant land • The following additional ineligible property type applies: • Indian lands that are leasehold estates, and • Manufactured housing. **Freddie Mac LPA** Follow LPA requirements, which are as follows: • Ineligible property types include the following: • Co-ops, • Georgia Power Leaseholds • Houseboat projects • Land development properties, • Properties that do not have legal access (ingress and egress) • Properties that are not suitable for year-round occupancy regardless of location • Properties used primarily for agriculture or farming • Properties used primarily for commercial enterprises (including, but not limited to, bed and breakfasts, boarding houses, condominium hotels and units located in a PUD operating as a hotel or similar type of transient housing that includes hotel type services and characteristics) • Timeshare or segmented ownership projects • Vacant or undeveloped land • The following additional ineligible property type applies: • Indian lands that are leasehold estates, and • Manufactured housing. **Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages** **Occupancy/Property Types** **Ineligible Occupancy/ Property Types** **Non-AUS** Ineligible occupancy/property types include the following: • Agricultural properties, such as farms or ranches	**Fannie Mae DU** Follow DU requirements, which are as follows: • Ineligible property types include the following: • Agricultural properties, such as farms or ranches • Bed and breakfast properties • Boarding houses • Condominium hotels or condotels • Co-ops • Georgia Power Leaseholds • Land development properties • Non-warrantable condominium projects • Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate • Properties that are not readily accessible by roads that meet local standards • Properties that are not suitable for year-round occupancy regardless of location • Vacant land • The following additional ineligible property type applies: • Indian lands that are leasehold estates, and • Manufactured housing, including manufactured home accessory dwelling units. **Freddie Mac LPA** Follow LPA requirements, which are as follows: • Ineligible property types include the following: • Co-ops, • Georgia Power Leaseholds • Houseboat projects • Land development properties, • Properties that do not have legal access (ingress and egress) • Properties that are not suitable for year-round occupancy regardless of location • Properties used primarily for agriculture or farming • Properties used primarily for commercial enterprises (including, but not limited to, bed and breakfasts, boarding houses, condominium hotels and units located in a PUD operating as a hotel or similar type of transient housing that includes hotel type services and characteristics) • Timeshare or segmented ownership projects • Vacant or undeveloped land • The following additional ineligible property type applies: • Indian lands that are leasehold estates, and • Manufactured housing (including manufactured home accessory units) **Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages** **Occupancy/Property Types** **Ineligible Occupancy/ Property Types** **Non-AUS** Ineligible occupancy/property types include the following: • Agricultural properties, such as farms or ranches

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			• Bed and breakfast properties
			• Boarding houses
			• Condominium hotels or condotels
			• Co-ops
			• Georgia Power leaseholds
			• Investment properties
			• Land development properties
			• Manufactured housing
			• Non-warrantable condominium projects
			• Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate
			• Properties that are not readily accessible by roads that meet local standards
			• Properties that are not suitable for year-round occupancy regardless of location
			• Second homes
			• Vacant land
			
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			    • Agricultural properties, such as farms or ranches
			    • Bed and breakfast properties
			    • Boarding houses
			    • Condominium hotels or condotels
			    • Co-ops
			    • Georgia Power leaseholds
			    • Investment properties
			    • Land development properties
			    • Non-warrantable condominium projects
			    • Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate
			    • Properties that are not readily accessible by roads that meet local standards
			    • Properties that are not suitable for year-round occupancy regardless of location
			    • Second homes
			    • Vacant land
			• The following additional ineligible property type applies:
			    • <u>Manufactured housing</u>
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
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			    • Georgia Power Leaseholds
			    • Houseboat projects
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				• Investment properties
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				• Manufactured housing<u>, including manufactured home accessory dwelling units</u>
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				    • Co-ops
				    • Georgia Power Leaseholds
				    • Houseboat projects
				    • Investment properties
				    • Land development properties
				    • Non-warrantable condominium projects
				    • Properties that do not have legal access (ingress and egress)
				    • Properties that are not suitable for year-round occupancy regardless of location

