

Loan Product Advisor[®]

Understanding the Loan Product Advisor Feedback Certificate
April 2019



Agenda

Loan Product Advisor®

- Resources
- What is Loan Product Advisor
- Recent Updates
- How To Read the Results
- How To Document Your File
- Data Integrity Reminders
- Documentation Matrix
- Help Tools and Training
- Genworth

Today's Session Covers **Conventional** Loans Only

Freddie Mac Updates - Where To Get Them

Freddie Mac's Website

- <http://www.freddiemac.com/loanadvisorsuite/>
- Single Family News
- Pending Loan Product Advisor Enhancements
- Subscription Center
- Links to www.freddiemac.com
- Learning Center



Freddie Mac Single Family

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Freddie Mac Single Family

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Guide Position Summary (GPS)

AllRegs User Guide

Copyright and Disclaimer

Bulletins and Industry Letters

Single-Family Seller/Servicer Guide

Introduction and Table of Contents

Printable PDF version of the Guide

Freddie Mac – Seller/Servicer Relationship

Selling

Printable PDF version of the Selling Segment (S)

Series 4000: Mortgage Eligibility

Series 5000: Origination and Underwriting

Topic 5100: Determining Borrower Eligibility

Topic 5200: Credit Assessment

Topic 5300: Stable Monthly Income and Assets

Topic 5400: Evaluation of Monthly Obligations

Topic 5500: Assets (Borrower Funds and Reserves)

Topic 5600: Property Eligibility and Appraisal

Topic 5700: Property

Series 6000: Selling and Delivery

Servicing

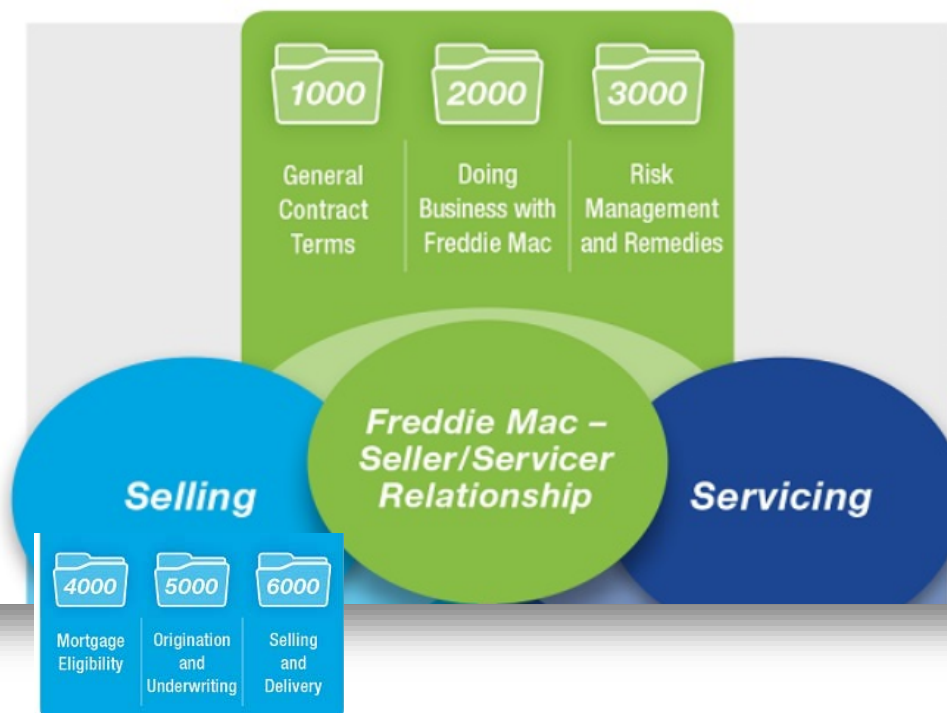
Exhibits, Forms, Glossary and Directory

Archive of Single-Family Seller/Servicer Guide

Document Custody Procedures Handbook

Welcome to Freddie Mac's Single-Family Seller/Servicer Guide and Document
This service is made available to you by Freddie Mac in cooperation with AllRegs.

Structure of the Single-Family Seller/Servicer Guide



What is Loan Product Advisor?

- Loan Product Advisor is Freddie Mac's automated underwriting system
- It gives users access to Freddie Mac's credit requirements, allowing you to easily identify the overall underwriting risk
- It replaces Loan Prospector®

FreddieMac | Loan Advisor Suite™

Loan Product Advisor™
Enhanced Underwriting Workflow

Helping you achieve greater certainty in the loans you sell to Freddie Mac.

Frequently Asked Questions

Q1: What is Loan Advisor Suite?
A: Loan Advisor Suite is our new smart, end-to-end technology solution we're building to ease complexity, reduce costs and make it easier for you to navigate through the loan production process. Loan Advisor Suite is a combination of automation and transparency into the loan production process – addressing credit, capacity, collateral to help you validate the quality of the loans you originate and the associated representation and warranty relief.

The Loan Advisor Suite will incorporate several existing and new tools:

- Loan Product AdvisorSM – Our new and improved automated underwriting system. We've taken Loan Prospector[®] and evolved it for today's generation of lenders.
- Loan Quality Advisor[®] – Provides a view of loan risk and purchase eligibility.
- Loan Collateral AdvisorSM – (new) Gives you our view of appraisal risk and quality.
- Loan Closing AdvisorSM – (new) Helps you validate that your data aligns with the Uniform Closing Dataset requirements.
- Selling SystemSM – Supports your pricing, contracting and loan delivery needs.
- Loan Coverage Advisor[®] – Tracks the selling rep and warranty relief dates for loans delivered to Freddie Mac.
- Business Intelligence – (new) Leverages loan activity data to help you identify the strengths and weaknesses of your loan manufacturing process so you can make informed improvements.

The Suite will help provide certainty by giving you insight into the quality, risk and requirements necessary for you to efficiently manufacture and deliver loans to Freddie Mac. It will provide clear guidance to help you flag and fix issues throughout the process.

Q2: What is Loan Product Advisor?
A: Loan Product Advisor is the next generation of Loan Prospector. It's our enhanced automated underwriting system (AUS), with new features and functionality. Loan Product Advisor helps you streamline your origination processes further and provides you with greater certainty that your loans meet Freddie Mac eligibility requirements. Loan Product Advisor is much more than a name change.

Q3: When will Loan Product Advisor be available?
A: We plan to make Loan Product Advisor broadly available summer 2016.

Key Benefits

- **Efficiency.** With improved feedback and layout of results, quickly and easily find and execute against clear underwriting instructions for faster processing.
- **Usability.** Intuitive and easy to navigate solution.
- **Confidence.** Take advantage of the entire Freddie Mac credit box and suite of loan programs to originate more loans.
- **Convenience.** Source more Correspondent business with an improved overall experience, including enhanced Loan Product Advisor workflow and ease-of-use through a loan origination system vendor (e.g., Ellie Mae[®]).

Loan Advisor SuiteSM – it's the future of how we'll do better business together.

Smart. Simple. Trusted.®

Publication Number 454 • July 2016

http://www.freddiemac.com/singlefamily/pdf/Loan_Product_Advisor_Fact_Sheet.pdf

Loan Product Advisor is Part of the Loan Advisor Suite

The screenshot displays the Freddie Mac website's navigation and main content area. The top navigation bar includes links for MENU, HOME, Careers, and Contact Us, along with a search bar and a SEARCH button. The Freddie Mac logo is prominently displayed on the left, with the tagline 'We make home possible®'. On the right, there's a 'Connect With Us' section with social media icons for Facebook, LinkedIn, YouTube, and Twitter.

The main content area features a 'Single-Family' sidebar with a list of services: 'Become a Freddie Mac Seller/Service', 'Originate and Underwrite', 'Sell and Deliver', 'Loan Advisor Suite', and 'Mortgage Products'. A red arrow points to 'Loan Advisor Suite'. The main body of the page is titled 'Meet Your Risk Reduction Toolbox' and includes the text 'Rely on our innovative suite of applications to simplify your loan production process and help you do more in less time.' Below this, the slogan 'Smart. Simple. Trusted.®' is displayed.

The 'Loan Advisor Suite' is highlighted with a red arrow and contains the following tools:


- Loan Product Advisor™**: Enhanced Underwriting Workflow
- Loan Collateral Advisor™**: Accurate Evaluations
- Loan Quality Advisor®**: Eligibility Evaluated
- Loan Closing Advisor™**: Closing Confidence
- Business Intelligence**: Relevant Data
- Selling System™**: Delivering Results
- Loan Coverage Advisor®**: Complete Loan Management

A 'FEEDBACK' button is located in the bottom right corner of the suite. A login panel on the right side of the page includes a password field, a 'LOG IN' button, and a link for 'Forgot your username / password?'.

Loan Product Advisor Functionality Guide

- Updated January 2019
- Assists with data entry
- Error messages
- Correcting errors
- Assigning a loan

Loan Product Advisor® Functionality Guide



The information provided in this document applies generally to all Loan Product Advisor® users, whether you are entering data directly into the Loan Product Advisor interface, or importing data from your system. If you are using an automated underwriting system (AUS) that interfaces with the Loan Product Advisor credit engine, the field names your system displays may differ from the corresponding Loan Product Advisor field names. The field groupings and the order in which you enter information may also vary. Contact your system administrator, or system vendor, for more information on data input mapping from your system to Loan Product Advisor.

This guide represents the direct data-entry point of view using Loan Product Advisor version 4.8.00 and includes information on the following:

Functionality Guide Sections

▪ Accessing Loan Product Advisor	▪ Sending a Loan from Your System
▪ Accessing HVE Lookup Tool	▪ Examples of Loan Product Advisor Results
▪ Entering Loan Data	– Accept Full Feedback Certificate
▪ Automated Underwriting and Reorder Credit	– Accept Doc. Checklist
▪ Order Verifications	– Property Valuation Disclosure Form
▪ Submitting and Resubmitting a Loan	– Caution Full Feedback Certificate
▪ Correcting Data Errors	– Ineligible Messages
▪ Retrieving Results	– Incomplete Messages
▪ Accessing an Existing Loan	– Invalid Messages
▪ Assigning a Loan	
▪ Releasing a Loan	

Need more help with Loan Product Advisor data entry fields?


The [Loan Product Advisor® Online Tool](#) will help you become more familiar with Loan Product Advisor's data entry fields.

January 2019

www.FreddieMac.com/learn/

http://www.freddiemac.com/learn/pdfs/uw/fun_guide.pdf

What Risk Factors is Loan Product Advisor Looking at?



The 3 Cs of Underwriting Factors Used in Freddie Mac's Automated Underwriting Assessment

Credit reputation, capacity and collateral are often called the "three Cs" of underwriting. If one of these components is not acceptable or if there is excessive layering of risk across components, the mortgage may not be acceptable for sale to Freddie Mac.

Credit Reputation

- Credit Score
- Foreclosures, bankruptcies, liens and/or judgments
- Mortgage delinquencies
- Credit delinquencies, repossessions, collections, or charge-offs
- Credit accounts: type, age, limits, usage and status of revolving accounts
- Borrower's request for new credit in last 12 months

Capacity

- Debt ratios: Qualifying monthly housing expense-to-income ratio or monthly debt payment-to-income ratio
- Salaried versus self-employed borrower
- Cash reserves
- Number of borrowers
- Loan Characteristics:
 - ◆ Product: a 15-, 20-, and 30-year fixed rate, an adjustable rate mortgage
 - ◆ Purpose of Loan: purchase or refinance (cash-out or no cash-out)

Collateral

- Borrower's total equity or down payment
- Property type: a 1-unit or 2- to 4- unit detached property, Condominium Unit or Manufactured Home
- Property use: Primary Residence, Second Home or Investment Property

Refer to the Freddie Mac *Single-Family Seller/Servicer Guide* for more information.

Recent Freddie Mac Updates

2019

Bulletin 2019- 7

Selling Updates

Home Possible® mortgages.

Assets as a basis for repayment of obligations.

Second home mortgages.

Income documentation requirements.

Guide Form 1077, *Uniform Underwriting and Transmittal Summary*.

The Single Security Initiative.

