

## FANNIE MAE VS. FREDDIE MAC

### A Side-by-Side Comparison of FNMA & FHLMC conventional mortgage products

Your borrowers have broad and unique needs, and LHFS has you covered with our suite of mortgage products. This document contains a comparison of guidelines and pricing differences for Fannie Mae (FNMA) and Freddie Mac (FHLMC) conventional mortgage products. LHFS has made every effort to highlight the main variances within FNMA & FHLMC.

This document is not meant to be a complete list of differences.

TOPIC	FANNIE MAE (FNMA)	FREDDIE MAC (FHLMC)
LOAN ELIGIBILITY	<b>BORROWER ELIGIBILITY</b> <u>Reference: B3-5-04</u> <ul style="list-style-type: none"> <li>Borrowers with current, unexpired DACA (Deferred Action for Childhood Arrivals) status <u>may be eligible</u> provided:               <ul style="list-style-type: none"> <li>has an Individual Tax Identification Number</li> <li>is a salaried borrower with acceptable employment history</li> <li>has nontraditional credit acceptable per the <a href="#">Fannie Mae Selling Guide (B3-5.4)</a></li> <li>must be manually underwritten</li> <li>meets all other Selling Guide requirements</li> <li>includes High Balance</li> </ul> </li> </ul>	<u>Reference: 5103.2</u> <ul style="list-style-type: none"> <li>Borrowers with deferred action status, which includes DACA <u>are not eligible</u></li> </ul>
	<b>LTV PRIMARY &amp; SECOND HOME</b> <u>Reference: Fannie Eligibility Matrix</u> <ul style="list-style-type: none"> <li>Same EXCEPT 3-4 Unit Property Maximum is <u>75%</u></li> </ul>	<u>Reference: Freddie Maximum LTV</u> <ul style="list-style-type: none"> <li>Same EXCEPT 3-4 Unit Property Maximum is <u>80%</u></li> </ul>
	<b>LTV INVESTMENT PROPERTIES</b> <u>Reference: Fannie Eligibility Matrix</u> <ul style="list-style-type: none"> <li>Limited Cash-Out Investment Property is <u>75% on 1-4 Units</u></li> </ul>	<u>Reference: Freddie Maximum LTV</u> <ul style="list-style-type: none"> <li>No Cash-Out Investment Property is <u>85% for 1 Unit</u> &amp; 75% for 2-4 Units</li> </ul>
	<b>MULTIPLE FINANCED PROPERTIES</b> <u>Reference: B2-2-03</u> <ul style="list-style-type: none"> <li>Maximum # is 10</li> <li>Reserves are based on <u>UPB [Unpaid Principal Balance]</u> <ul style="list-style-type: none"> <li>2% of the UPB 1-4 Properties</li> <li>4% of the UPB 5-6 Properties</li> <li>6% of the UPB 7-10 Properties</li> </ul> </li> </ul>	<u>Reference: 4201.16</u> <ul style="list-style-type: none"> <li>Maximum # is 10</li> <li>Reserves are based on <u>PITIA</u></li> <li>2 months for each property when 1-6 properties</li> <li>8 Months for Each Property when 7-10 properties</li> </ul>



