Loan Prospector® Documentation Matrix



Use the following information as a reference for documenting your Loan Prospector loans. For complete documentation information and specific program eligibility requirements, refer to the <u>Freddie Mac Single-Family Seller/Servicer Guide</u> (Guide).

CREDIT AND LIABILITIES

Topic	Streamlined Accept Documentation	Standard Documentation
Completing Liabilities Section of the Loan Application (Guide Section 37.8 and 37.16)	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 Prospector Mortgages (Guide Section 37.10)	Obtain the same type of credit report for all borrowers from: Infile(s) or merged/joint merged obtained through Loan Prospector Infile(s), merged/joint merged, or RMCR obtained outside of Loan Prospector Once you have selected a type of credit report, review all reports of that type for all borrowers. In general, credit reports must be dated within 120 days before the Note date (see 37.10(i) for exceptions). All infiles for an individual borrower must be dated within 14 days of each other. Retain all credit reports in the file.	
Credit report inquiries within previous 120 days (Guide Section 37.7(c))	Determine if additional credit was granted. If additional credit was granted, verification of the debt must be obtained and the debt must be considered when qualifying the borrower. A letter from the creditor or, if such a letter is unobtainable, a signed statement from the borrower may be used to determine whether additional credit was obtained.	
Verification of Housing Debt (Guide Sections 37.11, 37.16 and C33.3)	Direct verification of housing payment history is not required if all borrowers have a usable credit score. Third-party documentation to verify the payment amount is required if the credit report does not contain a required monthly payment. Example: When application indicates property owned free and clear, total monthly debt must include taxes, insurance, and HOA or Condo fees, as applicable. Examples of acceptable third-party documentation include (but are not limited to) a HUD-1 (if recently purchased), a tax statement or billing coupon, an insurance statement or billing coupon.	Caution (A-minus eligible) loans: Same as Streamlined Accept, with the following exception: If not adequately shown on the credit report, directly verify payment history for all mortgage debt for the most recent 12 months. During the most recent 12 months, if any borrower was 30 days or more delinquent more than once, or 60 days or more delinquent on any directly verified mortgage or combination of directly verified mortgages, the mortgage is ineligible for delivery to Freddie Mac. Caution (not A-minus eligible) loans: Verify most recent 12 months payment history and payment amount for any debt (housing or other) not reported on the credit report.

Note: A red vertical revision bar " | " is used in the margin of this quick reference to highlight new requirements and significant changes.

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CREDIT AND LIABILITIES, Continued

Streamlined Accept Documentation	Standard Documentation
Direct verification of payment history is not required if all borrowers have a usable credit score. Obtain documentation to verify the payment amount for any installment debt if the credit report does not contain a required monthly payment. Example: When application indicates alimony, child support or separate maintenance fee, selected pages from the applicable agreement may be used to evidence the required monthly payment, and duration of debt if less than 10 months of payments remain and excluding the payment from the borrower's liabilities.	Accept and Caution (A-minus eligible) loans: Same as Streamlined Accept. Caution (not A-minus eligible): Verify most recent 12-months' payment history for any significant debt (housing or other) not reported on the credit report. If credit report does not contain a required monthly installment payment amount, then verify the amount with third-party documentation. Accounts listed on the credit report as, "will rate by mail only" or "need written authorization" require separate verification.
someone other than the borrower has made on the debtDocumentation showing timely payments or	s provided the loan was made by a financial
	Direct verification of payment history is not required if all borrowers have a usable credit score. Obtain documentation to verify the payment amount for any installment debt if the credit report does not contain a required monthly payment. Example: When application indicates alimony, child support or separate maintenance fee, selected pages from the applicable agreement may be used to evidence the required monthly payment, and duration of debt if less than 10 months of payments remain and excluding the payment from the borrower's liabilities. Must include all of the following, if applicable: • Monthly housing expense • Payments on installment debts with more the collection accounts (if in a payment plan with that are in a period of deferment or forbears credit report does not reflect a monthly payment (payment coupon, canceled check, etc.). Perinancial assets and made by a financial ins but must be included on the loan application. • Alimony, child support or separate maintenary remaining. • Monthly payment on revolving or open-end is present on credit report and cannot be obtoutstanding balance. If the borrower has stractional account balance, the open-end account does payment. • Auto lease payments, regardless of number residences. • Other monthly mortgage payments (including when applicable, leasehold payments, hom Payments on loans secured by financial assets asset may be excluded from the qualifying ratio institution, and the asset is reduced by the outsit the funds available to the borrower. Provide the following: • 12 months most recent, consecutive, cancer someone other than the borrower has made on the debt.



