

Use the following information as a reference for documenting your Loan Product Advisor loans. For complete documentation information and specific program eligibility requirements, refer to the [Freddie Mac Single-Family Seller/Servicer Guide \(Guide\)](#). We recommend bookmarking the Guide link (Freddie Mac Guide URL page) for easy access to AllRegs.

What Has Changed in this Reference?

This reference is updated to coincide with new and significant changes to documentation requirements announced in Guide Bulletins. Recent changes include:

Topic	Change	Effective Date	Bulletin Announcement
<u>Income Commencing After the Note Date</u>	Reflects expanded requirements for qualifying an employed borrower for a mortgage when income commences after the Note Date, such as allowing refinance options and additional property types. Also, includes updates to documentation requirements for Option 1 and Option 2.	March 14, 2018	Bulletin 2017-28 (December 14, 2017)
<u>Self-Employed Documentation Requirements</u>	Contains a note regarding the revised Form 91 that is now effective November 30, 2018.	November 30, 2018	Bulletins 2018-1 (January 31, 2018)
<u>Rental Income</u>	Contains a note to extend the effective date for rental income revisions in the Guide to November 30, 2018.	November 30, 2018	Bulletin 2018-1 (January 31, 2018)
<u>Monthly Debt Payment</u>	Reflects revised requirements for calculating the monthly debt payment-to-income (DTI) ratio including the treatment of student loan debt and contingent liabilities.	January 18, 2018	Bulletin 2017-23 (October 18, 2017)
<u>Student Loans</u>	Adds Student Loans as a stand-alone topic in this matrix. Includes revised requirements to include a simplified approach to address student loan repayment plans and student loan forgiveness programs.	January 18, 2018	Bulletin 2017-23 (October 18, 2017)
<u>Excluding Contingent Liabilities from Monthly DTI Ratio</u>	Includes revised requirements to exclude installment, revolving and lease payments from the monthly DTI ratio. Also, includes revised requirements for excluding mortgage debt from the monthly DTI.	January 18, 2018	Bulletin 2017-23 (October 18, 2017)

Note: Vertical revision bars " | " are also used in the margin of this reference to highlight these new requirements and significant changes.

Table of ContentsIncome and Employment Documentation

- [General Requirements](#)
- [General Requirements for Documentation Used to Verify Employment and Income](#)
- [Employed Income](#)
 - [Primary Employment](#)
 - [Secondary Employment](#)
 - [Additional Employed Income](#)
 - [Military Income](#)
 - [Income Commencing After the Note Date](#)
- [Self-Employed Income](#)
- [Other Income](#)

Asset DocumentationCredit and LiabilitiesGeneral Underwriting RequirementsVerification RequirementsRequirements for Resubmission to Loan Product AdvisorRequirements for Resubmission to Loan Product Advisor After the Note Date**Additional Resources:**Reminders for Loan Product Advisor Resubmissions after the Note DateUnderstanding Loan Product Advisor's Determination of Reserve RequirementsUnderstanding Loan Product Advisor's Determination of Total Funds to Be VerifiedUnderstanding Loan Product Advisor's Determination of Total Monthly Debt for Conventional Loans

INCOME AND EMPLOYMENT DOCUMENTATION

The analysis, verification, calculation and determination of the stable monthly income amount is integral to the overall qualification of the borrower and determination of the borrower's capacity to repay the mortgage and other monthly obligations. Refer to Guide Topic 5300 for complete requirements and guidance for the analysis, stability, history, continuance and documentation for all stable monthly income and asset qualification sources.

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
General requirements for stable monthly income (Guide Section 5301.1)	<p>Stable monthly income is the borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the borrower, the Seller must determine that both the source and the amount of the income are stable.</p> <p>Regardless of the underwriting path, the income qualification sources used to qualify the borrower (whether or not specifically addressed in Topic 5300) and the documentation in the mortgage file must be evaluated for stable monthly income qualification requirements and must meet the requirements of Topic 5300. Income qualification sources that do not meet these requirements or are not calculated correctly may invalidate the Loan Product Advisor Risk Class on the Feedback Certificate.</p> <p>The Seller must include a written analysis of the income qualification sources and amount in the mortgage file. In addition, all documentation used to establish stable monthly income must be retained in the mortgage file.</p> <p>Refer to Guide Section 5301.1 for more requirements and guidance on:</p> <ul style="list-style-type: none"> ▪ Analysis of stable monthly income amount ▪ General requirements for all stable monthly income ▪ Income stability and history ▪ Income continuance
General requirements for documentation used to verify employment and income (Guide Chapter 5302)	<p>Employed income documentation and verification requirements</p> <ul style="list-style-type: none"> ▪ YTD Paystubs ▪ W-2 Forms ▪ Written VOEs ▪ Ten-day Pre-Closing Verification (10-day PCV) ▪ Third-party Verification Service Providers <p>Tax return requirements</p> <ul style="list-style-type: none"> ▪ Signed tax returns (and alternatives to signatures) ▪ IRS Transcripts ▪ Unreimbursed employee expenses
Employed income calculation guidance and requirements (Guide Section 5303.4)	<p>Employed income calculation guidance and requirements</p> <p>For all income, the Seller must determine how the borrower is paid in order to accurately analyze and calculate the stable monthly income used for qualifying. The documentation in the mortgage file must support the Seller's income analysis and calculation. If the documentation does not support the income used for qualifying purposes, further analysis is required and additional documentation may be necessary to support the stability of the income and the amount of income used to qualify.</p> <ul style="list-style-type: none"> ▪ For the calculation of base non-fluctuating employment earnings, refer to Section 5303.4(a) ▪ For the calculation fluctuating employment earnings, refer to Guide Section 5303.4(b)

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Primary and Secondary Employment: Earnings types - requirements and guidance (Guide Section 5303.2(b))	<p>Base non-fluctuating employment earnings</p> <p>For determining stable monthly income, base non-fluctuating employment earnings are considered to be earnings with a pre-determined and agreed upon rate of pay and number of hours worked each pay period.</p> <ul style="list-style-type: none"> The pay rate and number of hours worked must be reflected on an ongoing consistent basis for each pay period and be fully supported by the year-to-date income. In addition, if the annual salary is reported on the income verification documentation, that may be considered additional confirmation of base non-fluctuating earnings. Base non-fluctuating earnings may include: <ul style="list-style-type: none"> Both exempt (salaried) and non-exempt earnings; however, the pay rate and number of hours worked must not fluctuate between pay periods. Military base (basic) pay. For members of the United States Armed Forces, active-duty pay is considered base non-fluctuating earnings. Part-time earnings, provided the number of hours worked each pay period are pre-determined and the same, as outlined above. <p>Base non-fluctuating earnings do not include additional employed income (e.g., bonus, overtime, tips). Refer to Section 5303.3 for requirements and guidance pertaining to additional employed income.</p> <p>Fluctuating hourly employment earnings</p> <p>For determining stable monthly income, fluctuating hourly employment earnings are considered to be employment earnings with hours that may fluctuate each week or pay period. The hours are not pre-determined; however, the employer and the borrower may have a general expectation of weekly hours. The hourly pay rate is a pre-determined and agreed upon fixed amount. Fluctuating hourly earnings:</p> <ul style="list-style-type: none"> May be determined by a review of the YTD income verification documentation with analysis focused on hours per pay period and YTD earnings in relation to hours worked. Are not considered base or salaried earnings From employment are typically representative of non-exempt earnings. <p>Do not include additional employed income (e.g., bonus, overtime, tips). Refer to Section 5303.3 for requirements and guidance pertaining to additional employed income.</p>
Employed Income	
Primary employment earnings: <ul style="list-style-type: none"> Base non-fluctuating earnings, and Fluctuating hourly earnings (Guide Sections 5303.2(a)(i) and 5303.2(c))	<p>Primary employment earnings – documentation requirements:</p> <p>Obtain all the following:</p> <ul style="list-style-type: none"> Year-to-date (YTD) paystub(s) documenting all YTD earnings, W-2 form(s) for the most recent calendar year, and a 10-day pre-closing verification (10-day PCV) <p>OR, all the following:</p> <ul style="list-style-type: none"> Written verification of employment (VOE) documenting all YTD earnings and the earnings for the most recent calendar year, and a 10-day PCV <p>Primary employment - history requirements</p> <p>In most instances, the borrower should have at least a two-year history of primary employment documented on Form 65, Uniform Residential Loan Application and verified in accordance with Topic 5300.</p>

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Employed Income (continued)	
Primary employment - history requirements: <ul style="list-style-type: none"> ▪ Base non-fluctuating earnings, and ▪ Fluctuating hourly earnings (continued) (Guide Sections 5303.2(a)(i) and 5303.2(c))	<p>Under certain circumstances, when a borrower has less than a two-year history of primary employment, the Seller may be able to justify and determine that the employment is stable. Examples that may support less than a two-year history of primary employment include, but are not limited to, the following:</p> <p>For a borrower:</p> <ul style="list-style-type: none"> ▪ Returning to the workforce after a period of extended absence, for any reason, documentation is provided to support a stable employment history that directly preceded the extended absence ▪ New to the workforce, provide documentation supporting the borrower's recent attendance at school or in a training program prior to their current employment ▪ Who experienced recent employment gaps (e.g., 30 days), documentation is obtained from the borrower explaining the circumstances surrounding the gap(s) <p>Refer to Guide Section 5303.2(a)(i) for complete requirements and guidance.</p>
Secondary employment earnings: <ul style="list-style-type: none"> ▪ Base non-fluctuating earnings and ▪ Fluctuating hourly earnings Guide Sections 5303.2(a)(ii) and 5303.2(c))	<p>Secondary employment earnings – documentation requirements:</p> <p>All the following:</p> <ul style="list-style-type: none"> ▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV <p>OR, all the following:</p> <ul style="list-style-type: none"> ▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV
Secondary employment - history requirements (Guide Sections 5303.2(a)(ii) and 5303.2(c))	<p>Secondary employment - history requirements</p> <p>In most instances, the borrower should have at least a two-year history of secondary employment for the employment to be considered stable.</p> <p>Under certain circumstances, when a borrower has less than a two-year secondary employment history but has at least a 12-month history, the Seller may be able to justify and determine the employment is stable.</p> <p>Refer to Guide Section 5303.2(a)(ii) for complete requirements and guidance.</p>
W-2 Forms: Alternative documentation Guide Section 5302.2(b))	<ul style="list-style-type: none"> ▪ Year-end YTD Paystubs: The year-end YTD paystub(s) or military Leave and Earnings Statement may be used in lieu of the W-2 form(s) provided the documentation reflects the complete income earned in the previous calendar year; <p>OR,</p> <ul style="list-style-type: none"> ▪ W-2 Transcripts: The W-2 transcript(s) may be used in lieu of the W-2 form(s) provided the transcript reflects the complete income earned in the previous calendar year
Employment Characteristics Guide Section 5303.2(d)	<p>For certain employment characteristics, additional documentation and/or analysis may be needed. Refer to Guide Section 5303.2(d) for complete requirements and guidance.</p> <ul style="list-style-type: none"> ▪ Full-time and part-time employment ▪ Seasonal employment ▪ Union members ▪ Borrower employed by a family member or interested party to the transaction ▪ Employed income from a foreign source ▪ Employment contracts (educational and other industries) ▪ Temporary help services (W-2 income from contract and/or temporary staffing firms) ▪ Income reported on IRS Form 1099 for services performed

