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

In This Product Description

This product description contains the following topics.

Overview

Product Summary

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

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

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

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

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

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

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

- Fully Amortizing Fixed Rate, and
- Fully Amortizing 5/6-Month, 7/6-Month, and 10/6-Month SOFR ARMs.

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

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

Continued on next page

Features and Benefits

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

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

Related Bulletins

General	Related bulletins are provided below in PDF format. To view the list of published bulletins, select the applicable year below. • 2025 • 2024 • 2023 • 2022 • 2021 • 2020 • 2019

Loan Terms

Amortization Terms	• Fully Amortizing Fixed Rate: 10-30 years ◦ The minimum original term permitted is 85 months. • Fully Amortizing 5/6-Month and 7/6-Month SOFR ARMs: 10-30 years • Fully Amortizing 10/6-Month SOFR ARM: 15-30 years
Minimum Loan Amount	**General Loan Limits** There is no minimum loan amount. **High-Cost Area (i.e., High-Balance) Loan Limits** • $806,501 for one unit properties • $1,032,651 for two unit properties • $1,248,151 for three unit properties • $1,551,251 for four unit properties

Maximum Loan Amount	**General Loan Limits**
	• $806,500 for one unit properties
	• $1,032,650 for two unit properties
	• $1,248,150 for three unit properties
	• $1,551,250 for four unit properties
	
	High-Cost Area (i.e., High-Balance) Loan Limits
	• High-balance loans are available ONLY in high cost areas (as defined by HUD). Click here for the specific loan limits for each high-cost area, as released by the Federal Housing Finance Agency.
	• The maximum loan amount will vary based on the location of the subject property; however, will NEVER exceed:
	  ◦ $1,209,750 for one unit properties,
	  ◦ $1,548,975 for two unit properties,
	  ◦ $1,872,225 for three unit properties, and
	  ◦ $2,326,875 for four unit properties.

Continued on next page

HomeReady General Loan Limits Maximum LTV/TLTV/ HTLTV Ratio Requirements

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

HomeReady General Loan Limits Primary Residence – Fixed Rate				
Purpose	**# of Units**	**LTV/TLTV/HTLTV for Non-AUS Loans**	**LTV/TLTV/HTLTV for DU Loans**	**LTV/TLTV/HTLTV for LPA Loans**
Purchase	1 2 3-4	95%/95%[1]/95% 85%/85%[1]/85% 75%/75%[1]/75%	97%/97%[1]/97% 95%/95%[1]/95% 95%/95%[1]/95%	Not Eligible Not Eligible Not Eligible
Limited Cash-Out Refinance (Rate/Term)	1 2 3-4	95%/95%[1]/95% 85%/85%[1]/85% 75%/75%[1]/75%	97%[3]/97%[1,2,3]/97%[3] 95%/95%[1]/95% 95%/95%[1]/95%	Not Eligible Not Eligible Not Eligible
Cash-Out Refinance	1-4	Not Eligible		
[1.] The TLTV may exceed the limits stated above up to 105% only if the mortgage is part of a Community Seconds transaction. [2] If the mortgage is part of a Community Seconds transaction and the LTV is 95% or less, Fannie Mae is not required to be the owner of the existing mortgage. [3] For limited cash out refinances with LTV/TLTV/HTLTV ratios greater than 95%, Fannie Mae must be the owner of the existing mortgage.				

HomeReady General Loan Limits Primary Residence – 5/6-Month, 7/6-Month & 10/6-Month SOFR ARMs				
Purpose	**# of Units**	**LTV/TLTV/HTLTV for Non-AUS Loans**	**LTV/TLTV/HTLTV for DU Loans**	**LTV/TLTV/HTLTV for LPA Loans**
Purchase	1 2 3-4	95%/95%[1]/95% 85%/85%[1]/85% 75%/75%[1]/75%	95%/95%[1]/95% 95%/95%[1]/95% 95%/95%[1]/95%	Not Eligible Not Eligible Not Eligible
Limited Cash-Out Refinance (Rate/Term)	1 2 3-4	95%/95%[1]/95% 85%/85%[1]/85% 75%/75%[1]/75%	95%/95%[1]/95% 95%/95%[1]/95% 95%/95%[1]/95%	Not Eligible Not Eligible Not Eligible
Cash-Out Refinance	1-4	Not Eligible		
[1] The TLTV may exceed the limits stated above up to 105% only if the mortgage is part of a Community Seconds transaction.				

Continued on next page

HomeReady High Balance Loan Limits Maximum LTV/TLTV/ HTLTV Ratio Requirements

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

HomeReady High Balance Loan Limits Primary Residence – Fixed Rate				
Purpose	**# of Units**	**LTV/TLTV/HTLTV for Non-AUS Loans**	**LTV/TLTV/HTLTV for DU Loans**	**LTV/TLTV/HTLTV for LPA Loans**
Purchase	1 2 3-4	Not Eligible Not Eligible Not Eligible	95%/95%[1]/95% 85%/85%[1]/85% 75%/75%[1]/75%	Not Eligible Not Eligible Not Eligible
Limited Cash-Out Refinance (Rate/Term)	1 2 3-4	Not Eligible Not Eligible Not Eligible	95%/95%[1]/95%[1] 85%/85%[1]/85% 75%/75%[1]/75%	Not Eligible Not Eligible Not Eligible
Cash-Out Refinance	1-4	Not Eligible		
[1.] The TLTV may exceed the limits stated above up to 105% only if the mortgage is part of a Community Seconds transaction.				

HomeReady High Balance Loan Limits Primary Residence – 5/6-Month, 7/6-Month & 10/6-Month SOFR ARMs				
Purpose	**# of Units**	**LTV/TLTV/HTLTV for Non-AUS Loans**	**LTV/TLTV/HTLTV for DU Loans**	**LTV/TLTV/HTLTV for LPA Loans**
Purchase	1 2 3-4	Not Eligible Not Eligible Not Eligible	95%/95%[1]/95% 85%/85%[1]/85% 75%/75%[1]/75%	Not Eligible Not Eligible Not Eligible
Limited Cash-Out Refinance (Rate/Term)	1 2 3-4	Not Eligible Not Eligible Not Eligible	95%/95%[1]/95% 85%/85%[1]/85% 75%/75%[1]/75%	Not Eligible Not Eligible Not Eligible
Cash-Out Refinance	1-4	Not Eligible		
[1] The TLTV may exceed the limits stated above up to 105% only if the mortgage is part of a Community Seconds transaction.				

Continued on next page

Home Possible General Loan Limits Maximum LTV/TLTV/ HTLTV Ratio Requirements

Note: When submitting a Home Possible mortgage to LPA, use the valid value "Home Possible" Offering Identifier 241.

Home Possible General Loan Limits Primary Residence – Fixed Rate				
Purpose	**# of Units**	**LTV/TLTV/HTLTV for Non-AUS Loans**	**LTV/TLTV/HTLTV for DU Loans**	**LTV/TLTV/HTLTV for LPA Loans**
Purchase	1 2-4	Not Eligible Not Eligible	Not Eligible Not Eligible	97%/97%[1]/97% 95%/95%[1]/95%
Limited Cash-Out Refinance (Rate/Term)	1 2-4	Not Eligible Not Eligible	Not Eligible Not Eligible	97%/97%[1]/97% 95%/95%[1]/95%
Cash-Out Refinance	1-4	Not Eligible		
[1] A TLTV ratio up to 105% is permitted when secondary financing is an Affordable Second.				

Home Possible General Loan Limits Primary Residence – 5/6-Month, 7/6-Month & 10/6-Month SOFR ARMs				
Purpose	**# of Units**	**LTV/TLTV/HTLTV for Non-AUS Loans**	**LTV/TLTV/HTLTV for DU Loans**	**LTV/TLTV/HTLTV for LPA Loans**
Purchase	1 2 3-4	Not Eligible Not Eligible Not Eligible	Not Eligible Not Eligible Not Eligible	95%/95%[1]/95% 95%/95%[1]/95% 75%/75%[1]/75%
Limited Cash-Out Refinance (Rate/Term)	1 2 3-4	Not Eligible Not Eligible Not Eligible	Not Eligible Not Eligible Not Eligible	95%/95%[1]/95% 95%/95%[1]/95% 75%/75%[1]/75%
Cash-Out Refinance	1-4	Not Eligible		

[1] A TLTV ratio up to 105% is permitted when secondary financing is an Affordable Second.