Other Miscellaneous updates



Bulletin

TO: Freddie Mac Sellers

April 3, 2019 | 2019-7

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Home Possible® Mortgages

- A revision to the eligibility requirements for [Home Possible® Mortgages](#) – July 3, 2019
- Additional clarifications related to Home Possible Mortgage eligibility

Assets as basis for repayment of obligations

- A revision to our calculation for establishing the debt payment-to-income ratio when qualifying a Borrower using [assets as a basis for repayment of obligations](#) – July 3, 2019

Second home Mortgages

- Updates to our requirements for [second home Mortgages](#)
- Revised Multistate Second Home Rider

Income documentation requirements

- Updates to the [documentation requirements](#) language for retirement income, survivor and dependent benefit income, long-term disability income and Social Security Supplemental Security Income

Guide Form 1077, Uniform Underwriting and Transmittal Summary

- An update to the mandatory effective date of revised [Form 1077](#) for Seller/Service users using this form – February 1, 2020

Single Security Initiative

- Updates to the Guide to reflect changes related to the [Single Security Initiative](#) announced in our March 5, 2019 Industry Letter – June 3, 2019

Additional Guide updates

- Further updates as described in the [Additional Guide Updates](#) section of this Bulletin

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

HOME POSSIBLE MORTGAGES

Limitation on the number of financed residential properties owned

Effective for Mortgages with Settlement Dates on and after July 3, 2019

At the instruction of the FHFA, we are revising our requirements for Home Possible Mortgages to state that the occupying Borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing.

Loan Product Advisor® feedback messages will be updated by July 3, 2019 to reflect these changes.

Release Notes

New Feedback Messages

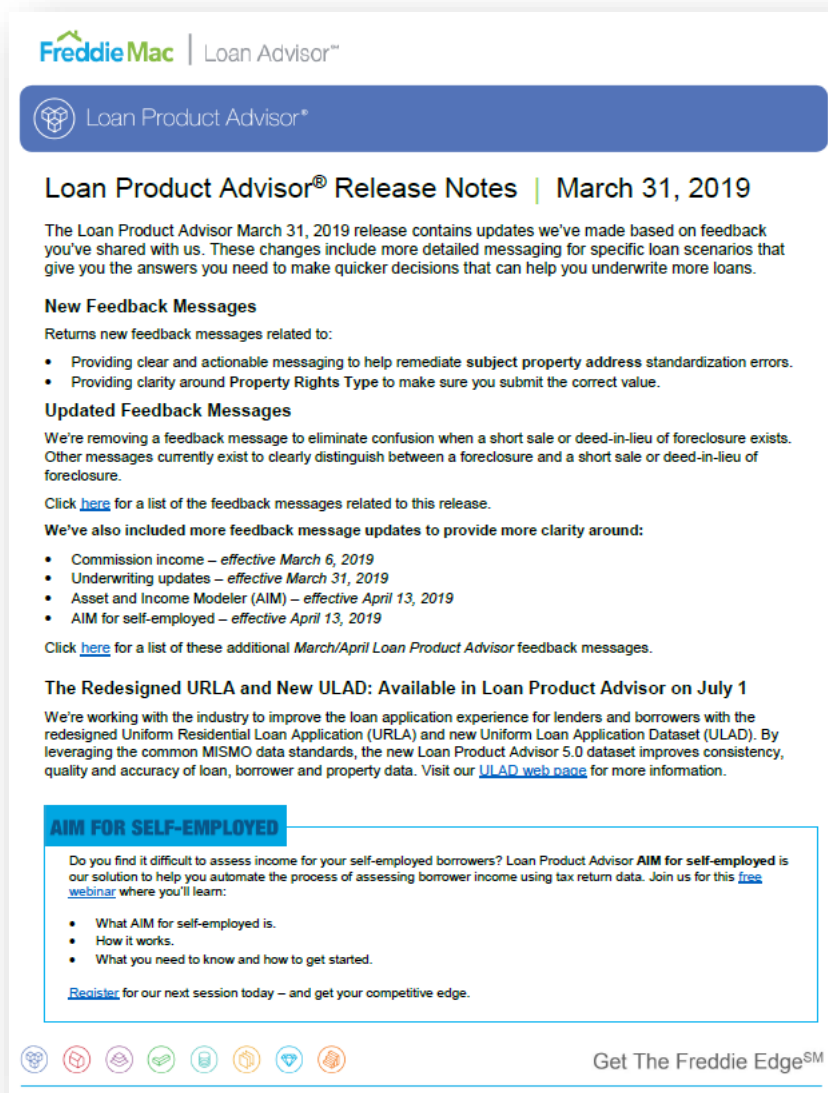
- Subject Property Address
- Property Rights Type

Updated Feedback Messages

- Commission
- Assets & Income Modeler (AIM)
- AIM for Self-Employed
- Underwriting Updates

Redesigned URLA & New ULAD Available in LPA on July 1st

Resources Added AIM for Self-Employed



The screenshot shows the 'Loan Product Advisor' interface. At the top, it says 'FreddieMac | Loan Advisor™'. Below that is a blue header with the 'Loan Product Advisor®' logo. The main heading is 'Loan Product Advisor® Release Notes | March 31, 2019'. The text states: 'The Loan Product Advisor March 31, 2019 release contains updates we've made based on feedback you've shared with us. These changes include more detailed messaging for specific loan scenarios that give you the answers you need to make quicker decisions that can help you underwrite more loans.'

New Feedback Messages
Returns new feedback messages related to:

- Providing clear and actionable messaging to help remediate subject property address standardization errors.
- Providing clarity around Property Rights Type to make sure you submit the correct value.

Updated Feedback Messages
We're removing a feedback message to eliminate confusion when a short sale or deed-in-lieu of foreclosure exists. Other messages currently exist to clearly distinguish between a foreclosure and a short sale or deed-in-lieu of foreclosure.

Click [here](#) for a list of the feedback messages related to this release.

We've also included more feedback message updates to provide more clarity around:

- Commission income – effective March 6, 2019
- Underwriting updates – effective March 31, 2019
- Asset and Income Modeler (AIM) – effective April 13, 2019
- AIM for self-employed – effective April 13, 2019

Click [here](#) for a list of these additional March/April Loan Product Advisor feedback messages.

The Redesigned URLA and New ULAD: Available in Loan Product Advisor on July 1
We're working with the industry to improve the loan application experience for lenders and borrowers with the redesigned Uniform Residential Loan Application (URLA) and new Uniform Loan Application Dataset (ULAD). By leveraging the common MISMO data standards, the new Loan Product Advisor 5.0 dataset improves consistency, quality and accuracy of loan, borrower and property data. Visit our [ULAD web page](#) for more information.

AIM FOR SELF-EMPLOYED

Do you find it difficult to assess income for your self-employed borrowers? Loan Product Advisor **AIM for self-employed** is our solution to help you automate the process of assessing borrower income using tax return data. Join us for this [free webinar](#) where you'll learn:

- What AIM for self-employed is.
- How it works.
- What you need to know and how to get started.

[Register](#) for our next session today – and get your competitive edge.

At the bottom, there is a row of social media icons and the text 'Get The Freddie EdgeSM'.

March 2019 Feedback Messages

Loan Product Advisor - March 2019 Release Feedback Messages					
Message Category	Message Code	Original or Existing Message Text (if applicable)	New Message Text	Feedback Certificate, Error Page	Purpose
New Messages					
Underwriting					
COW	MB	N/A	Review for Accuracy: The property address provided is blank or incomplete.	Feedback Certificate	Indicates when the provided subject property address could not be standardized because an insufficient amount of information was entered in the address fields.
COW	MC	N/A	Review for Accuracy: The address number could not be found for the street name provided.	Feedback Certificate	Indicates when the provided subject property address could not be standardized because the supplied address number could not be found within the valid range of address numbers defined for a given street name.
COW	MD	N/A	Review for Accuracy: The street name could not be found for the Zip Code provided.	Feedback Certificate	Indicates when the provided subject property address could not be standardized because the supplied street name could not be found within the available streets names defined for a given zip code.
COW	MF	N/A	A unit designator (e.g., Unit, Apt, etc.) followed by a unit number is needed for the subject property to improve address standardization.	Feedback Certificate	Indicates when the provided subject property could not be uniquely identified for address standardization purposes because a unit number is missing from the provided street address.
COW	MG	N/A	Review for Accuracy: The property address unit designator (e.g., Unit, Apt, etc.) and the unit number could not be found for the street address provided.	Feedback Certificate	Indicates when the provided subject property could not be uniquely identified for address standardization purposes because the supplied unit number could not be found within the valid range of unit numbers defined for the given street address.
LPN	VU	N/A	Review for accuracy: Property Rights Type was not submitted and has been defaulted to Fee Simple. If this value is not accurate, update the field with the correct value and resubmit.	Feedback Certificate	Notifies the user that the Property Rights Type field was left blank and defaulted to "Fee Simple". User should review to confirm that a Property Rights Type of "Leasehold" was not in fact intended.
Retired Messages					
RSK	13	Recent foreclosure/signif derog appears on credit report.	N/A (Retired Message)	Feedback Certificate	Will no longer be displayed for new loans submitted on or after 3/31/2019. More descriptive foreclosure (YW) and alternative foreclosure (YX) messaging currently exists.

Section 4: Loan and Property Information. This section asks about the loan's purpose and the property you want to purchase or refinance.

4a. Loan and Property Information

Loan Amount \$ Loan Purpose ☐ Purchase ☐ Refinance ☐ Other

Property Address Street

Unit # City State Zip

County Number of Units Property Value \$

Occupancy ☐ Primary Residence ☐ Second Home ☐ Investment Property ☐ FHA Secondary Residence

1. Mixed-Use Property. If you will occupy the property, will you set aside space within the property to operate your own business? (e.g., daycare facility, medical office, beauty/barber shop)

☐ NO ☐ YES

2. Manufactured Home. Is the property a manufactured home? (e.g., a factory built dwelling built on a permanent chassis)

☐ NO ☐ YES

L2. Title Information

Title to the Property Will be Held in What Name(s):

Estate Will be Held in

☐ Fee Simple

☐ Leasehold: Expiration Date / (mm/yyyy)

Bulletin 2019- 5

Selling Updates

Automated income assessment with Loan Product Advisor® using tax return data.

Borrower income, including:

- Treatment of alimony or maintenance payments.
- Restricted stock (RS) and restricted stock units (RSU) documentation requirements.

Lender incentives.

Credit assessment with Loan Product Advisor.

Property insurance.



Bulletin

TO: Freddie Mac Sellers

March 6, 2019 | 2019-5

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Borrower income

- [Automated income assessment](#) with Loan Product Advisor® using tax return data, which is part of asset and income modeler (AIM) – New
- Added specificity related to our documentation requirements for [self-employed Borrowers](#)
- Revisions to the way [alimony and maintenance payments](#) are treated when qualifying a Borrower for a Mortgage – July 6, 2019
- Updates to our requirements for using [restricted stock \(RS\)](#) and [restricted stock units \(RSU\)](#) as qualifying income

Lender incentives

- Revisions to our [lender incentive](#) requirements – June 6, 2019

Credit assessment with Loan Product Advisor

- Removing the requirement for Accept Mortgages that the Seller determine whether the decision repository file used to create the Selected Borrower's [credit report](#) contains significant inaccurate credit information

Property insurance

- Updates to our [property insurance](#) requirements – March 13, 2020

Additional Guide updates

- Further updates as described in the [Additional Guide Updates](#) section of this Bulletin

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

BORROWER INCOME

Automated income assessment with Loan Product Advisor using tax return data

We are introducing automated income assessment with Loan Product Advisor using tax return data, which is part of asset and income modeler (AIM) as "AIM for self-employed," in new Guide Chapter 5903. This capability, which is focused on assessment of self-employed income, is designed to automate the income calculation process, help reduce origination costs and provide Sellers with the opportunity for relief from enforcement of certain representations and warranties related to the Borrower's self-employed income.

The automated income assessment with Loan Product Advisor using tax return data offering is effective for Loan Product Advisor submissions and resubmissions on and after March 6, 2019.