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Topic	Additional Employed Income
Additional Employed Income – History and Stability (Guide Section 5303.3(b))	<p>Income history and stability - requirements and guidance</p> <p>Many additional employed income types are fluctuating income. The stability of fluctuating income is determined based primarily upon historical earnings so it is imperative that a sufficient income history has been established. For this reason, most income types that fluctuate have a history requirement of two years. In certain instances, a shorter history may still be considered stable if Seller provides a written analysis, and sufficient supporting documentation, justifying the determination of stability. When making this determination, the Seller must take into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the borrower's demonstrated ability to repay obligations. In no event may the history be less than 12 months.</p> <p>Refer to Section 5303.4 for information with respect to employed income calculation requirements and guidance.</p>
Commission income <25% (Guide Section 5303.3(d))	<p>History of receipt: Two years, consecutive</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Refer to Section 5303.4(b) for calculation guidance and requirements</p> <p>Documentation:</p> <p>All the following:</p> <ul style="list-style-type: none"> ▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV <p>OR, all the following:</p> <ul style="list-style-type: none"> ▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV
Commission income ≥25% (Guide Section 5303.3(d))	<p>History of receipt: Two years, consecutive</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Unreimbursed employee expenses reflected on Schedule A and IRS Form 2106 (if applicable) of the borrower's federal individual income tax returns must be deducted from the borrower's gross commission income when calculating income. Refer to Section 5303.4(b) for calculation guidance and requirements</p> <p>Documentation:</p> <p>Obtain all the following:</p> <ul style="list-style-type: none"> ▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV ▪ Complete federal individual income tax returns covering the most recent two-year period. <p>OR, all the following:</p> <ul style="list-style-type: none"> ▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV ▪ Complete federal individual income tax returns covering the most recent two-year period.
Bonus income and overtime income (Guide Section 5303.3(d))	<p>History of receipt: Two years, consecutive</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Refer to Section 5303.4(b) for calculation guidance and requirements</p> <p>Documentation:</p> <p>All the following:</p> <ul style="list-style-type: none"> ▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV <p>OR, all the following:</p> <ul style="list-style-type: none"> ▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Additional Employed Income	
Tip Income (Guide Section 5303.3(d))	<p>History of receipt: Two years, consecutive</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Refer to Section 5303.4(b) for calculation guidance and requirements</p> <p>Tip income reported by the employer:</p> <p>Documentation:</p> <p>All the following:</p> <ul style="list-style-type: none"> ▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV <p>OR, all the following:</p> <ul style="list-style-type: none"> ▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV <p>Tip income - Cash and charge tips reported on IRS Form 4137:</p> <p>Documentation:</p> <p>All the following:</p> <ul style="list-style-type: none"> ▪ IRS Form 4137 for the most recent two years ▪ Complete federal individual income tax returns covering the most recent two-year period ▪ 10-day PCV
Restricted stock (RS) and restricted stock units (RSU) subject to performance-based vesting provisions (Guide Section 5303.3(d))	<p>History of receipt:</p> <ul style="list-style-type: none"> ▪ Two years, consecutive ▪ To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Refer to Section 5303.4(b) for calculation guidance and requirements</p> <p>Documentation:</p> <p>All the following:</p> <ul style="list-style-type: none"> ▪ YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU, W-2 forms for the most recent two calendar years and a 10-day PCV. Income verification obtained through a third-party verification service provider as described in Section 5302.3 is not permitted. <p>OR, all the following:</p> <ul style="list-style-type: none"> ▪ Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent two calendar years, and a 10-day PCV. Income verification obtained through a third-party verification service provider as described in Section 5302.3 is not permitted. <p>Additional documentation requirements applicable to all documentation levels:</p> <p>The mortgage file must contain:</p> <ul style="list-style-type: none"> ▪ Evidence the stock is publicly traded ▪ RS and/or RSU agreement ▪ Most recent vesting schedule(s) detailing past and future vesting ▪ Evidence of receipt of previous year(s) payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include: <ul style="list-style-type: none"> – Date(s) of the payout(s) – The number of vested shares or its cash equivalent distributed to the borrower (pre-tax)

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
	Additional Employed Income
RS and RSU subject to time-based vesting (Guide Section 5303.3(d))	<p>History of receipt:</p> <ul style="list-style-type: none"> One year To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction <p>Continuance: Must continue for at least the next three years</p> <p>Calculation: Refer to Section 5303.4(b) for calculation guidance and requirements</p> <p>Documentation:</p> <p>All the following:</p> <ul style="list-style-type: none"> YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU, W-2 form for the most recent calendar year and a 10-day PCV. Income verification obtained through a third-party verification service provider as described in Section 5302.3 is not permitted. <p>OR, all the following:</p> <ul style="list-style-type: none"> Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent calendar year, and a 10-day PCV. Income verification obtained through a third-party verification service provider as described in Section 5302.3 is not permitted. <p>Additional documentation requirements applicable to all documentation levels:</p> <p>The mortgage file must contain:</p> <ul style="list-style-type: none"> Evidence the stock is publicly traded RS and/or RSU agreement Most recent vesting schedule(s) detailing past and future vesting Evidence of receipt of previous year(s) payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include: <ul style="list-style-type: none"> Date(s) of the payout(s) The number of vested shares or its cash equivalent distributed to the borrower (pre-tax)
Automobile allowance (Guide Section 5303.3(d))	<p>History of receipt: Two years, consecutive</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: The Seller may add the full amount of the allowance to the borrower's qualifying income, and when calculating the borrower's debt payment-to-income (DTI) ratio, the Seller must include the full amount of the monthly automobile financing expense in the calculation of the borrower's monthly debt payment (refer to Section 5401.2). The Seller may not subtract the automobile allowance from the monthly automobile financing expense.</p> <p>Documentation:</p> <p>All the following:</p> <ul style="list-style-type: none"> YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV <p>OR, all the following:</p> <ul style="list-style-type: none"> Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV
Mortgage differential (Guide Section 5303.3(d))	<p>Overview: Payments from the borrower's employer for all or part of the housing payment differential between the borrower's present and proposed mortgage payment. The employer must not be an interested party to the transaction.</p>

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Additional Employed Income	
Mortgage differential (continued) (Guide Section 5303.3(d))	<p>History of receipt: A history of receipt is not required for the income to be considered stable</p> <p>Continuance: Must continue for at least the next three years</p> <p>Calculation: The Seller may add the mortgage differential payments to the borrower's income. The payments may not be used to offset the monthly housing payment amount used for qualification.</p> <p>Documentation:</p> <ul style="list-style-type: none"> ▪ Agreement from the employer stating the terms, including but not limited to, the scheduled amount and duration of the payments. ▪ The documentation must show that the payments are pursuant to an established, ongoing and documented employer program.
Unemployment compensation associated with seasonal employment (Guide Section 5303.3(d))	<p>History of receipt: Two years, consecutive</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Refer to Section 5303.4(b) for calculation guidance and requirements</p> <p>Documentation:</p> <ul style="list-style-type: none"> ▪ Proof of receipt of unemployment compensation for the most recent two-year period (e.g., IRS Form 1099-G(s) and/or equivalent documentation)
Military Income	
Military base (basic) pay (Guide Sections 5303.2(a) and 5303.2(c))	<p>Primary employment earnings – Military base (basic) pay:</p> <p>History of receipt: For borrowers who are active-duty members of the United States Armed Forces, a history of military employment is not required for the employment to be considered stable.</p> <p>Documentation:</p> <p>All the following:</p> <ul style="list-style-type: none"> ▪ YTD Military Leave and Earnings Statement, W-2 form(s) for the most recent calendar year, and a 10-day PCV <p>OR, all the following:</p> <ul style="list-style-type: none"> ▪ Written VOE documenting all YTD earnings and the earnings for the most recent calendar year, and a 10-day PCV
Military entitlements (e.g., as flight or hazard duty, rations, clothing or quarters allowances) (Guide Section 5303.3(d))	<p>Additional Employed Income – Military entitlements</p> <p>History of receipt: A history of receipt is not required for the income to be considered stable</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Current fixed monthly amount</p> <p>Documentation:</p> <p>Obtain all the following:</p> <ul style="list-style-type: none"> ▪ YTD Leave and Earnings Statement, W-2 form for the most recent calendar year, and a 10-day PCV <p>OR, all the following:</p> <ul style="list-style-type: none"> ▪ Written VOE documenting the current monthly fixed entitlement amount(s) and type(s) and the earnings for the most recent calendar year, and a 10-day PCV
Military Reserve and National Guard income (Guide Section 5303.3(d))	<p>Additional Employed Income – Military Reserve and National Guard income</p> <p>History of receipt: One year</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: 12-month average</p>

