

Section 2.01a – Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages

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Overview

Product Summary

This product description is designed to provide information on SunTrust's offering of Fannie Mae's HomeReady[®] Mortgage and Freddie Mac's Home Possible[®] Mortgage loan programs.

The HomeReady and Home Possible mortgages are conventional, Agency affordable lending mortgage programs designed for creditworthy, low- to moderate-income borrowers. These loan programs provide expanded eligibility for financing a primary residence in designated low-income, minority, and/or disaster-impacted communities.

Loans originated using general loan limits and high-cost area loan limits (i.e., high-balance mortgage loans) are eligible under the HomeReady mortgage loan program. Loans originated using general loan limits only are eligible under the Home Possible mortgage loan program.

All HomeReady mortgage loans originated using general loan limits must be underwritten with Fannie Mae's Desktop Underwriter[®] (DU[®]) or be traditionally (i.e., non-AUS) underwritten. All high-balance HomeReady mortgage loans must be underwritten with Fannie Mae's DU. All DU processed HomeReady loans must receive a DU "Approve/Eligible" or an acceptable "Approve/Ineligible" recommendation.

Reference: See "Fannie Mae DU Loans" in the "Underwriting the Borrower" topic within [Section 2.01: Agency Loan Programs](#) for additional information regarding acceptable DU "Approve/Ineligible" recommendations.

All Home Possible mortgage loans must be underwritten with Freddie Mac's Loan Product Advisor[®] (LPA[®]) and must receive an LPA "Accept/Eligible" recommendation.

Eligible loan products available under the HomeReady and Home Possible mortgage loan programs include the following:

- Fully Amortizing Fixed Rate,
- Fully Amortizing 5/1, 7/1, and 10/1 LIBOR ARMs, and
- Fully Amortizing 5/5 CMT ARM.

Note: For all Home Possible mortgage loans, one- and two-unit properties can be secured by fixed-rate or ARM loans; however, three- and four-unit properties must be secured by fixed-rate loans.

Non-AUS and DU guidelines outlined in this product description apply for HomeReady mortgage loan transactions. All LPA guidelines apply for Home Possible mortgage loan transactions. If not specified, the guidelines apply for both HomeReady and Home Possible mortgage loan transactions.

Continued on next page

Overview, Continued

Product Summary, continued

Guidelines not addressed in this product description will follow standard Agency or Agency Plus (for high-balance transactions) requirements, as outlined in [Section 2.01: Agency Loan Programs](#) of the *Correspondent Seller Guide*.

Features and Benefits

Features and benefits of the HomeReady and Home Possible mortgages include the following:

Feature	Benefit
DU and LPA automated identification of potentially eligible loans	Promotes the offering of the maximum financing opportunities and flexibilities offered by these products to all potentially eligible borrowers
Financing up to 97% LTV (loans originated using general loan limits)	Low down payment option with many borrower flexibilities
Flexible sources of funds	Gifts, grants, Community/Affordable Seconds, and cash-on hand are permitted as a source of funds for down payment and closing costs, with no minimum contribution required from the borrower's own funds (1-unit properties)
Lower mortgage insurance (MI) coverage requirement	Lower MI coverage requirement than standard Agency for LTVs above 90% supports competitive borrower payment Note: Standard mortgage insurance coverage <u>must be obtained</u> . The alternatives to standard mortgage insurance coverage offered by DU and LPA (i.e., <u>minimum coverage with corresponding LPAs [DU] and Custom MI [LPA]</u>) are not allowed.

Related Bulletins

General

Related bulletins are provided below in PDF format. To view the list of published bulletins, select the applicable year below.

- [2019](#)
 - [2018](#)
 - [2017](#)
-

Loan Terms

Amortization Terms

- Fully Amortizing Fixed Rate: 10-30 years
 - Fully Amortizing 5/1 & 7/1 LIBOR ARMs: 10-30 years
 - Fully Amortizing 5/5 CMT ARMs: 10-30 years
 - Fully Amortizing 10/1 LIBOR ARMs: 15-30 years
-

Minimum Loan Amount

General Loan Limits

There is no minimum loan amount.

High-Cost Area (i.e., High-Balance) Loan Limits

- \$484,351 for one unit properties
- \$620,201 for two unit properties
- \$749,651 for three unit properties
- \$931,601 for four unit properties

Note: High-balance mortgage loans are only permitted under the HomeReady mortgage loan program.

Maximum Loan Amount

General Loan Limits

- \$484,350 for one unit properties
- \$620,200 for two unit properties
- \$749,650 for three unit properties
- \$931,600 for four unit properties

High-Cost Area (i.e., High-Balance) Loan Limits

- High-balance loans are available ONLY in high cost areas (as defined by HUD). [Click here](#) for the specific loan limits for each high-cost area, as released by the Federal Housing Finance Agency.
- The maximum loan amount will vary based on the location of the subject property; however, will NEVER exceed:
 - \$726,525 for one unit properties,
 - \$930,300 for two unit properties,
 - \$1,124,475 for three unit properties, and
 - \$1,397,400 for four unit properties.

Note: High-balance mortgage loans are only permitted under the HomeReady mortgage loan program.

Continued on next page

Loan Terms, Continued

HomeReady Maximum LTV/TLTV/ HTLTV Ratio Requirements

Note: When submitting a HomeReady Mortgage to DU, select HomeReady in the Community Lending Product field in DU.

HomeReady Primary Residence – Fixed Rate				
Purpose	# of Units	LTV/TLTV/HTLTV for Non-AUS Loans	LTV/TLTV/HTLTV for DU Loans	LTV/TLTV/HTLTV for LPA Loans
Purchase	1	95%/95% ² /95%	97% ¹ /97% ² /97% ¹	Not Eligible
	2	85%/85% ² /85%	85%/85% ² /85%	Not Eligible
	3-4	75%/75% ² /75%	75%/75% ² /75%	Not Eligible
Limited Cash-Out Refinance (Rate/Term)	1	95%/95% ² /95%	97% ^{1,4} /97% ^{2,3,4} /97% ^{1,4}	Not Eligible
	2	85%/85% ² /85%	85%/85% ² /85%	Not Eligible
	3-4	75%/75% ² /75%	75%/75% ² /75%	Not Eligible
Cash-Out Refinance	1-4	Not Eligible		
<p>¹ 95.01-97% LTVs and HTLTVs are permitted on loans originated using general loan limits only. The maximum LTV and HTLTV for high-balance transactions is 95%.</p> <p>² The TLTV may exceed the limits stated above up to 105% only if the mortgage is part of a Community Seconds transaction.</p> <p>³ If the mortgage is part of a Community Seconds transaction and the LTV is 95% or less, Fannie Mae is not required to be the owner of the existing mortgage.</p> <p>⁴ For limited cash out refinances with LTV/TLTV/HTLTV ratios greater than 95%, Fannie Mae must be the owner of the existing mortgage.</p>				

HomeReady Primary Residence – 5/1, 7/1, and 10/1 LIBOR ARMs & 5/5 CMT ARM				
Purpose	# of Units	LTV/TLTV/HTLTV for Non-AUS Loans	LTV/TLTV/HTLTV for DU Loans	LTV/TLTV/HTLTV for LPA Loans
Purchase	1	95%/95%/95%	95%/95%/95%	Not Eligible
	2	85%/85%/85%	85%/85%/85%	Not Eligible
	3-4	75%/75%/75%	75%/75%/75%	Not Eligible
Limited Cash-Out Refinance (Rate/Term)	1	95%/95%/95%	95%/95%/95%	Not Eligible
	2	85%/85%/85%	85%/85%/85%	Not Eligible
	3-4	75%/75%/75%	75%/75%/75%	Not Eligible
Cash-Out Refinance	1-4	Not Eligible		

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Loan Terms, Continued

Home Possible Maximum LTV/TLTV/HTLTV Ratio Requirements

Notes:

- Home Possible fixed-rate mortgages with an LTV and/or TLTV ratio greater than 95% are referred to by Freddie Mac as Home Possible Advantage Mortgages. Any specific requirements that apply for these transactions, that differ from standard Home Possible requirements, are referenced in SunTrust guidelines as requirements for Home Possible transactions with an LTV and/or TLTV ratio greater than 95%.
- When submitting a Home Possible mortgage to LPA:
 - Use LPA Offering Identifier Code "241" for LTV/TLTV/HTLTVs <= 95%
 - Use LPA Offering Identifier Code "250" for LTVs or TLTVs > 95%

Home Possible Primary Residence – Fixed Rate				
Purpose	# of Units	LTV/TLTV/HTLTV for Non-AUS Loans	LTV/TLTV/HTLTV for DU Loans	LTV/TLTV/HTLTV for LPA Loans
Purchase	1 2-4	<u>Not Eligible</u> <u>Not Eligible</u>	Not Eligible Not Eligible	97%/95% ^{1,2} /95% 95%/95%/95%
Limited Cash-Out Refinance (Rate/Term)	1 2-4	<u>Not Eligible</u> <u>Not Eligible</u>	Not Eligible Not Eligible	97%/95% ^{1,2} /95% 95%/95%/95%
Cash-Out Refinance	1-4	Not Eligible		
¹ Secondary financing subordinated to a Home Possible mortgage with a 95.01-97% LTV must be an Affordable Second and the Affordable Second financing cannot be a HELOC. ² The TLTV may exceed the limits stated above up to 105% only if the secondary financing is an Affordable Second. For TLTVs 95.01-105%, the Affordable Second financing cannot be a HELOC.				

Home Possible Primary Residence – 5/1, 7/1, and 10/1 LIBOR ARMs & 5/5 CMT ARM				
Purpose	# of Units	LTV/TLTV/HTLTV for Non-AUS Loans	LTV/TLTV/HTLTV for DU Loans	LTV/TLTV/HTLTV for LPA Loans
Purchase	1-2 3-4	<u>Not Eligible</u> Not Eligible	Not Eligible Not Eligible	95%/95%/95% Not Eligible
Limited Cash-Out Refinance (Rate/Term)	1-2 3-4	<u>Not Eligible</u> Not Eligible	Not Eligible Not Eligible	95%/95%/95% Not Eligible
Cash-Out Refinance	1-4	Not Eligible		

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Loan Terms, Continued

ARM Parameters

Conversion Option

A conversion option is not available. All ARM products are non-convertible.

Interest Rate Adjustments

- The interest rate is fixed for the initial period and is then subject to change with a specified frequency thereafter, using the most recent index figure available 45 days prior to the interest rate adjustment, as follows:
 - 5/1, 7/1, and 10/1 LIBOR ARMS: Following the initial fixed-rate interest period, subsequent interest rate adjustments will occur every 12 months (one year).
 - 5/5 CMT ARM: Following the initial fixed rate period, subsequent interest rate adjustments will occur every 60 months (five years).

Indexes

- An ARM plan may be tied to one of the following common indexes described below:
 - Five-Year Constant Maturity Treasury (CMT) securities:** The weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years, as made available by the Federal Reserve Board.
 - London Interbank Offered Rate (LIBOR):** The average of the LIBOR, for one-year U.S. dollar-denominated deposits, as published in the Wall Street Journal.

Margin/Floor

- 5/1, 7/1, and 10/1 LIBOR ARMs: The margin is 2.25%
- 5/5 CMT ARMs: The margin is 2.00%

Note: Refer to SunTrust's pricing adjustment sheet for applicable margin add-ons.

- The margin is also the floor.

Interest Rate Caps

The following table shows caps that apply to the applicable ARM programs.

ARM Program	Caps	Index
5/1 ARM	<ul style="list-style-type: none"> 2% cap, up or down, on the initial change , 2% cap, up or down, on each annual change thereafter, and 5% lifetime cap (over the note rate). 	LIBOR
5/5 ARM	<ul style="list-style-type: none"> 2% cap, up or down, on the initial change, 2% cap, up or down, on each subsequent change thereafter, and 5% lifetime cap (over the note rate). 	5-Year CMT
7/1 & 10/1 ARMs	<ul style="list-style-type: none"> 5% cap, up or down, on the initial change , 2% cap, up or down, on each annual change thereafter, and 5% lifetime cap (over the note rate). 	LIBOR

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Loan Terms, Continued

Assumability Provisions

- Fixed rate products are not assumable, except as permitted by state and federal law.
 - The following information applies to assumptions of ARM products:
 - The 5/1, 7/1, and 10/1 ARMs are assumable after the initial fixed rate period (i.e., after 60 months for the 5/1 ARM, after 84 months for the 7/1 ARM, and after 120 months for the 10/1 ARM).
 - The 5/5 ARM is assumable at any time.
 - Borrower(s) must contact their current mortgage servicer for additional information.
-

Interest Only Parameters

Interest only transactions are not eligible.

Multiple Financed Properties for the Same Borrower

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply.

Fannie Mae DU

[Section 2.01: Agency Loan Programs](#) DU guidelines apply.

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- The occupying borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the note date.
-

Eligible Transactions

General

Non-AUS

- Eligible transactions include:
 - Purchase
 - Limited cash-out (rate/term) refinance
 - Construction lending single and two-closings
- Cash-out refinance and renovation transactions are not eligible.

Fannie Mae DU

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

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- Eligible transactions include:
 - Purchase
 - “No cash-out” refinance

Note: “No cash-out” refinance is LPA’s terminology for a limited cash-out (rate/term) refinance.

- Cash-out refinance, construction lending (single and two-closing), and renovation transactions are not eligible.
-

Purchase Transactions

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply.

Fannie Mae DU

Follow DU requirements, which are the same as non-AUS guidelines, except as follows:

- For HomeReady transactions (originated using general loan limits) with LTV, TLTV, or HTLTV ratios of 95.01-97%, at least one borrower on the loan must have a credit score.

Note: The TLTV ratio can be up to 105% if the subordinate lien is a Community Seconds loan.

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- Proceeds from the transaction may not be used to give the borrower cash back other than the following:
 - an amount representing reimbursement for the borrower’s overpayment of fees and charges, including refunds that may be required in accordance with certain federal laws or regulations. The settlement statement must clearly indicate the refund, and the loan file must include documentation to support the amount and reason for the refund; and
 - a legitimate pro-rated real estate tax credit in locales where real estate taxes are paid in arrears.
 - If the borrower receives cash back for a permissible purpose as listed above, the lender must confirm that the minimum borrower contribution requirements associated with the selected mortgage product, if any, have been met.
-

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Eligible Transactions, Continued

Limited Cash-Out Refinance (LPA

Terminology: “No Cash-Out” Refinance)

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply.

Fannie Mae DU

Follow DU requirements, which are the same as non-AUS guidelines, except as follows:

- For HomeReady transactions (originated using general loan limits) with LTV, TLTV, or HTLTV ratios of 95.01-97%, the following requirements apply:
 - The lender must document that the existing loan being refinanced is owned (or securitized) by Fannie Mae. Documentation may come from:
 - the lender’s servicing system,
 - the current servicer (if the lender is not the servicer),
 - [Fannie Mae’s Loan Lookup tool](#), or
 - any other source as confirmed by the lender.

Note: The lender must inform DU that Fannie Mae owns the existing mortgage using the Owner of Existing Mortgage field in the online loan application before submitting the loan to DU. This requirement does not apply if the TLTV exceeds 95% only due to a Community Seconds loan.

- At least one borrower on the loan must have a credit score.

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 presented in [Section 2.01: Agency Loan Programs](#).
- 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.

SunTrust Note: SunTrust 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 any junior liens secured by the mortgaged premises, that were used in their entirety to acquire the subject property
- 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, presented in [Section 2.01: Agency Loan Programs](#), 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, presented in [Section 2.01: Agency Loan Programs](#).