CREDIT AND LIABILITIES, Continued

Topic	Streamlined Accept Documentation	Standard Documentation
Excluding contingent liabilities from monthly debt payment-to-income (DTI) ratio (Guide Section 37.17) (continued)	obtain a copy of the documents transferring executed by the transferee. As long as the contingent liability may be disregarded, we months' payment history. If a contingent liability (secured debt or medivorce decree, provide: Appropriate pages of the court order Transfer of title out of the borrower's Reminder: All of the borrower's debt incurred qualifying borrowers. The final Form 65, Unifer	on a Mortgage that has been assumed by another, ing the property and any assumption agreement the Borrower no longer owns the property, the ithout having to document the most recent 12 ortgage) was assigned by a court order such as a mame through the Note Date must be considered when form Residential Loan Application, and Form 65A, ect accurate and complete information as of the
Derogatory credit information (Guide Section 37.7)	No documentation required	 Accept and Caution (A-minus eligible): Same as Streamlined Accept Caution (not A-minus eligible): When a Seller has determined the derogatory information is significant, you must document the extenuating circumstances or conclude the difficulties were due to financial mismanagement. Refer to Guide Section 37.7 and the Caution Reminders Quick Reference ((http://www.freddiemac.com/learn/pdfs/uw/caution_remind.pdf) for documenting the recovery period and re-establishment of credit.
	Regardless of the Loan Prospector Risk Classification returned, if there is any evidence of a short sale disclosed on the credit report or contained elsewhere in the mortgage file, you must apply the requirements for handling significant adverse or derogatory information caused by extenuating circumstances or financial mismanagement and manually underwrite the mortgage.	
Sale or Conversion of Primary Residence (Guide Section 37.16.2)	Refer to Guide Section 37.16.2 and the Freddie Mac Rental Income Matrix (http://www.freddiemac.com/learn/pdfs/uw/rental.pdf), if either: Pending sale of the primary residence and the sale will not close before the Mortgage Note Date, or for Construction Conversion or Renovation Mortgages, the Effective Date of Permanent Financing Converting the current primary residence to a second home or an Investment Property.	
Payoff of existing judgments and tax liens (Guide Section 22.3)	The mortgage must be a valid First Lien on the Mortgaged Premises. The Mortgaged Premises must be free and clear of all prior liens and encumbrances and no rights or condition may exist that could give rise to such liens, except for: Liens for real estate taxes and special assessment not yet due and payable, Rights and conditions specified in Guide Section 39.4	



INCOME AND EMPLOYMENT DOCUMENTATION

Topic	Streamlined Accept Documentation	Standard Documentation
Calculation of stable monthly income and asset qualification sources (Guide Sections 37.13, 37.22 and 37.23))	verifiable sources, with a 2-year history (in most be expected to continue for at least the next 3 years. For each income and asset qualification so verifications and documentation described file. Both the source and amount must be Provide a written analysis of the income us Summary or like document(s) in the Mortga 91, Income Analysis Form, or a comparable income *Determining continuance of income should for employment history, history of receipt of other receipt. If income source has less than a 2-year determination that the qualifying income is stated.	ource used to qualify the borrower, obtain the in the Guide, and maintain them in the Mortgage determined to be stable. Seed to qualify the borrower(s) on the Transmittal age file. Sellers are required to use Guide Form to calculate self-employed and commission cus on the borrower's past employment/self-income and the probability of continued consistent ar history, provide a written analysis justifying your ole. For all income, the Seller may consider the es Seller does not have knowledge, information or
Documentation requirements (Guide Sections 37.13, 37.20, 37.22 and 37.23))	Proper documentation must be supplied in accordance with risk class and documentation level to support all stable income and asset sources for each borrower including: Documentation that supports employed, self-employed or non-employed borrower's income The dollar amount Documentation that supports the stability of the income and asset sources AND When required, monthly income must be within allowable program limitations (i.e., Home Possible® Mortgages). Verbal VOE: When required, in lieu of a verbal VOE 10 business days prior to the Note Date, a written verification of employment or third-party verification of employment is an acceptable alternative when the verbal VOE is unavailable from the Borrower's employer. For written VOE requirements and information about the new Guide Form 90, Verbal Verification of Employment, see General Underwriting Requirements, Date and Verification Requirements on page 18.	
IRS Form 4506-T Guide Sections 37.22 and 37.23)	All Borrowers whose income is used to qualify must sign IRS Form 4506-T (or an alternate form acceptable to the IRS that authorizes the release of comparable tax information) on the application date and again on the Note Date. If the 4506-T obtained on the application date is submitted to the IRS and transcripts are received back from the IRS, Seller is not required to obtain an additional Borrower signed 4506-T.	
Employed income		
Employment income (salary and hourly income) Guide Sections 37.22 and 37.23)	 Obtain all of the following: Written VOE(s) covering the most recent year Verbal VOE not more than 10 business days prior to the Note Date* OR, all of the following: Most recent YTD paystub or salary voucher documenting at least 30 days of income W-2(s) for the most recent tax year Verbal VOE not more than 10 business days prior to the Note Date* 	 Obtain all of the following: Written VOE(s) covering the most recent 2 years Verbal VOE not more than 10 business days prior to the Note Date* OR, all of the following: Most recent YTD paystub or salary voucher documenting at least 30 days of income W-2(s) for the most recent 2 tax years Verbal VOE not more than 10 business days prior to the Note Date*



Topic	Streamlined Accept Documentation	Standard Documentation
Commission income (Guide Sections 37.13, 37.22 and 37.23)	Must have a 2-year consecutive history of receip obtain all of the following: Written VOE covering the most recent 2 yea Signed individual federal tax returns for the recent VOE not more than 10 business days OR, all of the following: Most recent YTD paystub or salary voucher W-2s and/or 1099s covering the most recent Complete signed individual federal tax return Verbal VOE not more than 10 business days Employee-paid business expenses reflected on from the borrower's gross commission income were	rs most recent 2 years s prior to the Note Date documenting at least 30 days of income t 2 years ns for the most recent 2 years s prior to the Note Date the borrower's tax returns must be deducted
Bonus income (Guide Sections 37.13, 37.22 and 37.23)	Must have a 2-year consecutive history of receip obtain all of the following: Written VOE covering 2 full years Verbal VOE not more than 10 business days OR, all of the following: Most recent YTD paystub or salary voucher W-2s covering the most recent 2 years Verbal VOE not more than 10 business days	s prior to the Note Date documenting at least 30 days of income
Employed by a family member, the property seller or real estate broker (Guide Sections 37.22 and 37.23)	 Obtain all of the following: Most recent YTD paystub or salary voucher documenting at least 30 days of income W-2s covering the most recent year Complete signed individual federal tax returns for the most recent year Verbal VOE not more than 10 business days prior to the Note Date OR, all of the following: Written VOE covering the most recent year Complete signed individual income tax returns for the most recent tax year Verbal VOE not more than 10 business days prior to the Note Date 	Obtain all of the following: Most recent YTD paystub or salary voucher documenting at least 30 days of income W-2s covering the most recent 2 years Complete signed individual federal tax returns for the most recent 2 years Verbal VOE not more than 10 business days prior to the Note Date OR, all of the following: Written VOE covering most recent 2 years Complete signed individual federal tax returns for the most recent 2 years Verbal VOE not more than 10 business days prior to the Note Date
Overtime (Guide Sections 37.13, 37.22 and 37.23)	Must have a 2-year consecutive history of receipt and be likely to continue for the next 3 years. To document, obtain all of the following: Written VOE covering 2 full years Verbal VOE not more than 10 business days prior to the Note Date OR, all of the following: * Most recent YTD paystub or salary voucher documenting at least 30 days of income W-2s covering the most recent 2 years Verbal VOE not more than 10 business days prior to the Note Date *The employer must verify that overtime income is likely to continue.	