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)			
Military Income				
Military Reserve and National Guard income (continued) (Guide Section 5303.3(d))	<p>Documentation: Obtain all the following:</p> <ul style="list-style-type: none"> ▪ YTD Military Leave and Earnings Statement, W-2 form for the most recent calendar year, and a 10-day PCV <p>OR, all the following:</p> <ul style="list-style-type: none"> ▪ Written VOE documenting all YTD earnings and the earnings for the most recent calendar year, and a 10-day PCV 			
Employed Income: Income Commencing After the Note Date (Guide Section 5303.2(e))				
<p>For borrowers starting new employment or receiving a future salary increase from their current employer, income commencing after the Note Date may be considered a stable source of qualifying income, provided all requirements for either Option One or all requirements for Option Two in the following table are met.</p>				
Subject	Option One	Option Two		
Start date of the new employment or future salary increase	<ul style="list-style-type: none"> ▪ Must be no later than 90 days after the Note Date ▪ May be before or after the Delivery Date 	<ul style="list-style-type: none"> ▪ No limit on the number of days after the Note Date ▪ Must be before the Delivery Date 		
Eligible employment and earnings type	<p>Employment and income must meet the following requirements:</p> <ul style="list-style-type: none"> ▪ Income must be from new primary employment or a future salary increase with the current primary employer ▪ Income must be non-fluctuating and salaried earnings (e.g., hourly earnings are not permitted), and ▪ The borrower's employer must not be a family member or an interested party to the real estate or mortgage transaction 	<p>Employment and income must meet the following requirements:</p> <ul style="list-style-type: none"> ▪ Income must be from new primary employment ▪ Earnings must be non-fluctuating and salaried (e.g., hourly earnings are not permitted) and ▪ The borrower's employer must not be a family member or an interested party to the real estate or mortgage transaction 		
Eligible loan purpose	<p>The mortgage must be originated for one of the following purposes:</p> <ul style="list-style-type: none"> ▪ Purchase transaction ▪ "No cash-out" refinance 	<p>The mortgage must be originated for one of the following purposes:</p> <ul style="list-style-type: none"> ▪ Purchase transaction ▪ "No cash-out" refinance ▪ Cash-out refinance 		
Eligible Mortgaged Premises	The mortgaged premises must be a 1-unit Primary Residence	<p>The mortgaged premises must be one of the following:</p> <ul style="list-style-type: none"> ▪ 1- to 4-unit Primary Residence ▪ Second home ▪ 1- to 4-unit Investment Property 		

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)	
Subject	Option One	Option Two
Verification of additional funds		<p>In addition to funds required to be paid by the borrower and borrower reserves, the Seller must verify additional funds in the borrower's depository and/or securities account(s) that equal or exceed the amount of the monthly housing expense, as described in Section 5401.1, and other monthly liabilities, as described in Section 5401.2, due between the Note Date and the start date of the new employment/salary increase, plus one additional month. A partial month is counted as one month for the purpose of this calculation.</p> <p>The amount of the required additional funds may be reduced by the amount of the borrower's verified gross income expected to be earned during the period described above, whether or not it is used as qualifying income.</p>
Required Documentation	<p>The following documentation is required:</p> <ul style="list-style-type: none"> ▪ Copy of the employment offer letter, employment contract or other evidence of the future salary increase that: <ul style="list-style-type: none"> – Is fully executed and accepted by the borrower – Is non-contingent or provides documentation, such as a letter or an e-mail from the employer verifying all contingencies have been cleared – Includes the terms of employment, including employment start date and annual income based on non-fluctuating earnings ▪ For a future salary increase provided by the borrower's current employer, the above documentation must indicate that the increase is fully approved and is explicitly granted to the borrower ▪ A 10-day pre-closing verification (PCV) verifying the terms of the employment offer letter, contract or salary increase have not changed (refer to Section 5302.2(d)) ▪ Documentation of additional funds, as required above 	<p>The following documentation is required:</p> <ul style="list-style-type: none"> ▪ Copy of the employment offer letter or employment contract that: <ul style="list-style-type: none"> – Is fully executed and accepted by the borrower – Includes the terms of employment, including but not limited to, employment start date and annual income based on non-fluctuating earnings ▪ Documentation of additional funds, as required above ▪ As of the Delivery Date, the income must be no less than that used to qualify the borrower for the mortgage
Employed Income: Income while on Temporary Leave		
Income while on temporary leave (Guide Section 5303.5)	For requirements and guidance for underwriting borrowers on temporary leave from their current employer, refer to Guide Section 5303.5.	

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)												
Self-employed Income													
Self-employment indicator (Guide Section 5304.1)	<p>A borrower who has an ownership interest of 25% or more in a Partnership, S Corporation and/or Corporation is considered to be self-employed. A borrower who is a sole-proprietor is considered to be a self-employed borrower.</p> <p>The Seller must indicate to Loan Product Advisor that a borrower is self-employed when the borrower meets Freddie Mac's definition of self-employed as stated above. This is required in all cases where the self-employment income and/or loss is used to determine the borrower's stable monthly income for qualifying.</p>												
Business income and analysis (Guide Section 5304.1(d))	<p>Refer to Guide Section 5304.1 for requirements and guidance pertaining to the business and income analysis:</p> <ul style="list-style-type: none"> ▪ Business and income analysis: <ul style="list-style-type: none"> - Business review and analysis - Use of business income reported on the borrower's personal returns - Use of business income not reported on the borrower's personal returns - Access to business income - Income calculation - Income fluctuation ▪ Business financial statements ▪ Income analysis – adjustments (e.g., mortgages and notes payable in less than a year) ▪ Borrower debt paid by business (refer to Guide Section 5401.2(b)(ii)) ▪ IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation 												
Documentation Requirements Guide Section 5304.1(h)	<p>The Seller must establish and calculate the stable monthly qualifying income using at least the following required documentation. Additional documentation may be warranted in order to support income stability.</p> <ul style="list-style-type: none"> ▪ Freddie Mac Form 91, Income Analysis Form, or an alternative form that provides the same information (Note: Effective November 30, 2018, a revised version of Form 91 applies) ▪ Verification of the current existence of the business as described in Guide Section 5304.1(g) ▪ Federal income tax returns, including all applicable schedules and forms must reflect at least 12 months of self-employed income. ▪ Verification of how long the business has been in existence <ul style="list-style-type: none"> - For partnerships, S corporations and corporations, the federal income tax return(s) for the business must indicate the number of years that the business has been in existence - For sole proprietorships, the federal individual income tax return(s) and any other documentation or information received must not contradict the number of years that the business has been in existence as documented on Uniform Residential Loan Application <table border="1" data-bbox="393 1501 1556 1902"> <thead> <tr> <th data-bbox="393 1501 1062 1543"></th><th data-bbox="1062 1501 1095 1543"></th><th data-bbox="1095 1501 1556 1543">Business in existence ≥ 5 years</th><th data-bbox="1095 1543 1556 1586">Business in existence < 5 years</th></tr> </thead> <tbody> <tr> <td data-bbox="393 1543 589 1649">Sole proprietorship</td><td data-bbox="589 1543 1062 1649">Obtain complete signed federal individual (Form 1040) income tax return for the most recent year.</td><td data-bbox="1062 1543 1556 1649">Obtain complete signed federal individual (Form 1040) income tax returns for the most recent two years.</td><td data-bbox="1062 1649 1556 1902"></td></tr> <tr> <td data-bbox="393 1649 589 1902">Partnership</td><td data-bbox="589 1649 1062 1902">Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.</td><td data-bbox="1062 1649 1556 1902">Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.</td><td data-bbox="1062 1902 1556 1930"></td></tr> </tbody> </table>			Business in existence ≥ 5 years	Business in existence < 5 years	Sole proprietorship	Obtain complete signed federal individual (Form 1040) income tax return for the most recent year.	Obtain complete signed federal individual (Form 1040) income tax returns for the most recent two years.		Partnership	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.	
		Business in existence ≥ 5 years	Business in existence < 5 years										
Sole proprietorship	Obtain complete signed federal individual (Form 1040) income tax return for the most recent year.	Obtain complete signed federal individual (Form 1040) income tax returns for the most recent two years.											
Partnership	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.											

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)				
Self-employed Income (continued)					
Documentation Requirements (continued) Guide Section 5304.1(h)	S Corporation	Business in existence \geq 5 years	Business in existence $<$ 5 years		
		Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent two years.		
			Corporation		
			Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent year.		
			Refer to Chapter 5304 for complete requirements and guidance.		
Self-employment income not used for qualification Guide Section 5304.1(e)	<p>Self-employment disclosed on Uniform Residential Loan Application (or other documentation) but not used to qualify</p> <p>If the borrower is self-employed and the self-employment is not considered for qualification purposes, pages 1 and 2 of the borrower's tax returns and the applicable schedules (e.g., Schedule C, Schedule E) are still required to determine if there is a business loss that may have an impact on the stable monthly income. Refer to Guide Section 5304.1(e) for complete requirements and guidance.</p> <ul style="list-style-type: none"> ▪ If a business loss is reported and the borrower qualifies with the loss, then the Seller is not required to obtain any additional documentation relating to the business loss. ▪ If a business loss is reported and the borrower does not qualify with the loss, then the Seller must perform a business and income analysis to determine whether depreciation adjustments or other factors such as business closure or evidence of a one-time non-recurring event justify a reduction of the reported loss when calculating the stable monthly income. The Seller must obtain additional documentation needed in order to fully evaluate the loss and support the analysis (e.g. business tax returns (final or otherwise), evidence of a one-time non-recurring event). <p>If the tax returns or other documentation in the mortgage file (e.g., IRS tax transcripts, additional Schedule K-1s) reflect positive income from self-employment but that income is not used to qualify, additional documentation (e.g., complete business or federal individual income tax return(s)) is not required. The Loan Product Advisor self-employed indicator is not required.</p>				