Continued on next page

Home Possible High-Balance Loan Limits Maximum LTV/TLTV/ HTLTV Ratio Requirements

Note: When submitting a Home Possible mortgage to LPA, use the valid value "Home Possible" Offering Identifier 241.

Home Possible High-Balance Loan Limits Primary Residence – Fixed Rate				
Purpose	**# of Units**	**LTV/TLTV/HTLTV for Non-AUS Loans**	**LTV/TLTV/HTLTV for DU Loans**	**LTV/TLTV/HTLTV for LPA Loans**
Purchase	1 2 3-4	Not Eligible Not Eligible Not Eligible	Not Eligible Not Eligible Not Eligible	95%/95%[1]/95% 85%/85%/85% 80%/80%/80%
Limited Cash-Out Refinance (Rate/Term)	1 2 3-4	Not Eligible Not Eligible Not Eligible	Not Eligible Not Eligible Not Eligible	95%/95%[1]/95% 85%/85%/85% 80%/80%/80%
Cash-Out Refinance	1-4	Not Eligible		
[1] A TLTV ratio up to 105% is permitted when secondary financing is an Affordable Second.				

Home Possible High-Balance Loan Limits Primary Residence - 5/6-Month, 7/6-Month & 10/6-Month SOFR ARMs				
Purpose	**# of Units**	**LTV/TLTV/HTLTV for Non-AUS Loans**	**LTV/TLTV/HTLTV for DU Loans**	**LTV/TLTV/HTLTV for LPA Loans**
Purchase	1 2 3-4	Not Eligible Not Eligible Not Eligible	Not Eligible Not Eligible Not Eligible	95%/95%/95% 85%/85%/85% 75%/75%/75%
Limited Cash-Out Refinance (Rate/Term)	1 2 3-4	Not Eligible Not Eligible Not Eligible	Not Eligible Not Eligible Not Eligible	95%/95%/95% 85%/85%/85% 75%/75%/75%
Cash-Out Refinance	1-4	Not Eligible		

Continued on next page

ARM Parameters

Conversion Option

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

Interest Rate Adjustments

- The interest rate is fixed for the initial period and is then subject to change with a specified frequency thereafter, using the most recent index figure available 45 days prior to the interest rate adjustment, as follows:
  - **5/6-Month, 7/6-Month, and 10/6-Month SOFR ARMs**: Following the initial fixed rate period (i.e., 60 months for the 5/6-Month ARM, 84 months for the 7/6-Month ARM, and 120 months for the 10/6-Month ARM), subsequent interest rate adjustments will occur every 6 months.

Index

The 30-day average of the Secured Overnight Financing Rate (SOFR) index as published by the Federal Reserve Bank of New York.

Margin/Floor

- For 5/6-Month, 7/6-Month, and 10/6-Month SOFR ARMs, the margin is 3.00%

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

- The margin is also the floor.

Interest Rate Caps

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

ARM Program	**Caps**	Index
5/6-Month ARM	• 2% cap, up or down, on the initial change, • 1% cap, up or down, on each subsequent 6-month change thereafter, and • 5% lifetime cap (over the note rate).	SOFR
7/6-Month & 10/6-Month ARMs	• 5% cap, up or down, on the initial change, • 1% cap, up or down, on each subsequent 6-month change thereafter, and • 5% lifetime cap (over the note rate).	SOFR

Continued on next page

Assumability Provisions	• Fixed rate products are not assumable, except as permitted by state and federal law. • The 5/6-Month, 7/6-Month, and 10/6-Month ARMs are assumable after the initial fixed rate period (i.e., after 60 months for the 5/6-Month ARM, after 84 months for the 7/6-Month ARM, and after 120 months for the 10/6-Month ARM). • Borrower(s) must contact their current mortgage servicer for additional information.
Interest Only Parameters	Interest only transactions are not eligible.

Multiple Financed Properties for the Same Borrower

Non-AUS

Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

- **Limits on the Number of Financed Properties**
  - The occupant borrower may not have more than two financed properties.
  - Financed properties owned by a non-occupant co-borrower that are owned separately from the borrower are excluded from the number of financed properties calculation.
  - **Examples — Counting Financed Properties**
    - A HomeReady borrower is purchasing a primary residence and is obligated on a mortgage securing an investment property. A non-occupant co-borrower is solely obligated on mortgages securing three investment properties. In this instance, the transaction is eligible for HomeReady, as the occupant borrower will have two financed properties. The non-occupant co-borrower’s financed properties are not included in the property count.
    - The borrower is personally obligated on mortgages securing two investment properties and the co-borrower is personally obligated on mortgages securing three other investment properties, and they are jointly obligated on their primary residence mortgage. The borrower is refinancing the mortgage on one of the two investment properties. Thus, the borrowers have six financed properties.
    - The borrower and co-borrower are purchasing an investment property and they are already jointly obligated on the mortgages securing five other investment properties. In addition, they each own their own primary residence and are personally obligated on the mortgages. The new property being purchased is considered the borrowers' eighth financed property.
    - The borrower is purchasing a second home and is personally obligated on his or her primary residence mortgage. Additionally, the borrower owns four two-unit investment properties that are financed in the name of a limited liability company (LLC) of which he or she has a 50% ownership. Because the borrower is not personally obligated on the mortgages securing the investment properties, they are not included in the property count and the result is only two financed properties.

Continued on next page

Multiple Financed Properties for the Same Borrower, continued

Non-AUS, continued

- The borrower is purchasing and financing two investment properties simultaneously. The borrower does not have a mortgage lien against his or her primary residence but does have a financed second home and is personally obligated on the mortgage, two existing financed investment properties and is personally obligated on both mortgages, and a financed building lot. In this instance, the borrower will have five financed properties because the financed building lot is not included in the property count.

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

Freddie Mac LPA
Follow LPA requirements, which are as follows:

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

Eligible Transactions

General	**Non-AUS**
	• Eligible transactions include:
	  • Purchase
	  • Limited cash-out (rate/term) refinance
	  • Construction lending single and two-closings
	• Cash-out refinance and renovation transactions are not eligible.
	
	Fannie Mae DU
	Follow DU requirements, which are the same as non-AUS requirements.
	
	Freddie Mac LPA
	Follow LPA requirements, which are as follows:
	• Eligible transactions include:
	  • Purchase
	  • "No cash-out" refinance
	
	Note: "No cash-out" refinance is LPA's terminology for a limited cash-out (rate/term) refinance.
	
	• Cash-out refinance, construction lending (single and two-closing), and renovation transactions are not eligible.

Purchase Transactions	**Non-AUS** Section 2.01: Agency Loan Standard non-AUS requirements apply. **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements, except as follows: • For HomeReady transactions (originated using general loan limits) with LTV, TLTV, or HTLTV ratios of 95.01-97%, at least one borrower on the loan must have a credit score. **Note**: The TLTV ratio can be up to 105% if the subordinate lien is a Community Seconds loan. **Freddie Mac LPA** Section 2.01: Agency Loan Standard LPA requirements apply.

Continued on next page

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

Non-AUS
Section 2.01: Agency Loan Standard non-AUS requirements apply.

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

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

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

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

Freddie Mac LPA
Follow LPA requirements, which are as follows:

- A "no cash-out" refinance mortgage must meet the applicable requirements outlined in the "Continuity of Obligation" subtopic presented in Section 2.01: Agency Loan Standard.
- A "no cash-out" refinance mortgage is a mortgage for which the proceeds may be used only to:
  - Pay off the principal and interest due, including a balance deferred under a loss mitigation plan, for the first mortgage, regardless of its age, used to acquire the property

    Truist Note: Truist provides the following GSE clarification:
    - If paying off an existing HELOC in first lien position, the HELOC must be paid off and closed.