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Automobile allowance (Guide Sections 37.13, 37.22 and 37.23)	 Must have a 2-year consecutive history of receipt. To document, obtain all of the following: Written VOE covering 2 full years Verbal VOE not more than 10 business days prior to the Note Date OR, all of the following: Most recent YTD paystub or salary voucher documenting at least 30 days of income W-2s covering the most recent 2 years Verbal VOE not more than 10 business days prior to the Note Date If the auto allowance is not reflected on the paystub or VOE, provide additional documentation from the employer showing the amount of the automobile allowance. 	
Mortgage differential (Guide Sections 37.13, 37.22 and 37.23)	Two-year history not required. Obtain a copy of the agreement from the employer stating the amount and duration of the payments. The payments must be likely to continue for the next 3 years.	
Tip income (Guide Sections 37.13, 37.22 and 37.23)	 Must have a 2-year consecutive history of receip Written VOE covering 2 full years reflecting a Verbal VOE not more than 10 business days OR, all of the following: Most recent YTD paystub or salary voucher W-2s covering the most recent 2 years Verbal VOE not more than 10 business days The employer must verify that the tip income is esparate statement 	a breakout of tip income s prior to the Note Date documenting at least 30 days of income s prior to the Note Date
Military income (including reserve income) (Guide Sections 37.13, 37.22 and 37.23)	Obtain all of the following: Written VOE covering the most recent year Verbal VOE not more than 10 business days prior to the Note Date OR, all of the following: YTD LES documenting at least 30 days of income W-2s covering the most recent year Verbal VOE not more than 10 business days prior to the Note Date. In lieu of a verbal VOE, an LES dated no more than 30 days prior to Note Date may be provided.	Obtain all of the following: Written VOE covering 2 full years Verbal VOE not more than 10 business days prior to the Note Date OR, all of the following: YTD LES documenting at least 30 days of income W-2s covering the most recent 2 years Verbal VOE not more than 10 business days prior to the Note Date. In lieu of a verbal VOE, an LES dated no more than 30 days prior to Note Date may be provided.
Income from a second or additional job (Guide Sections 37.13, 37.22 and 37.23)	Must have a 2-year consecutive history of receipt. To document, obtain all of the following: Written VOE covering 2 full years Verbal VOE not more than 10 business days prior to the Note Date OR, all of the following: Most recent YTD paystub or salary voucher documenting at least 30 days of income W-2s covering the most recent 2 years Verbal VOE not more than 10 business days prior to the Note Date	



Topic	Streamlined Accept Documentation	Standard Documentation
Income from seasonal employment with associated unemployment compensation (Guide Sections 37.13, 37.22 and 37.23)	Must have a 2-year consecutive history of receiving income from seasonal employment and the seasonal employment income must be likely to continue for the next 3 years in order to consider the income for qualifying. Unemployment compensation associated with seasonal employment may be considered qualifying income if the Borrower has a two-year history of receipt and the unemployment compensation is likely to continue for the next 3 years. Seasonal employment income and unemployment compensation must be reported on the borrower's 2 most recent years' federal tax returns. To document, obtain all of the following: Written VOE covering 2 full years for the seasonal employment Verbal VOE not more than 10 business days prior to the Note Date Proof of receipt of unemployment compensation for 2 years (if applicable) OR, all of the following: YTD paystub or salary voucher documenting at least 30 days of income W-2s covering the 2 most recent years Verbal VOE not more than 10 business days prior to the Note Date Proof of receipt of unemployment compensation for 2 years (if applicable)	
Newly employed borrowers / borrowers re-entering the workforce (Guide Section 37.13) Income while on temporary leave (Guide Section 37.13)	 If newly employed borrower with less than a 2-year employment history, obtain documentation showing that the borrower was in school or in a training program immediately prior to their current employment If borrower is re-entering the workforce, obtain documentation to support the borrower has been at the current employment for a minimum of 6 months and documentation to show a previous work history For guidance on underwriting Borrowers on temporary leave from their current employment, refer to Guide Section 37.13(a)(vii). 	