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Self-employed Income (continued)	
Verification of current existence of the business Guide Section 5304.1(g)	<p>Verification of the current existence of the business is required when positive income from the business is used as stable monthly income.</p>
	<p>Acceptable third party sources</p> <p>Acceptable third party sources include, but are not limited to:</p> <ul style="list-style-type: none"> ▪ Regulatory agency ▪ Phone directory ▪ Internet source (e.g., Better Business Bureau) ▪ Directory assistance ▪ Applicable licensing bureau <p>Verification of current existence of the business obtained verbally from an acceptable third party source must be documented and include all the following:</p> <ul style="list-style-type: none"> ▪ Name and address of the business ▪ Name of individual and entity contacted to obtain the verification ▪ Date information verified ▪ Name and title of the individual who completed the verification for the Seller
	<p>Alternative sources</p> <p>The Seller may consider alternative sources if the above are not available, such as:</p> <ul style="list-style-type: none"> ▪ Preparer of the tax returns for the business (e.g., accountant), provided the preparer has an arm's length relationship with the borrower ▪ At least one months' business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns
	<p>Date requirements</p> <p>The verification must be completed prior to the Delivery Date, but no more than 120 days prior to the Note Date</p>
Other Income (non-employment / non-self-employment)	
Other Income general requirements (Guide Section 5305.1)	<p>The Seller must evaluate the stability and consistency of receipt of all other non-employment/non-self-employment income in accordance with the requirements of Topic 5300.</p> <p>For general requirements with respect to income history, stability and continuance, refer to Section 5301.1</p> <p>Factors that must be considered in determining the likelihood of continued consistent receipt of all other non-employment/non-self-employment income below include, but are not limited to, the following:</p> <ul style="list-style-type: none"> ▪ Whether the payments are received pursuant to a written agreement, court decree, government program, law and/or regulation ▪ The length of time the payments have been received ▪ The regularity of receipt of the income

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Other Income (non-employment / non-self-employment)	
Other Income general requirements (continued) (Guide Section 5305.1)	<ul style="list-style-type: none"> ▪ The consistency of the amount of income ▪ The availability of procedures to compel payment ▪ Whether full or partial payments have been made ▪ The age of each child for which support and/or benefit payments are made (if applicable) ▪ Applicable eligibility criteria governing the continued receipt of the income
Alimony, child support or separate maintenance income (Guide Section 5305.2)	<p>History of receipt: Most recent six months If the payor has been obligated to make payments for less than six months, if the payments are not for the full amount or are not received on a consistent basis, the income must not be considered for qualifying.</p> <p>Continuance: Document and verify the payor is obligated to make payment to the borrower for at least the next three years</p> <p>Calculation: Use the documented fixed monthly payment amount</p> <p>Documentation: Obtain the following:</p> <ul style="list-style-type: none"> ▪ Documentation to evidence receipt of the alimony child support and/or separate maintenance payment amount for the most recent six months, <p>AND,</p> <ul style="list-style-type: none"> ▪ Copy of signed court order, legally binding separation agreement and/or final divorce decree verifying the payor's obligation for the previous six months, including the amount and the duration of the obligation, <p>AND</p> <ul style="list-style-type: none"> ▪ For child support income, proof of the ages of the children for which child support is received
Tax exempt income (Guide Section 5305.2)	<p>History of receipt: A history of receipt is not required</p> <p>Continuance: Must be likely to continue to remain tax exempt</p> <p>Calculation: To determine the amount to adjust (i.e., "gross-up") the borrower's income, use:</p> <ul style="list-style-type: none"> ▪ 25% of the tax exempt portion of the income, or ▪ The current federal and state income tax withholding tables <p>Documentation:</p> <ul style="list-style-type: none"> ▪ Copy of complete individual federal tax returns for the most recent one-year period, <p>OR,</p> <ul style="list-style-type: none"> ▪ Other documentation evidencing that the income, or a portion of the income, is tax exempt.
Dividend and interest (Guide Section 5305.2)	<p>History of receipt: Most recent two years</p> <p>Continuance: Document that sufficient assets remain after closing to support continuance of the dividend and interest income, at the level used for qualifying, for at least the next three years</p> <p>Calculation: 24-month average</p> <p>Documentation:</p> <ul style="list-style-type: none"> ▪ Complete federal individual income tax returns for the most recent two-year period, or ▪ Year-end asset account statements for the most recent two years evidencing all dividend and interest income for each year for the income producing asset(s), <p>AND,</p> <ul style="list-style-type: none"> ▪ Evidence of sufficient assets to support the qualifying income

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)	
Other Income (non-employment / non-self-employment) (continued)		
Retirement income (Guide Section 5305.2)	<p style="text-align: center;">Existing and established retirement income</p>	
	<p>For Retirement Income (e.g., Social Security, pension, annuity, other similar benefits), evidence of the type, source, pre-determined payment amount, payment frequency and current receipt must be obtained. These requirements do not include retirement account distributions as income.</p> <p>History of receipt: A history of receipt is not required for the income to be considered stable</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Use the documented fixed monthly payment amount</p>	<ul style="list-style-type: none"> ▪ Document income type, source, payment frequency and pre-determined payment amount with a copy of a benefit verification letter, award letter, pay statement, 1099 or other equivalent documentation. Age of documentation requirements as described in Guide Section 5102.4 do not have to be met. ▪ Document current receipt with a copy of a bank statement, pay statement, benefit verification letter, award letter or other equivalent documentation. Age of documentation requirements as described in Guide Section 5102.4 must be met
	<p style="text-align: center;">Newly established retirement income</p> <p>Verification of current receipt is not required; however, the finalized terms of the new income must be documented.</p> <p>The income must commence prior to or on the first mortgage payment due date.</p> <p>The terms that must be verified include, but are not limited to, the source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first mortgage payment due date.</p>	
Other Income (Guide Section 5305.2)	<p>Refer to Guide Section 5305.2 for history of receipt, continuance, calculation and documentation requirements:</p> <ul style="list-style-type: none"> ▪ Notes receivable ▪ Trust income ▪ Capital gains ▪ Royalty payments 	

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Other Income (non-employment / non-self-employment) (continued)	
Other Income (continued) (Guide Section 5305.2)	<p>For the following Other Income sources refer to Guide Section 5305.2 for requirements and guidance:</p> <ul style="list-style-type: none"> ▪ Retirement account distributions as income ▪ Survivor and dependent benefit income ▪ Long-term disability income ▪ Social Security Supplemental Security Income (SSI) ▪ Public assistance income ▪ Homeownership Voucher Program ▪ Mortgage Credit Certificate (MCC) ▪ Income from a foreign source ▪ Foster-care income
Rental income (Guide Section 5306.1)	<ul style="list-style-type: none"> ▪ Refer to Guide Section 5306.1 for changes effective November 30, 2018. ▪ See Rental Income Matrix (http://www.FreddieMac.com/learn/pdfs/uw/rental.pdf).
Asset Qualification Sources	
Assets as a basis for repayment of obligations (Guide Section 5307.1)	Refer to Guide Section 5307.1 for requirements

ASSET DOCUMENTATION

Topic	Documentation Requirements
Required funds (Guide Section 5103.1 and Guide Section 5501.1, 5501.3)	<p>All funds used to qualify the borrower for the mortgage transaction (i.e., any funds required to be paid by the borrower and borrower reserves) must come from eligible sources described in Guide Section 5501.3.</p> <ul style="list-style-type: none"> ▪ For purchases, document the borrower has sufficient funds verified and from eligible sources to qualify for the mortgage transaction. ▪ For refinances, verification of funds is required. ▪ For non-occupant co-borrower transactions, funds may come from the occupant and/or non-occupant borrower. ▪ For mortgages secured by second homes, see Guide Section 4201.15(b). <p>Asset documentation must meet the requirements of Guide Sections 5501.3, 5102.3 and 5102.4, as applicable, and be maintained in the mortgage file. In addition:</p> <ul style="list-style-type: none"> ▪ For purchase transactions, document the source of funds for any large deposit when the deposit is needed to qualify the borrower for the mortgage transaction. A large deposit is any single deposit that exceeds 50% of the sum of: <ul style="list-style-type: none"> – The total monthly qualifying income for the mortgage. – The amount derived from the asset calculation for establishing the DTI ratio in accordance with the requirements of Section 5307.1, if applicable.

ASSET DOCUMENTATION, continued

Topic	Documentation Requirements
Required funds (continued) (Guide Section 5103.1 and Guide Chapter 5501)	<ul style="list-style-type: none"> ▪ When a large deposit is not verified and is not needed to qualify the borrower for the mortgage transaction: <ul style="list-style-type: none"> – Reduce the funds used for qualifying purposes by the amount of the unverified deposit. – For Loan Product Advisor mortgages, enter the reduced amount of the asset into Loan Product Advisor. ▪ When a single deposit consists of both verified and unverified funds, use just the unverified amount when determining whether the deposit is a large deposit. ▪ When the source of funds can clearly be identified (e.g., direct payroll deposits or tax refund), additional documentation is not required. ▪ If an account was opened within 90 days of a direct verification (i.e., VOD) and/or reflects a current balance significantly greater than the average balance, document the source of funds. ▪ You must consider any liabilities resulting from all borrowed funds.
Depository accounts (Guide Section 5501.3(b))	<p>Obtain:</p> <ul style="list-style-type: none"> ▪ Depository account statements covering a one-month period (for Streamlined Accept Documentation) or two-month period (for Standard Documentation), or ▪ A direct account verification (i.e., VOD)
Securities (Guide Section 5501.3(b))	<p>Provide one of the following:</p> <ul style="list-style-type: none"> ▪ An account statement covering a one-month period (for Streamlined Accept Documentation) or two-month period (for Standard Documentation), or ▪ A direct account verification (i.e., VOD) <p>If the borrower does not receive a stock/security account statement:</p> <ul style="list-style-type: none"> ▪ Provide evidence the security is owned by the borrower, and ▪ Verify value using current stock prices from a financial publication or website <p>Value must not include margin accounts.</p> <p>Stock with limitations on its accessibility (e.g., restricted stock which has not vested and been distributed to the recipient) is not eligible.</p> <p>* See below Topic: "Evidence of Liquidation" for requirements.</p>
Retirement accounts (Guide Section 5501.3(b))	<p>Provide the following:</p> <ul style="list-style-type: none"> ▪ Account statements covering a one-month (for Streamlined Accept Documentation) or two-month period (for Standard Documentation), or ▪ A direct account verification (i.e., VOD) <p>When evidence of liquidation is not obtained:</p> <ul style="list-style-type: none"> ▪ To use the vested amount of an IRS-qualified employer requirement account to qualify the borrower for the mortgage transaction, the mortgage file must include documentation confirming the borrower is permitted to make withdrawals, and severance from the borrower's current employment is not required. <p>* See below Topic: "Evidence of Liquidation" for requirements.</p>
Government bonds (federal, state or municipal) (Guide Section 5501.3(b))	<p>Provide documentation verifying the ownership and the value. Note, the value must be based on the lower of the purchase price or current redeemable value.</p> <p>* See below Topic: "Evidence of Liquidation" for requirements.</p>