To take advantage of this optional capability, the Seller must upload the Borrower's federal income tax returns to a Freddie Mac-designated third-party service provider. The service provider returns to the Seller an Income Calculation Report consisting of data extracted from the Borrower's tax returns, which the Seller must review and

Bulletin 2019- 4

Selling Updates

Updates to Condominium Project requirements

Revisions to income requirements

Updates to reflect the Uniform Loan Delivery Dataset (ULDD) Phase 3 specification addendum

Changes to the Certificate of Incumbency forms for Seller/Service

Reminder to Sellers of the upcoming implementation of the Standard Remittance Cycle

Revising the chart for maximum loan-to-value (LTV), total LTV (TLTV) ratios for Home Possible® to include Super Conforming

Revising list of ineligible properties for Loan Collateral Advisor and ACE: Mortgages secured by Mortgaged Premises subject to resale restrictions

Other Miscellaneous updates



Bulletin

TO: Freddie Mac Sellers

February 6, 2019 | 2019-4

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Condominium Projects

- Updates to our [Condominium Project](#) requirements

Income

- Revisions to our [income](#) requirements

Uniform Loan Delivery Dataset

- Updates to reflect the [Uniform Loan Delivery Dataset \(ULDD\) Phase 3](#) specification addendum

Certificate of Incumbency

- Changes to our [Certificate of Incumbency](#) forms for Seller/Service

Investor Reporting Change Initiative

- A reminder to Sellers of the upcoming implementation of the [Standard Remittance Cycle](#)

Additional Guide updates

- Further updates as described in the [Additional Guide Updates](#) section of this Bulletin

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

CONDOMINIUM PROJECTS



In response to Seller feedback, we are updating our requirements for Condominium Projects as follows:

Topic	Revision
Freddie Mac Condo Project Advisor SM (Guide Section 5701.1)	We are clarifying that for a Condominium Unit Mortgage in an Established Condominium Project to be eligible for a Project Waiver Request (PWR), Sellers must comply with the project eligibility requirements for Established Condominium Projects set forth in Section 5701.5 as well as all other applicable requirements in Guide Chapter 5701.
Condominium Project review requirements (Section 5701.2(a))	Previously, Sellers were required to review and determine that a project complies with Freddie Mac's Condominium Project eligibility requirements prior to the Note Date. To provide additional flexibility, we are updating the Guide to state that if a Mortgage secured by a unit in a Condominium Project does not comply with the eligibility requirements for the applicable project review type on the Note Date, the Seller may deliver the Mortgage at the time the Condominium Project meets the project eligibility requirements provided the Mortgage also meets all other applicable requirements.

Bulletin 2018-19

Selling Updates

- Rental income requirements (March 1)
 - Borrowers must own a primary residence to use rental income from the subject
 - Borrowers must have 1 year rental management experience or rental income can offset the mortgage payment
- Documentation requirements for Social Security retirement and disability benefits (feedback message updated)
- Changes to requirements for settlement/closing disclosure statements



Bulletin

TO: Freddie Mac Sellers

October 31, 2018 | 2018-19

SUBJECT: SELLING UPDATES
This Guide Bulletin announces:
Origination and underwriting

- Updates to our [rental income](#) requirements – March 1, 2019
- Updates to our documentation requirements for [Social Security retirement and disability benefits](#)

“No cash-out” refinance of a Mortgage owned or securitized by Freddie Mac

- Removal of the special loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio requirements for a [“no cash-out” refinance](#) of a Mortgage owned or securitized by Freddie Mac – February 1, 2019

Concurrent Transfers of Servicing

- The elimination of the mandatory expiration date on [Guide Form 960](#) (“Concurrent Transfer of Servicing (CTOS) Agreement”), which means that Sellers no longer need to submit a new Form 960 annually

Settlement Closing/Disclosure Statements

- Updates to our requirements for [Settlement/Closing Disclosure Statements](#)

Additional Guide Updates

- Further updates as described in the [Additional Guide Updates](#) section of this Bulletin

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

ORIGINATION AND UNDERWRITING
Rental income

Effective for Mortgages with Settlement Dates on and after March 1, 2019; however, Sellers may implement these changes earlier if they are able to do so

In Bulletin 2018-13, we further extended the effective date for rental income requirements announced in Bulletin 2017-12 to March 1, 2019 to enable us to review and consider all Seller feedback. After our review of Seller feedback, coupled with our internal review and analysis, we are updating our requirements as follows.

- For simplification, we are removing the requirement that the net rental income considered for qualification must not exceed 30% of the Borrower’s monthly qualifying income unless the Borrower has a minimum of one-year rental management experience
- To support sustainable homeownership through responsible lending practices, we are adding the requirements:
 - The Borrower must own a Primary Residence to use rental income to qualify when purchasing a new rental property; and
 - Whether purchasing a new rental property or converting a Primary Residence to a rental property, if the Borrower does not have a minimum of one-year investment property management experience:


See Freddie Mac *Single-Family Seller/Servicer Guide* For Complete Details

Loan Product Advisor Documentation Matrix

Tool to help document files

- Uniform Mortgage Data Program (UMDP)
- Mortgage Products
- Home Possible Income & Property Eligibility
- Servicing
- The Guide and Forms
- Single-Family News Center
- Subscription Center
- The Learning Center**
 - Loan Advisor Suite
 - Originate & Underwrite
 - Sell & Deliver
 - Servicing
 - New Users & Seller/Service Guide
 - Freddie Mac Learning
 - Learning Center**
 - Housing Professionals
 - Credit Risk Offerings


Freddie Mac Learning



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Webinars



Learn From Our Subject Matter Experts

Job Aids



Specific to Your Business Needs

- Loan Advisor Suite**
- Sell & Deliver
- Servicing

Loan Product Advisor® Documentation Matrix



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/Service 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
Assets as a Basis for Repayment of Obligations	Currently, net eligible assets must be divided by 360. The calculation now requires net eligible assets to be divided by 240.	July 3, 2019 but can be implemented beginning April 3, 2019.	Bulletin 2019-7
Other Income (non-employment / non-self-employment) Documentation Requirements	Updating the documentation requirements language for retirement income, survivor and dependent benefit income, long-term disability income and Social Security Supplemental Security Income.	April 3, 2019	Bulletin 2019-7

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

<http://www.freddiemac.com/learn/pdfs/uw/docmatrix.pdf>

April 2019

www.FreddieMac.com/learn/

Freddie Mac Rental Income Matrix

Tool to help document files

Freddie Mac Home | Single-Family | Multifamily | Capital Markets | Search

Freddie Mac | Single-Family Business

Single-Family

- Become a Freddie Mac Seller/Service
- Originate and Underwrite
- Sell and Deliver
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Freddie Mac Rental Income Matrix



Effective for Mortgages with Freddie Mac Settlement Dates on and after March 6, 2019.

Rental income may be used in qualifying the borrower(s) provided the requirements of Guide Section 5306.1 and the documentation requirements contained in Guide Sections 5102.3 and 5102.4 and Chapter 5302 are met. Use the following chart as a tool to help summarize these rental income requirements.

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower
Documentation, history and analysis- Streamlined and Standard Documentation levels	<p>If the Borrower's monthly debt payment-to-income ratio (as described in Section 5401.2) includes the full monthly payment amount for the subject Investment Property and/or non-subject investment property, no further evaluation is required.</p> <p>If rental income from the subject investment property and/or non-subject investment property is to be considered in qualifying the borrower, the following requirements apply:</p> <ul style="list-style-type: none"> The Seller must obtain the borrower's federal income tax returns (Internal Revenue Service (IRS) Form 1040) including the Schedule E for the most recent year. Except as set forth below when use of a signed lease may be permitted, if the subject property has been owned for at least one year and income from the subject property is reported on the borrower's federal income tax returns, the Seller must use the Schedule E to determine the net rental income or loss. If the subject property has been owned for at least one year and is reported on the Schedule E of the borrower's prior year federal income tax return, use the income or loss as reported. A signed lease may be used: <ul style="list-style-type: none"> If the property was out of service for any time period in the prior year and the Mortgage file contains a documented event such as a renovation or evidence the property was purchased later in the calendar year Schedule E supports this by a reduced number of days in use and reflects repair costs and, Forms 72 or 1000 support the income reflected on the lease. <p>Unless the above requirements are met, a signed lease may not be used and the rental income or loss from the Schedule E must be used and annualized for qualifying purposes.</p>		
Documentation, history and analysis – purchased or placed in service for use as a rental in the current calendar year	<ul style="list-style-type: none"> Subject property purchase transaction: <ul style="list-style-type: none"> Lease, if available, must be used to determine the net rental income or Forms 72 or 1000, as applicable, may be used to determine net rental income when a lease is not available Subject property refinance transaction or non-subject investment property <ul style="list-style-type: none"> Lease must be used to determine the net rental income Purchase date or conversion date, as applicable, must be documented 		

March 2019

www.FreddieMac.com/learn/

<http://www.freddiemac.com/learn/pdfs/uw/rental.pdf>

Borrowers Without Credit Scores

Mortgages for Borrowers Without Credit Scores



Assessment of Mortgages for Borrowers Without Credit Scores

We have updated Freddie Mac Loan Product Advisor® to allow you to assess mortgages for borrowers without credit scores. Currently, you may deliver Loan Product Advisor Accept mortgages to Freddie Mac where not all borrowers on the mortgage have a usable credit score. Starting on June 26 you may deliver Accept mortgages where no borrower has a usable credit score.

Caution mortgages must be manually underwritten in accordance with the Seller's purchase documents. For more information, refer to Freddie Mac's Seller Servicer Guide (Section 5201.1(c)(ii)).

Getting Started

To take advantage of this offering, simply submit your loan to Loan Product Advisor. Loan Product Advisor's Feedback Certificate will include messages advising you of any additional requirements for delivery of the loan to Freddie Mac, including specific credit history requirements when either not all borrowers have a credit score or no borrower has a credit score.

Eligibility Requirements

To be eligible when no borrower has a credit score, the mortgage:	To be eligible when not all borrowers have a credit score, the mortgage:
Must be a purchase or a "no cash-out" refinance mortgage	Must be a purchase or a "no cash-out" refinance mortgage
Must be secured by a 1-unit property and all borrowers must occupy the property as their primary residence	Must be secured by a 1-unit property and all borrowers must occupy the property as their primary residence
Loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios must not exceed 95%	
Must be a fixed-rate mortgage	
Must not be: <ul style="list-style-type: none">○ A mortgage secured by a manufactured home○ A super-conforming mortgage	
If a transaction does not meet the above requirements, Loan Product Advisor will return an incomplete message(s).	

Loan Product Advisor – May 27, 2017

ALL Borrowers WITHOUT a Credit Score

- At least one housing payment reference must be verified
- One additional payment history for each borrower
- Each reference must have existed for most recent 12 months
- Homeownership education is required for at least one borrower
- No collections (other than medical) or judgements or tax liens filed in the most recent 24 months.

▼ New Requirements for Mortgages for Borrowers Without Credit Scores

Currently, mortgages for borrowers without credit scores must be manually underwritten. New requirements for Loan Product Advisor to allow the assessment of these mortgages include:

- Must be a purchase or a "no cash-out" refinance mortgage.
- Must be secured by a 1-unit property and all borrowers must occupy the property as their primary residence.
- Loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios must not exceed 95%.
- Must be a fixed-rate mortgage.
- Must not be:
 - ◆ A mortgage secured by a manufactured home.
 - ◆ A super-conforming mortgage.

If a transaction does not meet the above requirements, Loan Product Advisor will return an incomplete message(s).

Loan Product Advisor – June 26, 2017

NOT All Borrowers Have A Useable Credit Score

- At least borrower must have a usable credit score as determined by Loan Product Advisor
- Purchase or “no cash-out” refinance
- One unit Primary home with all borrowers occupying
- If borrower without the usable score has a housing payment history, then that history must be verified for the most recent 12 months (or length if less than 12 months)
- If borrower without a score contributes 50% or of the total monthly income then at least two payment references in the United States must be verified.
- Each credit reference must have existed for at least 12 months
- No collections (other than medical) or judgements or tax liens filed in the most recent 24 months.