Agency Guideline Revisions

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<tr><td></td><td></td><td></td><td>
Properties used primarily for agriculture or farming
Properties used primarily for commercial enterprises (including, but not limited to, bed and breakfasts, boarding houses, condominium hotels and units located in a PUD operating as a hotel or similar type of transient housing that includes hotel type services and characteristics)
Second homes
Timeshare or segmented ownership projects
Vacant or undeveloped land
The following additional ineligible property type applies:
<u>Manufactured housing</u>
</td><td>
Properties used primarily for agriculture or farming
Properties used primarily for commercial enterprises (including, but not limited to, bed and breakfasts, boarding houses, condominium hotels and units located in a PUD operating as a hotel or similar type of transient housing that includes hotel type services and characteristics)
Second homes
Timeshare or segmented ownership projects
Vacant or undeveloped land
The following additional ineligible property type applies:
<u>Manufactured housing (including manufactured home accessory units)</u>
</td></tr>
<tr><td>Social Security Income that is Tax Exempt</td><td>Correspondent Section 2.01 Agency Loan Programs</td><td>Standard Agency (LPA)
Agency Plus (LPA)
Home Possible® (LPA)
Texas Section 50(a)(6) Mortgages (LPA)</td><td>
Income / Tax Exempt Income

Freddie Mac LPA
Follow LPA requirements, which are as follows:
History of receipt: A history of receipt is not required
Continuance: Must be likely to continue to remain tax exempt
Calculation: To determine the amount to adjust (i.e., "gross-up") the borrower's income, use:
25% of the tax exempt portion of the income, or
The current federal and state income tax withholding tables
Streamlined Accept and Standard Documentation Requirements:
Copy of complete federal individual income tax return for the most recent one-year period or other documentation evidencing that the income, or a portion of the income, is tax exempt
</td><td>
Income / Tax Exempt Income

Freddie Mac LPA
Follow LPA requirements, which are as follows:
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25% of the tax exempt portion of the income, or
The current federal and state income tax withholding tables
Streamlined Accept and Standard Documentation Requirements:
Copy of complete federal individual income tax return for the most recent one-year period or other documentation evidencing that the income, or a portion of the income, is tax exempt
For social security income (i.e., retirement income, disability benefits, survivor benefits and supplemental security income), the lender may gross up 15% of the income without obtaining additional documentation.
For example, if the borrower's social security income is $1,000/month, the lender can gross up $150 (i.e., 15% of $1,000) without obtaining documentation that this portion of the income is tax exempt. Using 25% as the income adjustment factor, the income is calculated as follows:
$150 x 25% = $37.50
$1,000 + $37.50 = $1,037.50
$1,037.50 can be used for qualifying without obtaining tax returns or other documentation evidencing that the income is tax exempt.
The lender must obtain additional documentation in order to gross up the entire amount of income (i.e., $1,000) for use in qualifying the borrower.
</td></tr>
<tr><td>Wedding Gift Funds</td><td>Correspondent Section 2.01 Agency Loan Programs</td><td>Standard Agency (LPA)
Agency Plus (LPA)
Home Possible® (LPA)
Texas Section 50(a)(6) Mortgages (LPA)</td><td>
Cash Requirements / Gifts Funds

Freddie Mac LPA
Follow LAP requirements, which are as follows:
Eligibility and documentation requirements are as follows:
<table><tr><th>Asset Type</th><th>Eligibility Requirements</th><th>Streamlined Accept and Standard Documentation Requirements</th></tr>
<tr><td>Gift Funds or a Gift of Equity</td><td>Gift funds or a gift of equity is an eligible source of funds for a</td><td>Provide a gift letter signed by the donor. Information provided</td></tr></table>
</td><td>
Cash Requirements / Gifts Funds

Freddie Mac LPA
Follow LPA requirements, which are as follows:
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<table><tr><th>Asset Type</th><th>Eligibility Requirements</th><th>Streamlined Accept and Standard Documentation Requirements</th></tr>
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</td></tr>
</table>

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER November 20, 2020

			mortgage secured by a primary residence or second home provided that:
			• The funds are from a related person, and
			• The funds do not have to be repaid
			• When a mortgage is secured by a second home and the LTV/TLTV/HTLTV ratio is greater than 80%, the gift is permitted only if the borrower has made a down payment of at least 5% from borrower personal funds as described in the "Special Requirements for Borrower Funds" section of the "General Asset Information" subtopic previously presented in this topic.
			• Gift funds or a gift of equity are not an eligible source of funds for investment property mortgages.
			• Gift funds must be transferred directly from the donor's account in a financial institution to the borrower's account or to the settlement or closing agent.
			