  - Pay off the principal and interest due, including a balance deferred under a loss mitigation plan, for the first mortgage, originated as a refinance transaction, with a note date no less than thirty days prior to the note date of the "no cash-out" refinance mortgage, as documented in the mortgage file (e.g., on the credit report or the title commitment)
  - Pay off any costs or fees associated with the satisfaction and release of the first mortgage (e.g., late fees, prepayment penalties, etc.)
  - Pay off or pay down any junior liens secured by the mortgaged premises, that were used in their entirety to acquire the subject property. Any remaining balance must be subordinated to the refinance mortgage.
  - Pay related closing costs

    Note: Real estate taxes that are past due and/or delinquent, as defined by the taxing authority, may not be paid with the proceeds of the "no cash-out" refinance

Continued on next page

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

Freddie Mac LPA, continued

mortgage, except that if the transaction results in cash out as permitted in the following bullet, these funds may be used to pay the delinquent taxes.

- Disburse cash out to the borrower (or any other payee) up to the greater of 1% of the new refinance mortgage or $2,000
- Pay off the outstanding balance of a land contract or contract for deed if the requirements in the "Installment Land Contract" subtopic, presented in Section 2.01: Agency Loan Standard, are met
- Pay off of a Property Assessed Clean Energy (PACE) or PACE-like obligation, subject to the additional requirements outlined in the "Property Assessed Clean Energy (PACE) Loans" subtopic, presented in Section 2.01: Agency Loan Standard.
- For GreenCHOICE Mortgages®, pay an existing debt, as defined in and subject to the additional requirements outlined in the "Fannie Mae's HomeStyle® Energy for Improvements on Existing Properties/Freddie Mac's GreenCHOICE Mortgages®" subtopic, presented in Section 2.01: Agency Loan Standard.
- For GreenCHOICE Mortgages, finance eligible improvements, as defined in and subject to the additional requirements outlined in the "Fannie Mae's HomeStyle® Energy for Improvements on Existing Properties/Freddie Mac's GreenCHOICE Mortgages® subtopic, presented in Section 2.01: Agency Loan Standard.
- For CHOICERenovation® Mortgages, pay off the exiting mortgage debt and/or finance the eligible renovations described in and subject to the additional requirements outlined in the "Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation® Mortgage" subtopic, presented in Section 2.01: Agency Loan Standard.

- In the event there are remaining proceeds from the "no cash-out" refinance mortgage after the proceeds are applied as described above:
  - The mortgage amount must be reduced, or
  - The excess amount must be applied as a principal curtailment to the new refinance mortgage at closing and must be clearly reflected on the Settlement/Closing Disclosure Statement.
- Under no circumstances may cash disbursed to the borrower (or any other payee) exceed the maximum permitted for "no cash-out" refinance mortgages.

- **Secondary financing**
  - The borrower is not required to satisfy outstanding junior liens secured by the mortgaged premises, provided that the junior liens meet the requirements pertaining to secondary financing (including the special requirements for Affordable Seconds mortgages, if applicable). See the "Secondary Financing" topic subsequently presented in this document for additional details.

Continued on next page

Limited Cash-Out Refinance (LPA Terminology: "No Cash-Out" Refinance), continued	**Freddie Mac LPA,** continued • **Special documentation requirements** • If a junior lien was paid off as part of the "no cash-out" refinance transaction, the lender must maintain documentation in the mortgage file demonstrating that the full amount of the lien was used for the purchase of the subject property. • **Truist Note for Texas only**: For any refinance of a Texas Constitution Section 50(a)(6) loan that results in a loan originated in accordance with and secured by a lien permitted by Article XVI, Section 50(a)(4) of the Texas Constitution, an affidavit referenced in Section 50(f-1) Article XVI of the Texas Constitution must be prepared and recorded in connection with each such transaction. In addition to the affidavit requirement outlined above, refinances of an owner's home equity loan as a non-home equity refinance [i.e., non-50(a)(6)] loan under Article XVI, subsection 50(a)(4) of the Texas Constitution must comply with ***all*** Texas state-specific requirements for such transactions.

Continued on next page

Fannie Mae's HomeStyle® Energy for Improvements on Existing Properties / Freddie Mac's GreenCHOICE Mortgages®	**Non-AUS** Section 2.01: Agency Loan Standard non-AUS requirements apply. **Fannie Mae DU** Section 2.01: Agency Loan Standard DU requirements apply. **Freddie Mac LPA** Section 2.01: Agency Loan Standard LPA requirements apply.

Continued on next page

Fannie Mae's HomeStyle® Renovation Mortgage / Freddie Mac's CHOICERenovation® Mortgage

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

Non-AUS

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

  Exceptions:
  - For purchase transactions with LTV, TLTV, or HTLTV ratios 95.01 - 97% that combine HomeReady and HomeStyle Renovation, Fannie Mae is not requiring at least one borrower to be a first-time homebuyer.
  - The mortgage insurance requirements for HomeReady apply when HomeReady and HomeStyle Renovation are combined. See the "Mortgage Insurance" topic subsequently presented in this document for additional details.

- See the "Fannie Mae's HomeStyle Renovation Mortgage" subtopic presented in the "Eligible Transactions" topic of Section 2.01: Agency Loan Standard for additional guidance related to HomeStyle Renovation mortgage requirements.

Fannie Mae DU

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

- DU will determine that the transaction is a HomeStyle Renovation loan if the Renovation indicator in Property and Loan Information (L1) is selected and there is an amount entered in Line B (L4) of the online loan application.

Freddie Mac LPA

Follow LPA requirements, which are as follows:

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

  Exceptions:
  - For purchase transactions with LTV, TLTV, or HTLTV ratios 95.01 - 97% that combine Home Possible and CHOICERenovation, Freddie Mac is not requiring at least one borrower to be a first-time homebuyer.
  - The mortgage insurance requirements for Home Possible apply when Home Possible and CHOICERenovation are combined. See the "Mortgage Insurance" topic subsequently presented in this document for additional details.

- See the "Fannie Mae's HomeStyle Renovation / Freddie Mac CHOICERenovation Mortgage" subtopic presented in the "Eligible Transactions" topic of Section 2.01: Agency Loan Standard for additional guidance related to CHOICERenovation mortgage requirements.

Secondary Financing

General

Non-AUS

Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

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

Fannie Mae DU

Follow DU requirements which are the same as non-AUS requirements. The following additional requirement applies: ,

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

Freddie Mac LPA

Section 2.01: Agency Loan Standard LPA requirements apply, except as follows:

- **General Requirements**
  - For Home Possible transactions (with general loan limits), when the TLTV ratio exceeds 97%, the secondary financing must be an Affordable Second.
  - For high-balance Home Possible transactions, when the TLTV ratio exceeds 95%, the secondary financing must be an Affordable Second.

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

  - Rural Housing Service (RHS) Leveraged Seconds are not eligible in conjunction with a Home Possible mortgage.

- **Special Requirements for Home Possible Mortgages with a Temporary Subsidy Buydown**
  - If a Home Possible mortgage with a temporary subsidy buydown plan is subject to secondary financing, including an Affordable Second® that requires repayment to begin before the due date of the 61st monthly payment under the Home Possible mortgage, the secondary financing must have a fixed-interest rate.

Continued on next page

Community Seconds® (Fannie Mae) / Affordable Seconds® (Freddie Mac)	**Non-AUS** Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows: • **Minimum Borrower Contribution Requirements** • See the "Minimum Borrower Contribution Requirements" subtopic subsequently outlined in this product description for minimum borrower contribution requirements for transactions that contain Community Seconds. • A Community Seconds provider must not be the property seller or other interested party in the transaction, except when they are the provider of a shared equity program or sweat equity program. **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements. **Freddie Mac LPA** Section 2.01: Agency Loan Standard LPA requirements apply.

Geographic Restrictions

Introduction

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

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

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

State	Restrictions
New York	As a result of state legislation, primary residences are not eligible if the transaction is determined to be a "sub-prime home loan".

Reference: See General Section 1.02: Eligible Mortgage Loans Standard for Truist specific geographic restrictions that may apply and General Section 1.35: Compliance Overview Standard for state specific predatory lending restrictions.

