

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



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



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



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INCOME	INCOME AFTER CLOSING Reference: B3-3.1-09 Option One: [Loan funded AFTER Borrower Starts Employment] <ul style="list-style-type: none"> Must Obtain Executed Employment Contract. <u>Prior to Delivering the loan to Fannie Mae, lender must have a paystub from the borrower.</u> Option Two: [Loan funded BEFORE Borrower Starts Employment] <ul style="list-style-type: none"> Must Start w/in 90 Days of Note Date 1-Unit Purchase-Primary Residence Only May Not be Employed by Family Member. Qualifying Using Based/Fixed Income Only. Lender must document reserves required by DU and ONE of the following: <ul style="list-style-type: none"> 6 Months PITIA 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. OR, May use the amount of income the borrower is expected to receive between the note date and the employment start date. 	Reference: 5303.2 (e) Option One: <ul style="list-style-type: none"> Start date within 90 Days of Note Date. 1-Unit Purchase or <u>No Cash Out</u> Option Two: <ul style="list-style-type: none"> <u>No limit on Note Date</u> <u>1-4 Units</u> <u>Second Home</u> <u>1-4 Investment</u> Purchase, <u>No Cash-Out or Cash-Out</u> <u>INCOME MUST START BEFORE DELIVERY TO FREDDIE</u> Reserves for both Options: <ul style="list-style-type: none"> Reserves must equal or exceed the total DTI expenses from the Note Date to the Start of Employment Date. PLUS 1 Month. 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.
	ALIMONY AS A LIABILITY? Reference: B3-6-05 Alimony Payment <u>may be</u> considered as a monthly debt <u>or deducted from the borrower's income for DTI calculation</u>	Reference: 5301.1 and 5401.2 Alimony Payment <u>must be</u> deducted from the borrower's income for DTI calculation
	SELF EMPLOYED Reference: B3-3.2-01 <ul style="list-style-type: none"> DU Determines # of Years Tax Returns Needed. <u>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.</u> <u>Co-Borrower loss on self-employed income not required to subtract from income.</u> <u>Less than 25% in Partnership or S Corp with loss – not required to subtract from income.</u> 	Reference: 5304.1 <ul style="list-style-type: none"> You must have been self-employed [<u>at the same company</u>] for greater than 5 years to only obtain 1 year of returns
	SELF EMPLOYED – SECOND JOB Reference: B3-3.2-01 <ul style="list-style-type: none"> If second job, not required to subtract loss from primary income. 	Reference: 5304.1 <ul style="list-style-type: none"> If second job, not required to subtract loss from primary income.



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



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PRICING DIFFERENCES		
MULTIPLE UNIT PROPERTIES	<ul style="list-style-type: none">3-4 Unit Properties:<ul style="list-style-type: none">Fannie Mae LLPA 80%LTV or More is 100bps adjustment.Freddie Mac LLPA Adjustments - 150bps adjustment for 80-85%LTV - 200bps adjustment for 85%LTV +	
SUBORDINATE FINANCING	<ul style="list-style-type: none">Freddie Mac has higher LLPAs for all combinations of LTV.<ul style="list-style-type: none">Credit Score by 25bps – 37.50bps on average.Freddie Mac also has a LLPA adjustment on 97% or higher which is 37.50bps	
SECOND HOMES	<ul style="list-style-type: none">Greater than 85% LTV Freddie LLPA of 25bps.	
HOMEREADY® VS. HOMEPOSSIBLE®	<ul style="list-style-type: none">Fannie Mae Charges Counseling fee of \$500.Freddie Mac Charges NO Counseling fee.Freddie Mac – IF LTV at 80% or higher no matter the credit score there is an LLPA of 150bps	
ADDITIONAL INFORMATION		
ELIGIBILITY	<ul style="list-style-type: none">All LHFS Conforming and Fannie Mae or Freddie Mac guidelines apply.LTV Eligibility Matrices<ul style="list-style-type: none">Fannie MaeFreddie Mac<ul style="list-style-type: none">Manual Underwriting is not allowed	
HELPFUL LINKS	Land Home Financial Additional Resources: <ul style="list-style-type: none">eScenariosLHFSWholesale.comConforming, Super Conforming, and High Balance LTV MatrixConventional Guidelines – Manufactured HomeseXpress GuidelinesMultiple Financed Properties MatrixHomeOne vs Home PossibleHomeOne vs Fannie Mae Standard 97% LTVHome PossibleHomeOne Matrix	Agency Guidelines: <ul style="list-style-type: none">Fannie Mae Selling GuideFreddie Mac Selling Guide2023 Agency Loan LimitsHome Possible AMI LookupHomeReady Eligibility Map

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.