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Eligible Transactions, Continued

Limited Cash-Out Refinance (LPA Terminology: "No Cash-Out" Refinance),
(continued)

Freddie Mac LPA, continued

- 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.
- **Secondary financing**
 - The borrower is not required to satisfy outstanding junior liens secured by the mortgaged premises, provided that the junior liens meet the requirements pertaining to secondary financing (including the special requirements for Affordable Seconds mortgages, if applicable). See the "Secondary Financing" topic subsequently presented in this document for additional details.
- **Special documentation requirements**
 - If a junior lien was paid off as part of the "no cash-out" refinance transaction, the lender must maintain documentation in the mortgage file demonstrating that the full amount of the lien was used for the purchase of the subject property.
- **SunTrust Note for Texas only:** For any refinance of a Texas Constitution Section 50(a)(6) loan that results in a loan originated in accordance with and secured by a lien permitted by Article XVI, Section 50(a)(4) of the Texas Constitution, an affidavit referenced in Section 50(f-1) Article XVI of the Texas Constitution must be prepared and recorded in connection with each such transaction.

In addition to the affidavit requirement outlined above, refinances of an owner's home equity loan as a non-home equity refinance [i.e., non-50(a)(6)] loan under Article XVI, subsection 50(a)(4) of the Texas Constitution must comply with **all** Texas state-specific requirements for such transactions.

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Eligible Transactions, Continued

Fannie Mae's HomeStyle® Renovation Mortgage

SunTrust Note: All HomeStyle Renovation mortgage transactions must be underwritten by the Correspondent lender (approved by SunTrust for delegated underwriting authority). HomeStyle Renovation mortgage transactions are not eligible for purchase if SunTrust underwrites the loan.

Non-AUS

- HomeReady loans are eligible in combination with HomeStyle Renovation; however, the **more restrictive** requirements of HomeReady or HomeStyle Renovation apply when these two products are combined on a loan. For example, a HomeReady HomeStyle Renovation mortgage must be a primary residence transaction, whereas standard HomeStyle Renovation permits second homes and investment properties.

Exception: For purchase transactions with LTV, TLTV, or HTLTV ratios 95.01 - 97% that combine HomeReady and HomeStyle Renovation, Fannie Mae is not requiring at least one borrower to be a first-time homebuyer.

- See the “Fannie Mae’s HomeStyle Renovation Mortgage” subtopic presented in the “Eligible Transactions” topic of [Section 2.01: Agency Loan Programs](#) for additional guidance related to HomeStyle Renovation mortgage requirements.

Fannie Mae DU

Follow DU requirements, which are the same as non-AUS guidelines, except as follows:

- DU will determine that the transaction is a HomeStyle Renovation Mortgage if there is an amount entered on line b. Alterations, Improvements, Repairs in the Details of Transaction section of the online loan application.

Freddie Mac LPA

Not eligible

Secondary Financing

General

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply, except as follows:

- Subordinate financing from a seller-held mortgage is not permitted with HomeReady mortgages.

Fannie Mae DU

Follow DU requirements which are the same as non-AUS guidelines, in addition to the following:

- In all cases, the first mortgage data must include secondary financing data so that the accurate TLTV is evaluated.

Freddie Mac LPA

[Section 2.01: Agency Loan Programs](#) LPA guidelines apply, except as follows:

- **General Requirements**

- For LTVs 95.01-97% and/or TLTVs 95.01-105%, secondary financing must be an Affordable Second and the Affordable Second financing cannot be a HELOC.

Note: “Affordable Seconds” is Freddie Mac’s terminology for subsidized secondary financing or other type of financial assistance, evidenced in land records, that is provided by an Agency and meets affordable seconds requirements. See the “Community Seconds[®] (Fannie Mae) / Affordable Seconds[®] (Freddie Mac)” subtopic, outlined in [Section 2.01: Agency Loan Programs](#), for additional guidance.

- For LTVs 95% or less, Affordable Seconds, institutional, privately held, and seller held seconds are permitted.
- Rural Housing Service (RHS) Leveraged Seconds are not eligible in conjunction with a Home Possible mortgage.
- **Special Requirements for Home Possible Mortgages with a Temporary Subsidy Buydown**
 - If a Home Possible mortgage with a temporary subsidy buydown plan is subject to secondary financing, including an Affordable Second[®] that requires repayment to begin before the due date of the 61st monthly payment under the Home Possible mortgage, the secondary financing must have a fixed-interest rate.

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Secondary Financing, Continued

Community Seconds[®] (Fannie Mae) / Affordable Seconds[®] (Freddie Mac)

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply, except as follows:

- **Minimum Borrower Contribution Requirements**

- See the “Minimum Borrower Contribution Requirements” subtopic subsequently outlined in this product description for minimum borrower contribution requirements for transactions that contain Community Seconds.
- HomeReady mortgages may be used in a Community Seconds transaction with the following limitations:
 - For a limited cash-out refinance transaction, the Community Seconds mortgage holder must acknowledge the lien position by executing a subordination agreement, which must be recorded to ensure enforceability.
 - If the loan type is an ARM, the loan must comply with the maximum ARM LTV and TLTV ratios.
 - The maximum LTV of the underlying first mortgage product remains unchanged.
 - If the mortgage does not have an independent TLTV cap (such as the TLTV cap for ARMs), the TLTV can be expanded to 105%, provided the subordinate financing meets all conditions of a Community Seconds mortgage.

Fannie Mae DU

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

Freddie Mac LPA

[Section 2.01: Agency Loan Programs](#) LPA guidelines apply.

Geographic Restrictions

Introduction

- As determined by HUD, the following states are NOT considered as a high cost area and are **NOT eligible** for originations as a HomeReady high-balance loan:

State	State	State
Alabama	Maine	Ohio
Arkansas	Michigan	Oklahoma
Arizona	Minnesota	Oregon
Delaware	Missouri	Rhode Island
Iowa	Mississippi	South Carolina
Illinois	Montana	South Dakota
Indiana	North Dakota	Texas
Kansas	Nebraska	Vermont
Kentucky	New Mexico	Wisconsin
Louisiana	Nevada	

- The following table shows additional information on geographic restrictions applicable to the HomeReady and Home Possible loan programs.

State	Restrictions
New York	<ul style="list-style-type: none"> As a result of state legislation, primary residences are not eligible if the transaction is determined to be a “sub-prime home loan”. New York Consolidation, Extension and Modification Agreement (CEMA) transactions are <u>not eligible</u>.

Reference: See General [Section 1.02: Eligible Mortgages](#) for SunTrust specific geographic restrictions that may apply and General [Section 1.35: Compliance Overview](#) for state specific predatory lending restrictions.

Occupancy/Property Types

Eligible Occupancy/ Property Types

Non-AUS

Eligible occupancy/property types include the following:

- 1-4 unit primary residences
- Attached and detached properties
- Condominiums
- PUDs
- Group Homes
- Leasehold estates (excluding Georgia Power leaseholds)
- Mixed-use properties
- Modular, Prefabricated, Panelized, or Sectional Housing (other than manufactured housing)
- Properties listed for sale
- Properties purchased at auction
- Properties subject to resale restrictions
- Properties with solar panels
- Properties with two or more parcels
- Rural properties
- Short sale properties

Fannie Mae DU

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

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- Eligible occupancy/property types include the following:
 - 1-4 unit primary residences
 - Attached and detached properties
 - Condominiums
 - PUDs
 - Group Homes
 - Leasehold estates (excluding Georgia Power leaseholds)
 - Mixed-use properties
 - Modular, Prefabricated, Panelized, or Sectional Housing (other than manufactured housing)
 - Properties listed for sale
 - Properties purchased at auction
 - Properties subject to resale restrictions
 - Properties with solar panels
 - Properties with two or more parcels
 - Rural properties
 - Short sale properties

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Occupancy/Property Types, Continued

Ineligible Occupancy/ Property Types

Non-AUS

Ineligible occupancy/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
- 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

Fannie Mae DU

Follow DU requirements, which are as follows:

- Ineligible occupancy/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
 - 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:
 - Manufactured housing

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Occupancy/Property Types, Continued

Ineligible Occupancy/ Property Types, (continued)

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- Ineligible occupancy/property types include the following:
 - 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
 - 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:
 - Manufactured housing
-

Primary Residences

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply.