Occupancy/Property Types

Eligible Occupancy/ Property Types

Non-AUS
Eligible occupancy/property types include the following:

- 1-4 unit primary residences
- Attached and detached properties
- Condominiums
- PUDs
- Group Homes
- Leasehold estates (excluding Georgia Power leaseholds and Indian lands that are leasehold estates)
- Mixed-use properties
- Modular, Prefabricated, Panelized, or Sectional Housing (other than manufactured housing)
- Properties listed for sale
- Properties purchased at auction
- Properties subject to resale restrictions
  - Properties subject to resale control deed restrictions that combine income limitations with resale price controls are considered to be "shared equity" properties which are not acceptable at this time.
- Properties with solar panels
- Properties with two or more parcels
- Rural properties
- Short sale properties

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

Freddie Mac LPA
Follow LPA requirements, which are as follows:

- Eligible occupancy/property types include the following:
  - 1-4 unit primary residences
  - Attached and detached properties
  - Condominiums
  - PUDs
  - Group Homes
  - Leasehold estates (excluding Georgia Power leaseholds and Indian lands that are leasehold estates)
  - Mixed-use properties
  - Modular, Prefabricated, Panelized, or Sectional Housing (other than manufactured housing)
  - Properties listed for sale
  - Properties purchased at auction
  - Properties subject to resale restrictions
    - Properties subject to resale control deed restrictions that combine income limitations with resale price controls are considered to be "shared equity" properties which are not acceptable at this time.
  - Properties with solar panels
  - Properties with two or more parcels
  - Rural properties
  - Short sale properties

Continued on next page

Ineligible Occupancy/ Property Types

Non-AUS
Ineligible occupancy/property types include the following:
- Agricultural properties, such as farms or ranches
- Bed and breakfast properties
- Boarding houses
- Community Land Trusts
- Condominium hotels or condotels
- Co-ops
- Georgia Power leaseholds
- Indian lands that are leasehold estates
- Investment properties
- Land development properties
- Manufactured housing, including manufactured home accessory dwelling units
- Non-warrantable condominium projects
- Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate
- Properties that are not readily accessible by roads that meet local standards
- Properties that are not suitable for year-round occupancy regardless of location
- Second homes
- Vacant land

Fannie Mae DU
Follow DU requirements, which are as follows:
- Ineligible occupancy/property types include the following:
  - Agricultural properties, such as farms or ranches
  - Bed and breakfast properties
  - Boarding houses
  - Community Land Trusts
  - Condominium hotels or condotels
  - Co-ops
  - Georgia Power leaseholds
  - Investment properties
  - Land development properties
  - Non-warrantable condominium projects
  - Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate
  - Properties that are not readily accessible by roads that meet local standards
  - Properties that are not suitable for year-round occupancy regardless of location
  - Second homes
  - Vacant land
- The following additional ineligible property type applies:
  - Indian lands that are leasehold estates
  - Manufactured housing, including manufactured home accessory dwelling units

Continued on next page

Ineligible Occupancy/ Property Types, continued	**Freddie Mac LPA**
	Follow LPA requirements, which are as follows:
	• Ineligible occupancy/property types include the following:
	  • Community Land Trusts
	  • Co-ops
	  • Georgia Power Leaseholds
	  • Houseboat projects
	  • Investment properties
	  • Land development properties
	  • Non-warrantable condominium projects
	  • Properties that do not have legal access (ingress and egress)
	  • Properties that are not suitable for year-round occupancy regardless of location
	  • Properties used primarily for agriculture or farming
	  • Properties used primarily for commercial enterprises (including, but not limited to, bed and breakfasts, boarding houses, condominium hotels and units located in a PUD operating as a hotel or similar type of transient housing that includes hotel type services and characteristics)
	  • Second homes
	  • Timeshare or segmented ownership projects
	  • Vacant or undeveloped land
	• The following additional ineligible property type applies:
	  • Indian lands that are leasehold estates
	  • Manufactured housing (including manufactured home accessory units)

Primary Residences	**Non-AUS** Section 2.01: Agency Loan Standard non-AUS requirements apply. **Fannie Mae DU** Section 2.01: Agency Loan Standard DU requirements apply. **Freddie Mac LPA** Section 2.01: Agency Loan Standard LPA requirements apply.

Continued on next page

Properties with Resale Restrictions

Non-AUS

Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

- **Eligible Borrowers**
  - **Loans with Resale Restrictions: Non-Shared Equity Transactions**
    - Borrowers must meet applicable criteria of the deed restriction.
    - For HomeReady mortgage transactions, the more restrictive of the HomeReady income limit or the resale restriction income limit applies. See "Borrower Income Limits" in the "Borrower Eligibility" subtopic subsequently presented in this document for additional information.

    Note: Age-related restrictions generally apply to the unit occupant and frequently require only one occupant to be aged 55 and over. In such a case, the borrower could be younger than 55 provided there is a unit occupant aged 55 and over. This occupant can be a non-borrower household member.

  - **Loans with Resale Restrictions: Shared Equity Transactions**
    - Properties subject to resale control deed restrictions that combine income limitations with resale price controls are considered to be "shared equity" properties which are not acceptable at this time.

Fannie Mae DU

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

Freddie Mac LPA

Section 2.01: Agency Loan Standard LPA requirements apply, except as follows:

- **Special Requirements for all Mortgages Secured by Properties Subject to Income-Based Resale Restrictions**
  - **Eligible Borrowers**
    - Borrowers must meet the program eligibility requirements established by the subsidy provider or program administrator. When the first lien mortgage is a Home Possible® mortgage, the lender must use the Home Possible income limits to determine borrower eligibility even if the subsidy provider or program administrator limits are different.
    - Properties subject to resale control deed restrictions that combine income limitations with resale price controls are considered to be "shared equity" properties which are not acceptable at this time.

Borrower Eligibility

Eligible Borrowers

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

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

Freddie Mac LPA
Follow LPA requirements, which are as follows:
- Eligible borrowers include:
    - US Citizens
    - Co-Signers and Guarantors
    - Permanent Resident Aliens
    - Non-Permanent Resident Aliens
    - Non-Occupant Borrowers
    - Inter Vivos Revocable Trusts/Living Trusts
    - Land Trusts

        Truist Note: Truist research reflects that the following states, by statute, recognize and permit the use of land trusts:
        - Colorado
        - Florida
        - Illinois
        - Indiana
        - Virginia

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

Continued on next page

Ineligible Borrowers

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

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

Freddie Mac LPA
Follow LPA requirements, which are as follows:
- Ineligible borrowers include:
  - Corporations and partnerships
  - LLCs
  - Foreign Nationals
  - Borrowers with diplomatic immunity
  - Trailing Co-borrowers

Continued on next page

Borrower Income Limits

Non-AUS

- In determining whether a borrower is eligible under the HomeReady mortgage, the borrower's income must be compared to the applicable area median income (AMI) for the property's location.
- The lender must count the income from all borrowers who will sign the note, to the extent that the income is considered in evaluating creditworthiness for the loan.
- For determining Fannie Mae loan eligibility, lenders must refer to the AMIs that Fannie Mae provides on their Area Median Income Lookup Tool, and may not rely on other published versions (such as AMIs posted on huduser.org).
- To be eligible as a HomeReady mortgage, the total annual qualifying income may not exceed 80% of the AMI for the property's location.

Fannie Mae DU

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

- Income eligibility will be confirmed by DU.

Notes:

- The Area Median Income Lookup Tool is available to check eligibility in advance of DU submission.
- For loan casefiles that are not underwritten as a HomeReady mortgage loan, DU will issue a message indicating that the loan may be eligible as a HomeReady loan if the total qualifying income entered in DU appears to be within the applicable AMI limit for the property's location.

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- The borrower's qualifying income converted to an annual basis must not exceed 80% of the area median income (AMI) for the location of the mortgage premises.
- To determine whether the borrower's income exceeds the income limits, the lender must rely on the income used to qualify the borrower and submitted to Loan Product Advisor® for Loan Product Advisor mortgages.
- Loan Product Advisor will determine the income eligibility of the mortgage.

  Note: The Home Possible® Income & Property Eligibility Tool is available to allow lenders to check eligibility in advance of LPA submission. The lender may not use other published AMI versions (such as AMIs posted on huduser.org), in advance of LPA submission, to determine mortgage or product eligibility.

Continued on next page

Homeownership Education and Housing Counseling

Non-AUS

Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

- **Homeownership Education and Housing Counseling**
  - For the following transactions, at least one borrower on the loan must complete the homeownership education or housing counseling requirements:
    - HomeReady mortgage purchase transactions, when all occupying borrowers are first-time homebuyers; or
    - If all borrowers on the loan are relying solely on nontraditional credit to qualify, regardless of the transaction type or whether the borrowers are first-time homebuyers.