Topic	Streamlined Accept Documentation	Standard Documentation
Self-employed Income		
Self-employment indicator and additional requirements (Guide Sections 37.13)	A Borrower who has an ownership interest of 25% or more in a business is considered to be self-employed. The Seller must indicate to Loan Prospector that a borrower is self-employed when the borrower meets Freddie Mac's definition of self-employed as stated above. This is required in all cases whether or not the Seller is using the self-employment income to qualify the borrower. If using self-employment income for qualification: Analyze the tax returns and provide a written analysis of the borrower's self-employed income on Form 91, or a comparable form Document a 2-year history of self-employment (in most instances) to ensure that income is stable. If the self-employment history is less than 2 years, the Seller must consider the acceptance of the company's service or products in the marketplace and document a 2-year history of receipt of income at the same or greater level in the same or similar occupation. The Seller must consider the borrower's experience in the business before considering the income for qualifying purposes and the borrower's tax returns must reflect at least 1 year of self-employment income.	
	 If the borrower is relocating to a different geographic area, the Seller must consider the acceptance of the company's service or products in the marketplace before considering the income for qualifying purposes, and document and explain how you determined that the borrower's income will continue at the same level in the new location. If the borrower is self-employed and the self-employment income is not used to qualify, the Seller must obtain the borrower's individual federal tax returns to determine if there is a business loss that may have an impact on the stable monthly income used for qualifying. If a business loss is reported on the borrower's individual federal tax returns, the Seller may need to obtain additional documentation in order to fully evaluate the impact of a business loss on the income used for qualifying. 	
	 The Seller must verify the existence of the Bo more than 30 days prior to the Note Date. 	prrower's business from a third party source no
	When business assets are used for down payment and Closing Costs, Financing Costs, Prepaids/Escrows and reserves, the assets must be verified in accordance with Guide sections 37.20 through 37.23 and must be related to the business that the Borrower owns. Because the Borrower's withdrawal of assets from a sole proprietorship, a partnership or a corporation may have a negative impact on the business' ability to continue operating, the impact of withdrawal must be considered in the Seller's analysis of the Borrower's self-employed income. Document a cash flow analysis for the Borrower's business using the individual and/or business tax returns, as applicable.	
Self-employed	Obtain all of the following:	Obtain all of the following:
income - sole proprietor (Guide Sections 37.13, 37.22 and 37.23)	 Complete signed individual federal tax return for the most recent year. The individual federal tax return must reflect at least 12 months of self-employed income Verification of existence of the business 	 Complete signed individual federal tax return for the most recent 2 years. The individual federal tax return must reflect at least 12 months of self-employed income Verification of existence of the business
	through a third party source not more than 30 calendar days prior to the Note Date Completed Income Analysis Form 91, or comparable form	through a third party source not more than 30 calendar days prior to the Note Date Completed Income Analysis Form 91, or comparable form



Topic	Streamlined Accept Documentation	Standard Documentation
Self-employed – S-corporation (Guide Sections 37.22 and 37.23)	Obtain all of the following: Complete signed individual federal and S Corporation tax returns, including K-1s, for the most recent year. The individual federal tax return must reflect at least 12 months of self-employed income Verification of existence of the business through a third party source not more than 30 calendar days prior to the Note Date Completed Income Analysis Form 91, or comparable form	Obtain all of the following: Complete signed individual federal and S Corporation tax returns, including K-1s, for the most recent 2 years. The individual federal tax return must reflect at least 12 months of self-employed income Verification of existence of the business through a third party source not more than 30 calendar days prior to the Note Date Completed Income Analysis Form 91, or comparable form
Self-employed – partnership (Guide Sections 37.22 and 37.23)	Obtain all of the following: Complete signed individual federal and Partnership tax returns, including K-1s, for the most recent year. The individual federal tax return must reflect at least 12 months of self-employed income Verification of existence of the business through a third party source not more than 30 calendar days prior to the Note Date Completed Income Analysis Form 91, or comparable form	Obtain all of the following: Complete signed individual federal and Partnership tax returns, including K-1s, for the most recent 2 years. The individual federal tax return must reflect at least 12 months of self-employed income Verification of existence of the business through a third party source not more than 30 calendar days prior to the Note Date Completed Income Analysis Form 91, or comparable form
Self-employed – corporation (Guide Sections 37.22 and 37.23)	Obtain all of the following: Complete signed individual federal and corporate tax returns, including W-2s, for the most recent year. The individual federal tax returns must reflect at least 12 months of self-employed income Verification of existence of the business through a third party source not more than 30 calendar days prior to the Note Date Completed Income Analysis Form 91, or comparable form	Obtain all of the following: Complete signed individual federal and corporate tax returns, including W-2s, for the most recent 2 years. The individual federal tax returns must reflect at least 12 months of self-employed income Verification of existence of the business through a third party source not more than 30 calendar days prior to the Note Date Completed Income Analysis Form 91, or comparable form



	Other Income (non-employment / non-self-employment)
Other Income general requirements (Guide Section 37.13)	Non-employment/non-self-employment income may be considered for qualifying provided there's no knowledge, information or documentation that contradicts a reasonable expectation of continuance or probability of consistent receipt for at least the next 3 years. In some instances, a 2-year history of receipt of the non-employment/non-self-employment income is not required. In other instances where the Borrower has less than a 2-year history of receiving income, the Seller may be able to use the income to qualify the Borrower but must provide a written analysis to justify the determination that the income that is used to qualify the Borrower is stable. Factors that must be considered in determining the likelihood of consistent receipt of non-employment/non-self-employment income below include, but are not limited to, the following: 1. Whether the payments are received pursuant to a written agreement, court decree or law 2. The length of time the payments have been received 3. The regularity of receipt of the income 4. The consistency of the amount of income 5. The availability of procedures to compel payment 6. Whether full or partial payments have been made 7. The age of each child for which child support payments are made (if applicable) 8. Eligibility criteria governing the continued receipt of the income, such as age of dependents or accumulation of assets
Alimony, child support or separate maintenance income (Guide Sections 37.13, 37.22 and 37.23)	 Must obtain the following: Proof of receipt by the borrower of the total court ordered amount for the most recent 6 months; if child support, proof of the ages of the children for which child support is received to prove 3 year continuance; and Copy of the signed court order documenting the payor's obligation for the previous 6 months and evidence the payor is obligated to make payments to the borrower for the next 3 years If the payor has been obligated to make payments for less than 6 months, or if the payments are not for the full amount or are not received on a consistent basis, the income must not be considered for qualifying.
Retirement income (Guide Sections 37.13, 37.22 and 37.23)	Obtain the following: Copy of the award letter, 1099 or equivalent documentation showing income type, source, amount, and Most recent 2 months bank statements or other equivalent documentation evidencing consistent receipt of the retirement income
Survivor and dependent benefit income (Guide Sections 37.13, 37.22 and 37.23)	Obtain the following: A copy of the award letter or other equivalent documentation showing income type, source, amount, and The most recent 2 months bank statements or equivalent documentation evidencing current receipt
Long-term disability income (Guide Sections 37.13, 37.22 and 37.23)	 Obtain the following: A copy of the award letter, W-2 or other equivalent documentation showing income type, source, amount, and The most recent 2 months bank statements or equivalent documentation evidencing current receipt If the disability benefit is provided by an employer, private insurer and/or has a pre-determined expiration date, obtain a copy of the certificate of coverage, award letter, or other equivalent documentation evidencing a disability income benefit and/or policy expiration date that exceeds 3 years. Pending or current re-evaluation of medical eligibility for insurance and/or benefit payments is not considered an indication that the insurance and/or benefit payment will not continue.