Fannie Mae DU

[Section 2.01: Agency Loan Programs](#) DU guidelines apply.

Freddie Mac LPA

[Section 2.01: Agency Loan Programs](#) LPA guidelines apply.

Continued on next page

Occupancy/Property Types, Continued

Properties with Resale Restrictions

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply, except as follows:

- **Eligible Borrowers for Affordability-Related Deed Restrictions**
 - Eligible borrowers must satisfy the specific eligibility criteria and resale restrictions established by the subsidy provider.
 - For HomeReady mortgage transactions, if the borrower income limits for the resale restrictions differ from the income limits for Fannie Mae's HomeReady mortgage loans and the borrower income limits for the HomeReady mortgage loans are more restrictive, the HomeReady income limits apply.

Fannie Mae DU

Follow DU requirements, which are the same as non-AUS guidelines, except as follows:

- DU will issue a message that the lender must ensure that the loan meets all the requirements for properties with resale restrictions, including property type, amortization type, and loan purpose.

Freddie Mac LPA

[Section 2.01: Agency Loan Programs](#) LPA guidelines apply.

Borrower Eligibility

Eligible Borrowers

Non-AUS

Eligible borrowers include:

- US Citizens
- Co-Signers and Guarantors
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- Non-Occupant Borrowers
- Inter Vivos Revocable Trusts/Living Trusts

Fannie Mae DU

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

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- Eligible borrowers include:
 - US Citizens
 - Co-Signers and Guarantors
 - Permanent Resident Aliens
 - Non-Permanent Resident Aliens
 - Non-Occupant Borrowers
 - Inter Vivos Revocable Trusts/Living Trusts
 - Land Trusts

SunTrust Note: SunTrust research reflects that the following states, by statute, recognize and permit the use of land trusts:

- Colorado
- Florida
- Illinois
- Indiana
- Virginia

Land trust mortgage originations in any other state will not be eligible for purchase by SunTrust.

Continued on next page

Borrower Eligibility, continued

Ineligible Borrowers

Non-AUS

Ineligible borrowers include:

- Corporations and partnerships
- LLCs
- Foreign Nationals
- Borrowers with diplomatic immunity
- Trailing Co-borrowers
- Land Trusts (including Illinois Land Trusts)

Fannie Mae DU

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

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- Ineligible borrowers include:
 - Corporations and partnerships
 - LLCs
 - Foreign Nationals
 - Borrowers with diplomatic immunity
 - Trailing Co-borrowers

Continued on next page

Borrower Eligibility, Continued

Borrower Income Limits

Non-AUS

- In determining whether a borrower is eligible under the HomeReady mortgage, the borrower's income must be compared to the applicable area median income (AMI) for the property's location.
- The lender must count the income from all of the borrowers who will sign the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.
- For determining Fannie Mae loan eligibility, lenders must refer to the AMIs that Fannie Mae provides on their [Income Eligibility by Census Tract Lookup](#) (spreadsheet), and may not rely on other published versions (such as AMIs posted on huduser.org).
- To be eligible as a HomeReady mortgage, the total annual qualifying income may not exceed 100% of the AMI for the property's location. However, there is no income limit for properties located in low-income census tracts, defined as those census tracts where the median tract income is no greater than 80% AMI.

Fannie Mae DU

Follow DU requirements, which are the same as non-AUS guidelines, except as follows:

- Income eligibility will be confirmed by DU.

Notes:

- The [Income Eligibility by Census Tract Lookup](#) (spreadsheet) is available to check eligibility in advance of DU submission.
- For loan casefiles that are not submitted to DU as a HomeReady mortgage loan, DU will issue a message indicating that the loan may be eligible as a HomeReady loan if the total qualifying income entered in DU appears to be within the applicable AMI limit or the property is located within a low-income census tract.

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- The borrower's qualifying income converted to an annual basis must not exceed 100% of the area median income (AMI) for the location of the mortgage premises. There is no income limit if the mortgaged premises is located in a low-income census tract, which is a census tract where the median tract income is at or below 80% of the AMI.
- To determine whether the borrower's income exceeds the income limits, the lender must rely on the income used to qualify the borrower and submitted to Loan Product Advisor® for Loan Product Advisor mortgages.
- Loan Product Advisor will determine the income eligibility of the mortgage.

Note: The [Home Possible® Income & Property Eligibility Tool](#) is available to allow lenders to check eligibility in advance of LPA submission. The lender may not use other published AMI versions (such as AMIs posted on <https://www.huduser.gov/portal/home.html>), in advance of LPA submission, to determine mortgage or product eligibility.

Continued on next page

Borrower Eligibility, Continued

Homeownership Education and Housing Counseling

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply, except as follows:

- **Transactions that Require Homeownership Education**

- For the following transactions, at least one borrower on the mortgage loan must complete the homeownership education or housing counseling requirements:
 - for HomeReady purchase transactions, or
 - if all borrowers on the loan are relying solely on nontraditional credit to qualify, regardless of the transaction type or whether the borrowers are first-time home buyers.

Fannie Mae DU

Follow DU requirements, which are the same as non-AUS guidelines, except as follows:

- **Homeownership Education and Housing Counseling**

- Lenders must indicate the completion of this housing counseling via the Homebuyer Education Completion Indicator in DU.
- The housing counseling must meet the requirements of, and be documented on *Certificate of Completion of Housing Counseling* (Fannie Mae [Form 1017](#)).

Reference: See “Housing Counseling” in the “Homeownership Education and Housing Counseling” subtopic within the “Eligible Borrowers” topic outlined in [Section 2.01: Agency Loan Programs](#) for additional information.

Continued on next page

Borrower Eligibility, Continued

Homeownership Education and Housing Counseling, (continued)

Fannie Mae DU, continued

- **Special Feature Code Requirement:** Use SFC 184 to identify loans where at least one borrower completed housing counseling.

Note: If at least one borrower completes the housing counseling and the HomeReady loan is delivered with Special Feature Code 184, the lender (selling the loan to Fannie Mae) receives a \$500 loan level price adjustment credit from Fannie Mae. At this time, SunTrust is unable to pass this \$500 price adjustment credit on to the Correspondent Lender.

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- **Homeownership Education**
 - **General Requirements**
 - At least one occupying borrower must participate in a homeownership education program before the note date, in each of the following instances:
 - For purchase transactions when all occupying borrowers are first-time homebuyers, or
 - For any transaction when the credit reputation for all borrowers is established using only noncredit payment references
 - See the “Homeownership Education and Housing Counseling” subtopic within the “Eligible Borrowers” topic outlined in [Section 2.01: Agency Loan Programs](#) for guidance regarding acceptable formats of homeownership education programs, provider restrictions, and documentation requirements.
 - **Landlord Education (2- to 4-Unit Primary Residences)**
 - **Purchase Transactions**
 - At least one qualifying borrower must participate in a landlord education program before the note date. Landlord education must not be provided by an interested party to the transaction, the originating lender, or the lender selling the loan to Freddie Mac.
 - A copy of a certificate evidencing successful completion of the landlord education program must be retained in the mortgage file.
 - **Refinance Transactions**
 - Landlord education is not required but is recommended for borrowers who have not previously attended a program.
 - **Post-purchase and Early Delinquency Counseling**
 - The lender, as Servicer, must provide (at no cost to the borrower) early delinquency counseling to all borrowers who experience problems meeting their mortgage obligations.

Borrower Eligibility, continued

Non-Occupant Borrowers

Non-AUS

If the income of a guarantor, co-signer, or a co-borrower is used for qualifying purposes and that guarantor, co-signer, or co-borrower will not occupy the subject property, the maximum LTV, TLTV, and HLT TV 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/HLT TV Matrices").

Fannie Mae DU

Follow DU requirements, which are as follows:

- If the income of a guarantor, co-signer, or co-borrower is used for qualifying purposes and that guarantor, co-signer, or co-borrower will not occupy the subject property, the maximum LTV, TLTV, and HLT TV ratio may not exceed 95% (unless a Community Seconds is part of the transaction, in which case the TLTV may not exceed 105% where permitted in the "Maximum LTV/TLTV/HLT TV Matrices").