    Note: The requirements that apply to purchases also apply to construction-to-permanent transactions that are processed as a purchase.

  - ***Housing Counseling Special Feature Code Requirement***:
    - Use SFC 184 to identify loans where at least one borrower completed housing counseling within 12 months prior to loan closing.

      Note: If at least one borrower completes the housing counseling within 12 months prior to loan closing and the HomeReady loan is delivered with Special Feature Code 184, the **lender** (selling the loan to Fannie Mae) receives a $500 loan level price adjustment credit from Fannie Mae. At this time, Truist is unable to pass this $500 price adjustment credit on to the Correspondent Lender.

    Reference: See “Housing Counseling” in the “Homeownership Education and Housing Counseling” subtopic within the “Eligible Borrowers” topic outlined in Section 2.01: Agency Loan Standard for additional information.

  - **Completion of Form 1103**
    - Lenders are required to present the *Supplemental Consumer Information Form* (Form 1103) to the borrower. The lender or borrower should complete the Homeownership Education and Housing Counseling section of the form for those transactions where homeownership education or housing counseling is required. A copy of this form must be maintained in the loan file.

Continued on next page

Homeownership Education and Housing Counseling, continued

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

- **Homeownership Education and Housing Counseling**
  - HomeReady mortgage transactions, where all borrowers on the loan are relying solely on nontraditional credit to qualify (i.e., no borrowers on the loan have a credit score), are not eligible.

    Reference: See the "Nontraditional Credit History" subtopic within the "Credit Requirements" topic outlined in Section 2.01: Agency Loan Standard for underwriting and eligibility requirements for DU loans when at least one borrower has no credit score and another borrower has a credit score.

  - Any data collected that is associated with *Supplemental Consumer Information Form* (Form 1103) should be provided to DU. Though not required for underwriting, the date of completion and Housing Counseling Agency ID must be provided to DU.

Freddie Mac LPA
Follow LPA requirements, which are as follows:

- **Homeownership Education**
  - **General Requirements**
    - At least one occupying borrower must participate in a homeownership education program before the note date, in the following instance:
      - For purchase transactions when all occupying borrowers are first-time homebuyers

    Reference: See the "Homeownership Education and Housing Counseling" subtopic within the "Eligible Borrowers" topic outlined in Section 2.01: Agency Loan Standard for guidance regarding acceptable formats of homeownership education programs, provider restrictions, and documentation requirements.

- **Landlord Education (2- to 4-Unit Primary Residences)**
  - **Purchase Transactions**
    - At least one qualifying borrower must participate in a landlord education program before the note date. Landlord education must not be provided by an interested party to the transaction, the originating lender, or the lender selling the loan to Freddie Mac.
    - A copy of a certificate evidencing successful completion of the landlord education program must be retained in the mortgage file.

  - **Refinance Transactions**
    - Landlord education is not required but is recommended for borrowers who have not previously attended a program.

- **Post-purchase and Early Delinquency Counseling**
  - The lender, as Servicer, must provide (at no cost to the borrower) early delinquency counseling to all borrowers who experience problems meeting their mortgage obligations.

Continued on next page

Non-Occupant Borrowers

Non-AUS
If the income of a guarantor, co-signer, or a co-borrower is used for qualifying purposes and that guarantor, co-signer, or co-borrower will not occupy the subject property, the maximum LTV, TLTV, and HTLTV ratio may not exceed 90% (unless a Community Seconds is part of the transaction, in which case the TLTV ratio may not exceed 105% where permitted in the "Maximum LTV/TLTV/HTLTV Matrices").

Fannie Mae DU
Follow DU requirements, which are as follows:

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

Freddie Mac LPA
Follow LPA requirements, which are as follows:

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

Continued on next page

Boarder Income

Non-AUS

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

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

Freddie Mac LPA
Follow LPA requirements, which are as follows:

- Rental income from a 1-unit primary residence may be considered stable monthly income provided it meets the "General Eligibility Requirements" outlined in the "Rental Income" subtopic within Section 2.01: Agency Loan Standard and:
  - the "Rental Income from Live-in Aide Residing in a 1-Unit Primary Residence" requirements outlined in the "Rental Income" subtopic within Section 2.01: Agency Loan Standard, or
  - the "Rental Income Generated from an ADU on a Subject 1-Unit Primary Residence" requirements outlined in the "Rental Income" subtopic within Section 2.01: Agency Loan Standard, or
  - the following requirements:
    - The person providing the rental income:
      - Must not be obligated on the mortgage and must not have an ownership interest in the mortgaged premises
      - Must have resided with the borrower for at least one year
      - Will continue residing with the borrower in the new residence
      - Must provide appropriate documentation to evidence residency with the borrower (e.g., driver's license, bill, bank statement, etc., showing their address matches the borrower's address)
      - Cannot be the borrower's spouse or domestic partner

Continued on next page

Boarder Income, continued

Freddie Mac LPA, continued

- Rental income from the person residing in the mortgaged premises:
  - Must have been paid to the borrower for the past 12 months
  - Can be verified through evidence showing receipt of regular payments of rental income to the borrower for at least nine of the past 12 months (e.g., copies of cancelled checks)
  - Must be averaged over 12 months for qualifying purposes if fewer than 12 months of payments are documented
  - Cannot exceed 30% of total income used to qualify for the mortgage
- The mortgage file must contain a written statement in the form of a signed letter or e-mail directly from the borrower affirming:
  - The source of the rental income
  - The fact that the person providing the rental income has resided with the borrower for the past year and intends to continue residing with the borrower in the new residence for the foreseeable future

---

Income Limits

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

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

Non-AUS

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

  Truist Note: Truist provides the following GSE clarification:
  - If the borrower does not have a lease to document rental income, lenders may obtain a Fannie Mae *Single-Family Comparable Rent Schedule* (Form 1007) from the appraiser. Although the form applies to a single-family investment property, Fannie Mae will accept the use of this form with an explanation from the appraiser that the estimated market rent is for the rental of an accessory unit on a 1-unit, primary residence property, and that the information reported on the form is specific to the accessory unit.

- See “Accessory Units” in the “Improvements Section of the Appraisal Report” subtopic, outlined in the “Appraisal Analysis: Agency Loan Programs” topic within Section 1.07: Appraisal Standard for additional details related to acceptable accessory units.

Fannie Mae DU

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

Freddie Mac LPA

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

Credit Requirements

Credit Score Requirements

Non-AUS

Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

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

Maximum DTI </= 36%			
Transaction Type	**# of Units**	**Minimum Credit Score**	**Minimum Reserves**
Purchase & Limited Cash-Out (Rate/Term) Refinance	1	680 if > 75% 640 if </= 75%	0
		660 if > 75%	6
	2	680 if > 75% 640 if </= 75%	6
	3-4	660	6

Maximum DTI </= 45%			
Transaction Type	**# of Units**	**Minimum Credit Score**	**Minimum Reserves**
Purchase & Limited Cash-Out (Rate/Term) Refinance	1	720 if > 75% 680 if </= 75%	0
		700 if > 75% 660 if </= 75%	6
	2	700 if > 75% 680 if </= 75%	6
	3-4	680	6

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

Continued on next page

Credit Score Requirements, continued

Non-AUS, continued

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

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

Fannie Mae DU

Section 2.01: Agency Loan Standard DU requirements apply, except as follows:

- For HomeReady transactions (with general and high balance loan limits), at least one borrower on the transaction must have a credit score.
- For all DU loans, the representative credit score must be used to determine if the minimum credit score requirement has been met for the HomeReady loan transaction.
- The minimum representative credit score requirement is 640.

Reference: See the "Nontraditional Credit History" subtopic within the "Credit Requirements" topic outlined in Section 2.01: Agency Loan Standard for underwriting and eligibility requirements for DU loans when at least one borrower has no credit score and another borrower has a credit score.

Continued on next page

Credit Score Requirements, continued

Freddie Mac LPA

Section 2.01: Agency Loan Standard LPA requirements apply, except as follows:

- For Home Possible transactions (with general loan limits), at least one borrower on the transaction must have a usable credit score.
- For high-balance Home Possible transactions, Freddie Mac requires that at least one borrower on the transaction must have a usable credit score, as determined by Loan Product Advisor.
- The minimum credit score requirement is 640.