Topic	Streamlined Accept Documentation	Standard Documentation
Social Security Supplemental Security Income (Guide Sections 37.13, 37.22 and 37.23)	Obtain the following: A copy of the award letter or other equivalent documentation showing income type, amount, and The most recent 2 months bank statements or equivalent documentation evidencing current receipt Pending or current re-evaluation of medical eligibility for insurance and/or benefit payments is not considered an indication that the insurance and/or benefit payment will not continue.	
Tax exempt income (Guide Sections 37.13, 37.22 and 37.23)	Only the nontaxable portion of income may be grossed up. Obtain either: Complete signed individual federal tax returns for the most recent year OR Other documentation evidencing that the income, or a portion of the income, is nontaxable. Note: Tax-exempt income that is established as continuing into the foreseeable future may be grossed up by using either 25%, or the current federal and state income tax withholding tables to determine an amount which can be prudently employed to adjust or "gross up" the borrower's actual income.	
Notes receivable (Guide Sections 37.13, 37.22 and 37.23)	Obtain a copy of the note and proof of receipt of the payments for the most recent 1 year.	
Dividend and interest (Guide Sections 37.13, 37.22 and 37.23)	Must have a 2-year consecutive history of receipt. To document, obtain all of the following: Complete signed individual federal income tax returns for the most recent 2 years Evidence of sufficient assets to generate dividends and interest	
Trust income (Guide Sections 37.13, 37.22 and 37.23)	Obtain a copy of the Trust Agreement.	
Capital gains (Guide Sections 37.13, 37.22 and 37.23)	 Must have a 2-year history of receipt. To docume Complete signed individual federal income tax recent 2 years reflecting capital gain income Evidence of sufficient assets to generate capital 	returns, including Schedule D, for the most
Royalty payments (Guide Sections 37.13, 37.22 and 37.23)	Must have a 12-month history of receiving paymer individual federal tax returns for the most recent yeard Schedule E	
Public assistance income (Guide Sections 37.13, 37.22 and 37.23)	Obtain evidence of receipt of consistent payments for the most recent 2 months and documentation from the applicable agency that indicates the amount and frequency of the benefit payments and the length of time the benefit payments will be received.	
Section 8 homeownership assistance payments (Guide Sections 37.13, 37.22 and 37.23)	Two-year history not required. Obtain documenta the homeownership voucher showing the amount documentation must reflect that the payments are	of the monthly payment and terms. The



Topic	Streamlined Accept Documentation	Standard Documentation
Foster care income (Guide Sections 37.13, 37.22 and 37.23)	Obtain proof of a 2-year history of receipt from a state- or county-sponsored organization.	
Housing or parsonage allowance (non-military) (Guide Sections 37.13, 37.22 and 37.23)	 Must have a 12-month history of receipt. Obtain all the following: A written VOE, letter from the employer or YTD paystub reflecting the amount of the housing or parsonage allowance and the terms under which it is paid Proof of 12 months receipt of the housing allowance The housing allowance may not be used to offset the monthly housing payment. 	
Assets as a basis of qualification (Guide Section 37.13 and 37.13(e))	Assets may only be used for qualification if the Mortgage meets all of the following requirements: Is secured by a 1-unit Primary Residence or second home, Is either a purchase transaction Mortgage, "no cash-out" refinance Mortgage, or Relief Refinance Mortgage SM , and Has a maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity TLTV (HTLTV) ratio of 70% Note: The Borrower must not currently be using the eligible assets as a source of income. The asset source must meet all the associated requirements listed under "Asset eligibility requirements" as indicated in Guide Section 37.13(e)(1). To qualify the Borrower for the Mortgage: Determine that both the source of the asset and the amount of the asset source are reasonable and stable for each asset qualification source Include a written analysis of the asset qualification source and amount in the Mortgage file Meet the requirements of Guide Section 37.13(e), regardless of the underwriting path of the Mortgage To calculate asset sources, use 70% of the balance of the eligible asset less any funds required to complete the transaction (e.g., downpayment, Closing Costs, Financing Costs, Prepaids/Escrows), divided by 360 months, regardless of loan term or account balance.	
Asset qualification: Retirement assets (Guide Sections 37.13, 37.22 and 37.23)	Obtain all of the following: Most recent retirement asset account statemed Documented evidence of the following: Borrower(s) must be the sole owner of Retirement asset account is a retirement of 100% of balance is fully vested and in Account is not subject to a penalty	of the account ent account recognized by the IRS
Asset qualification: Lump-sum distribution funds (Guide Sections 37.13, 37.22 and 37.23)	If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirements for retirement assets described above. Otherwise, obtain all of the following: Most recent 3 months personal depository or brokerage account statements Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received) Documented evidence of the following: Funds verified in the non-retirement account and used for Mortgage qualification must have been derived from eligible retirement assets Lump-sum distribution funds must not have been or currently be subject to a penalty	



