FREEDOM MORTGAGE® | WHOLESALE

FNMA High Balance Fixed Rate & Adjustable Rate

See full Product Guide for complete information.

Revised 10-05-26

Loan Amounts and LTV		
Transaction Type	**Number of Units**	**Maximum LTV, CLTV, HCLTV[1]**
Principal Residence		
Purchase, Limited Cash Out Refinance	1 Unit	95%
	2 Unit	85%
	3-4 Units	75%
Cash Out Refinance & Student Loan Cash Out Refinance	1 Unit	80%
	2-4 Units	75%
Second Homes		
Purchase, Limited Cash Out Refinance	1 Unit	90%
Cash Out Refinance & Student Loan Cash Out Refinance	1 Unit	75%
Investment Property		
Purchase	1 Unit	85%
	2-4 Units	75%
Limited Cash Out Refinance	1-4 Units	75%
Cash Out Refinance & Student Loan Cash Out Refinance	1 Unit	75%
	2-4 Units	70%

[1]Small Business Administration (SBA) loans secured by the subject property must be treated as subordinate financing and included in the calculation of the CLTV and HCLTV ratios.

- Some transactions may not be eligible for MI. Please refer to the MI provider guidelines.
- Refer to Credit Policy Announcement 21-39 for LTV requirements for Condos with limited reviews.
- Refer to Fannie Mae Selling Guide section B4-2 Project Standards for all specific condominium requirements.
- Follow Fannie Mae minimum borrower contribution guidelines per Fannie Seller Guide Section B3-4.3-04

Amortization	• 10, 15, 20, 25, 30 Year • 30 Year only for ARM transactions • Odd terms allowed down to 96 months (Capital Market exceptions may be considered down to 85 months) • ARM Characteristics ○ Index: SOFR

	○ Margin: 2.75% ○ Floor: 2.75% ○ CAP Structure: ▪ 5/6 ARM: 2/1/5 ▪ 7/6 & 10/6 ARM: 5/1/5
Secondary Financing	• Secondary financing on loans over 80% LTV must meet MI Provider guidelines • Standard secondary financing, including HELOCs, for a Mortgage with a CLTV/HCLV ratios up to 95% is permitted • **Community Seconds are not permitted.** • **Shared equity, shared appreciation, and properties subject to private transfer fees not permitted.**
Temporary Buydown	• Available Plans: 3/2/1, 2/1, 1/1, 1/0 • Fixed Rate, 30 year amortizations only; odd terms not permitted. • Purchase and Rate Term Refinances ○ Rate Term Refinances: Lender Funded temporary buydowns may not be derived from an increase in the interest rate. • Buydown subsidy must be funded by the Seller or Lender. ○ When the source of the funds is from the Seller, the interested party contribution limits apply. ○ **A 3/2/1 Lender Funded option is not available.** • Primary Residence and Second Homes • Borrower(s) must qualify using the Note Rate (without consideration of the bought-down rate) • Buydown must be disclosed to the MI company and the Appraiser • Buydown agreement must be signed by all parties, including the borrower(s) and contributor(s). ○ Must provide that the borrower is not relieved of the obligation to make the mortgage payments required by the terms of the mortgage note, if, for any reason, the buydown funds are not available. • Ineligible Transactions: Investment, **Manufactured Homes**, Cash Out Refinance, Texas 50 (a)(6) or 50(a)(4), **Adjustable Rate Mortgages, Odd Term Amortizations, Borrower or Other Funded subsidies, Lender Paid Single Premium Mortgage Insurance**.
Eligible Properties	• 1-4 Units • Warrantable Condo, PUD, Townhouse • Co-Op, *refer to full product guide for complete details* • HomePath properties (FNMA REO), *refer to full product guide for complete details* • Life Estates, *refer to full product guide for complete details*
Ineligible Properties	• Manufactured Housing • Non-warrantable Condo • Timeshare • Mixed Use • Mobile Home • Condo/PUD Hotel • Commercial Property • Working Farms • **Properties with Resale Deed Restrictions** (other than Age Restricted) • Properties located in Lava Zones 1 & 2 • Properties that are listed for sale at the time of disbursement • Properties that have been assumed • **Land Trust and Community Land Trust (including Illinois Land Trusts)**
Occupancy	**FMC has a maximum of four FMC financed properties for one individual** **Primary Residence** • Military Owner Occupancy: military service may require a servicemember to be absent from their home for an extended period due **Condos** • Must be FNMA approved/warrantable • California condos may need earthquake insurance **Secondary/Vacation** • 1 Unit only, must be suitable for year-around use • Rental income is permitted, but rental