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<b>CREDIT</b>	<b>30 DAY ACCOUNTS – INCLUDE IN DTI?</b> <b>Reference: B3-6-05</b> <ul style="list-style-type: none"> <li>Not Required to be Included in DTI</li> <li>Must Verify Funds to Pay</li> </ul>	<b>Reference: 5401.2</b> <ul style="list-style-type: none"> <li>Not Required to be Included in DTI <b>[See Requirements below in red]</b> *</li> <li>Must Verify Funds to Pay</li> </ul>
	<b>30 DAY ACCOUNTS – ABILITY TO PAYOFF</b> <b>Reference: B3-06-07</b> <ul style="list-style-type: none"> <li>30-Day Account that Does Not Reflect a Monthly Payment OR,</li> <li>30-Day Account that Reflects a Monthly Payment Equal to the Account Balance</li> <li>DU Will Include Balance in “Reserves Required” in Underwriting Findings.</li> <li>If DU Requires No Reserves the Cash-Out to the Borrower will be Reduced by Payoff Amount OR,</li> <li>If the borrower paid off the account balance prior to closing, the lender may provide proof of payoff in lieu of verifying funds to cover the account balance.</li> </ul>	<b>Reference: 5401.2</b> * Regardless of the balance. If a monthly payment is not on the credit report, AND there is no documentation in the mortgage file indicating the monthly payment amount, <b>THEN, 5% of the outstanding balance is considered to be the required monthly payment.</b> UNLESS, the borrower has sufficient funds to pay off the amount owed
	<b>COLLECTIONS</b> <b>Reference: B3-5.3-09</b> <ul style="list-style-type: none"> <li><b>Must be an Accept/Eligible for these parameters to apply:</b> <ul style="list-style-type: none"> <li>Primary Residence- Not Required to be paid.</li> <li>2-4 Units or Second Homes anything exceeding \$5000 must be paid off.</li> <li>Investment Properties, Individual collections of \$250+ or an aggregate of \$1000 must be paid off.</li> </ul> </li> </ul>	<b>Reference: 5401.2</b> <ul style="list-style-type: none"> <li><b>No written policy as long as collection does not affect First lien position.</b></li> </ul>
	<b>CREDIT-SCORE</b> <b>Reference: B3-5.1-01</b> <ul style="list-style-type: none"> <li>Minimum is 620</li> <li>For loan casefiles with more than one borrower, DU will now use an average median credit score when determining if a loan casefile meets the minimum credit score requirement of 620.               <ul style="list-style-type: none"> <li>See guidelines for additional details. DU’s average median credit score will only be used in the eligibility assessment for non-RefiNow loans.</li> </ul> </li> </ul>	<b>Reference: 5201.1</b> <ul style="list-style-type: none"> <li>Minimum is 620</li> </ul>
	<b>CREDIT-NON-TRADITIONAL</b> <b>Reference: B3-5.4-01</b> <ul style="list-style-type: none"> <li>Max LTV is 90%</li> <li>Max DTI is 40%</li> </ul>	<ul style="list-style-type: none"> <li><b>Not available</b></li> </ul>
	<b>DISPUTED TRADELINE</b> <b>Reference: B3-5.3-09</b> <ul style="list-style-type: none"> <li>DU Attempts approval with Disputes</li> <li>If loan cannot qualify AUS will state <b>“excluded” - comply with the message given.</b></li> </ul>	<b>Reference: 5203.2</b> <ul style="list-style-type: none"> <li>LPA Attempts approval with Disputes.</li> <li>AUS will state <b>“Invalid” if unable to decision - manual u/w is not allowed.</b></li> </ul>