Topic	Streamlined Accept Documentation	Standard Documentation
Asset qualification: Proceeds from sale of business (Guide Sections 37.13, 37.22 and 37.23)	Obtain all of the following: Most recent 3 months personal depository or brokerage account statements Fully executed closing documents evidencing final sale of business to include sales price and net proceeds Contract for sale of business Most recent business tax return prior to sale of business Documented evidence that the funds verified in the non-retirement account and used for Mortgage qualification were derived from the sale of the Borrower's business	
Rental income (Guide Section 37.14)	See Rental Income Matrix (http://www.freddiemac.com/learn/pdfs/uw/rental.pdf)	
Mortgage Credit Certificate (MCC) (Guide Sections 31.13, 37.22 and 37.23)	Obtain a copy of the MCC. Refer to Guide Section 37.13 for requirements on the amount of the MCC tax credit that may be considered as qualifying income.	
Gaps in employment (Guide Sections 37.22 and 37.23)	No explanation required.	Document gaps of more than 60 days on the application and provide explanation from borrower.

ASSET DOCUMENTATION

Topic	Streamlined Accept Documentation	Standard Documentation	
Required funds (Guide Section 24.2,	 For purchases, document that the borrower has sufficient funds from eligible sources for down payment, closing costs, prepaids, and reserves (if required). 		
A24.3, 26.2 and 26.7)	For refinances, verification of funds is required.		
	 For loan-to-value (LTV) ratios greater than 80%, document the minimum required contribution of occupant borrower from Borrower Personal Funds – typically 5%. For non-occupant co- borrower transactions, funds must be from occupant borrower. 		
	For exceptions, review product requirements in the Guide.		
Funds on deposit in borrower's checking, savings, money market or certificate of	All borrower funds must be verified. Obtain depository or brokerage statement for the most recent 1 month for each account included in the assets section of the application.	All borrower funds must be verified. Obtain depository or brokerage statement for the most recent 2 months for each account included in the assets section of the application.	
deposit account or other depository account (Guide Section 37.20.1, 37.22 and 37.23)	If the account was opened within 90 days of the verification, has a large deposit or significantly greater than previously shown balance, include documentation of the source of the funds indicating they are from a source meeting the requirements of Guide Chapter 26. If a large deposit is from another account that is verified in the Mortgage file, that account must be verified after the withdrawal to assure that the assets are not counted twice.		
,	If a portion of the borrower's funds were to be saved by the borrower between the date of loan application and the date of loan closing, the Mortgage file documents should show that funds were accumulated and on deposit prior to closing.		



Topic	Streamlined Accept Documentation	Standard Documentation
Proceeds of a loan fully secured by the borrower's owned assets (Guide Sections 37.22, 37.23)	Proof of the value and ownership of the asset used to secure the loan must be documented in the Mortgage file as well as the amount and terms of the loan.	
Sale of real property (Guide Sections 37.20(a), 37.22, 37.23)	Obtain one of the following: Executed HUD-1 or equivalent closing statement, or Executed buy-out agreement and accompanying settlement statement from an employer relocation plan where the employer/relocation company takes responsibility for the outstanding mortgage(s) Settlement Statement or evidence of sale of asset must: Be computer generated or typed Identify the borrower as the seller of the property Identify the property sold Show the proceeds to the property seller Show the disposition of all liens against the property Be signed by the buyer and seller, or authorized agents	
Sale of an asset (other than real property or exchange-traded securities) (Guide Sections 37.22, 37.23)	Proceeds must be verified with a bill of sale and proof of receipt	
A cash deposit toward the purchase (with verifiable source) (Guide Sections 37.22, 37.23)	 Document that the deposit check came from an acceptable source of funds with at least one of the following: Copy of the borrower's deposit check and proof the check was cashed (a copy of the bank statement from which the deposit check was drawn), or Verification of sufficient funds on deposit in the borrower's depository account for down payment, closing costs, financing costs, prepaids/reserves and, if applicable, reserves Note: Ensure the deposit is not counted twice in the file (i.e., deducted from the funds to close and counted in assets) 	



Topic	Streamlined Accept Documentation	Standard Documentation
Gifts (Guide Section 22.22.1, 25.3, 26.2, 37.22 and 37.23)	 Gift funds are not allowed on investment property mortgages If a gift from a Related Person is used with a Mortgage that has an LTV ratio greater than 80%, the gift is permitted only if the Borrower has made a down payment of at least 5% from Borrower Personal Funds unless provided for otherwise in the Guide. Documentation supporting a gift from a related person that does not have to be repaid must include a gift letter signed by the donor and contain the following information: Donor's name and that funds are given by a related person, as defined in the Guide Donor's mailing address and telephone number Address of the property being purchased Amount of the gift Establish that the funds are a gift that does not have to be repaid The donor must sign the gift letter If the gift funds are not verified in the borrower's account at time of application, provide proof of transfer from the donor to the borrower Documentation supporting a gift or grant from an Agency must: Establish funds were provided by the employer, municipality, nonprofit religious organization or nonprofit community organization Establish the organization has a formal gift program Establish that the funds are a gift or grant that does not have to be repaid Evidence the funds were received by the borrower or by the property seller on the borrower's behalf Identify the donor's mailing address Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower. A Gift of Equity from the property seller who is also a Related Person is acceptable when all of the following are met: Related person is not	
Funds disbursed from a trust (Guide Sections 37.22, 37.23) Funds on deposit in an Individual	 Must be reflected on the HUD-1 Provide verification of the trust funds that includes the following: Typed copy of the trust agreement or Signed statement on letterhead from the trustee that:	
Development Account (IDA) (Guide Sections 37.22, 37.23)	 Regular payments made by the IDA matching organization 	