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- Non-occupying borrowers are permitted provided that:
 - The mortgage is secured by a 1-unit property
 - The LTV/TLTV/HLT TV ratios must not exceed 95% (except that for fixed-rate mortgages with Affordable Seconds, the TLTV ratio must not exceed 105%)
- Funds used to qualify for the mortgage may come from the occupying and/or the non-occupying borrower

Continued on next page

Income

Boarder Income

Non-AUS

- The rental payments that any borrower receives from one or more individuals who reside with the borrower (but who are not obligated on the mortgage debt and may or may not be related to the borrower) may be considered as acceptable stable income. This applies for a one-unit property in an amount up to 30% of the total gross income that is used to qualify the borrower for the mortgage if:
 - The individual(s) has lived with (and paid rent to) the borrower for the last 12 months.
 - The boarder can provide appropriate documentation to demonstrate a history of shared residency (such as a copy of a driver's license, bill, or bank statement that shows the boarder's address as being the same as the borrower's address).
 - The boarder can demonstrate (such as copies of canceled checks) the payment of rental payments to the borrower for:
 - the last 12 months, or
 - at least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period.
 - Payment of rent by the boarder directly to a third party is not acceptable.

Fannie Mae DU

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

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- Rental income from a 1-unit primary residence may be considered as stable monthly income provided it meets the "Rental Income from the Borrower's 1-unit Primary Residence" guidelines outlined in the "Rental Income" subtopic within [Section 2.01: Agency Loan Programs](#) or the following:
 - **Connection with Borrower.** The person providing the rental income and the borrower:
 - Have resided together for at least one year
 - Will continue residing together in the new residence, and
 - The person providing the rental income provides appropriate documentation to evidence residency with the borrower (i.e., copy of a driver's license, bill, bank statement, etc., that shows the address of that person to be the same as the borrower's address)
 - **Rental Payment.** Rental income from the person residing in the mortgaged premises:
 - Has been paid to the borrower for the past 12 months
 - Can be verified by the borrower with evidence showing receipt of regular payments of rental income to the borrower for at least nine of the past 12 months (i.e., copies of cancelled checks)
 - Must be averaged over 12 months for qualifying purposes when fewer than 12 months are documented
 - Does not exceed 30% of total income used to qualify for the mortgage

Continued on next page

Income, continued

Boarder Income (continued)

- The mortgage file must contain a written statement from the borrower affirming:
 - The source of the rental income
 - The fact that the person providing the rental income has resided with the borrower for the past year and intends to continue residing with the borrower in the new residence for the foreseeable future
 - Rental income that meets the above requirements may be generated from an accessory unit. In addition, see “Property with an Accessory Unit” in the “Improvements Section of the Appraisal Report” subtopic, outlined in the “Appraisal Analysis: Agency Loan Programs” topic, within [Section 1.07: Appraisal Guidelines](#) for the property eligibility and appraisal requirements.
-

Income Limits

See “Borrower Income Limits” in the “Borrower Eligibility” topic, previously presented in this document, for guidance.

Rental Income from a One-Unit Primary Residence with an Accessory Unit

Non-AUS

- Rental income from a one-unit primary residence with an accessory unit is permitted.
- See “Documenting Rental Income from the Subject Property” and “Calculating Monthly Qualifying Rental Income (or Loss)” in the “Rental Income” subtopic within [Section 2.01: Agency Loan Programs](#) for calculation and documentation of rental income requirements for qualifying purposes.

SunTrust Note: SunTrust provides the following GSE clarification:

- If the borrower does not have a lease to document rental income, lenders may obtain a Fannie Mae *Single-Family Comparable Rent Schedule* (Form 1007) from the appraiser. Although the form applies to a single-family investment property, Fannie Mae will accept the use of this form with an explanation from the appraiser that the estimated market rent is for the rental of an accessory unit on a 1-unit, primary residence property, and that the information reported on the form is specific to the accessory unit.
- See “Accessory Units” in the “Improvements Section of the Appraisal Report” subtopic, outlined in the “Appraisal Analysis: Agency Loan Programs” topic within [Section 1.07: Appraisal Guidelines](#) for additional details related to acceptable accessory units.

Fannie Mae DU

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

Freddie Mac LPA

See the “Boarder Income” subtopic previously presented in this document for guidance.

Credit Requirements

Credit Score Requirements

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply, except as follows:

- The following minimum credit score requirements apply. The minimum credit score must be based on the representative score for the transaction and the HIGHEST of the LTV/TLTV/HTLTV, as applicable.

Note: The credit scores below are based on DTI \leq 45% and minimum cash reserves.

Transaction Type	# of Units	Minimum Credit Score
Purchase & Limited Cash-Out (Rate/Term) Refinance	1	700 if > 75% 640 if \leq 75%
	2	700 if > 75% 660 if \leq 75%
	3-4	680

Note: See the “Borrowers with Low Credit Scores” section presented below and the “Non-Traditional Credit History” subtopic subsequently presented in this document for guidance on when a borrower has a low credit score or is relying on nontraditional credit to qualify (i.e., at least one borrower has a usable credit score OR no borrowers have a credit score).

- Borrowers with Low Credit Scores**

- For HomeReady mortgage loans secured by one-unit properties, when the lender obtains a representative credit score for the borrower, but the score is less than the minimum score required for a HomeReady mortgage (but never less than 640), the borrower may still be eligible if the following requirements are met:
 - The credit report indicates that the borrower’s credit score is low due to an insufficient traditional credit history (as documented by reason codes on the credit report that indicate a lack of credit accounts, accounts not opened long enough, lack of usage, etc., as reasons for the low credit score). The borrower’s credit score must be no less than 640. If the borrower’s credit score is low due to derogatory credit or if none of the reason codes noted above appear on the credit report, then the minimum credit score for the transaction must be met (per the minimum credit score requirements previously outlined in this subtopic).
 - The lender must supplement the traditional credit file (referred to as a “thin file”) with the development of an acceptable nontraditional credit profile in accordance with the guidance outlined in the “Non-Traditional Credit History” subtopic.
 - Special Feature Code Requirement:** Use SFC 818 to identify HomeReady mortgage loans that have borrowers with thin files.

Note: Special Feature Code 818 should only be used to indicate a “thin file” HomeReady mortgage loan.

Continued on next page

Credit Requirements, Continued

Credit Score Requirements, (continued)

Fannie Mae DU

[Section 2.01: Agency Loan Programs](#) DU guidelines apply, except as follows:

- For high-balance HomeReady transactions, Fannie Mae requires that all borrowers must have at least one credit score.

Note: For HomeReady transactions originated using general loan limits, see the “Non-Traditional Credit History” subtopic subsequently presented in this product description for guidance on when a borrower is relying on nontraditional credit to qualify (i.e., no borrower has a credit score *OR* at least one borrower has no credit score and another borrower has a credit score).

Freddie Mac LPA

[Section 2.01: Agency Loan Programs](#) LPA guidelines apply, except as follows:

- For Home Possible transactions, see the “Non-Traditional Credit History” subtopic, subsequently presented in this product description for guidance on when a borrower is relying on nontraditional credit to qualify (i.e., at least one borrower has a usable credit score *OR* no borrowers have a credit score).

Non-Traditional Credit History

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply, except as follows:

- **Unacceptable Uses**
 - The establishment of a nontraditional credit history is not acceptable for the following scenarios:
 - The lender is able to obtain a credit score for the borrower despite the borrower’s limited use of credit.
 - The borrower has a sufficient amount of credit to obtain a credit score and the representative credit score is less than the minimum required.

Note: An exception is permitted for certain HomeReady loans for borrowers with low credit scores. See the “Borrowers with Low Credit Scores” section in the “Credit Score Requirements” subtopic previously presented in this topic for additional information.