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<b>INQUIRIES</b>	<p><b>Reference: B3-5.2-04</b></p> <ul style="list-style-type: none"> <li>The credit report must list all inquiries in the previous 90 days.</li> <li>Lender must confirm that no new credit has been obtained that is not reflected on the application.</li> <li>If additional credit was obtained the debt must be verified and considered in calculating the DTI.</li> </ul>	<p><b>Reference: 5201.1</b></p> <ul style="list-style-type: none"> <li>The credit report must list all inquiries in the previous 90 days.</li> <li>Lender must confirm that no new credit has been obtained that is not reflected on the application.</li> <li>If additional credit was obtained the debt must be verified and considered in calculating the DTI.</li> </ul>
<b>MORTGAGE PAYMENT NOT REPORTED TO BUREAU</b>	<p><b>Reference: B3-5.3-09</b></p> <ul style="list-style-type: none"> <li>Requires Verification for Payment History</li> </ul>	<p><b>Reference: 5201.1</b></p> <ul style="list-style-type: none"> <li>Does not require verification of payment history <u>on Accept Status</u></li> </ul>
<b>SIGNIFICANT DEROGATORY CREDIT</b>	<p><b>Reference: B3-5.3-07</b></p> <ul style="list-style-type: none"> <li>DU cannot determine disbursement date so will utilize the credit report date for measurement.</li> <li>Foreclosures where the mortgage was <b>included in the BK may be disregarded</b>. Apply BK wait period only.</li> </ul>	<p><b>Reference: 5201.1(a), 5202.3 &amp; 5202.5(a)</b></p> <ul style="list-style-type: none"> <li>From the event date to the application date</li> <li>Freddie has not stated wait periods if Accept/Eligible by LPA.</li> <li>If Accept/Caution Waiting Periods Apply</li> <li>Foreclosures where the mortgage <b>was included in the BK may NOT be disregarded</b>. Foreclosure wait periods apply.</li> </ul>
<b>STUDENT LOANS</b>	<p><b>Reference: B3-6-05</b></p> <ul style="list-style-type: none"> <li>If the monthly payment is provided on the credit report use that to qualify.</li> <li>If the credit report does not reflect the correct monthly payment use the monthly payment on the student loan documentation.</li> <li>If the credit report does not provide a monthly payment OR if the report shows \$0 the lender must determine:             <ul style="list-style-type: none"> <li>IBR [Income Based Repayment] – Use student loan documentation for payment.</li> <li><b>IF IBR [Income Based Repayment] is \$0 use \$0</b></li> </ul> </li> <li>If in Deferment or Forbearance use 1% of Outstanding Balance. [even if this is lower than actual fully amortized payment]             <ul style="list-style-type: none"> <li><b>OR a fully amortizing payment using documented loan repayment terms</b></li> </ul> </li> <li>Fannie has no guidance for:             <ul style="list-style-type: none"> <li>Forgiveness</li> <li>Cancellation</li> <li>Discharge</li> <li>Employment Contingency Repayment Plans</li> </ul> </li> </ul> <p><b>Cash-Out Refinance Option for Student Loans</b></p>	<p><b>Reference: 5401.2</b></p> <ul style="list-style-type: none"> <li>For Student loans in Repayment, Deferment or Forbearance:             <ul style="list-style-type: none"> <li>If the monthly payment amount is <b>greater than zero</b>, use the monthly payment amount reported on the credit report.</li> <li><b>OR</b>, If the monthly payment amount reported <b>on the credit report is zero</b>, use 0.5% of the outstanding balance.</li> </ul> </li> <li>For Student loans in Forgiveness, Cancellation, Discharge or Employment Contingent Repayment programs, monthly payments may be excluded if verification exists for:             <ul style="list-style-type: none"> <li>10 or less monthly payments until the full balance is forgiven, canceled, discharged or repaid.</li> <li>The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment- contingent repayment program, paid, at the end of the deferment or forbearance period</li> <li><b>AND</b>, The Borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program</li> </ul> </li> </ul> <p><b>No Student Loan Cash-Out Options</b></p>

CREDIT (CONTINUED)



Topic	Fannie Mae (FNMA)	Freddie Mac (FHLMC)
<b>INCOME</b>	<b>INCOME AFTER CLOSING</b> <b>Reference: B3-3.1-09</b> Option One: [Loan funded AFTER Borrower Starts Employment] <ul style="list-style-type: none"> <li>Must Obtain Executed Employment Contract.</li> <li><b>Prior to Delivering the loan to Fannie Mae, lender must have a paystub from the borrower.</b></li> </ul> Option Two: [Loan funded BEFORE Borrower Starts Employment] <ul style="list-style-type: none"> <li>Must Start w/in 90 Days of Note Date</li> <li>1-Unit</li> <li>Purchase-Primary Residence Only</li> <li>May Not be Employed by Family Member.</li> <li>Qualifying Using Based/Fixed Income Only.</li> <li>Lender must document reserves required by DU and ONE of the following:               <ul style="list-style-type: none"> <li>6 Months PITIA</li> <li>OR, Financial reserves to cover monthly liabilities included in the DTI for the new property, that meets or exceeds the gap between the Note Date and New Job start date.</li> <li>OR, May use the amount of income the borrower is expected to receive between the note date and the employment start date.</li> </ul> </li> </ul>	<b>Reference: 5303.2 (e)</b> Option One: <ul style="list-style-type: none"> <li>Start date within 90 Days of Note Date.</li> <li>1-Unit</li> <li>Purchase or <b>No Cash Out</b></li> </ul> Option Two: <ul style="list-style-type: none"> <li><b>No limit on Note Date</b></li> <li><b>1-4 Units</b></li> <li><b>Second Home</b></li> <li><b>1-4 Investment</b></li> <li>Purchase, <b>No Cash-Out or Cash-Out</b></li> <li><b>INCOME MUST START BEFORE DELIVERY TO FREDDIE</b></li> </ul> Reserves for both Options: <ul style="list-style-type: none"> <li>Reserves must equal or exceed the total DTI expenses from the Note Date to the Start of Employment Date. PLUS 1 Month.</li> <li>The amount of the required additional funds may be reduced by the amount of verified gross income that any Borrower on the Mortgage is expected to earn during the period described above, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment/future salary increase.</li> </ul>
	<b>ALIMONY AS A LIABILITY?</b> <b>Reference: B3-6-05</b> Alimony Payment <b>may be</b> considered as a monthly debt <b>or deducted from the borrower's income for DTI calculation</b>	<b>Reference: 5301.1 and 5401.2</b> Alimony Payment <b>must be</b> deducted from the borrower's income for DTI calculation
	<b>SELF EMPLOYED</b> <b>Reference: B3-3.2-01</b> <ul style="list-style-type: none"> <li>DU Determines # of Years Tax Returns Needed.</li> <li><b>Business returns may be waived if business is in existence for 5 years or more, and income is stable on personal returns and using only personal funds to qualify.</b></li> <li><b>Co-Borrower loss on self-employed income not required to subtract from income.</b></li> <li><b>Less than 25% in Partnership or S Corp with loss – not required to subtract from income.</b></li> </ul>	<b>Reference: 5304.1</b> <ul style="list-style-type: none"> <li>You must have been self-employed <b>[at the same company]</b> for greater than 5 years to only obtain 1 year of returns</li> </ul>
	<b>SELF EMPLOYED – SECOND JOB</b> <b>Reference: B3-3.2-01</b> <ul style="list-style-type: none"> <li>If second job, not required to subtract loss from primary income.</li> </ul>	<b>Reference: 5304.1</b> <ul style="list-style-type: none"> <li>If second job, not required to subtract loss from primary income.</li> </ul>



