FREEDOM MORTGAGE® | WHOLESALE

FNMA Texas 50(a)(6) and 50(a)(4)

See full Product Guide for complete information.

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Loan Amounts[1] and LTV	
Texas 50a6 and 50a4 Refinances	**Max LTV / CLTV[2]**
1 Unit Primary Residence	80%

[1] Maximum $832,750 conforming loan amount.

[2] 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.

Amortization	• 10, 15, 20, 25, 30 Year. Note, Texas 50(a)(6) and 50(a)(4) transactions are permitted with ARM products according to Texas law. **Freedom Mortgage Corporation (FMC) offers FRM terms only.**	
Secondary Financing	• Maximum LTV/CLTV is 80%. • New subordinate financing on a first lien Texas Section 50(a)(6) or 50(a)(4) conversion loan is not permitted. • Subordinate liens, which are not 50(a)(6) or 50(t) mortgages, may remain in place but must be subordinate to the 50(a)(6) or 50(a)(4) conversion mortgage, provided the CLTV does not exceed 80%. Reminder, any subordinate lien must be a closed end lien, not a HELOC or another 50(a)(6).	
Eligible Properties	• Must be the borrower's owner occupied homestead property • 1 Unit • SFR, Warrantable Condo, PUD, Townhouse • Properties with auxiliary/mother-in-law units (when used for homestead purposes only)	
Ineligible Properties	• 2-4 Units • Duplexes • Texas Urban Homestead properties greater than 10 acres • Manufactured Housing • Non-warrantable Condo • Timeshare • Mixed Use • Mobile Home • Cooperative	• Condo/PUD Hotel • Commercial Property • Working Farms • **Properties with Resale Deed Restrictions** (other than Age Restricted) • Properties that are listed for sale at the time of disbursement • Properties that have been assumed • Life Estates • **Land Trust and Community Land Trust**
Refinance Transactions	**Texas 50(a)(6) Refinance** There are important differences between transactions that are considered a cash out by Fannie Mae and not a cash out by Texas law. Only those loans meeting the definition of a Texas 50(a)(6) transaction must meet the additional state requirements. However, certain transactions which are not considered a Texas 50(a)(6) under the Texas law are considered a cash out for Fannie Mae purposes. Conversely, transactions that are considered a Texas 50(a)(6) may not be considered a cash out for Fannie Mae. These include:	

Transaction Type	Texas Home Equity	Fannie Mae Cash Out
Refinance with cash to the borrower(s) to pay taxes on the homestead property	No	Yes
Refinance to buy out the equity of an ex-spouse in a divorce, as a result of a court order. Only the person coming off of title may receive proceeds.	No	No
Refinance of a lien against a homestead property which includes funds to pay a federal tax lien resulting from tax debt of both spouses if a family homestead or the tax debt of the owner	No	Yes
Refinance of a lien against a homestead property which is not currently a 50(a)(6) closed end or 50(t) open end	No	No
Home Improvement refinance loan	No	Yes
Refinance of a Texas 50(a)(6) with no cash back to the borrower (may have a second that was used in full to purchase the property)	No if the requirements of a Section 50(a)(4) apply	No

When the loan is identified as a Section 50(a)(6), Fannie Mae pricing and eligibility requirements must be followed for cash out transactions.

- Subject property must be listed as the borrower(s) homestead, primary residence.
- Equity refinance may not exceed 80% LTV/CLTV.
- Seasoning: New refinance loan must be closed more than 12 months after the closing of the existing Texas Home Equity Loan.
- Fee Limitations: A 2% fee cap of the principal balance has been placed on all Texas 50(a)(6) transactions (refer to Fee Cap table below).
- No prepayment penalties: Must be a closed end first lien that is not subject to any prepayment penalties.

Texas 50(a)(4) Conversion Refinance

When the current mortgage is identified as a Section 50(a)(6) and the new loan will be a rate term refinance (identified as Section(a)(4) conversion), Fannie Mae pricing and eligibility requirements must be followed for a rate term refinance, in addition to the below.

- If the existing Note, Mortgage or commitment for title insurance shows that the mortgage being refinanced is a Section 50(a)(6), the new mortgage must be considered a Texas Home Equity Loan or a Section 50(a)(4) conversion loan. The new mortgage may be considered a Section 50(a)(4) conversion loan if the following conditions exist:
    - Seasoning: New 50(a)(4) conversion refinance loan must close more than 12 months after the previous Texas Home Equity loan closed
    - 80 LTV%: The refinance is of a principal amount that when added to the aggregate total of the outstanding principal balance of all other indebtedness secured by the homestead, does not exceed 80% of the fair market value of the homestead on the date of the refinance
    - Refinance Disclosure 50(a)(4): The lender provides the owner (i.e. borrower) with the written noticed required by Section (F)(2)(D) of the Texas Constitution on a separate document not later than the third business day after the date the owner submits the loan application to the lender and at least 12 days before the date the refinance of the loan closes.

	○ No prepayment penalties: Must be a closed end first lien that is not subject to any prepayment penalties.
Occupancy	Primary Residence • Military Owner Occupancy: military service may require a servicemember to be absent from their home for an extended period due to deployment. (additional requirements apply see full product guide for details) • 1 Unit • 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 • FMC has a maximum of four FMC financed properties for one individual. • Must be an Owner-Occupied Homestead
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 must be obtained within **60 calendar days prior to note date.** Co-Mortgagors • Non-occupant co-borrowers, co-signers or guarantors are not permitted. A property is considered to be a person or family's homestead when the owner(s) shows both the intent to occupy the property as a permanent residence and some overt act in the use of the property in the intended manner. This means that the owner(s) must reside at the property with their belongings (i.e. clothes, furniture, etc). Reserves/Assets • Primary Residence: Follow DU Findings 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 any 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. 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.
Escrow Waivers	FMC will permit waiving the escrow impound account for property taxes and homeowner's insurance for the transaction, however, the borrower must have sufficient cash flow to pay the amounts when due and the borrower has proven they pay on time.

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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