- The borrower’s traditional credit history indicates significant derogatory references, such as a prior bankruptcy or foreclosure. In these cases, the borrower must have re-established credit in accordance with the requirements outlined in the “Requirements for Re-establishing Credit” section within the “Bankruptcies, Foreclosures, Deeds-in-Lieu, Short Sales, and Mortgage Charge-Offs” subtopic within [Section 2.01: Agency Loan Programs](#), including the establishment of traditional credit and a credit score.

Continued on next page

Credit Requirements, Continued

Non-Traditional Credit History, (continued)

Non-AUS, continued

- **Number of Nontraditional Credit Sources Required**
 - The number of nontraditional credit sources that must be documented for a borrower without a credit score is as follows:
 - Three sources for each borrower without a credit score
 - If there is a borrower on the loan without a credit score who cannot document a nontraditional credit profile (because the borrower has no nontraditional credit sources), the transaction is still eligible, provided no more than 30% of the qualifying income for the mortgage loan comes from that borrower.

Fannie Mae DU

[Section 2.01: Agency Loan Programs](#) DU guidelines apply.

Freddie Mac LPA

[Section 2.01: Agency Loan Programs](#) LPA guidelines apply, in addition to the following requirement:

- **Special Feature Code Requirement:** Use SFC 532 to identify Home Possible loans when the credit reputation for **all** borrowers is established using only noncredit payment references (i.e., no borrowers on the mortgage loan have a credit score).
-

Cash Requirements

Assets

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply, except as follows:

- Cash-on-hand and sweat equity are acceptable sources of funds for HomeReady mortgage loans. See the “Cash-on-hand” and “Sweat Equity” subtopics subsequently presented in this product description for additional guidance.

Fannie Mae DU

[Section 2.01: Agency Loan Programs](#) DU guidelines apply, except as follows:

- Cash-on-hand and sweat equity are acceptable sources of funds for HomeReady mortgage loans. See the “Cash-on-hand” and “Sweat Equity” subtopics subsequently presented in this document for additional guidance.
- The online loan application provides the following categories of liquid assets: Bond, Bridge Loan, Cash-on-Hand, Certificate of Deposit, Checking Account, Gift, Gift of Equity, Money Market Fund, Mutual Fund, Net Equity, Other Liquid Asset, Retirement Fund, Savings Account, Secured Borrowed Funds, Stock, and Trust Funds.

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- [Section 2.01: Agency Loan Programs](#) LPA guidelines apply, except as follows:
 - **Sources of Funds**
 - The following sources of funds are permitted and must meet the requirements below:

Use	Permitted Sources of Funds
Minimum borrower contribution	<ul style="list-style-type: none"> • Borrower personal funds
Down payment	<ul style="list-style-type: none"> • Borrower personal funds • Other eligible sources of funds
Paying down the principal balance of the mortgage being refinanced for a "no cash-out" refinance transaction	<ul style="list-style-type: none"> • Borrower personal funds • Other eligible sources of funds
Closing Costs	<ul style="list-style-type: none"> • Borrower personal funds • Other eligible sources of funds • Flexible sources of funds
Reserves	<ul style="list-style-type: none"> • Borrower personal funds • Other eligible sources of funds

- **Borrower Personal Funds**

- When used with Home Possible mortgages, borrower personal funds include:
 - Borrower Personal Funds, as outlined in the “Cash Requirements” topic of [Section 2.01: Agency Loan Programs](#)
 - Cash-on-Hand

Continued on next page

Cash Requirements, Continued

Assets,
(continued)

Freddie Mac LPA, continued

- **Other Eligible Sources of Funds**
 - When used with Home Possible mortgages, other eligible sources of funds used to qualify the borrower for the mortgage transaction include:
 - Other Eligible Sources of Funds, as outlined in the “Cash Requirements” topic of [Section 2.01: Agency Loan Programs](#)
 - Unsecured Loan
 - Sweat Equity
 - Proceeds from an Affordable Second or other acceptable secondary financing

SunTrust Note: Freddie Mac does not purchase loans where a gift or grant is provided by the originating lender who is not also the seller of the loan directly to Freddie Mac. Therefore, SunTrust cannot purchase loans from a Correspondent lender where the Correspondent originating lender has provided a gift or grant.

- **Flexible Sources of Funds**
 - When used with Home Possible Mortgages, flexible sources of funds include:
 - Financing concessions, as described in the “Interested Party Contributions (IPCs)” topic outlined in [Section 2.01: Agency Loan Programs](#)
 - Lender credit, as documented on the Settlement/Disclosure Statement

SunTrust Note: Freddie Mac does not purchase loans where an unsecured loan is provided from the originating lender who is not also the seller of the loan directly to Freddie Mac. Therefore, SunTrust cannot purchase loans from a Correspondent lender where the Correspondent originating lender has provided an unsecured loan.

Continued on next page

Cash Requirements, Continued

Minimum Borrower Contribution Requirements

Non-AUS

- The following guidelines apply for purchase transactions:
 - Fannie Mae does not require a minimum borrower contribution from the borrower's own funds for any mortgage loan if the loan has an LTV, TLTV, or HTLTV ratio of 80% or less.
 - If the LTV, TLTV, or HTLTV ratio is greater than 80%, the minimum required borrower contribution from the borrower's own funds is dependent on the number of units, as noted in the table below.

Number of Units	Minimum Borrower Contribution	Minimum Down Payment Requirement ¹
One ²	None	5%
Two ³	3%	15%
Three or Four	3%	25%

¹ Refer to the "Maximum LTV/TLTV/HTLTV" matrices previously presented in this product description for additional details.
² A minimum 3% borrower contribution and minimum down payment of 5% is required if sweat equity is being used toward the down payment for one-unit HomeReady purchase transactions. See the "Sweat Equity" subtopic subsequently outlined in this product description for additional requirements.
³ If the income of a guarantor, co-signor, or non-occupant borrower is used for qualifying purposes, the occupying borrower(s) is required to make a minimum 5% contribution from their own funds.

- No minimum contribution is required in connection with a limited cash-out refinance transaction.

Fannie Mae DU

Follow DU requirements, which are the same as non-AUS guidelines, except as follows:

- For purchase transactions, if the LTV, TLTV, or HTLTV ratio is greater than 80%, the minimum required borrower contribution from the borrower's own funds is dependent on the number of units, as noted in the table below.

Number of Units	Minimum Borrower Contribution	Minimum Down Payment Requirement ¹
One ²	None	3% ³
Two	3%	15%
Three or Four	3%	25%

¹ Refer to the "Maximum LTV/TLTV/HTLTV" matrices previously presented in this product description for additional details.
² A minimum 3% borrower contribution and minimum down payment of 5% is required if sweat equity is being used toward the down payment for one-unit HomeReady purchase transactions. See the "Sweat Equity" subtopic subsequently presented in this product description for additional requirements.
³ A 3% down payment is permitted for certain purchase transactions.

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Cash Requirements, Continued

Minimum Borrower Contribution Requirements, (continued)

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- The following requirements apply for purchase transactions:

Minimum Contribution from Borrower Personal Funds			
Property Type	LTV, TLTV, and HTLTVs $\leq 80\%$	LTV, TLTV, or HTLTVs $> 80\%$ and $\leq 95\%$	LTV, TLTV, or HTLTVs $> 95\%$
1-unit	None	None	None
2- to 4-unit	None	3% of value	N/A

- See “Non-Occupant Borrowers” in the “Borrower Eligibility” subtopic previously presented in this document for additional requirements when the transaction includes a non-occupying borrower.

Reference: See “Borrower Personal Funds” in the “Assets” subtopic previously outlined in this topic for additional guidance regarding borrower personal funds for Home Possible transactions.

- No minimum contribution is required in connection with a "no cash-out" refinance transaction.

Cash-on-Hand

Non-AUS

- Lenders may deliver purchase money mortgages for one-unit properties with cash-on-hand as an acceptable source of funds for the borrower’s down payment, funds for closing costs, and prepaid items.

Note: Cash-on-hand may not be used to fund the borrower’s reserve requirement, if applicable.