Topic	Streamlined Accept Documentation	Standard Documentation
Funds on deposit in a Community Savings System that are deposited by the borrower (Guide Sections 37.22, 37.23)	Provide a Community Savings Systems account statement which: Identifies the issuing institution or administrator, as applicable Identifies the account owner(s) Identifies the account number Shows all transactions Shows the period covered and ending balance Shows any outstanding loans If assets are in a securities account, identify the stocks/securities. Provide proof of liquidation if funds are needed for closing.	
Pooled funds on deposit from Related Persons who reside with the borrower (Guide Sections 37.22, 37.23)	In addition to the documentation of the account in accordance with the requirements outlined in this document, provide proof that shows: The borrower and the related person have resided together for at least 1 year, and A letter stating that they will continue to reside together in the new residence and are pooling their funds to buy the new residence	
For purchase transactions, proceeds from an unsecured loan (an Employer Assisted Homeownership (EAH) Benefit) (Guide Sections 37.22, 37.23)	 In addition to the documentation of the account in accordance with the requirements outlined in this document, provide: A copy of the established, ongoing and documented employer benefit program showing the amount of the benefit and terms of the program Documentation in the mortgage file evidencing all of the following:	
Credit card charge, cash advance or an unsecured line of credit to pay fees associated with the Mortgage (Guide Sections 26.6.4, 37.22, 37.23)	Provide a copy of the credit card statement or credit card receipt evidencing: The amount charged*, The outstanding balance, and The terms of repayment. Note: Include the debt as a liability when qualifying the borrower *The maximum amount the borrower may charge or advanced is increased to the greater of 2% of the mortgage amount or \$1,500.	
Cash Value Life Insurance (Guide Sections 37.22, 37.23)	Provide verification of the cash value life insurance which includes the following: A computer-generated or typed statement from the insurance company Identifies the life insurance company Identifies the policy owner(s) Shows the period covered and ending cash value Shows any outstanding loans If the assets are needed for closing, provide proof of liquidation.	



Topic	Streamlined Accept Documentation	Standard Documentation
Stocks, bonds, mutual funds, U.S. Government Securities and other securities (Guide Sections 37.22, 37.23) Personal IRA and SEP-IRA accounts that are award by	and that the stock certificates list the identific stock and states that the borrower is the own. Include current stock prices from a published of the assets are needed for closing, proof of liquid provide the most recent statement reflecting: The vested balance or the percent of	C) provided that the value of the funds or all publications and is documented in the file. In the characteristic of the statement of the stock certificates account statement: Similarly that the originator saw the stock certificates action numbers of the stock(s), type and amount of the stock of the sto
that are owned by the borrower and 401(k), KEOGH, 403(b) and other IRS-qualified employer plans (Guide Sections 26.5, 37.22, 37.23)	vesting, Any outstanding loans, The ending balance as of the end of the statement and Conditions under which the funds may be withdrawn or borrowed If the assets are needed for closing, provide proof of liquidation. Retirement accounts may be counted at 70% of the vested balance minus any outstanding loans against the asset. In lieu of the 70% requirement, the vested amount less outstanding loans secured by the account funds may be reduced by the minimum federal income tax withholdings required by the IRS.	 The vested balance or the percent of vesting, Any outstanding loans, The ending balance as of the end of the statement and Conditions under which the funds may be withdrawn or borrowed If the assets are needed for closing, provide proof of liquidation. Retirement accounts may be counted at 70% of the vested balance minus any outstanding loans against the asset. In lieu of the 70% requirement, the vested amount less outstanding loans secured by the account funds may be reduced by the minimum federal income tax withholdings required by the IRS.
U.S. Savings Bonds (Guide Sections 37.22, 37.23)	 Provide verification of the U.S. Savings Bonds which includes a statement from a financial institution (or the Seller) confirming: They have seen the bonds and listing the serial numbers of the bond(s), Date of maturity, Type and amount of bond and The borrower as the owner Provide proof of bond value from the appropriate U.S. Treasury Table If the assets are needed for closing, provide proof of liquidation. 	
Reserves (Guide Sections 26.5, 37.22, 37.23)	Review the requirements of the products, offering or property/occupancy types for reserve requirements. Reserves, if required, must be documented in accordance with the asset requirements stated above.	



GENERAL UNDERWRITING REQUIREMENTS

Eligibility (Guide Section 2.2.1 and Chapter 37)

Loan Prospector assumes that the last information submitted to Loan Prospector is the same as the information that is verified and documented in the Mortgage file delivered to Freddie Mac. If the information changes or an error is identified in a prior submission, the mortgage information must be resubmitted to Loan Prospector. Incorrect information in Loan Prospector may invalidate the Loan Prospector Feedback Certificate. To qualify as a Loan Prospector mortgage, the mortgage must meet all the following criteria:

- Be submitted to Loan Prospector before the closing of the mortgage
- Be submitted, and if applicable, resubmitted within 120 days on or before the Note Date
- Have credit reports (including Loan Prospector credit reports) dated no more than 120 days on or before the Note
- Receive a Complete AUS Status on the Last Feedback Certificate before the closing of the mortgage
- Comply with all requirements of Section 2.2.1 of the Guide Introduction to Loan Prospector
- Have a delivery date or settlement date, as applicable, not more than 12 months after the Note Date, except as otherwise permitted

For Accept Mortgages and A-minus Mortgages, Loan Prospector makes the determination that Borrower capacity is acceptable so long as the amount of stable monthly income used by Loan Prospector is correct and meets the requirements in Guide Section 37.13 as verified under the applicable verification requirements of the Guide.