See *The Seller/Service* Guide For Complete Guidelines

Loan Product Advisor

Loan Product Advisor Returns a “Response File”:

- Documentation Checklist: Used to help you process/document your file
- Credit report: Loan Product Advisor allows for several options for credit reports. In-file credit reports or Tri-Merged credit reports (If you opted to order a tri-merged credit report, there is an additional charge).
- Full Feedback Certificate
 - Provides information used in determining Final Approval Requirements as well as Documentation Requirements.
 - Remember: The Feedback Certificate is a “Recommendation” not an Approval!

**Be Familiar With Your Loan Origination System And Any Mapping Issues
Your Interface May Have With Loan Product Advisor**

Loan Product Advisor *...The Process Continued*

- For validation, you may use in-file credit reports pulled either inside or outside Loan Product Advisor. (In-file credit reports are the default in Loan Product Advisor) Three must be requested for each borrower.
- You may select to order a tri-merged credit report either through Loan Product Advisor or through your LOS or credit vendor.
- For validation, you may use either of these tri-merged credit reports. (verify your investor requirements if it's other than Freddie Mac). There is an additional charge for merged reports issued through Loan Product Advisor.
- All credit reports must be in the closed loan package, even the Loan Product Advisor in-file reports that may not have been used for underwriting purposes.

Check With Your Investor - Many Require Use Of Tri-Merged Reports Only

Loan Product Advisor Feedback Certificate

The screenshot displays the 'Loan Product Advisor Feedback Certificate' page. The interface includes a left-hand navigation menu with options like 'Modify Loan', 'View Loan', 'Request Services', and 'View Results'. The main content area is divided into several sections: 'Evaluation Summary' with three status indicators (ELIGIBLE, ACCEPT, UNAVAILABLE), 'Loan Data' with borrower and appraisal details, 'Results' with application status and version information, and 'Credit Report Information' showing a table of credit scores from Experian.

Loan Product Advisor PORTAL

Loan Product Advisor Feedback Certificate

Evaluation Summary

PURCHASE ELIGIBILITY ELIGIBLE	RISK CLASS ACCEPT	COLLATERAL REP & WARRANTY REQ UNAVAILABLE
----------------------------------	----------------------	--

Loan Data

BORROWER NAME CORPORA, INCORPORATED 1234567890		
APPRAISAL IDENTIFIER 1234567890	LPA KEY 1234567890	LOAN APPLICATION NUMBER 1234567890
PROPERTY ADDRESS 1234567890 1234567890, 1234567890, 1234567890	INVESTMENT TYPE Conventional	DOCUMENTATION LEVEL Streamlined Accept

Results

APP STATUS Complete	APPRAISAL TYPE/APP Form 70	LOAN PROCESSING STAGE Application/Processing
ASSESSMENT TYPE Credit Only	LPA VERSION 26WVX3.0	LPA ASSESSMENT EXP. DATE 08/02/2016

Credit Report Information

SELECTED BORROWER CORPORA, INCORPORATED	SELECTED REPORTING Experian	INDICATOR SCORE 706	
BORROWER	REPORTING	CREDIT SCORE	BLENDED CREDIT REFERENCE #
CORPORA, INCORPORATED	Experian Trans Union Equifax	706 710 N/A	CORPORA, INCORPORATED





Let's Review The Feedback Certificate Handout That Was Provided

Freddie Mac Purchase Eligibility

Review the Feedback Certificate for Purchase Eligibility Messages

- Freddie Mac Eligible
- Freddie Mac Ineligible (Not eligible for sale to Freddie Mac/Investor)
- Freddie Mac 500 A-minus Offering

Evaluation Summary

PURCHASE ELIGIBILITY  ELIGIBLE	RISK CLASS  ACCEPT	COLLATERAL R&W* RELIEF  NOT ELIGIBLE
ASSET R&W* RELIEF  UNAVAILABLE		





Many Lenders Do NOT Allow For A-Minus Loans To Be Delivered Or Insured. Always Check Investor Requirements

Loan Product Advisor “Risk Class”

Risk Classes for:

- Conventional / Conforming Loans
 - ACCEPT
 - CAUTION

Evaluation Summary

<p>PURCHASE ELIGIBILITY</p> <p> ELIGIBLE</p>	<p>RISK CLASS</p> <p> ACCEPT</p>	<p>COLLATERAL R&W* RELIEF</p> <p> NOT ELIGIBLE</p>
<p>ASSET R&W* RELIEF</p> <p> UNAVAILABLE</p>		

Loan Data and Documentation Level

Loan Data Fields

- Borrower name
- Appraisal Identifier, AUS Key #, Application #
- Property Address and Mortgage Type

Documentation Levels for Conventional Conforming Loans

- Streamlined Accept (Generally the Rule of One...).
- Standard (Generally the Rule of Two) *But Investor Product/Program Requirements may apply*

The screenshot shows a 'Loan Data' form with the following fields and values:

Loan Data		
BORROWER NAME [REDACTED]		
APPRAISAL IDENTIFIER [REDACTED]	LP AUS KEY [REDACTED]	LOAN APPLICATION NUMBER [REDACTED]
PROPERTY ADDRESS [REDACTED]	MORTGAGE TYPE Conventional	DOCUMENTATION LEVEL Streamlined Accept

Results and Credit Report Information

Results

AUS STATUS

Complete

APPRAISAL TYPE

Form 70

LOAN PROCESSING STAGE

Application

ASSESSMENT TYPE

Credit Only

LOAN PRODUCT ADVISOR VERSION

WW4.8.00

LOAN PRODUCT ADVISOR ASSESSMENT EXP. DATE

02/20/2018

Credit Report Information

SELECTED BORROWER

XXXXXXXXXXXXXXXXXXXX

SELECTED REPOSITORY

Equifax

INDICATOR SCORE

690

BORROWER	REPOSITORY	CREDIT SCORE	MERGED CREDIT REFERENCE #
XXXXXXXXXXXXXXXXXXXX	Experian	706	XXXXXXXXXXXXXXXXXXXX
	Trans Union	N/A	
	Equifax	690	

CREDIT REORDERED:

N/A

CREDIT REACCESSED:

N/A

Validate Mortgage Information

Mortgage Information

PRODUCT TYPE	AMORTIZATION TYPE	AMORTIZATION MONTHS
30 Year Fixed Rate	Fixed	360
INTEREST RATE	PURPOSE OF LOAN	PURCHASE PRICE
4.0000%	Purchase	\$100,000.00
LOAN AMOUNT	ESTIMATED VALUE OF PROPERTY	APPRAISED VALUE OF PROPERTY
\$82,786.00	N/A	\$188,500.00
PROPERTY TYPE	INTENDED USE OF PROPERTY	NUMBER OF UNITS
Single Family Detached	Primary Residence	1
AFFORDABLE PRODUCT TYPE	CASH OUT AMOUNT	TEMPORARY SUBSIDY BUYDOWN
N/A	N/A	N/A
OFFERING IDENTIFIER	SUBORDINATE AMOUNT	SALES CONCESSIONS
N/A	\$0.00	\$1,234.56
NEW CONSTRUCTION	PURPOSE OF REFINANCE	LENDER SUBMITTED RESERVES
N/A	N/A	N/A
ARM Related Details:	ARM QUALIFYING RATE	ARM QUALIFYING PITI
	N/A	N/A

Easy To Read Funds To Verify

Asset Information

1	TOTAL ELIGIBLE ASSETS		2	TOTAL FUNDS TO BE VERIFIED	
	\$23,000.01			\$22,423.50	
3	REQUIRED BORROWER FUNDS	+	4	REQUIRED RESERVES	+
	\$21,223.50			N/A	
				PAID DOWN DEBTS	+
				\$1,200.00	
				PAID OFF DEBTS	5
				\$0.00	

Asset Information Section Results		
#	Field	Brief Description
1	Total Eligible Assets	The total amount of assets that are eligible sources of borrower funds and Reserves.
2	Total Funds to be Verified	The minimum amount of eligible assets that must be verified.
3	Required Borrower Funds (Cash-to-Close)	The amount of funds that are paid by the borrower in connection with the transaction. (Note: If this value is negative, \$0.00 displays. This occurs, for example, when the borrower is receiving cash out from the transaction.)
4	Required Reserves	The minimum amount of remaining eligible assets required after closing. (Note: The Assets and Reserves section in the feedback messages will reflect any additional required reserves.)
5	Paid Off Debts	This field displays only on purchase transactions and includes liabilities with a <i>Paid Off</i> indicator of "Yes". It does not include mortgages on properties indicated as pending sale or sold on the Schedule of Real Estate Owned.

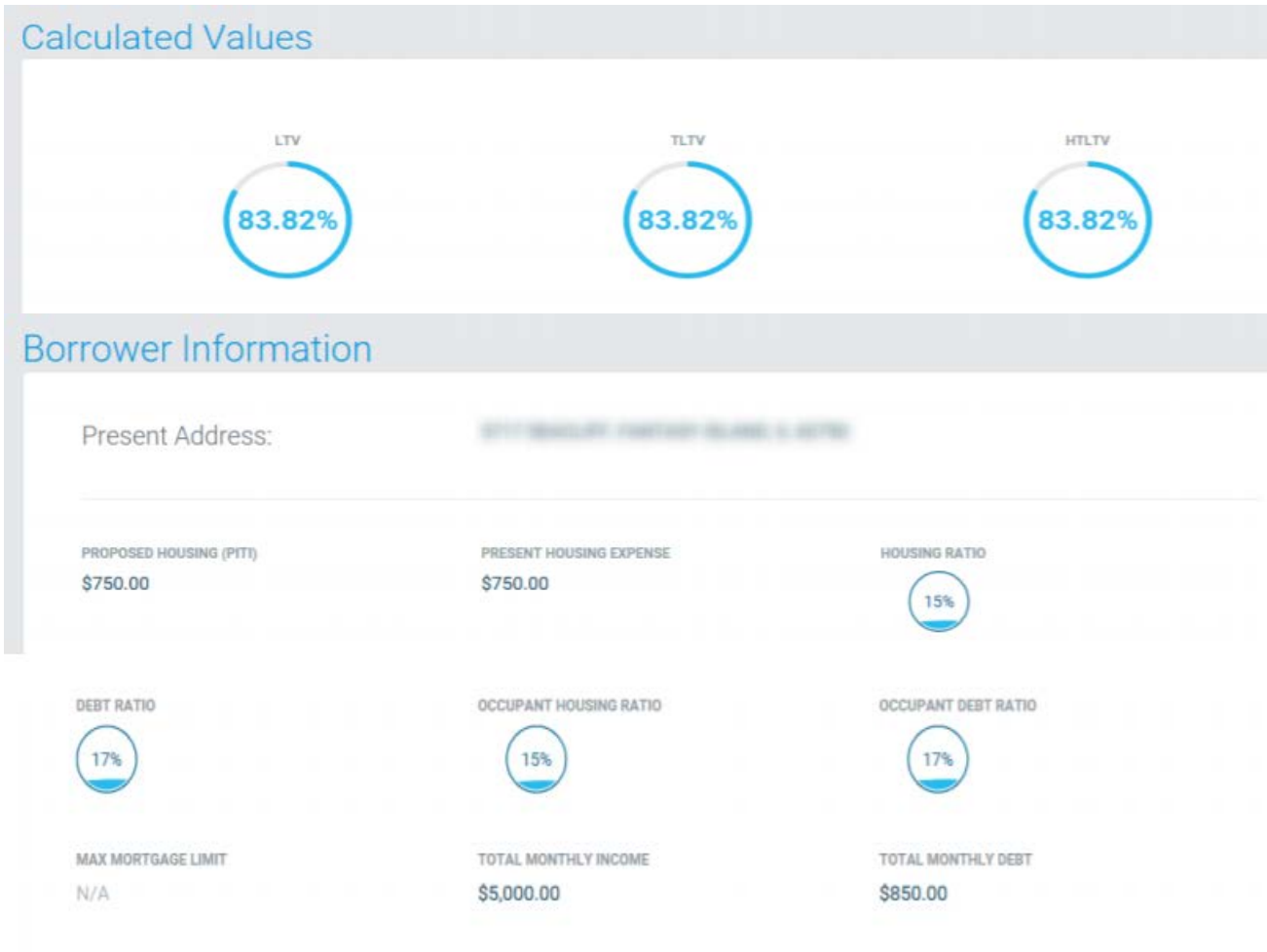
Additional Amounts on Top of Loan Product Advisor Feedback

Note: In certain instances, Loan Product Advisor is not able to identify all of the necessary information to determine the amount of *Total Funds to be Verified*. For the scenarios below, you must add the additional funds indicated to the *Total Funds to be Verified* amount on the Feedback Certificate. All additional funds must be verified.