Reference: For Home Possible transactions originated using general loan limits, see the "Nontraditional Credit History" subtopic within the "Credit Requirements" topic outlined in Section 2.01: Agency Loan Standard for underwriting and eligibility requirements for underwriting and eligibility requirements for LPA loans when at least one borrower has a usable credit score but not all borrowers have a usable credit score.

Continued on next page

Nontraditional Credit History

Non-AUS

Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

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

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

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

- **Number of Nontraditional Credit References Required**
  - The number of nontraditional credit references that must be documented for a borrower without a credit score is as follows:
    - Three credit references for each borrower without a credit score
  - If there is a borrower on the loan without a credit score who cannot document any nontraditional credit references (because the borrower has none), the transaction is still eligible, provided no more than 30% of the qualifying income for the loan comes from that borrower.

Fannie Mae DU

Section 2.01: Agency Loan Standard DU requirements apply.

Freddie Mac LPA

Section 2.01: Agency Loan Standard LPA requirements apply.

Cash Requirements

Assets

Non-AUS
Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

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

Fannie Mae DU
Section 2.01: Agency Loan Standard DU requirements apply, except as follows:

- Cash-on-hand and sweat equity are acceptable sources of funds for HomeReady mortgage loans. See the “Cash-on-hand” and “Sweat Equity” subtopics subsequently presented in this document for additional guidance.
- DU considers the following liquid assets: Bonds, Bridge Loan Proceeds, Cash-on-Hand (for certain HomeReady loans only), Cash Value of Life Insurance, Certificate of Deposit, Checking, Gift (not deposited), Gift of Equity, Grant (not deposited), Individual Development Account, Money Market, Mutual Fund, Net Equity, Other Liquid Asset, Proceeds from Real Estate Property to be sold on or before closing, Proceeds from Sale of Non-Real Estate Asset, Retirement, Savings, Secured Borrowed Funds, Stocks, Stock Options (vested), and Trust Account.

Freddie Mac LPA
Follow LPA requirements, which are as follows:

- Section 2.01: Agency Loan Standard LPA requirements apply, except as follows:
  - **Sources of Funds**
    - The following sources of funds are permitted and must meet the requirements below:

Use	Permitted Sources of Funds
Minimum borrower contribution	• Borrower personal funds
Down payment	• Borrower personal funds • Other eligible sources of funds
Paying down the principal balance of the mortgage being refinanced for a "no cash-out" refinance transaction	• Borrower personal funds • Other eligible sources of funds
Closing Costs	• Borrower personal funds • Other eligible sources of funds • Flexible sources of funds
Reserves	• Borrower personal funds • Other eligible sources of funds

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

Continued on next page

Assets, continued

Freddie Mac LPA, continued

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

    Truist Notes:
    - Freddie Mac does not purchase loans where a gift or grant is provided by the originating lender who is not also the seller of the loan directly to Freddie Mac. Therefore, Truist cannot purchase loans from a Correspondent lender where the Correspondent originating lender has provided a gift or grant.
    - Freddie Mac permits a lender to be the source of an affordable second (i.e., a lender-funded affordable second) ***only*** if the first lien is originated as a Retail Mortgage. A mortgage that a Correspondent lender completely or partially originated, processed, underwrote, packaged, funded or closed is not eligible for delivery to Freddie Mac as a Retail Mortgage. Therefore, Truist cannot purchase Home Possible loans from a Correspondent lender where the Correspondent originating lender is the source of an affordable second.

  - **Flexible Sources of Funds**
    - For Home Possible Mortgages, flexible sources of funds include:
      - Financing concessions, as described in the "Interested Party Contributions (IPCs)" topic outlined in Section 2.01: Agency Loan Standard
      - Lender credit, as described in the "Lender Contributions/Lender Credit" subtopic outlined in Section 2.01: Agency Loan Standard and as documented on the Settlement/Closing Disclosure Statement

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

Continued on next page

Minimum Borrower Contribution Requirements

Non-AUS

- The following table describes the minimum borrower contribution requirements for purchase transactions.

LTV, TLTV, or HTLTV Ratio	Minimum Borrower Contribution Requirement from Borrower's Own Funds	
80% or less	1-4 Unit Primary Residence	A minimum borrower contribution from the borrower's own funds is not required.
Greater than 80%	1 Unit Primary Residence	A minimum borrower contribution from the borrower's own funds is not required.
	2-4 Unit Primary Residence[1]	• The borrower must make a 3% minimum contribution from their own funds unless there is any type of grant. • If a grant is being provided, the borrower must make a 5% minimum contribution from their own funds. After the minimum borrower contribution has been met, grants can be used to supplement the down payment, closing costs, reserves, and energy-related improvements.

[1] If the income of a co-signer, guarantor, or non-occupant borrower is used for qualifying purposes, the occupying borrower(s) is required to make a minimum 5% contribution from their own funds.

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

Fannie Mae DU

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

- The following table describes the minimum borrower contribution requirements for purchase transactions.

Continued on next page

Cash Requirements, Continued

Minimum Borrower Contribution Requirements, continued

Fannie Mae DU, continued

LTV, TLTV, or HTLTV Ratio	Minimum Borrower Contribution Requirement from Borrower's Own Funds	
80% or less	1-4 Unit Primary Residence	A minimum borrower contribution from the borrower's own funds is not required.
Greater than 80%	1 Unit Primary Residence	A minimum borrower contribution from the borrower's own funds is not required.
	2-4 Unit Primary Residence	• The borrower must make a 3% minimum contribution from their own funds unless there is any type of grant. • If a grant is being provided, the borrower must make a 5% minimum contribution from their own funds. After the minimum borrower contribution has been met, grants can be used to supplement the down payment, closing costs, reserves, and energy-related improvements.

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- The following requirements apply for purchase transactions:

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

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

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

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

Cash-on-Hand

Non-AUS

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

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

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

Fannie Mae DU

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

Continued on next page

Cash-on-Hand, continued

Freddie Mac LPA
Follow LPA requirements, which are as follows:

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

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

Continued on next page

Cash-on-Hand, continued

Freddie Mac LPA, continued

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

Continued on next page

Donations from Entities - Grants

Non-AUS

- **Overview**
  - Borrowers of a mortgage loan secured by a primary residence may use funds donated from acceptable entities for all or part of the down payment, closing costs, or financial reserves subject to the minimum borrower contribution requirements. These funds are referred to as a grant.
  - Grants must be funded by one of the following entities, provided they are not the property seller or other interested party in the transaction:
    - a federal agency, state, county, or similar political subdivision of a state;
    - any city, town, village, or borough of a state that:
      - has a local government and that has been created by a special legislative act,
      - has been otherwise individually incorporated or chartered pursuant to state law, or
      - is recognized as such under the constitution or by the laws of the state in which it is located,
    - a housing finance agency as defined in 24 C.F.R. §266.5;
    - a nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;
    - a regional Federal Home Loan Bank under one of its affordable housing programs;
    - an employer where the borrower is an employee (See the "Employer Assistance" subtopic subsequently presented in this topic for additional information about grants from employers); or
    - an Indian tribe on the most current list published by the Secretary of the Interior pursuant to 25 U.S.C. §5131
  - Down payment assistance may not be funded in any way through the first lien mortgage, such as premium pricing.
  - Grant funds may also be applied towards energy-related improvements if:
    - the program under which the funds are made available allows such a use, and
    - the minimum borrower contribution requirements are met.

- **Lender-Funded Grants**
  - Lender-funded grants are <u>not eligible</u>.

- **Minimum Borrower Contribution Requirements**
  - See the "Minimum Borrower Contribution Requirements" subtopic previously presented in this topic for minimum borrower contribution requirements for transactions that contain grants.

- **Donation Requirements**
  - The grant must be documented with a copy of the letter awarding the grant to the borrower or a copy of the legal agreement that specifies the terms and conditions of the grant. The document must include language indicating that repayment of the grant is not expected, and how the funds will be transferred to the borrower, lender, or closing agent.

Continued on next page

Donations from Entities – Grants, continued

Non-AUS, continued

- **Donation Requirements, continued**
  - The transfer of grants must be documented with a copy of the donor's canceled check, a copy of the settlement statement showing receipt of the check, or similar evidence. The documentation must be included in the individual mortgage file.