ASSET DOCUMENTATION, continued

Topic	Documentation Requirements
Proceeds from a loan fully secured by the borrower's assets other than real property) (Guide Section 5501.3(b))	<p>Provide the following:</p> <ul style="list-style-type: none"> ▪ Documentation verifying the value and ownership of the asset used to secure the loan as well as the amount and terms of the loan ▪ Evidence of receipt of the loan proceeds
Proceeds from the sale or refinance of the borrower's real property (including a 1031 exchange or a bridge loan) (Guide Section 5501.3(b))	<p>Provide the following:</p> <ul style="list-style-type: none"> ▪ The Settlement/Closing Disclosure Statement verifying the proceeds from the sale or refinance of the borrower's real property – For mortgages with Application Received Dates Prior to October 3, 2015, the Settlement/Closing Disclosure Statement must be signed by the buyer and the seller, or their authorized agents, and/or ▪ An executed buy-out agreement that is part of an employer relocation plan that takes responsibility for the outstanding mortgage(s).
Proceeds from the sale of the borrower's assets other than real property or exchange-traded securities (Guide Section 5501.3(b))	<p>Provide the following:</p> <ul style="list-style-type: none"> ▪ A signed bill of sale documenting the asset and transfer of ownership ▪ Evidence of receipt of the proceeds
Borrower's real estate commission (Guide Section 5501.3(b))	<p>The Settlement/Closing Disclosure Statement must reflect the commission earned by the borrower and credited toward the mortgage transaction (for instances when the borrower is a licensed real estate agent that is due to receive a sales commission from the purchase of the subject property).</p>
Funds from a trust (Guide Section 5501.3(b))	<p>Provide a copy of the trust agreement or a signed statement from the trustee or trust manager that documents the following:</p> <ul style="list-style-type: none"> ▪ Identifies the borrower as the beneficiary ▪ Confirms the borrower has access to all or a certain specific amount of the funds ▪ Confirms the trust has sufficient assets to disburse funds needed by the borrower <p>When trust funds are needed for closing, evidence of receipt of the disbursed funds from the trust is required.</p>
Individual Development Accounts (IDA) – Agency matching funds not subject to Recapture (Guide Section 5501.3(b))	<p>Provide documentation of the IDA program verifying:</p> <ul style="list-style-type: none"> ▪ The matching funds are not subject to recapture ▪ The ratio of matching funds by the agency (maximum of a four-to-one match permitted) ▪ Regular payments made to the IDA by the borrower and the matching organization ▪ The vested balance or the percentage of vesting
Community Savings System accounts – Borrower contributions (Guide Section 5501.3(b))	<p>Provide Community Savings Systems account statements or a direct account verification which:</p> <ul style="list-style-type: none"> ▪ Identifies the nonprofit community organization as the administrator, and ▪ Shows all borrower contributions

ASSET DOCUMENTATION, continued

Topic	Documentation Requirements
Pooled funds on deposit from Related Persons who reside with the borrower (Guide Section 5501.3(b))	<p>Provide the following:</p> <ul style="list-style-type: none"> ▪ Evidence that the borrower and the related person have resided together for at least one year ▪ Documentation verifying the pooled funds per the requirements for the applicable asset type ▪ A written statement by the borrower executed at application meeting the requirements of Guide Section 5501.3(b)
Borrower's revolving credit card (charges/cash advances) or unsecured line of credit (used to pay fees associated with the Mortgage application process) (Guide Section 5501.3(b))	<p>Provide the following:</p> <ul style="list-style-type: none"> ▪ A copy of the account statement or receipt showing the amount charged or advanced; and ▪ Verification of sufficient funds to pay the amount charged or advanced if the amount charged or advanced is not included in the monthly DTI ratio <p>Note:</p> <ul style="list-style-type: none"> ▪ The maximum amount charged or advanced may not exceed the greater of 2% of the mortgage amount or \$1,500 <p>AND,</p> <ul style="list-style-type: none"> ▪ The borrower must have sufficient verified funds to pay these fees (in addition to the funds needed for the mortgage transaction; however, the borrower is not required to pay off these charges at closing); <p>OR,</p> <ul style="list-style-type: none"> ▪ The amount charged or advanced must be included in the borrower's total outstanding debt and the repayment of such amount must be included when determining the borrower's monthly DTI ratio as described in Guide Section 5401.2
Cash value of life insurance policy (not face value) (Guide Section 5501.3(b))	<p>Provide documentation from the life insurance company verifying the following information:</p> <ul style="list-style-type: none"> ▪ Policy owner(s), ▪ Period covered and current cash value, and ▪ Any outstanding loans <p>When the cash value of the life insurance policy is needed for closing, evidence of liquidation is required.</p>
Rent credits (Guide Section 5501.3(b))	<p>Provide the following:</p> <ul style="list-style-type: none"> ▪ A copy of the rental/purchase agreement ▪ Evidence of rental payments (see Section 5202.2(b) for acceptable documentation for rental verification) ▪ Appraiser's determination of the market rent for the subject property
Trade equity: Net proceeds of the trade-in of the borrower's previously owned residence (Guide Section 5501.3(b))	<p>Provide the following:</p> <ul style="list-style-type: none"> ▪ The appraisal of the borrower's previously-owned residence ▪ A copy of the trade-in contract <p>The borrower's equity in the previously-owned residence is determined by subtracting any outstanding liens on the previously-owned residence, plus any transfer costs, from the lesser of the appraised value of the previously-owned residence or its trade-in price as shown in the trade-in contract.</p>

ASSET DOCUMENTATION, continued

Topic	Documentation Requirements
Gift funds or a gift of equity (Guide Section 5501.3(c))	<p>Provide a gift letter signed by the donor. Information provided in the gift letter must:</p> <ul style="list-style-type: none"> ▪ State the donor's name and the funds are given by a related person ▪ Include the donor's mailing address and telephone number ▪ State the amount of the gift funds or gift of equity ▪ Establish the gift funds or gift of equity are a gift that does not have to be repaid <p>Gift funds: If the verifications provided in the mortgage file do not show evidence that the gift funds have been deposited in the borrower's account, the borrower must provide evidence of the transfer of funds from the donor to the borrower.</p> <p>Gift of equity: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.</p> <p>Note:</p> <ul style="list-style-type: none"> ▪ Investment Property Mortgages: Gift funds or gift of equity are not an eligible source of funds ▪ Second Home Mortgages with LTV/TLTV/HTLTV ratios greater than 80%: Minimum contribution from borrower personal funds must be 5% of value when gift funds or grants are used for the transaction.
Gift funds received as a wedding gift (Guide Section 5501.3(c))	<p>Provide the following:</p> <ul style="list-style-type: none"> ▪ A copy of the marriage license or certificate ▪ A verification of the gift funds in the borrower's depository account <p>The gift funds must be on deposit in the borrower's depository account within 60 days of the date of the marriage license or certificate</p>
A gift or grant from an agency (Guide Section 5501.3(c))	<p>Provide documentation supporting a gift or grant from an agency. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower. The documentation must:</p> <ul style="list-style-type: none"> ▪ Establish that the funds were provided by an Agency ▪ Establish that the organization has an established gift or grant program ▪ Establish that the funds are a gift or grant that does not have to be repaid ▪ Provide evidence that the funds were received by the borrower or by the Seller on the borrower's behalf ▪ Identify the donor's mailing address
Individual Development Accounts (IDA) – Agency matching funds subject to Recapture (Guide Section 5501.3(c))	<p>Provide documentation of the IDA program verifying:</p> <ul style="list-style-type: none"> ▪ The matching funds are subject to recapture ▪ The ratio of matching funds by the agency (maximum of three-to-one match permitted) ▪ Regular payments made by the borrower and the matching organization ▪ The vested balance or the percentage of vesting <p>Documentation of matching funds subject to a recapture provision must also meet the requirements for a gift or grant from an agency.</p>
Employer Assisted Homeownership (EAH) Benefit (Guide Section 5501.4(c))	<p>In addition to the documentation requirements for specific benefit types, the following requirements must be met:</p> <ul style="list-style-type: none"> ▪ EAH Benefits must be documented with a copy of the employer benefit program that provides the amount of the benefit and the terms of the program ▪ Evidence of receipt of the EAH Benefit must be provided (e.g., funds on deposit in borrower's account or funds reflected on the Settlement/Closing Disclosure Statement)
Interested party contributions (Guide Section 5501.5(e))	<ul style="list-style-type: none"> ▪ Document the amount and source of all interested party contributions in the mortgage file and show on the Settlement/Closing Disclosure Statement ▪ If financing concessions exceed Freddie Mac's limits (see Guide Section 5501.5(b)) and an unplanned buydown is involved, include a written analysis and documentation in the mortgage file evidencing the unplanned buydown met each of the conditions in Guide Section 5501.5(d)

ASSET DOCUMENTATION, continued

Topic	Documentation Requirements
Earnest money deposit (Guide Section 5501.1)	<p>The source of the earnest money deposit for a purchase transaction must be from an eligible source meeting the requirements of Guide Section 5501.3 and documented in accordance with the requirements for the applicable asset type. Account statement(s) or direct account verification must cover the period up to and including the date the earnest money deposit funds cleared the account.</p> <p>Note: Ensure the earnest money deposit is not counted twice in the evaluation of the mortgage (i.e., deducted from the funds to close and counted in assets).</p>
Evidence of liquidation (Guide Section 5501.3(b))	<p>When assets that are invested in stocks, bonds, mutual funds, U.S. government Securities, retirement accounts or other securities are needed for closing, evidence of liquidation is required unless the combined value of the assets is at least 20% greater than the amount from these assets needed for closing.</p>
Business assets (Guide Section 5501.3(b))	<p>Document according to the asset type.</p> <p>As described in Section 5501.3(a)(iii), documentation of large deposits is not required provided the Seller:</p> <ul style="list-style-type: none"> ▪ Reviews a minimum of the most recent two months of the business account statements, and ▪ Determines the deposits are typical for the borrower's business <p>Refer to Section 5304.1(f) for additional requirements when self-employed income from the business is used for qualifying.</p>
Source of funds from outside the United States and its territories (Guide Section 5501.3(b))	<ul style="list-style-type: none"> ▪ Funds must be transferred into a United States or State regulated financial institution and verified in U.S. dollars prior to the closing of the mortgage transaction, or ▪ Combined value of the assets must be at least 20% greater than the amount from these assets needed for closing <p>Refer to Section 5102.3(b) for additional requirements when funds from outside the United States and its territories are used to qualify the borrower for the mortgage transaction.</p>