Permanent and nonpermanent resident aliens (Guide Section 22.10.1)

Permanent and nonpermanent resident aliens lawfully residing in the United States are eligible for mortgages on the same terms as U.S. citizens.

Borrowers without usable credit scores (Guide Section 37.4)

For Accept Mortgages and A-minus Mortgages where not all borrowers have a usable Credit Score, the following requirements apply:

- At least one borrower on the transaction has a usable Credit Score, as determined by Loan Prospector
- The transaction is a purchase or "no cash-out" refinance Mortgage
- The Mortgage is secured by a 1-unit property and all borrowers occupy the property as their Primary Residence
- Borrowers with a usable Credit Score contribute more than 50% of the total monthly income
- Borrowers without a usable Credit Score are not self-employed

For borrower(s) without usable credit scores, any debt not reported on the credit report must be documented as being repaid in a satisfactory manner and the payment must be included in the total monthly debt-to-income ratio

Financing concessions (Guide Section 25.3)

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

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

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

Property (Guide Chapters 42, H33, and 44)

The Seller must ensure that the mortgage premises (collateral) are eligible for sale to Freddie Mac and that it supports the transaction; the collateral assessment must meet the Loan Prospector Minimum Assessment Feedback (an appraisal, an inspection, or the property inspection alternative).



GENERAL UNDERWRITING REQUIREMENTS (continued)

Property (Guide Chapters 42, H33, and 44) (continued)

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 42.

Mortgages secured by a Manufactured Home (even if located within a condominium project) must be submitted to Loan Prospector 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 42. 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 Prospector 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.

Use automated valuation models (AVMs) and other tools as part of the origination or pre-funding quality control process to detect fraud and objectively measure the accuracy of the appraisal. Freddie Mac recommends the use of Home Value Explorer® (HVE), Home Value Calibrator® ("Calibrator") or other validated and tested AVMs, as well as other collateral valuation tools, to assess the quality and accuracy of appraisals. More information about HVE and Calibrator, and a list of distributors, can be found on FreddieMac.com at http://www.freddiemac.com/hve/.

Date and verification requirements for Loan Prospector results, employment, income, source of funds and payment history (other than credit reports) (Guide Section 37.20)

Date Requirements

- The Feedback Certificate is valid for 12 months from the Origination Date (Note Date), assuming the last submission to Loan Prospector is dated within 120 days on or before the Note Date.
- Loan Prospector results, verifications of employment, income, source of funds and payment history must be made within 120 days prior to the Note Date. Any information verified more than 120 days before the Note Date must be reverified. Verifications made after the Note Date are not acceptable.

Verification Requirements

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



GENERAL UNDERWRITING REQUIREMENTS (continued)

Verification Requirements (continued)

- Verbal VOEs must be completed not more than 10 business days prior to closing. Use Form 90, or a similar written document that includes the following:
 - Name of the person who contacted the employer
 - Name of the entity contacted
 - Name and title of the individual contacted at the entity
 - The phone number for the individual contacted. The phone number must be obtained from an acceptable third party source
 - Name of the third party source used to obtain the phone number for the employer (e.g., the phone book, internet, 411 information services, etc.)
 - The date of contact
 - The dates of employment
 - Borrower's position or title
 - Whether the borrower is currently employed and on active status or on leave
 - Additional information that was verified
- Verifications of income, employment and assets may be provided in the form of photocopy, facsimile or electronic verifications. When the originator is not viewing and copying the original document directly, the Seller is strongly encouraged to re-verify the information through the quality control process.
- Paystubs or salary vouchers must:
 - Be computer-generated or typed by the employer
 - Identify the borrower as the employee
 - Show the time period covered and both the current period and year-to-date earnings
- W-2 forms must be complete and be the employee copy provided by the employer.
- Tax returns must be the borrower's copy of the forms filed with the IRS, be signed by the borrower and include all schedules and forms required in Guide Section 37.21 through 37.23.
- Depository, Community Savings Systems, stock/securities account statements and other asset statements provided by the borrower must:
 - Identify the issuing institution or administrator, as applicable, the account owner(s), and the account number
 - Show all transactions, the period covered, ending balances, and any outstanding loans
 - Identify the stocks/securities if a securities account

Date requirements for Credit Reports (Guide Section 37.10(i))

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



GENERAL UNDERWRITING REQUIREMENTS (continued)

Resubmission to Loan Prospector (Guide Section 2.2.1(k))

Resubmission of loan data to Loan Prospector is required if:

- 1. Information on the previous submission is not true, complete or accurate. For example:
 - Information on the previous submission is inaccurate, invalid, or changes during the origination process
 - Borrowers are added to or deleted from the loan application
 - Property information changes, the property information included an inaccurate or incomplete property address, or an appraisal provides a different value for the property
 - Credit Alert Interactive Voice Response System (CAIVRS) authorization shows a Federal Delinquency/Lien for any borrower (FHA or VA loan applications only)
 - You request a different mortgage product
- 2. The loan has not closed and the most recent submission (including the date of the Loan Prospector credit report(s)) exceeds the date requirements in Section 37.10(i).
- 3. Any information used by Loan Prospector changes; however, a change from the previous submission involving the following does not require resubmission:

Debts/income:

- The monthly debt payment decreases (including monthly housing expense)
- The income for any borrower increases; however, if the income used to qualify borrowers increases for Home Possible® Mortgages, resubmission is required
- The income for any borrower decreases and/or the monthly debt payment (including monthly housing expense) increases, and
 - The total difference does not change the total debt-to-income ratio by more than 3%, and
 - The total debt-to-income ratio on the previous submission did not exceed 45%

Assets/reserves:

- The amount of verified assets increases
- The amount of verified reserves increases
- ■The amount of verified reserves decreases by no more than 10%

Loan amount:

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

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

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