Fannie Mae DU

Follow DU requirements, which are the same as non-AUS requirements. The following additional requirements apply:

- **Form 1003 1/2021**
  - Grants (and gifts) are entered in Section 4d and identified as being deposited or not deposited. Grants that are deposited have been received by the borrower and the value should be included in another asset account. The amount of the grant is not included in available funds.
  - Grants that are not deposited are not included in another asset account. The amount of the grant is included in available funds.

Freddie Mac LPA

Follow LPA requirements, which are as follows:

- A gift or grant from an Agency that does not have to be repaid is an eligible source of funds provided that:
  - The gift or grant is given pursuant to an established program,
  - The Agency is not an interested party (as described in the "Interested Party Contributions (IPCs)" topic outlined in Section 2.01: Agency Loan Standard,

    Reference: See the "Note" at the end of this section for Freddie Mac's definition of "Agency."

  - The funds were not obtained from an interested party either directly or through a third party, and
  - With respect to the subject mortgage, the Agency must not:
    - Be the lender or have participated in any aspect of the mortgage origination process
    - Be affiliated with, under contract to, or financed (directly or indirectly) by the lender or any party that participated in the mortgage origination process

    Notes:

    - For these purposes, "affiliated with" means that the Agency and the lender or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.
    - If the source of funds is an Employer Assisted Homeownership (EAH) Benefit, see the "Employer Assistance" subtopic outlined in Section 2.01: Agency Loan Standard for the permitted exceptions to the above guidance.

Continued on next page

Donations from Entities – Grants, continued

Freddie Mac LPA, continued

- Gifts and grants from Agencies are not eligible sources of funds for second home and investment property mortgages.
- Documentation requirements are as follows:

Streamlined Accept and Standard Documentation Requirements
Provide documentation supporting a gift or grant from an Agency. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower. The documentation must: • Establish that the funds were provided by an Agency • Establish that the organization has an established gift or grant program • Establish that the funds are a gift or grant that does not have to be repaid • Provide evidence that the funds were received by the borrower or by the lender on the borrower's behalf • Identify the donor's mailing address

- **Lender-Funded Grants**
  - Freddie Mac does not purchase loans where a grant is provided by the originating lender who is not also the seller of the loan directly to Freddie Mac. Therefore, Truist cannot purchase loans from a Correspondent lender where the Correspondent originating lender has provided a grant.

Note: Freddie Mac's defines "Agency" as follows:
- The sponsor or provider of financial assistance through an agency gift or grant, Affordable Second®, Individual Development Account (IDA), or unsecured loan, as applicable. An Agency must be one of the following:
  - A municipality which includes any duly authorized authority or agency of the federal, state, local or municipal government
  - A non-profit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code
  - An employer where the borrower is an employee
  - A regional Federal Home Loan Bank under one of its affordable housing programs
  - A Native American Tribe as defined below:
    - A federally recognized Indian tribe of the United States that is included in the U.S. Department of the Interior Bureau of Indian Affairs (BIA's) most recent publication of the notice titled "Indian Entities Recognized by and Eligible To Receive Services From the United States Bureau of Indian Affairs".

      Note: An entity created or partially or wholly owned by a Native American Tribe that does not qualify as a Tribally Designated Housing Entity (TDHE) cannot be considered an Agency.

Continued on next page

Sweat Equity

Non-AUS

- Fannie Mae considers sweat equity an acceptable source of funds for HomeReady loans when the borrower participates in an affordable housing purchase program run by an eligible provider. Sweat equity program providers must be a nonprofit organization exempt from taxation under Section 501(c)(3) of the IRS code with a demonstrated history of affordable housing construction and experience in managing volunteers.
- Sweat equity can only be applied towards the down payment, and the borrower must comply with the minimum borrower contribution requirements for purchase transactions previously outlined in this document.
- The following table provides the maximum sweat equity amount and LTV ratio requirements based on property type.

Property Type	Maximum Sweat Equity	Maximum LTV
One-unit residence	None	95%
Two-to four-unit residence	2% of the lesser of the purchase price or appraised value	Refer to the maximum LTV/TLTV/HTLTV matrices previously presented in this document for maximum LTV ratios

- The lender must document the loan is originated under a specific lending program. The value attributed to sweat equity must be based on the hours of work performed. The following table provides instructions for determining the contributory value of sweat equity.

Step	Determining the Value of Sweat Equity
1	• The hours of work to be performed and the hourly rate established by the sweat equity program provider must be fully documented in an agreement between the borrower and the provider. • The hourly rate must conform with the national or state value of volunteer time per hour.
2	The hours of work performed each day must be recorded in a log managed by the sweat equity program provider. The log must include all of the following: • program name, • borrower name, • work date(s), • time in/out, • number of hours, • volunteer worker name, • work location and activity, and • supervisory approval. **Note**: The hours of work performed must be completed before the loan is closed.
3	The contributory value of the sweat equity is calculated by multiplying the total number of hours of work performed by the hourly rate. **Example**: 500 hours worked x $20 per hour = $10,000
4	The lender must review the agreement and log from the sweat equity program provider to validate the contributory value of the sweat equity applied towards the down payment. All documentation must be retained in the loan file.

Continued on next page

Sweat Equity, continued

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

Freddie Mac LPA
Follow LPA requirements, which are as follows:

- When used with Home Possible mortgages, other eligible sources of funds used to qualify the borrower for the mortgage transaction include sweat equity, if the following conditions are met:
  - Sweat equity is credit for labor performed on the mortgaged premises and/or materials furnished for the mortgaged premises by the borrower. Such credit must be fully explained and documented.
  - Any labor performed must be completed in a skillful and workmanlike manner to support the appraised value. A certification of completion (Form 442) must be obtained verifying the work has been completed. The full amount of the borrower's down payment may be in the form of sweat equity or a combination of sweat equity and borrower personal funds as described in the “Borrower Personal Funds” section outlined in the “Assets” subtopic previously presented in this topic. Sweat equity can also be used in combination with an Affordable Second.

  - **Eligible Repairs and Improvements**
    - Sweat equity is an eligible source of funds in connection with the following repairs and improvements:
      - All repairs and improvements to be completed by the borrower that are listed in the sales contract and included in the appraisal report
      - Repairs or improvements that are reflected on the appraisal report that are outstanding at the time of the appraisal. Credit for work completed prior to the original property inspection by the appraiser is not eligible for sweat equity.

  - **Determining the Value of the Sweat Equity**
    - The value of the sweat equity that may be used as an eligible source of funds equals the value of the labor performed plus the value of the materials furnished, documented as follows:
      - The value of the labor performed must be estimated by the appraiser or a cost estimating service and documented in the appraisal report or separately in the mortgage file; and
      - The value for materials furnished must either be estimated by the appraiser or a cost estimating service or be calculated using receipts from the purchase of the materials. The estimates or costs as evidenced by receipts must be documented in the mortgage file.

Continued on next page

Sweat Equity, continued

Freddie Mac LPA, continued

- **Maximum Loan-to-Value (LTV) and Total LTV (TLTV) Ratios**
  See the "Home Possible LTV/TLTV/HTLTV Ratio Requirements" subtopic previously presented in this document for maximum LTV/TLTV ratio requirements.

- **No Cash Out at Closing**
  - If sweat equity is used as an eligible source of funds, the borrower must not receive cash back at closing. All excess funds must result in a reduction of the principal balance on the mortgage.

- **Special Feature Code (SFC) Requirement**
  - Use SFC J11 to identify Home Possible Mortgages originated with sweat equity as a credit towards the borrower's down payment and/or closing costs.

Continued on next page

Unsecured Loans

Non-AUS
Section 2.01: Agency Loan Standard non-AUS requirements apply.

Fannie Mae DU
Section 2.01: Agency Loan Standard DU requirements apply.

Freddie Mac LPA
Follow LPA requirements, which are as follows:

- For Home Possible purchase transactions, proceeds from an unsecured loan from the following sources are other eligible sources of funds that may be used to qualify the borrower for the mortgage transaction:
    - A Related Person
    - A Community Savings System (funds exceeding the borrower's contribution to the Community Savings System)
    - An Agency that is not:
        - The lender or has participated in any aspect of the mortgage origination process
        - Affiliated with, under contract to, or financed (directly or indirectly) by the lender or any party that participated in the mortgage origination process.