- When the Borrower is paying down a debt, add the amount of funds needed to pay down the debt to the *Total Funds to be Verified* amount.
- When discount points are paid by someone other than the borrower, add the amount of non-borrower paid discount points to the *Total Funds to be Verified* amount. (*Reminder:* Discount points paid by the borrower are entered in the *Discount* field in the Details of Transaction section.)
- When a property on the Schedule of Real Estate Owned is pending sale or sold and sale of the property requires additional funds from the Borrower, the Seller must document that the Borrower has sufficient funds to complete the sale of the property on the Schedule of Real Estate Owned in addition to the *Total Funds to be Verified* amount.

**Updates
Made for
Additional
Properties
Owned!**

Income And Ratio Information



Validate Liabilities From Your LOS To Loan Product Advisor; Do Ratios Match? What Liabilities Must Be Included?

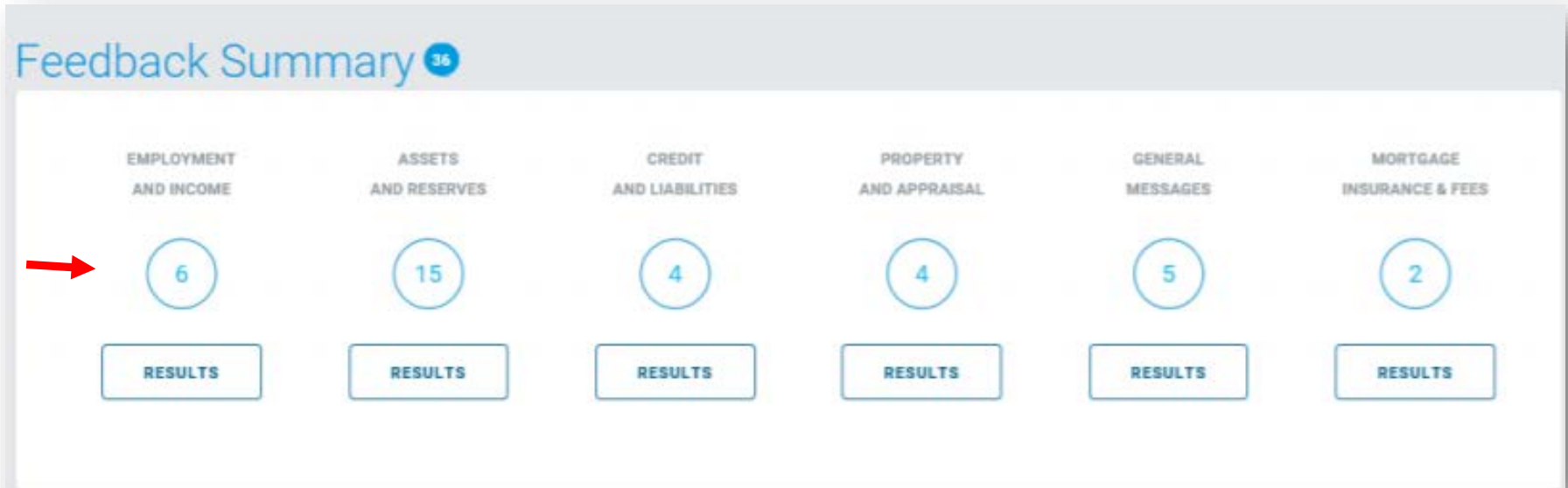
Number of Submissions

Transaction Information		
ORIGINATING COMPANY [REDACTED]	SUBMITTING COMPANY [REDACTED]	NUMBER OF SUBMISSIONS 04
DATE/TIME REQUESTED 10/24/2017 14:07:31	DATE/TIME ASSESSED 10/24/2017 14:07:31	SELLER NUMBER [REDACTED]
AUS TRANSACTION NUMBER [REDACTED]	LOAN PROSPECTOR ID [REDACTED]	TRANSACTION ID [REDACTED]
TPO NUMBER N/A	NOTP NUMBER N/A	



You Must Always Validate/Underwrite To The Most Recent Loan Product Advisor Submission

Feedback Summary - # of Messages



Let's Start With The Employment And Income Messages

Income/Employment Messages

Documentation “Level” determines the documentation required

– Note: Many messages say “if”, so they apply only “if”....

Employment & Income

CODE	MESSAGES
1K	Signed IRS Form 4506-T: Any borrower, whose income is used to qualify, must sign IRS Form 4506-T at both application and on the Note Date. If the signed IRS Form 4506-T from application is submitted to the IRS, and transcripts are received back from the IRS, the IRS Form 4506-T signed by the Borrower on the Note Date is not required.
CZ	A 10-day pre-closing verification (10-day PCV) for [REDACTED] is required from each employer for which income is used to qualify. The 10-day PCV must be dated no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date.
CV	Employment/base income for [REDACTED] for base non-fluctuating earnings or fluctuating hourly earnings must be supported by a YTD paystub documenting all YTD earnings and W-2(s) for the most recent calendar year, OR a written VOE documenting all YTD earnings and earnings for the most recent calendar year.
5C	File must contain verification of current existence of each business through a third-party source for [REDACTED] dated no more than 120 days prior to the Note Date or after the Note Date but prior to the Delivery Date.
CY	Self-employed income for [REDACTED] must be supported by signed complete federal individual and business tax returns as applicable. If business in existence five years or more, provide personal and business tax returns for the most recent year. If the business has been in existence for less than five years provide personal and business tax returns for the most recent two years. File must contain Form 91 or equivalent.

Asset & Reserves

Read All Messages

CODE	MESSAGES
9B	Based on Freddie Mac's overall assessment, the loan is not eligible for asset representation and warranty relief; however, it may be eligible for relief offered through Freddie Mac's selling representation and warranty framework.
DV	Caution loans are not eligible for asset representation and warranty relief.
GF	The total funds to be verified are no less than \$8,000.00. This amount includes required Borrower Funds (\$8,000.00), required reserves (\$0.00), any debts to be paid off at or before closing (\$0.00) and any debts to be paid down at or before closing (\$0.00).
IT	The following asset(s) total \$29,000.00 and are eligible sources of funds: Retirement: \$28,000; Cash On Hand: \$1,000; Checking: \$0; Gifts: \$0.
K1	The following asset(s) total \$0.00 and are ineligible sources of funds.
GS	Required Borrower Funds are calculated as \$8,000.00 based on information submitted: purchase price (\$220,000.00) + alterations, improvements and repairs (\$0.00) - loan amount (\$212,000.00) + transaction costs (\$0.00) - proceeds from subordinate financing (\$0.00).
HO	The Seller must verify sufficient assets from eligible sources of funds required to close the Mortgage transaction.
JE	No reserves required; however, reserves may strengthen loan quality.
ZM	Owner-Occupied or Second Home Property: Financing concessions cannot exceed three percent of value.
G0	This loan was submitted with \$.00 in depository accounts (checking, savings and/or money market).
3X	Document the source of funds for any single deposit that exceeds \$2,000.00, which is 50% of the total monthly qualifying income OR reduce the asset amount by the unverified deposit and resubmit.
G4	This loan was submitted with \$28,000.00 in retirement accounts.
CP	Retirement accounts: For each account used to qualify the borrower, obtain account statement(s) covering a 2-month period or direct account verification. For IRS-qualified employer plans, document the vested balance and evidence that the borrower is permitted to make withdrawals and severance of borrower's current employment is not required.
OS	If the following assets are used to qualify the borrower and are needed for closing, include evidence of liquidation unless the combined value of the assets is at least 20% greater than the amount from these assets needed for closing. When cash value of a life insurance policy is needed for closing, evidence of liquidation is required. RetirementFund, Amt: \$28,000, Holder: B108 #1 Retire Funds.

Credit and Liabilities Messages

Read!! Guidance when no payment is listed or liability is not on the credit report; option to verify funds to pay off open ended accounts;

Credit & Liabilities	
CODE	MESSAGES
5M	The credit report for [REDACTED] indicates that at least 1 creditor has made an inquiry within the previous 120 days. Determine whether additional credit was granted. A letter from the creditor or a signed statement from the Borrower may be used to determine whether additional credit was obtained. If additional credit was granted, obtain verification of the debt and consider the debt when calculating the monthly debt ratio.
4B	690 is the Loan Product Advisor Indicator Score from Equifax for [REDACTED].
D2	Credit Warranty: Not required to determine the borrower's willingness to repay or an acceptable credit reputation is evidenced.
A5	Ratio Warranty: Not required to determine if the borrower's primary housing expense-to-income and total obligation-to-income ratios meet Freddie Mac requirements.

Property and Appraisal

Property & Appraisal

CODE	MESSAGES
D3	Based on Freddie Mac's overall assessment of loan and collateral risk, including appraisal quality, collateral quality and loan characteristics, this loan is not eligible for collateral representation and warranty relief.
E2	The Appraisal Identifier must be provided in order to be eligible for collateral representation and warranty relief.
5X	Address entered matched to: [REDACTED ADDRESS] . Please confirm accuracy.
L5	Form 70 is minimum assessment required for sale to Freddie Mac.

General Messages

General Messages

CODE	MESSAGES
TV	Loan Product Advisor Assessment Expiration Date for [REDACTED] is 02/20/2018.
UQ	Review for accuracy: Social Security Number [REDACTED] for [REDACTED] submitted to Loan Product Advisor does not match Social Security Number [REDACTED] reported in the selected infile from Equifax.
EW	Seller is responsible for documenting and underwriting all Mortgages in accordance with the requirements of the Single-Family Seller/Service Guide and/or Master Agreement.
4D	The net purchase price is calculated by subtracting the sales concessions from the gross purchase price.
JT	This loan meets Home Possible income limits based on property location for address entered. If you choose to deliver this loan as a Home Possible loan, it must meet all requirements of the Home Possible product selected.

Mortgage Insurance & Fees

CODE	MESSAGES
YN	The LTV of 83.82% is calculated using the loan amount of \$82786.00 which includes a financed mortgage insurance premium of \$2786.00.
4E	This loan requires 12% Standard MI coverage.

The Checklist - Use It!!

Accept Document Checklist

Loan Product Addressable
Modify Loan
View Loans
Request Conditions
Assign Loan
View Details
[Add Feedback Certificate](#)
[Use Checklist](#)
[Property Valuation Disclosure](#)
[Delayed Credit](#)
[Credit Policy](#)
[Return To Search Results](#)
[Credit Flow to Price](#)

Documentation Checklist

Evaluation Summary

MARSHALL UNIVERSITY
ELIGIBLE

BANK CLASS
ACCEPT

CREDITORS SET A MARSHALL REPORT
NOT ELIGIBLE

Loan Data

APPROVAL NUMBER LOAN-XXXXXXXXXX-XXXXXXX	DATE RECEIVED 12 JULY 2017	LAST APPROVED BY USER NAME JENNIFER_SCHMIDTKE
AUDIT INFORMATION NUMBER N/A	LOAN PROVIDING STATUS COMPLETED	STATUS FROM ID COMPLETED
PROPERTY ADDRESS 1234 MAIN STREET, SUITE 100, DOWNTOWN, CA 94014	MARKET TYPE Conventional	ACCOUNT CLOSURE CODE Standard Accept

Received

This checklist will have been reviewed required for Loan Application Number: XXXXXXXX-XXXX, Submitting Company: XXXXXXXXXX.
Please Note:
Any changes to loan status must change the Date Checklist Reviewed. If you would like more details on third parties please consult the full Feedback Certificate.

☐

No resources are required.

☐

Document the source of funds for any single deposit that exceeds \$250K (\$50k which is 50% of the total monthly qualifying income) OR reduce the asset amount by the unconfirmed deposit and residual).