	TOPIC	FANNIE MAE (FNMA)	FREDDIE MAC (FHLMC)
PROPERTY COLLATERAL	APPRAISAL WAIVERS	<b>Reference: B4-1.4-10</b> <ul style="list-style-type: none"> <li>• Must Have Approve/Eligible</li> <li>• 1-Unit, including condominiums</li> <li>• Primary, Second Home &amp; <u>Investment allowed if a refinance</u></li> <li>• Purchases up to 80% LTV</li> <li>• Limited C/O up to 75% LTV</li> <li>• C/O Refinance up to 70% LTV</li> <li>• Second or Investment 60% LTV</li> </ul>	<b>Reference: Section 5601.9</b> <ul style="list-style-type: none"> <li>• Must Have Accept/Eligible</li> <li>• 1 Unit, including condominiums</li> <li>• Primary or Second Home, <b>NO Investment</b></li> <li>• <b>All LTV's 80% or Less</b></li> <li>• <b>Purchase or no cash-out refinance only</b></li> </ul>
	CASH OUT REFINANCE	<b>Reference: B2-1.2-03</b> <ul style="list-style-type: none"> <li>• If DTI Exceeds 45% - 6 Month Reserves are required.</li> <li>• <u>To Meet 6 Months Owner Requirement Fannie Mae will allow time held in LLC.</u></li> <li>• Fannie Mae offers an <u>"Owner's Interest Buyout"</u> as a Limited Cash-Out Option.</li> <li>• LTV are same as Limited Cash-Out</li> <li>• Joint Ownership requirement is 12 months. EXEMPT in Case of inheritance.</li> <li>• Borrower's Acquiring Sole Ownership May Not Receive Any of the Proceeds from the Refinance.</li> </ul>	<b>Reference: 4301.2-6</b> <ul style="list-style-type: none"> <li>• <u>No Reserve Requirement published</u> - If required will be determined by LPA.</li> <li>• <u>Freddie does not count time titled as LLC for 6 Month Requirement.</u></li> <li>• Freddie Mac allows for a <u>"Special Purpose Cash-Out"</u> to Buyout Another Owner's Interest.</li> <li>• LTVs are same as No Cash Out</li> <li>• Joint ownership requirement is 12 months. EXEMPT in Case of Inheritance.</li> <li>• Borrower's Acquiring Sole Ownership May Not Receive Any of the Proceeds from the Refinance.</li> </ul>
REFINANCE	NO CASH OUT & LIMITED CASH OUT	<b>Reference: B2-1.2-02</b> <ul style="list-style-type: none"> <li>• Limited cash out is <u>LESSOR</u> of <u>2%</u> of the Mortgage Amount or \$2000</li> </ul>	<b>Reference: B2-1.2-02</b> <ul style="list-style-type: none"> <li>• No Cash Out is <u>GREATER</u> of <u>1%</u> of the Mortgage Amount or \$2000</li> </ul>
	INTERESTED PARTY CONTRIBUTIONS	<b>Reference: B3-4.1-02</b> <ul style="list-style-type: none"> <li>• Maximum Amount Calculated from the Sales Price</li> </ul>	<b>Reference: 5302.2</b> <ul style="list-style-type: none"> <li>• Maximum Amount Calculated from the Value which is defined as the <u>lesser of the sales price or appraised value</u> as of note date.</li> </ul>
OTHER			