- The lender must verify and document the following with respect to the cash-on-hand funds:
 - The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower’s previous payment practices.
 - The lender must verify that funds for the down payment and closing costs exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing.
 - The lender must obtain a written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed.
 - The borrower’s credit report and other verifications should indicate limited or no use of credit and limited or no depository relationship between the borrower and a financial institution.

Fannie Mae DU

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

Continued on next page

Cash Requirements, Continued

Cash-on-Hand, (continued)

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- When used with Home Possible mortgages, borrower personal funds include cash on hand, if the following requirements are met:
 - The lender reasonably concludes, and can support, that the borrower is a cash-basis individual and that the cash on hand is not borrowed and could be saved by the borrower.
 - The mortgage file contains the following documents supporting the lender's conclusion:
 - A completed Freddie Mac Exhibit 23, *Monthly Budget and Residual Analysis Form*, or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number
 - Copies of six months' cash receipts (e.g., rent or utility receipts) or other alternative documentation (e.g., direct verifications or wire transfers) to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash

Notes:

- A direct verification may be either a completed verification form or a computer-generated payment history obtained by the lender directly from the creditor and signed by the individual providing the verification.
- Direct verifications must contain sufficient information to establish the following:
 - The name and address of the creditor
 - The name of the payor
 - The name and title of the individual providing the credit reference
 - The telephone number of the creditor
 - The account number, if applicable
 - The nature of the obligation (rent, utilities, payment for purchases, insurance, etc.)
 - The highest credit balance, if applicable
 - The amount of the payment due
 - The outstanding balance
 - The current and historical status of the account. The completed verification form must indicate the number of times and duration of times past due. The historical account status format should be "0 x 30, 0 x 60, 0 x 90 days" late. However, alternative formats are acceptable as long as the meaning is clear. Statements such as "current," "as agreed," or "satisfactory" are not acceptable by themselves because they are too vague.
 - For a housing payment history, age of the reference if the length of housing payment history is less than 12 months
- Receipts from the creditor are acceptable documentation under the provisions of this section only if the payments being verified were made in cash and there is no evidence in the mortgage file that the payments were made by checks or direct bank transfers.

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Cash Requirements, Continued

Cash-on-Hand, Freddie Mac LPA, continued (continued)

- A credit report, obtained at the time of loan application. The credit report must not show more than three tradelines.
 - Copies of three months' statements for any open revolving account that reveal cash advances are not the source of borrower funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency situation).
 - An updated credit report obtained approximately one week before closing that does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the borrower
 - The mortgage file must have no indication that the borrower typically uses checking, savings or similar accounts
 - Evidence that all funds used to qualify the borrower for the mortgage transaction are deposited in a financial institution or are held in an institutional escrow account prior to closing
-

Cash Requirements, Continued

Sweat Equity

Non-AUS

- Fannie Mae considers sweat equity an acceptable source of funds for HomeReady mortgage loans provided lenders document that:
 - The mortgage is originated under a specific lending program.
 - The lending program is managed by a strong, experienced nonprofit organization.
- These factors enable Fannie Mae to work with lenders that have the proven ability to properly evaluate the contributory value of sweat equity work.
- When sweat equity is accepted toward the down payment, the borrower must contribute at least 3% from his or her own funds. For one-unit properties, a minimum down payment of 5% is required – 2% sweat equity and maximum LTV ratio of 95%. For two- to four-unit properties, refer to the maximum LTV/TLTV/HTLTV matrices previously presented in this product description for maximum LTV ratios.

Fannie Mae DU

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

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- When used with Home Possible mortgages, other eligible sources of funds used to qualify the borrower for the mortgage transaction include sweat equity, if the following conditions are met:
 - Sweat equity is credit for labor performed on the mortgaged premises and/or materials furnished for the mortgaged premises by the borrower. Such credit must be fully explained and documented.
 - Any labor performed must be completed in a skillful and workmanlike manner to support the appraised value. A certification of completion (Form 442) must be obtained verifying the work has been completed. The full amount of the borrower's down payment may be in the form of sweat equity or a combination of sweat equity and borrower personal funds as described in the "Borrower Personal Funds" section outlined in the "Assets" subtopic previously presented in this topic. Sweat equity can also be used in combination with an Affordable Second.
- **Eligible Repairs and Improvements**
 - Sweat equity is an eligible source of funds in connection with the following repairs and improvements:
 - All repairs and improvements to be completed by the borrower that are listed in the sales contract and included in the appraisal report
 - Repairs or improvements that are reflected on the appraisal report that are outstanding at the time of the appraisal. Credit for work completed prior to the original property inspection by the appraiser is not eligible for sweat equity.
- **Determining the Value of the Sweat Equity**
 - The value of the sweat equity that may be used as an eligible source of funds equals the value of the labor performed plus the value of the materials furnished, documented as follows:
 - The value of the labor performed must be estimated by the appraiser or a cost estimating service and documented in the appraisal report or separately in the mortgage file; and
 - The value for materials furnished must either be estimated by the appraiser or a cost estimating service, or be calculated using receipts from the purchase of the materials. The estimates or costs as evidenced by receipts must be documented in the mortgage file.

Continued on next page

Cash Requirements, Continued

Sweat Equity, (continued)

- **Maximum Loan-to-Value (LTV) and Total LTV (TLTV) Ratios**
 - For Home Possible mortgages that use sweat equity as an eligible source of funds, the following maximum LTV/TLTV ratios apply:

Property Type	Maximum LTV/TLTV Ratio
1-unit Primary Residence	97%/105%
2- to 4-unit Primary Residences	95%/95%

Reference: See the “Home Possible LTV/TLTV/HTLTV Ratio Requirements” subtopic previously presented in this document for additional guidance regarding maximum LTV/TLTV ratio requirements.

- **No Cash Out at Closing**
 - If sweat equity is used as an eligible source of funds, the borrower must not receive cash back at closing. All excess funds must result in a reduction of the principal balance on the mortgage.
 - **Special Feature Code (SFC) Requirement**
 - Use SFC J11 to identify Home Possible Mortgages originated with sweat equity as a credit towards the borrower’s down payment and/or closing costs.
-

Cash Requirements, Continued

Unsecured Loans

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply.

Fannie Mae DU

[Section 2.01: Agency Loan Programs](#) DU guidelines apply

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- For Home Possible purchase transactions, proceeds from an unsecured loan from the following sources are other eligible sources of funds that may be used to qualify the borrower for the mortgage transaction:
 - An Agency that is not:
 - The lender or has participated in any aspect of the mortgage origination process
 - Affiliated with, under contract to, or financed (directly or indirectly) by the lender or any party that participated in the mortgage origination process.
- Note:** For these purposes, “affiliated with” means that the Agency and the lender or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.
- A Related Person, or
 - A Community Savings System (funds in excess of the borrower contribution to the Community Savings System)
 - An unsecured loan must meet the following requirements:
 - Must not contain provisions that allow or could result in negative amortization
 - Must have a maturity date that:
 - Does not exceed the maturity date of the mortgage
 - Is at least five years after the note date of the mortgage, unless the unsecured loan is fully amortizing
 - Must have an interest rate that is no greater than the note rate on the mortgage
 - Must not be a cash advance from a credit card or unsecured line of credit
 - Must have its source, terms and conditions documented on the Form 65, Uniform Residential Loan Application
 - If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the first lien mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.

Continued on next page

Cash Requirements, Continued

Unsecured Loans, (continued)

Freddie Mac LPA, continued

SunTrust Notes:

- An unsecured loan from an employer assisted homeownership (EAH) benefit is also eligible and is covered under the “Other Eligible Sources of Funds” section outlined in the “Assets” subtopic previously presented in this document. See the “Employer Assistance” subtopic outlined in [Section 2.01: Agency Loan Programs](#) for guidance.
 - Freddie Mac does not purchase loans where an unsecured loan is provided from the originating lender who is not also the seller of the loan directly to Freddie Mac. Therefore, SunTrust cannot purchase loans from a Correspondent lender where the Correspondent originating lender has provided an unsecured loan.
-

Financed Permanent Interest Rate Buydowns

General

Non-AUS

SunTrust clarifies that HomeReady mortgages with a financed permanent buydown are permitted, as long as LTV/TLTV/HTLTV requirements are met.