☐

District, Bonds, and mutual Funds: For each account used to qualify the borrower, obtain an account statement covering a 1-month period or direct account verification. If the borrower does not receive a statement, provide evidence the security is owned by the borrower and verify value using current stock prices from a financial publication or website.

☐

Depository accounts: For each account (checking, savings, money market, CDs, and other depository accounts) used to qualify the borrower, obtain an account statement covering a 1-month period as a direct verification.

☐

If the following assets are used to qualify the borrower and are needed for closing, include evidence of liquidation unless the combined value of the assets is at least 12% greater than the amount from those assets needed for closing; otherwise cash value of a life insurance policy is needed for closing; evidence of liquidation is required. Stock, Bond, IRAs, Mutual RA's.

☐

Signed IRS Form 4506-T. Any borrower whose income is used to qualify must sign IRS Form 4506-T on both application and on the Note Case if the signed IRS Form 4506-T from application is submitted to the BSL and transcripts are received back from the IRS, the IRS Form 4506-T signed by the Borrower on the Note Date is not required.

☐

A 15-day pre-closing verification (15-day PCV) for [REDACTED] is required from each employer for which income is used to qualify. The 15-day PCV must be dated no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date.

☐

Employment base income for [REDACTED]: For base non-fluctuating earnings or fluctuating hourly earnings must be supported by a YTD paystub documenting all YTD earnings and W(2)s for the most recent calendar year. OR a written VDE documenting all YTD earnings and earnings for the most recent calendar year.

☐

File must contain verification of tenant assistance of each business through a third-party means for [REDACTED] dated no more than 120 days prior to the Note Date or after the Note Date but prior to the Delivery Date.

☐

Self-employed Income for [REDACTED] must be supported by signed complete Federal individual and business tax returns as applicable. If income in existence four years or more, provide personal and business tax returns for the most recent year. If the business has been in existence for less than five years provide personal and business tax returns for the most recent two years. File must contain Form 911 or equivalent.

☐


MSP: Pages TS

Documentation Matrix

- Updated April 2019
- Assists with processing and documenting Loan File
- Can help with scenarios before submission to Loan Product Advisor
- Note the reference to the Guide
- Broken out by topic
 - Credit and Liabilities
 - Income
 - Assets
 - Property
- Broken out by Documentation Level
- Be mindful of Investor Overlays

<http://www.freddiemac.com/learn/pdfs/uw/docmatrix.pdf>

Loan Product Advisor® Documentation Matrix



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/Service 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
Assets as a Basis for Repayment of Obligations	Currently, net eligible assets must be divided by 360. The calculation now requires net eligible assets to be divided by 240.	July 3, 2019 but can be implemented beginning April 3, 2019.	Bulletin 2019-7
Other Income (non-employment / non-self-employment) Documentation Requirements	Updating the documentation requirements language for retirement income, survivor and dependent benefit income, long-term disability income and Social Security Supplemental Security Income.	April 3, 2019	Bulletin 2019-7

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

April 2019

www.FreddieMac.com/learn/

What if the Credit Report has an Inquiry? What do I do?

CREDIT AND LIABILITIES

Topic	Documentation Requirements
Completing Liabilities Section of the Loan Application (Guide Sections 4101.1(b) and 5401.2)	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.
Credit data for Loan Product Advisor Mortgages (Guide Sections 5201.1 (c)(ii) and 5203.1(h) and (i))	Obtain the same type of credit report for all borrowers from: <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 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. 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. For mortgages with borrowers who do not have a usable credit score, see Mortgages for Borrowers Without Credit Scores .
Credit report inquiries within previous 90 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.

What Debts Must be Included in the DTI?

<p>Monthly debt payment (Guide Sections 5401.1 and 5401.2)</p>	<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. ▪ Child support payments with more than 10 months remaining ▪ Alimony or maintenance payments with more than 10 months of payments remaining (Effective July 6, 2019, to be deducted from Borrower's stable monthly income - see Alimony or maintenance payments in this table).
<p>Monthly debt payment (continued) (Guide Sections 5401.1 and 5401.2)</p>	<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, homeowner's association dues (excluding unit utility charges)

Treatment of Student Loans in DTI

Topic	Documentation Requirements	
Student Loans (Guide Section 5401.2)	Debt Type	Eligibility and Documentation Requirements
	In repayment, forbearance or deferment	<ul style="list-style-type: none"> ▪ If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or ▪ If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding balance, as reported on the credit report.
	In loan forgiveness, cancellation, discharge and employment-contingent repayment programs	<p>The monthly payment amount may be excluded from the monthly DTI ratio provided the mortgage file contains documentation that indicates the following:</p> <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 <p>AND</p> <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

Treatment of Alimony

Alimony or Maintenance Payments (Guide Section 5401.2)	Effective July 6, 2019 (sellers can implement immediately): When alimony or maintenance payments have more than 10 months of payments remaining, in lieu of including these payments in the calculation of the debt, the payments must be deducted from the Borrowers stable monthly income as determined in accordance with Section 5301.1. The reduced stable monthly income must be used to qualify the Borrower.
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Alimony or maintenance payments

Effective July 6, 2019; however, Sellers may implement immediately

Currently, the Guide states that alimony or maintenance payments with more than 10 months of payments remaining must be included as a debt when calculating the monthly debt payment-to-income ratio.

In response to Seller requests, we reviewed this requirement and are revising it to reflect that alimony or maintenance payments with more than 10 months of payments remaining must be deducted from the Borrower's gross monthly income. The reduced monthly income amount should be used to qualify the Borrower. Child support will continue to be treated as a debt when calculating the monthly debt payment-to-income ratio.

When entering an alimony obligation in Loan Product Advisor, select "Alimony/Child Support" under "Income Type" and enter it as a negative number. If the Borrower also receives alimony or child support income, add those amounts together and then subtract the alimony obligation. Enter the result in the income amount field.

Guide impacts: Sections 5301.1 and 5401.2

Excluding Contingent Liabilities From DTI

Topic	Documentation Requirements
<p>Excluding contingent liabilities from monthly debt payment-to-income (DTI) ratio (Guide Sections 5401.2(a) and (b))</p>	<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 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. Document the court order with, for example, appropriate pages from separation agreement or divorce decree. <p>For self-employed borrower's debt paid by the borrower's business:</p> <ul style="list-style-type: none"> ▪ If debt has been paid 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: <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 <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>

Refer to the Guide for More Information on Monthly Income

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<p>General requirements for stable monthly income (Guide Section 5301.1)</p>	<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, with a consistent level of earnings.</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

Self-Employment

Bulletin 2019-05 clarifies borrower must have ownership of 25% or more in the same business for 5 years to receive the flexibility of 1 year of personal & business tax returns

Self-employed Income		
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 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 March 1, 2019, 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 	
	Business in existence ≥ 5 years ¹	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.
¹ The Borrower must be self-employed (i.e., have an ownership interest of 25% or more) in the same business for at least five years.		

Total Monthly Debt

Understanding Loan Product Advisor's Determination of Total Monthly Debt for Conventional Loans



As indicated in Freddie Mac's *Single-Family Seller/Servicer Guide* (Guide) Section 5401.2, the Borrower's liabilities must be reflected on the Mortgage application and considered when qualifying the Borrower. For Loan Product Advisor® to accurately assess the Mortgage and determine the total monthly debt-to-income (DTI) ratio, all the Borrower's debts incurred through the Note Date must be reflected in the data submitted to the system. This includes debts from your review of the Mortgage application, credit report, Borrower's paystubs (if provided) and other file documentation in accordance with Guide requirements.

The accuracy of the DTI ratio calculated by Loan Product Advisor is dependent upon the accuracy of the data entered. This reference provides information to help you understand how the liability data entered in Loan Product Advisor is processed so you can ensure the completeness of the liability information being entered and reconcile any differences between Loan Product Advisor's DTI ratio and your DTI ratio for conventional loans.

Which liabilities are included in Loan Product Advisor's Total Monthly Debt?

Loan Product Advisor uses the information you provide to determine whether to include a liability in the Total Monthly Debt. All liabilities listed on the Mortgage application and other file documentation should be entered in Loan Product Advisor; however, certain liabilities may be excluded from Loan Product Advisor's Total Monthly Debt based on the liability type and how many payments remain, as described in Guide Section 5401.2. The table below lists each type of liability, its definition, and the number of months left to pay for Loan Product Advisor to include it in the Total Monthly Debt.

Loan Product Advisor Liability Type	Loan Product Advisor Definition	Included in Total Monthly Debt when Months Left to Pay is:
Alimony	Periodic amount paid under terms of divorce decree/separation agreement.	11 or more
Child Support	Periodic amount paid to provide for children after divorce or separation.	11 or more
Home Equity Line of Credit (HELOC)	Monthly amount paid for financing that consists of a revolving line of credit secured by a lien.	Any
Installment	Periodic amount paid for borrowed money that is repaid in several successive payments, usually at regular intervals, for a specific amount and specified term (includes debts that are in a period of either deferment or forbearance; for example, a deferred student loan). Refer to Guide Section 5401.2(a) for options on determining the monthly payment amount for student loans.	11 or more

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

November 2018

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Self-Employment

<p>Self-employment disclosed on Form 65, Uniform Residential Loan Application (or other documentation), but not used to qualify Guide Section 5304.1(e)</p>	<p>The Seller is not required to obtain any additional documentation or evaluate the income or loss from the self-employment for each borrower on the mortgage who:</p> <ul style="list-style-type: none"> ▪ Has a primary source of income, other than self-employment, used for qualifying the mortgage (e.g., salaried income from regular employment), and ▪ Is self-employed and self-employment income is a secondary source of income. <p>For each borrower on the mortgage who is self-employed and does not have another source of income that is used in qualifying the mortgage, the following requirements apply:</p> <ul style="list-style-type: none"> ▪ The seller must obtain pages 1 and 2 of the borrower's federal individual tax returns, and the applicable schedules (e.g., Schedule C, Schedule E) to determine if there is a business loss that may have an impact on the stable monthly income. Refer to Guide Section 5302.4(b) for information about using IRS tax transcripts to meet certain portions of this requirement. <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 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). ▪ 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. <p>The Loan Product Advisor self-employed indicator is not required when self-employed income is not used to qualify.</p>
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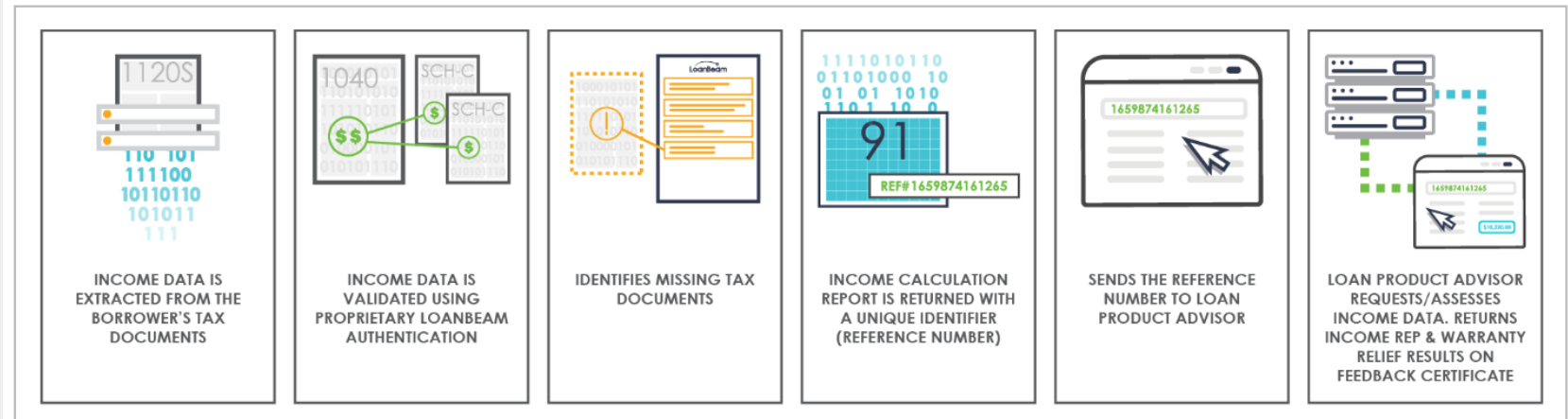
AIM FOR SELF-EMPLOYED



Loan Product Advisor®

How AIM for Self-Employed Works

Loan Product Advisor and the LoanBeam® technology work together to make your job easier and provide immediate income rep and warranty relief. It's the only AUS-integrated self-employed income assessment solution in the industry. Here's how it works.