PRICING DIFFERENCES	
<b>MULTIPLE UNIT PROPERTIES</b>	<ul style="list-style-type: none"> <li>3-4 Unit Properties:               <ul style="list-style-type: none"> <li>Fannie Mae LLPA 80%LTV or More is 100bps adjustment.</li> <li>Freddie Mac LLPA Adjustments - 150bps adjustment for 80-85%LTV - 200bps adjustment for 85%LTV +</li> </ul> </li> </ul>
<b>SUBORDINATE FINANCING</b>	<ul style="list-style-type: none"> <li>Freddie Mac has higher LLPAs for all combinations of LTV.               <ul style="list-style-type: none"> <li>Credit Score by 25bps – 37.50bps on average.</li> </ul> </li> <li>Freddie Mac also has a LLPA adjustment on 97% or higher which is 37.50bps</li> </ul>
<b>SECOND HOMES</b>	<ul style="list-style-type: none"> <li>Greater than 85% LTV Freddie LLPA of 25bps.</li> </ul>
<b>HOMEReady® VS. HOMEPOSSIBLE®</b>	<ul style="list-style-type: none"> <li>Fannie Mae Charges Counseling fee of \$500.</li> <li>Freddie Mac Charges NO Counseling fee.</li> <li>Freddie Mac – IF LTV at 80% or higher no matter the credit score there is an LLPA of 150bps</li> </ul>
ADDITIONAL INFORMATION	
<b>ELIGIBILITY</b>	<ul style="list-style-type: none"> <li>All <a href="#">LHFS Conforming</a> and <a href="#">Fannie Mae</a> or <a href="#">Freddie Mac</a> guidelines apply.</li> <li>LTV Eligibility Matrices               <ul style="list-style-type: none"> <li><a href="#">Fannie Mae</a></li> <li><a href="#">Freddie Mac</a> <ul style="list-style-type: none"> <li>Manual Underwriting is not allowed</li> </ul> </li> </ul> </li> </ul>
<b>HELPFUL LINKS</b>	<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p>Land Home Financial Additional Resources:</p> <ul style="list-style-type: none"> <li><a href="#">eScenarios</a></li> <li><a href="#">LHFSWholesale.com</a></li> <li><a href="#">Conforming, Super Conforming, and High Balance LTV Matrix</a></li> <li><a href="#">Conventional Guidelines – Manufactured Homes</a></li> <li><a href="#">eXpress Guidelines</a></li> <li><a href="#">Multiple Financed Properties Matrix</a></li> <li><a href="#">HomeOne vs Home Possible</a></li> <li><a href="#">HomeOne vs Fannie Mae Standard 97% LTV</a></li> <li><a href="#">Home Possible</a></li> <li><a href="#">HomeOne Matrix</a></li> </ul> </div> <div style="width: 35%;"> <p>Agency Guidelines:</p> <ul style="list-style-type: none"> <li><a href="#">Fannie Mae Selling Guide</a></li> <li><a href="#">Freddie Mac Selling Guide</a></li> <li><a href="#">2022 Agency Loan Limits</a></li> <li><a href="#">Home Possible AMI Lookup</a></li> <li><a href="#">HomeReady Eligibility Map</a></li> </ul> </div> </div>

Each loan will be evaluated for layers of risk, reasonability, ability and willingness to repay debt. Additional items for consideration include but are not limited to payment shock, assets, reserves, negative balances in bank accounts, housing history, slow pays, financing management evidenced by credit and asset reviews, red flags, multiple layers of risk, etc. May require additional documentation or explanations above and beyond the AUS requirements.

**Guidelines are for use by mortgage professionals only and subject to change without notice.**