CREDIT AND LIABILITIES

Topic	Documentation Requirements
Completing Liabilities Section of the Loan Application (Guide Sections 4101.1(b) and 5401.2)	<p>Review the mortgage application, credit report, borrower's paystubs (if provided) and other file documentation for borrower liabilities. The liabilities portion of the application may be completed directly from the credit reports either manually or through an automated process. If the credit reports identify fewer than three open tradelines (except for Accept Mortgages), ask the borrower if any additional tradeline references exist. Additionally, must include other debts in monthly debt as detailed under the Monthly Debt Payment section below.</p>
Credit data for Loan Product Advisor Mortgages (Guide Sections 5201.1 (c)(ii) and 5203.1(h) and (i))	<p>Obtain the same type of credit report for all borrowers from:</p> <ul style="list-style-type: none"> ▪ Infile(s) or merged/joint merged obtained through Loan Product Advisor ▪ Infile(s), merged/joint merged, or RMCR obtained outside of Loan Product Advisor <p>Once you have selected a type of credit report, review all reports of that type for all borrowers. All infiles for an individual borrower must be dated within 14 days of each other. Retain all credit reports in the file.</p> <p>All credit reports must be dated within 120 days before, as applicable, the Note Date, or for Construction and Renovation Mortgages, the Effective Date of Permanent Financing, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or the date of the assumption agreement.</p> <p>For mortgages with borrowers who do not have a usable credit score, see Mortgages for Borrowers Without Credit Scores.</p>

CREDIT AND LIABILITIES, continued

Topic	Documentation Requirements
Credit report inquiries within previous 120 days (Guide Sections 5201.1(e) and 5202.6)	Determine if additional credit was granted. If additional credit was granted, verification of the debt must be obtained and the debt must be considered when qualifying the borrower. A letter from the creditor or, if such a letter is unobtainable, a signed statement from the borrower may be used to determine whether additional credit was obtained.
Verification of Housing Debt (Guide Sections 5201.1, 5202.1, 5202.2, 5401.1, 5401.2 and 5101.9(c))	<p>Direct verification of housing payment history is not required if all borrowers have a usable credit score.</p> <p>Third-party documentation to verify the payment amount is required if the credit report does not contain a required monthly payment. Examples of acceptable third-party documentation include (but are not limited to) a Settlement/Closing Disclosure Statement (if recently purchased), billing coupons, tax statement, insurance statement and, if applicable, HOA/Condo statement.</p> <p>Reminder: When application indicates property owned free and clear, total monthly debt must include taxes, insurance, and HOA or Condo fees, as applicable.</p> <p>Caution (A-minus eligible) loans: If not adequately shown on the Loan Product Advisor credit report, directly verify the payment history of that mortgage debt for the most recent 12 months. During the most recent 12 months, if any borrower was 30 days or more delinquent more than once, or 60 days or more delinquent on any directly verified mortgage or combination of directly verified mortgages, the mortgage is ineligible for delivery to Freddie Mac.</p> <p>Caution (not A-minus eligible) loans: When the borrower has a housing payment history, verify both current and prior housing payment histories for the most recent 12 months (or length of housing payment history if less than 12 months) in accordance with Section 5202.2(b) and payment amount for any debt (housing or other) not reported on the credit report.</p>
Direct verification of other debts (Guide Sections 5201.1(a), 5202.2 and 5401.2)	<p>Direct verification of payment history is not required if all borrowers have a usable credit score. Obtain documentation to verify the payment amount for any installment debt if the credit report does not contain a required monthly payment.</p> <p>Example: When application indicates alimony, child support or separate maintenance fee, selected pages from the applicable agreement may be used to evidence the required monthly payment, and duration of debt if less than 10 months of payments remain and excluding the payment from the borrower's liabilities.</p> <p>Caution (not A-minus eligible): Verify most recent 12-months' payment history for any significant debt (housing or other) not reported on the credit report. If credit report does not contain a required monthly installment payment amount, then verify the amount with third-party documentation.</p> <p>Accounts listed on the credit report as, "will rate by mail only" or "need written authorization" require separate verification.</p>
Monthly debt payment (Guide Sections 5401.1 and 5401.2)	<p>Must include all the following, if applicable:</p> <ul style="list-style-type: none"> ▪ Monthly housing expense ▪ Payments on installment debts with more than 10 months remaining, including debts that are in a period of deferment or forbearance. <ul style="list-style-type: none"> – For student loans (see Student Loans in this table) – Other installment debt (other than a student loan): If not reported on the credit report or is listed as deferred or in forbearance, you must obtain documentation verifying the monthly payment amount. – Payments on installment debts secured by financial assets made by a financial institution may be excluded for qualifying purposes; however, the payments must be included on the loan application. ▪ Alimony, child support or separate maintenance payments with more than 10 months remaining

CREDIT AND LIABILITIES, continued

Topic	Documentation Requirements								
Monthly debt payment (continued) (Guide Sections 5401.1 and 5401.2)	<ul style="list-style-type: none"> ▪ Monthly payments on revolving or open-end accounts, regardless of the balance. In the absence of a stated payment on the credit report, and if there is no documentation in the mortgage file indicating the monthly payment amount, 5% of the outstanding balance will be considered to be the required monthly payment amount. Monthly payments on open-end accounts (accounts which require the balance to be paid in full monthly) are not required to be included in the monthly debt payment if the borrower has sufficient verified funds to pay off the outstanding account balance. The funds must be in addition to any funds used to qualify the borrower for the mortgage transaction. ▪ Monthly lease payments, regardless of number of payments remaining ▪ Aggregate net rental loss from all investment properties owned ▪ Monthly payment amounts for other properties, including principal and interest on the First Lien and any secondary financing, real estate taxes, property hazard insurance premiums and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) 								
Student Loans (Guide Section 5401.2)	<table border="1" data-bbox="421 811 1535 1691"> <thead> <tr> <th data-bbox="421 811 714 853">Debt Type</th><th data-bbox="714 811 1535 853">Eligibility and Documentation Requirements</th></tr> </thead> <tbody> <tr> <td data-bbox="421 853 714 1001">In repayment</td><td data-bbox="714 853 1535 1001"> Use the greater of: <ul style="list-style-type: none"> ▪ The monthly payment amount reported on the credit report, or ▪ 0.5% of the original balance or outstanding balance as reported on the credit report, whichever is greater </td></tr> <tr> <td data-bbox="421 1001 714 1148">In deferment or forbearance</td><td data-bbox="714 1001 1535 1148"> Use the greater of: <ul style="list-style-type: none"> ▪ The monthly payment reported on the credit report, or ▪ 1% of the original loan balance or outstanding balance as reported on the credit report, whichever is greater </td></tr> <tr> <td data-bbox="421 1148 714 1691">In loan forgiveness, cancellation, discharge and employment-contingent repayment programs</td><td data-bbox="714 1148 1535 1691"> The monthly payment amount may be excluded from the monthly DTI ratio provided the mortgage file contains documentation that indicates the following: <ul style="list-style-type: none"> ▪ The student loan has 10 or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or paid, or ▪ The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, cancelled, discharged or paid at the end of the deferment or forbearance period AND <ul style="list-style-type: none"> ▪ The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the Seller is not aware of any circumstances that will make the borrower ineligible in the future </td></tr> </tbody> </table>	Debt Type	Eligibility and Documentation Requirements	In repayment	Use the greater of: <ul style="list-style-type: none"> ▪ The monthly payment amount reported on the credit report, or ▪ 0.5% of the original balance or outstanding balance as reported on the credit report, whichever is greater 	In deferment or forbearance	Use the greater of: <ul style="list-style-type: none"> ▪ The monthly payment reported on the credit report, or ▪ 1% of the original loan balance or outstanding balance as reported on the credit report, whichever is greater 	In loan forgiveness, cancellation, discharge and employment-contingent repayment programs	The monthly payment amount may be excluded from the monthly DTI ratio provided the mortgage file contains documentation that indicates the following: <ul style="list-style-type: none"> ▪ The student loan has 10 or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or paid, or ▪ The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, cancelled, discharged or paid at the end of the deferment or forbearance period AND <ul style="list-style-type: none"> ▪ The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the Seller is not aware of any circumstances that will make the borrower ineligible in the future
Debt Type	Eligibility and Documentation Requirements								
In repayment	Use the greater of: <ul style="list-style-type: none"> ▪ The monthly payment amount reported on the credit report, or ▪ 0.5% of the original balance or outstanding balance as reported on the credit report, whichever is greater 								
In deferment or forbearance	Use the greater of: <ul style="list-style-type: none"> ▪ The monthly payment reported on the credit report, or ▪ 1% of the original loan balance or outstanding balance as reported on the credit report, whichever is greater 								
In loan forgiveness, cancellation, discharge and employment-contingent repayment programs	The monthly payment amount may be excluded from the monthly DTI ratio provided the mortgage file contains documentation that indicates the following: <ul style="list-style-type: none"> ▪ The student loan has 10 or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or paid, or ▪ The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, cancelled, discharged or paid at the end of the deferment or forbearance period AND <ul style="list-style-type: none"> ▪ The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the Seller is not aware of any circumstances that will make the borrower ineligible in the future 								
Loans on financial assets (Guide Section 5401.2)	Payments on loans secured by financial assets that may be repaid through liquidation of the asset may be excluded from the qualifying ratios provided the loan was made by a financial institution, and the asset is reduced by the outstanding balance of the loan when including it in the funds available to the borrower.								