          Note: For these purposes, "affiliated with" means that the Agency and the lender or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

      Reference: See the "Note" at the end of the "Donations from Entities – Grants" subtopic previously presented in this document for Freddie Mac's definition of "Agency."

- An unsecured loan must meet the following requirements:
    - Must not contain provisions that allow or could result in negative amortization
    - Must have a maturity date that:
        - Does not exceed the maturity date of the mortgage
        - Is at least five years after the note date of the mortgage, unless the unsecured loan is fully amortizing
    - Must have an interest rate that is no greater than the note rate on the mortgage
    - Must not be a cash advance from a credit card or unsecured line of credit
    - Must have its source, terms and conditions documented on the Form 65, Uniform Residential Loan Application
- If the monthly payment begins on or after the 61st monthly payment under the first lien mortgage or if repayment of the loan is due only upon sale or default, the monthly payment amount may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.

Truist Notes:

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

Financed Permanent Interest Rate Buydowns

General	**Non-AUS** Truist clarifies that HomeReady mortgages with a financed permanent buydown are permitted, as long as LTV/TLTV/HTLTV requirements are met. **Truist Note**: A financed permanent buydown mortgage is a mortgage for which the borrower has permanently reduced the interest rate by financing discount points in the loan amount. **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements. **Freddie Mac LPA** Follow LPA requirements, which are as follows: • A financed permanent buydown mortgage is a mortgage for which the borrower has permanently reduced the interest rate by financing discount points in the loan amount. • Home Possible mortgages with a financed permanent buydown are not eligible.

Temporary Interest Rate Buydowns

General

Non-AUS
Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

- **Eligible Transaction Types**
  - Loans must be purchase transactions.
  - Loans must be fixed-rate, 7/6-Month, or 10/6-Month ARM.

- **Lender-Funded Buydowns**
  - Correspondent Lenders may provide a temporary buydown or use the *ARM Alternative*, Truist's Lender-Funded buydown program. See Section 2.02: ARM Alternative Standard of the *Correspondent Seller Guide* for details on Truist's Lender-Funded buydown programs.

- **Special Feature Code (SFC) Requirement**
  - Use SFC 009 to identify a loan with a temporary interest rate buydown.

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

Freddie Mac LPA
Section 2.01: Agency Loan Standard LPA requirements apply, except as follows:

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

    Note: A "no cash-out" refinance mortgage with a buydown plan funded from lender credit derived from an increase in the interest rate is not permitted.

  - Loans may be fixed-rate, 5/6-Month, 7/6-Month, or 10/6-Month ARM.

- **Lender-Funded Buydowns**
  - Correspondent Lenders may provide a temporary buydown or use the *ARM Alternative*, Truist's Lender-Funded buydown program. See Section 2.02: ARM Alternative Standard of the *Correspondent Seller Guide* for details on Truist's Lender-Funded buydown programs.

- **Special Feature Code (SFC) Requirement**
  - Use SFC 009 to identify a loan with a temporary interest rate buydown.

Mortgage Insurance

General

Non-AUS

Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

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

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

Fannie Mae DU

Section 2.01: Agency Loan Standard DU requirements apply, except as follows:

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

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

Continued on next page

General, (continued)

Freddie Mac LPA

Section 2.01: Agency Loan Standard LPA requirements apply, except as follows:

- **Mortgage Insurance Coverage Requirements**
  - Freddie Mac offers two mortgage insurance coverage options: standard mortgage insurance and custom mortgage insurance. The custom mortgage insurance option provides an alternative to standard mortgage insurance coverage. For Home Possible mortgage transactions, Truist requires that the standard coverage be obtained. The custom mortgage option is not permitted.
  - The standard minimum coverage levels apply as stated in the table below:

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

- **Borrower-Paid Financed Premiums**
  - For Home Possible mortgages, the Gross LTV ratio must not exceed 97%.

- **Lender-Paid Mortgage Insurance**
  - For Home Possible (general and high balance loan limits) mortgage transactions, Truist only offers a single premium option. Monthly and annual premiums are not eligible.

Appraisal Requirements

General

Section 2.01: Agency Loan Standard non-AUS requirements apply, except as follows:

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

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

Fannie Mae DU

Section 2.01: Agency Loan Standard DU requirements apply, except as follows:

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

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

- Desktop appraisals are not eligible on HomeReady loan transactions.

Freddie Mac LPA

Section 2.01: Agency Loan Standard LPA requirements apply, except as follows:

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

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

Underwriting the Borrower

General

Non-AUS

Section 2.01: Agency Loan Standard non-AUS requirements apply.

Fannie Mae DU

Section 2.01: Agency Loan Standard DU requirements apply.

Freddie Mac LPA

Section 2.01: Agency Loan Standard LPA requirements apply, except as follows:

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

Program and Investor Codes

HomeReady Program Codes

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

Program Description	Program Code for Truist Internal Use Only
FNMA HomeReady 10 Year Fixed	FNHR10
FNMA HomeReady 15 Year Fixed	FNHR15
FNMA HomeReady 20 Year Fixed	FNHR20
FNMA HomeReady 30 Year Fixed	FNHR30
ARMAlt FNMA HomeReady 30 Year Fixed 2-1	FNHR30
ARMAlt FNMA HomeReady 30 Year Fixed 1.5-.75	FNHR30
ARMAlt FNMA HomeReady 30 Year Fixed 1-.5	FNHR30
FNMA HomeReady Plus 10 Year Fixed	HRH10
FNMA HomeReady Plus 15 Year Fixed	HRH15
FNMA HomeReady Plus 20 Year Fixed	HRH20
FNMA HomeReady Plus 30 Year Fixed	HRH30
ARMAlt FNMA HomeReady Plus 30 Year Fixed 2-1	HRH30
ARMAlt FNMA HomeReady Plus 30 Year Fixed 1.5-.75	HRH30
ARMAlt FNMA HomeReady Plus 30 Year Fixed 1-.5	HRH30
FNMA HomeReady 5/6 SOFR ARM	56FNHR
FNMA HomeReady 7/6 SOFR ARM	76FNHR
FNMA HomeReady 10/6 SOFR ARM	106FNHR
FNMA HomeReady Plus 5/6 SOFR ARM	56HRH
FNMA HomeReady Plus 7/6 SOFR ARM	76HRH
FNMA HomeReady Plus 10/6 SOFR ARM	106HRH

Continued on next page

Program and Investor Codes, Continued

Home Possible Program Codes

Program Description	Program Code for Truist Internal Use Only
Freddie Mac HomePossible 10 Year Fixed	FRHP10
Freddie Mac HomePossible 15 Year Fixed	FRHP15
Freddie Mac HomePossible 20 Year Fixed	FRHP20
Freddie Mac HomePossible 30 Year Fixed	FRHP30
ARMAlt Freddie Mac HomePossible 30 Year Fixed 2-1	FRHP30
ARMAlt Freddie Mac HomePossible 30Yr Fixed 1.5-.75	FRHP30
ARMAlt Freddie Mac HomePossible 30 Year Fixed 1-.5	FRHP30
Freddie Mac HomePossible Plus 10 Year Fixed	HPH10
Freddie Mac HomePossible Plus 15 Year Fixed	HPH15
Freddie Mac HomePossible Plus 20 Year Fixed	HPH20
Freddie Mac HomePossible Plus 30 Year Fixed	HPH30
ARMAlt Freddie Mac Home Possible Plus 30 Year Fixed 2-1	HPH30
ARMAlt Freddie Mac Home Possible Plus 30 Yr Fixed 1.5-.75	HPH30
ARMAlt Freddie Mac HomePossible Plus 30 Year Fixed 1-.5	HPH30
Freddie Mac Home Possible 5/6 SOFR ARM	56FRHP
Freddie Mac Home Possible 7/6 SOFR ARM	76FRHP
Freddie Mac Home Possible 10/6 SOFR ARM	106FRHP
Freddie Mac Home Possible Plus 5/6 SOFR ARM	56HPH
Freddie Mac Home Possible Plus 7/6 SOFR ARM	76HPH
Freddie Mac Home Possible Plus 10/6 SOFR ARM	106HPH

Investor Codes

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