AIM FOR SELF-EMPLOYED




Loan Product Advisor®

Frequently Asked Questions

- What is AIM?
- What is AIM for self-employed?
- How does the LoanBeam solution work?
- How will the work being done by Freddie Mac and LoanBeam provide a competitive advantage?
- What LOS vendors currently support LoanBeam?
- Does AIM for self-employed provide income representation and warranty relief?
- How do I know if a loan is eligible to receive income representation and warranty relief?

AIM for Self-Employed



Introduction

This reference is for understanding the automated income assessment with Loan Product Advisor using tax return data, part of the asset and income modeler (AIM) as AIM for self-employed, and provides information to help you understand:

- [What is AIM for Self-Employed?](#)
- [Defined Terms](#)
- [How it Works \(high-level view\)](#)
- [Eligibility Requirements](#)
- [Loan Product Advisor Assessment of Income and/or Loss Calculations and Feedback Messages](#)
- [Income Representation and Warranty Relief](#)
- [Initial Setup](#)
 - [Steps for Originating Loans](#)
- [Importance of Reference Number](#)
- [Additional Tips and Reminders](#)
- [Where to Get Help](#)
- [Appendix A Examples – Loan Product Advisor Messages](#)

What is AIM for Self-Employed?

AIM for self-employed (automated income assessment with Loan Product Advisor using tax return data) is a capability within Loan Product Advisor that leverages access to optical character recognition (OCR) technology from third-party service providers to help enable the automation of certain income calculations for self-employed borrowers; and provides you with the option for Loan Product Advisor to determine if you are eligible for relief from enforcement of certain representations and warranties related to the borrower's income based on tax return data.

How does this happen? After uploading your borrower's federal income tax returns to a Freddie Mac designated third-party service provider, a report ("Income Calculation Report") is returned for your review and verification in accordance with the requirements of Section 5903.3(a). Once the report is verified, you must enter a unique reference number assigned by the service provider to the mortgage into Loan Product Advisor along with your submission. From there, Loan Product Advisor applies calculation and eligibility rules to assess for income representation and warranty relief eligibility and returns the result of the assessment on the last Feedback Certificate.

AIM for self-employed makes it easier to:

- Grow your business: Simpler underwriting helps you take on self-employed loans you might have avoided before.
- Close loans faster: Automation speeds up income assessment and creates efficiency.
- Get immediate representation and warranty relief: Related to certain borrower employment income.

March 2019

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What is a Large Deposit and What Do I Do?

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. 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.

Freddie Mac Required Reserves

<http://www.freddiemac.com/learn/pdfs/uw/reserves.pdf>



Understanding Loan Product Advisor's Determination of Reserve Requirements



This reference provides an overview on borrower reserves, including how Loan Product Advisor® determines reserve requirements and data entry tips for the determination of reserve requirements. Loan Product Advisor determines the minimum amount of reserves requiring verification and returns this information on the Loan Product Advisor Feedback Certificate (Feedback Certificate). For complete information on reserve requirements, refer to Freddie Mac's *Single-Family Seller/Service Guide* (Guide) Section 5501.2.

What Are Reserves?

Reserves are the borrower's eligible assets remaining after the Mortgage closing. Reserves are measured by the number of months of the monthly payment amount for the property. The monthly payment amount includes the sum of the following:

- Principal and interest payments on the Mortgage
- Property hazard insurance premiums
- Real estate taxes
- When applicable:
 - Mortgage insurance premiums
 - Leasehold payments
 - Homeowners association dues (excluding unit utility charges)
 - Payments on secondary financing

How Does Loan Product Advisor Determine the Minimum Amount of Required Reserves?

For each transaction, Loan Product Advisor determines the amount of reserves that must be verified based on the risk of the loan and Guide requirements. Loan Product Advisor may not require any verified reserves for certain transactions, while other transactions may require reserves to be verified. Loan Product Advisor communicates the reserve requirements in the Asset Information section and through messages on the Feedback Certificate.

Note: Mortgages secured by second homes and investment properties require additional reserves based on the number of financed properties. The following additional reserves are included in the amount of reserves required to be verified on the Feedback Certificate:

Number of Financed Properties	Additional Required Reserves for Second Home or Investment Property Mortgages
When each borrower individually, and all borrower collectively, are obligated on one to six financed properties, including the subject property and the borrower's primary residence.	Two months of the monthly payment amount (as described in Guide Section 5501.2(a)) on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the borrower is obligated.
When each borrower individually, and all borrowers collectively, are obligated on seven to 10 financed properties, including the subject property and the borrower's primary residence.	Eight months of the monthly payment amount (as described in Guide Section 5501.2(a)) on each additional second home and/or 1- to 4-unit investment property that is financed and on which the borrower is obligated.

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Freddie Mac Required Reserves

Understanding Loan Product Advisor's Determination of Reserve Requirements



Data Entry Tips for Determining Reserve Requirements When Accessing Loan Product Advisor through the Loan Advisor Suite

Data accuracy is critical to Loan Product Advisor's assessment. Use the following tips to help enter assets, reserves and real estate owned details in Loan Product Advisor:

- Enter eligible assets included in the mortgage file on the Asset Breakdown page. Refer to Guide Section 5501.3 (b) and (c) for information on eligible sources of borrower personal funds and other eligible sources of funds.
- Enter eligible reserves as a total across all borrowers in the *Reserves* field. Loan Product Advisor will determine the amount of reserves requiring verification and return this information in a message on the Loan Product Advisor Feedback Certificate. Refer to Guide Section 5501.3 (b) and (c) for information about assets that may be used to calculate reserves.
- Enter gift funds in the *Total Gift Fund* field as the total for all borrowers. For conventional mortgages, the *Total Gift Fund* field must include all gift funds – those already received and those expected. For FHA/VA mortgages, comply with the gift fund requirements set forth in the *FHA Single Family Housing Policy Handbook 4000.1* (HUD Handbook 4000.1) and *VA Lender's Handbook*, as applicable.
- Enter details for each additional 1- to 4-unit residential property in which the Borrower has an ownership interest and/or on which the Borrower is obligated. Specifically, ensure information entered in the following fields is accurately reflected:
 - In Real Estate Owned section:
 - *Property Disposition*
 - *Subject Property?*
 - *Current Residence?*
 - In Liabilities section for Mortgage associated with the property:
 - *Monthly Payment*
 - *Unpaid Balance*
- Review the asset messages on the Loan Product Advisor Feedback Certificate to confirm the type of assets entered. For each asset type entered, Loan Product Advisor provides messages regarding how to document the asset.

Loan Product Advisor's Determination of Reserves



Loan Product Advisor determines the amount of reserves required for the determination of reserve requirements. Loan Product Advisor determines the amount of reserves requiring verification and returns this information on the Loan Product Advisor Feedback Certificate. For complete information on reserve requirements, refer to Freddie Mac's *Single-Family Lender's Handbook* Section 5501.2.

Eligible assets remaining after the Mortgage closing. Reserves are measured by the number of months of the monthly payment amount for the property. The monthly payment amount includes the sum of the

Interest payments on the Mortgage

Insurance premiums

Insurance premiums

Payments

Association dues (excluding unit utility charges)

Secondary financing

Loan Product Advisor Determine the Minimum Amount of Required Reserves?

Loan Product Advisor determines the amount of reserves that must be verified based on the risk of the transaction. Loan Product Advisor may not require any verified reserves for certain transactions, but for most transactions, reserves must be verified. Loan Product Advisor communicates the reserve requirements in the Feedback Certificate.

Second homes and investment properties require additional reserves based on the number of additional properties. Additional reserves are included in the amount of reserves required to be verified on

Number of Properties	Additional Required Reserves for Second Home or Investment Property Mortgages
One to six financed properties, including the subject property and the borrower's primary residence.	Two months of the monthly payment amount (as described in Guide Section 5501.2(a)) on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the borrower is obligated.
Seven to ten financed properties, including the subject property and the borrower's primary residence.	Eight months of the monthly payment amount (as described in Guide Section 5501.2(a)) on each additional second home and/or 1- to 4-unit investment property that is financed and on which the borrower is obligated.

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Property Eligibility Requirements

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/>

Loan Collateral Advisor®



Single-Family Business



< Single-Family < Loan Advisor Suite
Loan Collateral Advisor



Loan Collateral Advisor®

Analyze your app

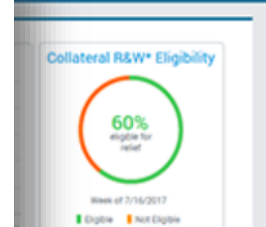
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Accurate Evaluations

Sales											
AVERAGE SALE		MEDIAN SALE		LOW SALE		HIGH SALE					
\$170,900		\$145,800		\$66,600		\$260,000					
CLEAR Rank	ADDRESS	SALE PRICE	SALE DATE	BEDS	BATHS	BUILT	GLA	LOT SIZE	PROP. TYPE	UNITS	DIST.
★	123 Main Street, Anytown, USA 12345	---	---	4	2.0	2013	1,902	0.13	SFR	---	N/A
★	321 Division Street, Anytown, USA 12345	\$205,000	09/01/2015	4	2.0	2014	1,983	0.13	SFR	1	0.1

Loan Collateral Advisor® promotes appraisal quality by using data submitted to the Uniform Collateral Data Portal® (UCDP®) to analyze appraisal reports and provide you with Freddie Mac's view of their quality and valuation risk. You get:

- Real-time, actionable risk-assessment feedback.
- Information on low- to high-risk appraisals.
- Immediate certainty for [collateral rep and warranty relief](#) [PDF].



Loan Collateral Advisor®

Simplified Risk Scoring System

- Scale of 1-5 provided in .5 increments, with one representing the lowest valuation risk score. This score is found in Loan Collateral Advisor and does not print on the feedback certificate
- Eligible Mortgages with LTV/TLTV/HTLTV ratios < or = to 95% that have an appraisal with a Loan Collateral Advisor risk score of 2.5 or less will receive representation and warranty relief.
- Review your Loan Product Advisor Feedback certificate for eligibility



TO: Freddie Mac Sellers

October 17, 2018 | 2018-18

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Loan Collateral Advisor®

- Updates to the [Loan Collateral Advisor](#) score structure, feedback messages and eligibility for representation and warranty relief for property value only – October 31, 2018

Condominium Projects

- Updated requirements for [Condominium Projects](#)
- Updated flexibilities for [Condominium Project reviews](#) – November 19, 2018
- Freddie Mac [Condo Project Advisor](#)™ – November 5, 2018 (New)

Properties affected by disasters

- New Guide chapter providing requirements and flexibilities related to the eligibility and origination of Mortgages secured by [properties affected by a disaster](#) – November 19, 2018 (New)

Additional Guide updates

- Further updates as described in the [Additional Guide Updates](#) section of this Bulletin

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

Validating Loan Eligibility for Collateral Rep and Warranty Relief

Once you have access to receive collateral rep and warranty relief results in Loan Product Advisor, you can quickly scan the Feedback Certificate to determine eligibility. You will see one of three results:

- **Eligible** - If the loan is eligible, the Collateral Rep & Warranty Relief field in the top right corner of the Feedback Certificate indicates **Eligible**, and the Property & Appraisal section contains the **D4** message:

This loan is currently eligible for collateral rep & warranty relief based on the data provided. Eligibility will be confirmed by the Selling System based on the delivered data.

The screenshot shows the 'Loan Product Advisor Feedback Certificate' interface. The 'Evaluation Summary' section contains three status indicators: 'PURCHASE ELIGIBILITY' with a green checkmark and the word 'ELIGIBLE', 'RISK CLASS' with a green checkmark and the word 'ACCEPT', and 'COLLATERAL REP & WARRANTY RELIEF' with a green checkmark and the word 'ELIGIBLE'. The 'COLLATERAL REP & WARRANTY RELIEF' indicator is circled in red. Below this, the 'Property & Appraisal' section has a 'CODE MESSAGES' header. A red arrow points to a message box containing the code 'D4' and the text: 'This loan is currently eligible for collateral rep & warranty relief based on the data provided. Eligibility will be confirmed by the Selling System based on the delivered data.'