CREDIT AND LIABILITIES, continued

Topic	Documentation Requirements
Excluding contingent liabilities from monthly debt payment-to-income (DTI) ratio (Guide Sections 5401.2(a) and (b))	<p>For installment, revolving and monthly lease payments, provide documentation that indicates:</p> <ul style="list-style-type: none"> ▪ A party other than the borrower has been making timely payments for the most recent 12 months ▪ The party making the payments is not an interested party to the subject real estate or mortgage transaction. See Section 5501.5 for examples of an interested party. <p>For mortgages, provide documentation that indicates:</p> <ul style="list-style-type: none"> ▪ A party other than the borrower has been making timely payments for the most recent 12 months ▪ The party making the payments is obligated on the Note for the mortgage being excluded ▪ The borrower is not on the title for the mortgaged property ▪ The party making the payments is not an interested party to the subject real estate or mortgage transaction. See Guide Section 5501.5 for examples of an interested party. <p>For Assumed Mortgage:</p> <ul style="list-style-type: none"> ▪ Verify that the borrower no longer owns the property by documenting the property transfer, and ▪ Obtain a copy of any assumption agreement executed by the transferee <p>For Assigned Debt:</p> <ul style="list-style-type: none"> ▪ A liability (secured debt including a mortgage) may be excluded if assigned to another by a court order, such as a divorce decree, provide: <ul style="list-style-type: none"> – Court order, example: appropriate pages from separation agreement or divorce decree, and – Transfer of title out of the borrower's name <p>Reminder: All borrower debt incurred through the Note Date must be considered when qualifying a borrower(s). The final Form 65, Uniform Residential Loan Application, and Form 65A, Statement of Assets and Liabilities, must reflect accurate and complete information as of the Note Date of the subject mortgage.</p> <p>When a self-employed borrower is obligated on a debt that has been paid by the borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly DTI ratio if the following requirements are met:</p> <ul style="list-style-type: none"> ▪ The mortgage file contains evidence that the debt has been paid timely by the borrower's business for no less than the most recent 12 months, and ▪ The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business
Excluding Self-employed borrower debt paid by the business (Guide Section 5401.2(b))	<p>When a self-employed borrower is obligated on a debt that has been paid by the borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly debt payment-to-income ratio if the following requirements are met:</p> <ul style="list-style-type: none"> ▪ The mortgage file contains evidence that the debt has been paid timely by the borrower's business for no less than the most recent 12 months, and ▪ The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business.
Derogatory credit information (Guide Sections 5201.1(a), 5202.3 and 5202.5(a))	<p>Accept and Caution (A-minus eligible):</p> <ul style="list-style-type: none"> ▪ No documentation required <p>Caution (not A-minus eligible):</p> <ul style="list-style-type: none"> ▪ When a Seller has determined the derogatory information is significant, you must document the extenuating circumstances or conclude the difficulties were due to financial mismanagement. <p>Refer to Guide Chapter 5202 and the Caution Reminders Quick Reference (http://www.FreddieMac.com/learn/pdfs/uw/caution_remind.pdf) for documenting the recovery period and re-establishment of credit.</p>

CREDIT AND LIABILITIES, continued

Topic	Documentation Requirements
Sale or Conversion of Primary Residence (Guide Section 5401.2(a))	Refer to Guide Section 5401.2(a) and the Freddie Mac Rental Income Matrix (http://www.FreddieMac.com/learn/pdfs/uw/rental.pdf), if either: <ul style="list-style-type: none"> ▪ Pending sale of the primary residence and the sale will not close before the Mortgage Note Date, or for Construction Conversion or Renovation Mortgages, the Effective Date of Permanent Financing ▪ Converting the current primary residence to a second home or an Investment Property
Payoff of existing judgments and tax liens (Guide Section 4201.2)	The mortgage must be a valid First Lien on the mortgaged premises. The mortgaged premises must be free and clear of all prior liens and encumbrances and no rights or condition may exist that could give rise to such liens, except for: <ul style="list-style-type: none"> ▪ Liens for real estate taxes and special assessment not yet due and payable, ▪ Rights and conditions specified in Guide Section 4702.4

GENERAL UNDERWRITING REQUIREMENTS
Eligibility (Guide Chapter 5101)

Loan Product Advisor assumes that the last information submitted to Loan Product Advisor is the same as the information that is verified and documented in the mortgage file delivered to Freddie Mac. If the information changes or an error is identified in a prior submission, the mortgage information must be resubmitted to Loan Product Advisor. See Guide Sections 5101.7 and 5101.7 for exceptions and requirements for resubmission to Loan Product Advisor after the Note Date, or for Construction Conversion and Renovation Mortgages, after the Effective Date of Permanent Financing. Incorrect information in Loan Product Advisor may invalidate the Loan Product Advisor Feedback Certificate. To qualify as a Loan Product Advisor mortgage, the mortgage must meet all the following criteria:

- Be submitted to Loan Product Advisor no more than 120 days before and no later than the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- Have all credit reports (including Loan Product Advisor credit reports) dated no more than 120 days before and no later than on the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- Receive a “Complete” AUS Status on the Feedback Certificate based on the last submission to Loan Product Advisor on or before the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- Comply with all requirements of Guide Chapter 5101 – Using Loan Product Advisor
- Have a Settlement Date that is not more than 12 months after the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing

For Accept Mortgages and A-minus Mortgages, Loan Product Advisor makes the determination that borrower capacity is acceptable so long as the amount of stable monthly income used by Loan Product Advisor is correct and meets the requirements in Guide Topic 5300 as verified under the applicable verification requirements of the Guide.

Borrowers without usable credit scores (Guide Section 5201.1(c))

Our requirements for Accept and A-minus Mortgages when not all borrowers have a usable Credit Score have been updated. Also, for mortgages originally submitted through Loan Product Advisor on and after May 14, 2017 with Settlement Dates on and after June 26, 2017, Loan Product Advisor will allow the assessment of Mortgages when no borrower has a Credit Score. Refer to [Mortgages for Borrowers Without Credit Scores](#) job aid for details.

Permanent and nonpermanent resident aliens (Guide Section 5103.2)

Permanent and nonpermanent resident aliens lawfully residing in the United States are eligible for mortgages on the same terms as U.S. citizens. When selling such mortgages to Freddie Mac, Sellers represent and warrant that the non-U.S. citizen borrower is lawfully resident in the United States. Freddie Mac does not specify the documentation required to establish lawful U.S. residency. You should consult your own counsel or other information sources to determine documentation that may be used to establish lawful residency.

GENERAL UNDERWRITING REQUIREMENTS (continued)
Financing concessions (Guide Section 4204.3(b))

- Financing concessions for primary residences and second homes are within allowable percentages:
 - 9 percent of value for mortgages with LTV/TLTV ratios less than or equal to 75 percent
 - 6 percent of value for mortgages with LTV/TLTV ratios greater than 75 percent up to and including 90 percent
 - 3 percent of value for mortgages with LTV/TLTV ratios greater than 90 percent
- The maximum financing concession for investment properties is 2 percent regardless of the LTV ratio

Note: Maximum financing concessions are based on the LTV ratio when there is no secondary financing and TLTV ratio when secondary financing is present. Contributions in excess of the above limitations are considered sales concessions.

- Sales concessions are deducted from the purchase price and LTV is calculated using the lower of the reduced purchase price or appraised value.
- Interested party contributions used to reimburse the borrower for payment of short sale fees must be considered and treated as a sales concession.

Interested party contributions – abatements (Guide Sections 4204.3)

A payment of up to 12 months of homeowners association dues by an interested party is not considered an abatement but is considered an interested party contribution and is subject to all requirements for interested party contributions and other conditions.

Lender credit

- Lender credit may only be used as a credit towards the borrower's closing costs and must not exceed the amount of the borrower's closing costs
- Lender credit derived from an increase in the interest rate must not be used as a credit towards funding a temporary subsidy buydown plan on a "no cash-out" refinance mortgage.

Property (Guide Chapters 5601, 5701 and 5703)

The Seller must ensure that the mortgage premises (collateral) are eligible for sale to Freddie Mac and that it supports the transaction; Loan Product Advisor's Minimum Assessment Feedback (MAF) will advise the Seller of the type of appraisal report required.

For units in Condominium Projects, the project must meet Freddie Mac eligibility criteria for the project (e.g., Existing, New, 2- to 4-Unit condominium projects, or Detached condominium projects, etc.). For details, refer to Guide Chapter 5701.

Mortgages secured by a Manufactured Home (even if located within a condominium project) must be submitted to Loan Product Advisor and must identify the property as a single-wide or multiwide Manufactured Home. In addition:

- An appraisal reported on Appraisal Form 70B, Manufactured Home Appraisal Report, is required for all Manufactured Homes.
- If the property is a Manufactured Home located in a Condominium Project, the project must be approved through an acceptable reciprocal review process. For details, refer to Guide Chapter 5701. The project information section of Form 465, Individual Condominium Unit Appraisal Report, must also be completed and attached as an addendum to Form 70B.

For purchase transactions, verify the property seller is the Owner of Record. For refinance transactions, verify the borrower is an Owner of Record. For transactions involving the payoff of a land contract, verify the borrower is a vendee on the recorded land contract, and the property seller is the vendor and Owner of Record. Evidence verification with documentation in the file.

If Loan Product Advisor returns an excessive value message or a message notifying you of REO activity within the preceding 24 months, review the appraisal report carefully to ensure property value is supported.

Freddie Mac recommends the use of Loan Collateral Advisor our web-based tool that analyzes appraisal reports and provides Freddie Mac's view of appraisal quality and risk. More information about Loan Collateral Advisor, can be found on FreddieMac.com at <http://www.freddiemac.com/loanadvisorsuite/loancollateraladvisor/>

GENERAL UNDERWRITING REQUIREMENTS (continued)
Date and verification requirements for Loan Product Advisor results, employment, income, source of funds and payment history (other than credit reports) (Guide Sections 5101.1(b), 5101.7 and 5102.4)
Date Requirements

- A mortgage that was processed through Loan Product Advisor and received a complete assessment (a Risk Class of Accept or Caution) on the Last Feedback Certificate must have a Settlement Date no more than 12 months after the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing.
- Loan Product Advisor results must be dated within 120 days prior to the Note Date. However, if the Seller determines after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages that the information entered into Loan Product Advisor was not true, complete, and accurate and does not match the terms of the mortgage to be delivered to Freddie Mac, the mortgage must be resubmitted to Loan Product Advisor after the Note Date or the Effective Date of Permanent Financing, as applicable, but prior to the Loan Product Advisor Assessment Expiration Date and Delivery Date, unless otherwise prohibited or not required by Guide Section 5101.7.
- Verifications of employment, income, current receipt of income, source of funds and payment history must be dated within 120 days prior to the Note Date. Any information verified more than 120 days before the Note Date must be reverified. Verifications made after the Note Date are not acceptable. Refer to Section 5102.4 for additional employment verifications.

