FREEDOM MORTGAGE® | WHOLESALE

FNMA Fixed Rate & Adjustable Rate

See full Product Guide for complete information.

Revised 10-05-26

Loan Amounts and LTVs[1]	
Property Type	**Fixed & Adjustable Rate Mortgage Max LTV / CLTV / HCLTV[4]**
Purchase	
1-Unit Primary Residence	97%[2]
2-Unit Primary Residence	95%
3-4 Unit Primary Residence	95%
1-Unit Second Home	90%
1-Unit Investment Property	85%
2-4 Unit Investment Property	75%
Limited Cash Out Refinance	
1-Unit Primary Residence	97%[3]
2-Unit Primary Residence	95%
3-4 Unit Primary Residence	95%
1-Unit Second Home	90%
1-Unit Investment Property	75%
2-4 Unit Investment Property	75%
Cash Out and Student Loan Cash Out Refinance	
1-Unit Primary Residences	80%
2-4 Unit Primary Residences	75%
1-Unit Second Home	75%
1-Unit Investment Property	75%
2-4 Unit Investment Property	70%

[1]Refer to the Agency Loan Limit matrix in the full product guidelines for maximum loan amounts

[2]Purchase transactions with LTV ratios greater than 95%must be a FRM and requires at least one borrower to be a first time homebuyer and at least one borrower must complete homebuyer education when all borrowers are first-time homebuyers. Maximum 95% LTV/CLTV/HCLTV for fixed rate transactions where no borrower has a credit score.

[3]Refinance transactions with LTV ratios greater than 95% must be a FRM and requires that the existing loan being refinanced is owned (or securitized) by Fannie Mae. Maximum 95% LTV/CLTV/HCLTV for fixed rate transactions where no borrower has a credit score.

[4]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.

- 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, Asset Assessment.

Amortization	• 10-, 15-, 20-, 25-, and 30-Year Terms
	• 30Year only for ARM transactions
	• Odd terms 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	• Eligible standard subordinate financing permitted. Refer to the LTV/CLTV/HCLTV chart if subordinate financing exists • Standard secondary financing, including HELOCs, for a Mortgage with a CLTV/HCLV ratios up to 97% 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 (*see Product Guide for complete details*)	• HomePath Properties (FNMA REO) *(see Product Guide for complete details)* • Life Estates (*see Product Guide for complete details*)
Ineligible Properties	• Manufactured Housing* • Non-warrantable Condo • Timeshare • Mixed Use • Mobile Home • Condo/PUD Hotel • Commercial Property • Working Farms *Manufactured homes available in all states, excluding New York and Virginia. *Please see full product guidelines for details.*	• **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 & Community Land Trust (including Illinois Land Trusts)**
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	**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

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 obligated on the loan being paid off but not on the title. Ownership must be transferred to the borrower(s) at 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 mortgage loan. *See full product guide for exceptions.*

- Any refinance within six months of a previous refinance that combined a first mortgage and a non-purchase money second mortgage will be considered a cash out refinance.
- Properties listed for sale must be taken off the market on or before the disbursement date of the new mortgage loan.
  - Borrower must provide documentation that the property has been taken off the market.

	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. • Follow the FNMA TX 50(a)(6) FRM program guidelines for properties located in Texas when the first mortgage was originated as a TX 50(a)(6) • Refer to Fannie Mae B2-1.3-02 for full details.	
Occupancy	**Primary Residence, Second Home, Investment Property** • If subordinate financing exists refer to Secondary Financing Section above • **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 to deployment	**Secondary/Vacation Home** • 1-Unit only, must be suitable for year-around use • Borrower must occupy the property for some portion of the year • Borrower must have exclusive control over the property • Must not be a rental property or timeshare arrangement **Investment Property**

	(additional requirements apply see full product guide for details). • 1-4 Unit • Must be Owner Occupied • 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	• 1-4 Unit
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.** **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. **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. **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	Transaction Type	80.01-85.00%	85.01-90.00%	90.01-95.00%	95.01-97.00%
	Standard Coverage, Term ≤ 20 Years	6%	12%	25%	35%
	Standard Coverage, Term > 20 Years; ARMs and manufactured homes*	12%	25%	30%	35%

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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