Automated Collateral Evaluation (ACE)

- Must receive “feedback message transaction is eligible for appraisal waiver” and be “Accept/Eligible” for LPA
- Transaction must be:
 - 1 unit primary or second home including condos
 - LTV/TLTV 80% or less
 - No cash-out refinance
 - Feedback must indicate eligible for appraisal waiver
 - Final submission to Selling System® must indicate collateral representation and warranty relief status is “Y” or “Yes”
- Waiver is good for 120 days
- Visit Collateral Representation and Warranty Relief page on the Freddie Mac Learning Center for resources

FreddieMac | Loan Advisor Suite*

Loan Product Advisor*

Automated Collateral Evaluation (ACE)

We are using big data and advanced analytics to offer our innovative, award-winning automated collateral evaluation (ACE) through Loan Product Advisor®, providing the option to underwrite certain loans without a traditional appraisal. This new capability will speed up and lower the cost of the loan origination process for you and your borrowers. Our proprietary algorithms use historical data and public records to assess the condition and marketability risks associated with the property to determine if the value you provide is acceptable. Loans that qualify for ACE may receive relief from representations and warranties related to the property's value, condition and marketability.

Save Time, Save Money: Do More and Better Business with ACE

ACE Advantages

- Close loans 7-10 days or more, faster**
- Borrower Saves up to \$300-700 by not getting an appraisal**
- Shorter rate lock period enables significant borrower savings over life of the loan**

Source: Freddie Mac Single-Family Strategic Delivery and lender feedback

- Get to closing faster – no need for a traditional appraisal
- Save money – no appraisal fee
- Immediate certainty – automatically eligible for collateral rep and warranty relief

How Does It Work?

Submit your loan to Loan Product Advisor and get immediate eligibility notification. Originate the loan without a traditional appraisal. Deliver your loan to Loan Selling Advisor™. It's that easy.

Loan Product Advisor* **ASSESSES** the loan's eligibility for ACE and provides feedback

Loan Quality Advisor* **VALIDATES** the loan's eligibility for ACE

Loan Selling Advisor™ **CONFIRMS** the loan's eligibility for ACE at delivery

Loan Coverage Advisor* **CONFIRMS** and **ARCHIVES** Freddie Mac's decision to grant rep and warranty relief

*Optional

Are loans originated with ACE eligible for collateral rep and warranty relief?
Yes. If you accept the ACE offer when delivering the loan to Loan Selling Advisor, the loan receives rep and warranty relief with respect to value, condition and marketability of the property.

Smart. Simple. Trusted.*

HVE Point Value Estimate



Connect With Us



HVE Results in Loan Product Advisor

Request for Change Form

Approved Freddie Mac Seller/Servicers have the option to request that Home Value Explorer® (HVE®) results and other associated HVE messages not be returned in their Loan Product Advisor® Feedback Certificate.

Seller/Servicers automatically receive HVE messages for Relief Refinance MortgageSM - Open Access transactions, but can opt-out of receiving HVE messages in Loan Product Advisor.

NOTE: You do not need to submit this form or take any other action if you currently receive HVE messages for Loan Product Advisor submissions and you do not want to make any changes.

Our modeling experts continue to improve and enhance the HVE tool to keep it best of class for both our internal use as well as for our customers' use.

In nationwide tests conducted by large wholesale lenders, HVE consistently performs at the top in the areas of coverage, accuracy, and reliability.

HVE is a tool with many uses:

- Loss mitigation
 - ◆ Refinance and modification of mortgages
- Supports processes related to evaluating insurance needs
- Supports Quality Control (QC) processes
- Supports Portfolio Management processes

HVE results are available through:

valuation Model (AVM) tool that encompasses several models rolled into a proprietary algorithm that blends the HVE model, which is considered our most accurate, with other data sources from more than 3100 counties. HVE data simplifies the mortgage

AVMs internally for its own risk and today's mortgage market, and AVMs range from novelty to necessity.

manufacturing. AVMs help expedite the mortgage process. In the current market, it's important to consider price. Freddie Mac's dedicated team of experts continues to improve and enhance the HVE tool to keep it best of class for both

Mortgage Products

Freddie Mac Relief Refinance Mortgages

Use HVE point value estimates to determine property value for Relief Refinance Mortgages.

Resources

Review information on [HVE Point Value Estimate Available in Loan Product Advisor](#).

Review the [HVE fact sheet](#) (PDF) that includes a sample report.

[HVE Frequently Asked Questions](#)


[Using Freddie Mac Property Valuation Data](#)

[Metrics Matter News Article](#) (PDF)

Y0 119881.00 is the HVE point value estimate of the subject property.

<http://www.freddiemac.com/hve/hve.html>

HVE FAQ's



Single-Family

- ◆ Home Value Suite
 - Home Value Explorer
 - Home Value Calibrator
 - Geographic Coverage
 - Distributor Network

Home Value Explorer®

Frequently Asked Questions

General

1. How does the performance of Home Value Explorer®(HVE®) compare to other automated valuation tools?
2. How does Freddie Mac ensure accuracy of the HVE data?
3. How can lenders access HVE?
4. What characteristics are most important in determining the HVE point value?
5. What property types are assessed by HVE?
6. Can you use HVE point values to determine values for Freddie Mac Relief Refinance MortgagesSM – Same Servicer?
7. Can you use HVE point values for Freddie Mac Relief Refinance Mortgages – Open Access? - New
8. Does HVE provide coverage in all states?
9. How is rural defined?
10. What factors are considered for rural properties?
11. How often is HVE data updated?
12. How accurate is HVE in the current market?
13. Why should I consider an HVE point value with a Low Confidence Score?
14. Some AVM vendors are rated higher in different areas of the country. Why is that?
15. What are the advantages/disadvantages of using only a hedonic model?
16. How do I determine what is a good HVE point value?
17. For Relief Refinance Mortgages, how do I document the HVE value used in a mortgage loan file? – New

<http://www.freddiemac.com/hve/faq.html>

Read ALL Messages and Validate; Resubmit if Necessary

Borrower Information

Present Address:

12345 MAIN STREET, PLAINFIELD, NJ 07060

PROPOSED HOUSING (PITI)

\$500.00

PRESENT HOUSING EXPENSE

\$750.00

HOUSING RATIO

6%

DEBT RATIO

23%

OCCUPANT HOUSING RATIO

6%

OCCUPANT DEBT RATIO

23%

MAX MORTGAGE LIMIT

N/A

TOTAL MONTHLY INCOME

\$8,600.44

TOTAL MONTHLY DEBT

\$1,982.01

General Messages

CODE MESSAGES

- | | |
|----|--|
| TV | Loan Product Advisor Assessment Expiration Date for [REDACTED] is 02/20/2018. |
| UQ | Review for accuracy: Social Security Number [REDACTED] for [REDACTED] submitted to Loan Product Advisor does not match Social Security Number [REDACTED] reported in the selected infile from Equifax. |
| EW | Seller is responsible for documenting and underwriting all Mortgages in accordance with the requirements of the Single-Family Seller/Service Guide and/or Master Agreement. |
| 4D | The net purchase price is calculated by subtracting the sales concessions from the gross purchase price. |
| JT | This loan meets Home Possible income limits based on property location for address entered. If you choose to deliver this loan as a Home Possible loan, it must meet all requirements of the Home Possible product selected. |

Common Errors

Double Check Your Data

- Address information wrong
- Property Type entered incorrectly (condo, but entered as single family)
- HOA, Condo or PUD dues not included in DTI
- Liabilities omitted without supporting documentation
- Inquires not cleared as either a new account opened or no credit granted
- Credit report or credit documents expired
- Funds required for closing/reserves changed, but not resubmitted
- MI required but MI guidelines not followed

Data Submitted Must Be True, Correct And Accurate And Supported By Proper Documentation Or Explanations

Always Remember

A Few Reminders:

- Use FULL vested value of the borrower's 401k, IRA, KEOGH, 403b or other IRS qualified plan as reserves IF borrower has access to the funds currently without restriction; Ensure loans taken are subtracted from the value of the asset account and that applicant is fully vested.
- Loan Product Advisor does not validate if the maximum seller paid fees have been exceeded. You must validate this based off the TLTV.
- Address items that Loan Product Advisor cannot see, such as missing pages to bank statement or unrealistic commute.
- All assets should be entered based on type i.e. CD, 401k, checking, gifts.
- Collections are not required to be paid off by Freddie Mac, but may be a requirement of the lender.
- Tax Liens and judgments must be paid and funds must be verified, in addition to the funds required to close.

Always Remember

A Few Reminders:

- If a revolving debt, open-ended accounts or deferred non-student loan do not show a payment on the credit report, you are required to use 5% of the balance, or obtain a copy of a statement evidencing lower payment.
- For open-ended debt (AmEx O type accounts), verify funds to pay the current balance over and above funds needed for closing + reserves, or include the full payment in ratios.
 - Evidence borrower is reimbursed by employer is also acceptable
- For all properties owned free and clear, evidence of tax and insurance payments and amounts should be included in the DTI ratio.
- Investment transactions/rental income - refer to the Freddie Mac Rental Income guidelines
- Follow the updated student loan policies for payment amounts

See Loan Product Advisor Documentation Matrix Dated September 2018

FAQ's



Loan Product Advisor®

Find answers and advice for Freddie Mac's enhanced underwriting tool.

General Loan Product Advisor Questions

- [What is Loan Product Advisor?](#)
- [Why the name change from Loan Prospector® to Loan Product Advisor?](#)
- [How is Loan Product Advisor different from Loan Prospector – aside from the name change?](#)
- [Is training available for Loan Product Advisor?](#)
- [Is Loan Product Advisor free?](#)

Automated Collateral Evaluation (ACE)

- [What is automated collateral evaluation \(ACE\)?](#)
- [How does ACE work?](#)
- [Do I have to register to be eligible for ACE?](#)
- [Is there a fee for ACE?](#)

<http://www.freddiemac.com/loanadvisorsuite/faq/loanproductadvisor.html>

Genworth Underwriting Guidelines



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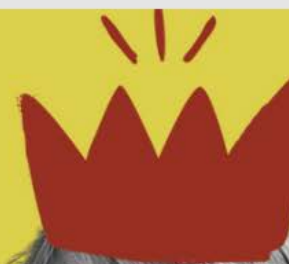
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Let's quote quick.
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Genworth offers a comprehensive suite of training opportunities to boost your know-how, benefit your bottom line and ultimately best serve your borrowers. With more than 70 courses in our catalog, our team is here to help you stay up-to-date on the mortgage industry and regulatory environment. Classes are all offered at no cost to you.

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Featured Courses



Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

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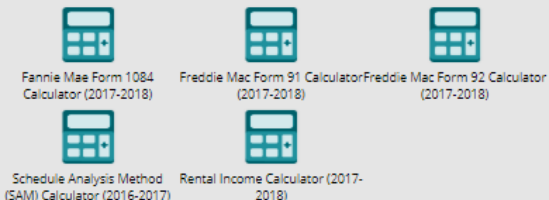
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Help first-time homebuyers prepare for the homebuying process. Your no-fee resource!



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Partner with us. A master policy agreement is the first step to submitting MI loans to Genworth.

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Contract Services Agreement

Offset fixed underwriting costs as you adjust to the latest industry demands! Request a contract services underwriting agreement.

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This week's #Economic Report covers January new home #sales and the labor market, which shows 7.6 million job openings in January, 1 million more than 12 months ago. [ow.ly/tXWC30o6Wxl](https://www.genworth.com/blog/weekly-economic-report-03-19-19) @LiuEcon #GenworthMI



Weekly Economic Report 03.19.19 ...
The Job Openings and Labor Market turnover Survey shows a very tight
[miblog.genworth.com](https://www.genworth.com/blog/weekly-economic-report-03-19-19)

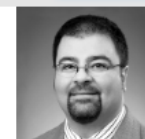
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