	to deployment. *(additional requirements apply see full product guide for details)* • 1-4 Unit • Transactions that include non-arm's length and/or identity of interest characteristics must follow Credit Policy requirements • There are no limitations on the number of properties that the borrower has financed when the subject loan is secured by the borrower's primary residence.	income may not be used for qualifying purposes • Transactions that include non-arm's length and/or identity of interest characteristics are not eligible for new construction.
	Investment Property • 1-4 Unit • Transactions that include non-arm's length and/or identity of interest characteristics are not eligible for new construction properties. • Rent loss insurance is not required **PUDs** • FNMA warrantable PUDs, townhouses • The project must comply with all applicable state and local laws • The HOA must own the common elements and unit owners must have right to their use.	

Refinance Transactions	**Limited Cash Out Refinance**
	• At least one (1) borrower on the new loan must be an owner (on title) of the subject property at the time of initial application. Exceptions are permitted with documented evidence of:
	  ○ Borrower acquired the property through an inheritance or was legally awarded the property (such as through a divorce, separation, or dissolution of a domestic partnership);
	  ○ Property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary of the trust;
	  ○ Borrower on the new loan is currently financially obliged on the loan being paid off but not on the title. Ownership must be transferred to the borrower(s) at the time of closing; or
	  ○ Borrower is paying off an installment land contract that was executed more than 12 months prior to the date of the loan application.
	• The following are acceptable to be paid off with a limited cash out refinance transaction:
	  ○ Modifying the interest rate and/or term for existing first lien mortgages;
	  ○ Paying off the existing first mortgage, which may include additional amounts required to pay off the loan, such as prepayment penalties, a deferred balance resulting from completion of a prior loss mitigation solution, and late fees;
	  ○ Paying off the construction loan and documented construction cost overruns for a two-closing construction-to-permanent loan;
	  ○ Paying off an installment land contract that was executed more than 12 months prior to the date of the loan application.
	  ○ Pay off subordinate liens used in whole to purchase the subject property.
	  ▪ When the subordinate lien is a Community Seconds, payoff may include any required payment of the share of appreciation due to the Community Seconds provider under the terms of the shared appreciation agreement.
	  • The terms of the shared appreciation agreement must be obtained to ensure acceptable use of the limited cash out refinance is being met.
	  • Refer to Fannie Mae Selling Guide section, B.5-5.1-03 for complete details for Community Seconds, Shared Appreciation Transactions.
	  ▪ If there is no share of appreciation due to the Community Seconds provider, it is not necessary to verify the subordinate lien for the purchase of the property was a	

Community Seconds loan; however, must document the second lien was used to purchase the property.
    - Financing the payment of closing costs, points and prepaid items. With the exceptions of real estate taxes that are more than 60 days delinquent, the borrower can include real estate taxes in the new loan amount provided:
        - Real estate taxes must be paid in full through the transaction, and
        - Payment for the taxes must be disbursed to the taxing authority through the closing transaction, with no funds used for the taxes disbursed to the borrower.
    - Receiving cash back in an amount that is the greater of 1% of the loan amount or $2,000. Borrower may also be refunded for the overpayment of fees and charges due to federal or state laws or regulations. Refunds such as these are not included in the maximum cash back limitation, provided that the settlement statement clearly identifies the refund and the loan file includes documentation to support the amount and reason for refund.
- A transaction is not eligible as a limited cash out refinance if the Borrower completed a cash out refinance transaction with a Note Date 30 days or less prior to the application date of a new refinance secured by the same property.
- Properties listed for sale must be taken off the market on or before the disbursement date of the new mortgage.
    - Documentation that the property has been taken off the market.
    - A letter of explanation confirming their intent to continue to occupy the property.
- **Properties located in Texas, the first mortgage being refinanced cannot be a 50(a)(6), a/k/a Texas home equity loan. This information will appear in the title commitment.**
- Refer to Fannie Mae B2-1.3-02 for full details.