			in the gift letter must:
			• State the donor's name and that the funds are given by a related person
			• Include the donor's mailing address and telephone number
			• State the amount of the gift funds or gift of equity
			• Establish that the gift funds or gift of equity are a gift that does not have to be repaid
			• **Gift Funds**: The lender must provide evidence of one of the following:
			  • Transfer of funds from the donor's account in a financial institution to the borrower's account. For example, copies of bank statements from both the donor and the borrower's account, a copy of a canceled gift check or a copy of a donor's withdrawal slip and the borrower's deposit slip, or
			  • Transfer of the funds from a donor's account in a financial institution to the settlement or
				mortgage secured by a primary residence or second home provided that:
				• The funds are from a related person, and
				• The funds do not have to be repaid
				• When a mortgage is secured by a second home and the LTV/TLTV/HTLTV ratio is greater than 80%, the gift is permitted only if the borrower has made a down payment of at least 5% from borrower personal funds as described in the "Special Requirements for Borrower Personal Funds" section of the "General Asset Information" subtopic previously presented in this topic.
				• Gift funds or a gift of equity are not an eligible source of funds for investment property mortgages.
				• Gift funds must be transferred directly from the donor's account in a financial institution to the borrower's account or to the settlement or closing agent.
				
				in the gift letter must:
				• State the donor's name and that the funds are given by a related person
				• Include the donor's mailing address and telephone number
				• State the amount of the gift funds or gift of equity
				• Establish that the gift funds or gift of equity are a gift that does not have to be repaid
				• **Gift Funds**: The lender must provide evidence of one of the following:
				  • Transfer of funds from the donor's account in a financial institution to the borrower's account. For example, copies of bank statements from both the donor and the borrower's accounts, a copy of a canceled gift check or a copy of a donor's withdrawal slip and the borrower's deposit slip, or
				  • Transfer of funds from the donor's account in a financial institution to the

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			closing agent. For example, a copy of a cashier's check or wire transfer confirmation. **Note:** Funds transferred using a third-party money transfer application or service are acceptable only when the documentation included in the mortgage file evidences that the funds were transferred using the application or service directly from the donor's account to the borrower's bank account or to the settlement or closing agent. • **Gift of Equity**: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.	settlement or closing agent. For example, a copy of a cashier's check or wire transfer confirmation. **Note:** Funds transferred using a third-party money transfer application or service are acceptable only when the documentation included in the mortgage file evidences that the funds were transferred using the application or service directly from the donor's bank account to the borrower's bank account or to the settlement or closing agent. • **Gift of Equity**: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.
			Gift Funds Received as a Wedding Gift • Gift funds received as a wedding gift from unrelated persons and/or related persons is an eligible source of funds for a mortgage secured by a primary residence. • The gift funds must be on deposit in the borrower's depository account within 60 days of the date of the marriage license or certificate. Provide the following: • A copy of the marriage license or certificate • A verification of the gift funds in the borrower's depository account	**Gift Funds Received as a Wedding Gift** • Gift funds received as a wedding gift from unrelated persons and/or related persons is an eligible source of funds for a mortgage secured by a primary residence. • The gift funds must be on deposit in the borrower's depository account within 90 days of the date of the marriage license or certificate. Provide the following: • A copy of the marriage license or certificate • A verification of the gift funds in the borrower's depository account
			Note: A related person is a person that is any of the following: • The borrower's spouse, child or dependent	**Note**: A related person is a person that is any of the following: • The borrower's spouse, child or dependent

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			• An individual related to the borrower by blood, marriage or adoption • A guardian of the borrower • A person for whom the borrower is a guardian • The borrower's fiancée • The borrower's domestic partner • Truist clarifies that it is important that the gift amount is identified separately as a gift even if the funds have already been deposited in a liquid asset account owned by the borrower (such as checking or savings account). The balance of the liquid asset account entered in the loan application must be adjusted accordingly to prevent duplicate entry of funds. • See the "General Asset Information" and "General Asset Documentation Requirements" subtopics, previously presented in this topic, for additional information.	• An individual related to the borrower by blood, marriage or adoption • A guardian of the borrower • A person for whom the borrower is a guardian • The borrower's fiancée or fiancé • The borrower's domestic partner • Truist clarifies that it is important that the gift amount is identified separately as a gift even if the funds have already been deposited in a liquid asset account owned by the borrower (such as checking or savings account). The balance of the liquid asset account entered in the loan application must be adjusted accordingly to prevent duplicate entry of funds. • See the "General Asset Information" and "General Asset Documentation Requirements" subtopics, previously presented in this topic, for additional information.