SunTrust Note: A financed permanent buydown mortgage is a mortgage for which the borrower has permanently reduced the interest rate by financing discount points in the loan amount.

Fannie Mae DU

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

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- A financed permanent buydown mortgage is a mortgage for which the borrower has permanently reduced the interest rate by financing discount points in the loan amount.
 - Home Possible mortgages with a financed permanent buydown are not eligible.
-

Temporary Interest Rate Buydowns

General

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply, except as follows:

- **Eligible Transaction Types**
 - Loans must be purchase transactions.
 - Loans must be fixed-rate, 7/1, or 10/1 ARMs.
- **Lender-Funded Buydowns**
 - See [Section 2.02: ARM Alternative](#) of the *Correspondent Seller Guide* for details on SunTrust Lender-Funded buydown programs.

Fannie Mae DU

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

Freddie Mac LPA

[Section 2.01: Agency Loan Programs](#) LPA guidelines apply, except as follows:

- **Eligible Transaction Types**
 - Loans may be purchase or “no cash-out” refinance transactions secured by one- and two-unit properties.

Note: A “no cash-out” refinance mortgage with a buydown plan funded from lender credit derived from an increase in the interest rate is not permitted.
 - Loans may be fixed-rate, 5/1, 5/5, 7/1, or 10/1 ARMs.
 - **Lender-Funded Buydowns**
 - See [Section 2.02: ARM Alternative](#) of the *Correspondent Seller Guide* for details on SunTrust’s Lender-Funded buydown programs.
-

Mortgage Insurance

General

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply, except as follows:

- **Mortgage Insurance Coverage Requirements**
 - The table below shows mortgage insurance coverage requirements:

HomeReady			
LTV	Fixed rate Term <= 20 Year	Fixed rate Term > 20 Year	ARMs (all terms)
Standard			
90.01 – 95%	25%	25%	25%
85.01 – 90%	12%	25%	25%
80.01 – 85%	6%	12%	12%

Fannie Mae DU

[Section 2.01: Agency Loan Programs](#) DU guidelines apply, except as follows:

- **Mortgage Insurance Coverage Requirements**
 - For certain DU transactions, Fannie Mae offers two mortgage insurance coverage level options: standard coverage and minimum coverage with corresponding LLPAs. For HomeReady mortgage transactions, SunTrust Mortgage requires that the standard coverage be obtained.
 - The standard minimum coverage levels apply as stated in the table below:

HomeReady			
LTV	Fixed-rate Term <= 20 years	Fixed-rate Term > 20 years	ARMs (all terms)
Standard			
95.01 – 97%	25%	25%	N/A
90.01 – 95%	25%	25%	25%
85.01 – 90%	12%	25%	25%
80.01 – 85%	6%	12%	12%

Freddie Mac LPA

[Section 2.01: Agency Loan Programs](#) LPA guidelines apply, except as follows:

- **Mortgage Insurance Coverage Requirements**
 - Freddie Mac offers two mortgage insurance coverage level options: standard mortgage insurance and custom mortgage insurance. Custom mortgage insurance provides an alternative to standard mortgage insurance coverage. For Home Possible mortgage transactions, SunTrust requires that the standard coverage be obtained.

Continued on next page

Mortgage Insurance, Continued

General,
(continued)

Freddie Mac LPA, continued

- **Mortgage Insurance Coverage Requirements, continued**
 - The standard minimum coverage levels apply as stated in the table below:

Home Possible			
LTV	Fixed-rate Term \leq 20 years	Fixed-rate Term $>$ 20 years	ARMs (all terms)
	Standard		
95.01 – 97%	25%	25%	N/A
90.01 – 95%	25%	25%	25%
85.01 – 90%	12%	25%	25%
80.01 – 85%	6%	12%	12%

- **Financed Premiums**
 - For Home Possible Mortgages with LTVs greater than 95%, the Gross LTV ratio must not exceed 97%.
 - For all other mortgages, the Gross LTV ratio must not exceed 95%.
- **Lender-Paid Mortgage Insurance**
 - For Home Possible mortgage transactions, SunTrust only offers a single premium option. Monthly and annual premiums are not eligible.

Appraisal Requirements

General

For HomeReady (non-AUS and DU) and Home Possible (LPA) transactions, [Section 2.01: Agency Loan Programs](#) guidelines apply, except as follows:

- On a one-unit primary residence with an accessory unit, the borrower may qualify for the mortgage with rental income received from the accessory unit.

Reference: See the “Rental Income from a One-Unit Primary Residence with an Accessory Unit” subtopic previously presented in this product description for additional information.

Underwriting the Borrower

General

Non-AUS

[Section 2.01: Agency Loan Programs](#) non-AUS guidelines apply.

Fannie Mae DU

[Section 2.01: Agency Loan Programs](#) DU guidelines apply.

Freddie Mac LPA

[Section 2.01: Agency Loan Programs](#) LPA guidelines apply, except as follows:

- For Home Possible Mortgages, resubmission to LPA is required if the income used to qualify the borrower increases.
-

Program and Investor Codes

HomeReady Program Codes

Note: HomeReady Plus program codes apply for high-balance HomeReady mortgage loans.

Program Description	Program Code for SunTrust Internal Use Only
FNMA HomeReady 10 Year Fixed	FNHR10
FNMA HomeReady 15 Year Fixed	FNHR15
FNMA HomeReady 20 Year Fixed	FNHR20
FNMA HomeReady 30 Year Fixed	FNHR30
ARMAIt FNMA HomeReady 30 Year Fixed 2-1	FNHR30
ARMAIt FNMA HomeReady 30 Year Fixed 1.5-.75	FNHR30
ARMAIt FNMA HomeReady 30 Year Fixed 1-.5	FNHR30
FNMA HomeReady Plus 10 Year Fixed	HRH10
FNMA HomeReady Plus 15 Year Fixed	HRH15
FNMA HomeReady Plus 20 Year Fixed	HRH20
FNMA HomeReady Plus 30 Year Fixed	HRH30
ARMAIt FNMA HomeReady Plus 30 Year Fixed 2-1	HRH30
ARMAIt FNMA HomeReady Plus 30 Year Fixed 1.5-.75	HRH30
ARMAIt FNMA HomeReady Plus 30 Year Fixed 1-.5	HRH30
FNMA HomeReady 5/1 ARM 2/2/5	FNHR51
FNMA HomeReady 5/5 ARM	FNHR55
FNMA HomeReady 7/1 ARM	FNHR71
FNMA HomeReady 10/1 ARM	FHR10A
FNMA HomeReady Plus 5/1 ARM 2/2/5	HRH51
FNMA HomeReady Plus 5/5 ARM	HRH55
FNMA HomeReady Plus 7/1 ARM	HRH71
FNMA HomeReady Plus 10/1 ARM	HRH101

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Program and Investor Codes, Continued

Home Possible Program Codes

Program Description	Program Code for SunTrust Internal Use Only
Freddie Mac HomePossible 10 Year Fixed	FRHP10
Freddie Mac HomePossible 15 Year Fixed	FRHP15
Freddie Mac HomePossible 20 Year Fixed	FRHP20
Freddie Mac HomePossible 30 Year Fixed	FRHP30
ARMAlt Freddie Mac HomePossible 30 Year Fixed 2-1	FRHP30
ARMAlt Freddie Mac HomePossible 30Yr Fixed 1.5-.75	FRHP30
ARMAlt Freddie Mac HomePossible 30 Year Fixed 1-.5	FRHP30
Freddie Mac HomePossible 5/1 ARM 2/2/5	FRHP51
Freddie Mac HomePossible 5/5 ARM	FRHP55
Freddie Mac HomePossible 7/1 ARM	FRHP71
Freddie Mac HomePossible 10/1 ARM	FHP10A

Investor Codes

Loan Program	Underwriting Method	Investor Code
Fannie Mae HomeReady	Traditional (i.e., non-AUS)	000
	DU	111
Freddie Mac Home Possible	LPA	213