Verification Requirements (Guide Sections 5102.3 5302.1 through 5302.5 and 5501.3)
General Requirements for Verifying Documents: VOE, VOD and mortgage or rental verification forms

- Written verifications:
 - Standard verification forms such as original verifications of employment (VOE), verification of deposit (VOD) and mortgage or rental verification forms must be sent directly from the originator to the borrower's employer, depository, creditor or landlord and upon completion, returned directly from the entity to the originator.
 - Facsimile verification forms are acceptable if it is clear from the document that the information was sent by facsimile transmission directly from the source to the originator and are considered to be originals.
 - The original documents must not contain any alterations, erasures, correction fluid or correction tape.
 - The Seller's mortgage file contains legible copies of the originals.
 - The copies must have been made by the originator or the applicant directly from the originals. Copies provided by any other source, such as the applicant, agent or builder, are not acceptable.
- Electronic verifications (VOE, VOD, VOM/R) are computer-generated documents, accessed and printed from an Intranet or Internet. This includes online bank statements, investment account statements and employment and/or income statements. The borrower may provide the electronic verification directly, or the originator may obtain it directly from the employer, depository or other institution.

Income and asset qualification sources

- IRS Form 4506-T:
 - All borrowers whose income is used to qualify or whose assets are used as a basis for repayment of obligations in accordance with the requirements in Section 5307.1, must sign IRS Form 4506-T (or an alternate form acceptable to the IRS that authorizes the release of comparable tax information) on the application date and again on the Note Date. If the 4506-T obtained on the application date is submitted to the IRS and tax transcripts are received back from the IRS, Seller is not required to obtain an additional borrower signed 4506-T.
- Year-to-date (YTD) paystubs must:
 - Identify the employer's name, the borrower as the employee and the date issued. Show the time period covered and both the current pay period dates and earnings, and complete YTD earnings
- W-2 forms must be the complete IRS Form W-2 distributed by the employer for the preceding tax year(s).
- Written VOEs must contain:
 - A signature, printed name, title and contact information of the authorized employer representative who verified the information and the date completed
 - Borrower's name and employer's name and address

Refer to Section 5302.2 for additional written VOE requirements regarding employment and earnings

GENERAL UNDERWRITING REQUIREMENTS (continued)

Verification Requirements, continued	
Income and asset qualification sources (continued)	
Asset account verifications	
<ul style="list-style-type: none"> ▪ 10-day pre-closing verifications (10-day PCVs), when required, must be obtained no more than 10 business days prior to the Note Date, or after the Note Date but prior to the Delivery Date. Types may include a verbal VOE, written VOE, Military Leave and Earnings Statement or third-party employment verification service ▪ Verbal VOEs must be completed using Form 90, or a similar written document that includes the following: <ul style="list-style-type: none"> – Name of the borrower, employer's name, name and title of the individual contacted at employer, date of contact, and phone number used to contact the employer – Name of the third-party source used to obtain the phone number for the employer (e.g., the phone directory, reliable internet source, directory assistance, etc.) – Borrower's current employment status – Any additional information that was verified – Name, title and employer of the representative who contacted the borrower's employer and completed the verbal VOE ▪ Third-party employment and income verifications obtained through third-party verification service providers are acceptable. The verifications must be received by the originator directly from the third-party verification service provider. A copy of the verification must meet the following requirements: <ul style="list-style-type: none"> – Sufficient information to determine stable monthly income in accordance with Topic 5300 – 10-day PCVs for employment must meet Section 5302.2(d) requirements – If verification is completed using employment and/or income information from an electronic database, the verification must evidence that the information in the database is no more than 35 days old <p>Note: If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification. The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services.</p> <ul style="list-style-type: none"> ▪ Tax returns must be the borrower's signed copy of the complete U.S. federal income tax return(s) that were filed with the IRS, and include all schedules and forms required in Guide Topic 5300. Acceptable alternatives for the borrower's signature on the tax return(s) include evidence the tax returns were filed electronically or tax transcripts that validate the information on the unsigned tax returns 	
<ul style="list-style-type: none"> ▪ Direct account verifications (i.e., verification of deposit form (VOD)) must: <ul style="list-style-type: none"> – Identify the issuing financial institution, the account owner(s), the account number-which at a minimum must include the last four digits, the type of account, the account open date, the current account balance, the average balance for the previous two months, and any outstanding loans secured by the asset – Include the title, signature and phone number of the depository representative who completed the verification ▪ Asset account statements must: <ul style="list-style-type: none"> – Identify the issuing financial institution, the account owner(s), and the account number, which at a minimum must include the last four digits – Show all transactions, the period covered, ending balances, and any outstanding loans secured by the asset <p>A transaction history that is computer-generated and downloaded by the borrower from the Internet, or by a financial institution representative from the institution's system is acceptable. It must identify the name of the institution and the source, and includes the information required above for asset account statements, unless it is used in combination with other asset verifications containing the missing information, and it can clearly establish that the transaction history pertains to the same account</p> ▪ Third-party asset verifications <ul style="list-style-type: none"> – Asset verifications obtained through third-party verification service providers are acceptable – Must be received by the originator directly from the third-party verification service provider – Must contain the same information as required for direct account verifications or asset account statements above, except when verification is generated electronically and is not completed or provided by a representative of the employer or the depository institution, as applicable, the representative's information is not required <p>Note: If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification. The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services</p>	

GENERAL UNDERWRITING REQUIREMENTS (continued)
Date requirements for Credit Reports (Guide Section 5203.1(i))

All credit reports used in conjunction with Loan Product Advisor Mortgages (including the credit data provided through Loan Product Advisor, even those reports not used by the Seller) must be dated within 120 days prior to the Note Date or the date of the assumption agreement.

Resubmission to Loan Product Advisor (Guide Sections 5101.6 and 5101.7)

If the information submitted changes or an error is identified in the prior submission, the mortgage must be resubmitted to Loan Product Advisor with new data. Refer to Guide Section 5101.7 for exceptions and requirements for resubmission to Loan Product Advisor after the Note Date, or for Construction Conversion and Renovation Mortgages, after the effective Date of Permanent Financing.

Resubmission of loan data to Loan Product Advisor is required **prior to the Delivery Date** if:

1. Information on the previous submission is not true, complete or accurate. For example:
 - Information on the previous submission is inaccurate, invalid, or changes during the origination process
 - Borrowers are added to or deleted from the loan application
 - Property information changes, the property information included an inaccurate or incomplete property address, or an appraisal provides a different value for the property
 - Credit Alert Interactive Voice Response System (CAIVRS) authorization shows a Federal Delinquency/Lien for any borrower (FHA or VA loan applications only)
 - You request a different mortgage product
2. The loan has not closed and the most recent submission (including the date of the Loan Product Advisor credit report(s)) exceeds the date requirements in Guide Section 5203.1.
3. Any information used by Loan Product Advisor changes; however, a change from the previous submission involving the following does not require resubmission:

Debts/income:

- The monthly debt payment decreases (including monthly housing expense)
- The income for any borrower increases; however, if the income used to qualify borrowers increases for Home Possible® Mortgages, resubmission is required
- The income for any borrower decreases and/or the monthly debt payment (including monthly housing expense) increases, and
- The total difference does not change the total DTI ratio by more than three percentage points, and
- The total DTI ratio on the previous submission did not exceed 45%

Assets/reserves:

- The amount of verified assets increases
- The amount of verified reserves increases
- The amount of verified reserves decreases to an amount that is no less than the reserves required to be verified on the Feedback Certificate.

Loan amount:

- The loan amount decreases by no more than 1% on a refinance transaction and at the time of the most recent Loan Product Advisor submission mortgage insurance is not required on the mortgage
- The loan amount decreases by no more than 1% on a refinance transaction and at the time of the most recent Loan Product Advisor submission mortgage insurance on the mortgage is required, and
 - The change does not impact the amount of the mortgage insurance coverage, and
 - The amount of the mortgage insurance premium collected by the Seller is based on the new loan amount and the Seller obtains a new mortgage insurance certificate

If the Risk Class and/or Documentation Level changes as a result of the resubmission, the Seller must meet the new requirements.

GENERAL UNDERWRITING REQUIREMENTS (continued)**Resubmission to Loan Product Advisor After the Note Date (Guide Section 5101.7)**

A mortgage cannot be resubmitted to Loan Product Advisor **after the Note Date or the Effective Date of Permanent Financing** for Construction Conversion and Renovation Mortgages if:

- Resubmission is more than 120 days after the Loan Product Advisor Assessment Expiration Date displayed on the Feedback Certificate in effect as of the Note Date; or
- A borrower is being added or deleted, or a change is being made to a borrower's last name or Social Security Number; **or**
- A new credit report company needs to be selected; **or**
- The single or joint merged credit report indicator changes; **or**
- The order of borrowers' changes on a joint merged credit request; **or**
- The merged credit report number does not match the merged credit report number from the most recent complete transaction
- If the mortgage cannot be resubmitted to Loan Product Advisor after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the mortgage must be manually underwritten and is considered a Non-Loan Product Advisor Mortgage.

Note: Select the appropriate Loan Processing Stage, which is Post Closing Quality Control. Once Post Closing Quality Control is selected, you must remain in that processing stage for the life of the loan.

This document is not a replacement or substitute for the information found in the Freddie Mac *Single-Family Seller/Servicer Guide* and/or terms of your Master Agreement and/or other Pricing Identifier Terms.

© 2018 Freddie Mac