Cash Out Refinance

- The property must have been purchased (or acquired) by at least one borrower no less than six months prior to the disbursement date of the new mortgage loan. *See full product guide for exceptions.*
- If the property was purchased within 6 months preceding the date of the loan disbursement, the borrower is ineligible for a cash out refinance transaction unless the purchase transaction meets the delayed financing requirements.
- Cash out transactions are not eligible for primary residences located in the state of Texas

Student Loan Cash Out

- At least one student loan must be paid off in full. Loan proceeds must be paid directly to the student loan servicer at closing.
- Borrower(s) may receive the greater 1% of the loan amount or $2,000 in cash back at closing.

Underwriting

Automated Underwriting

- All loans are required to be submitted to DU. **Manual underwriting is not permitted.**
- Eligible DU recommendation: DU Approve/Eligible
- Hourly, Salary and Commission Income Borrowers: A verbal VOE must be obtained within 10 business days prior to note date.
    - **The most recent available paystub or bank statement(s) are not permitted as an Alternative Form of employment verification.**
    - **No verification may extend beyond 10 business days prior to note date.**
- Self-employed Borrowers: A verbal VOE

Qualifying Rate

- FRM: Note Rate
- 5/6 SOFR ARM: The greater of the fully indexed rate or the note rate plus 2.00%
- 7/6 & 10/6 SOFR ARM: Note rate
    - **7/6 and 10/6 SOFR ARM loans that are higher-priced mortgage loans (HPML) are not permitted.**
    - State based restrictions apply to the following states and must be qualified at the greater of the Note Rate or Fully Indexed Rate.
        - Illinois, Maryland (purchase only), Massachusetts, Minnesota, New Mexico, Pennsylvania.

must be obtained within **60 calendar days prior to note date.**

Co-Mortgagors

- Non-occupant co-borrowers are permitted
- DU will consider the income, assets, liabilities and credit of a non-occupant co-borrower.

Ratios

- Maximum DTI as determined by DU
- DU must reflect all payments, regardless of the number of months remaining, except for installment loans with less than 10 months.
- Self-employment losses or un-reimbursed expenses from a spouse do not need to be taken into consideration when calculating income and DTI, when they are not on the loan transaction.
- Payment on installment debts secured by virtual currency must be included in the debt-to-income ratio calculation.
- BNPL (Buy Now Pay Later) debts identified on the borrower's asset statements, but not reported on the credit report, must be treated as undisclosed debt, and fully documented. Whether or not the payment is to be included in the DTI will be determined by the financing arrangement and the number of payments left. The financing agreement and/or a current statement reflecting the payment, balance and terms are required.
    - Refer to Credit Policy Announcement 26-02 for requirements and list of BNPL companies.

Deferred Installment Debt (Student Loans)

- For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the monthly payment must be included in the borrower's recurring monthly debt obligation when qualifying the borrower.

Credit Profile

- **Minimum risk score of 620 unless a higher score is required** for a DU Approve/Eligible recommendation
- When no borrower has at least one (1) credit account or installment account reported on the credit report, refer to the full product guidelines for specific eligibility requirements.

MI Coverage Requirements

- MI is required for all loans with a LTV >80%

Transaction Type	80.01-85.00%	85.01-90.00%	90.01-95.00%
Standard Coverage, Term ≤ 20 Years	6%	12%	25%
Standard Coverage, Term > 20 Years	12%	25%	25%

This document is not all encompassing. It is a summary reference tool to be utilized in conjunction with agency guidelines and applicable FMC credit and compliance policies. Where this document is silent, refer to agency guidelines.

All bolded and highlighted items are Freedom Mortgage overlays.

Pricing and product guidelines are subject to change and may be discontinued at any time.

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