

14.10 Third Party Appraisal Review

- The seller must order an appraisal desk review product for each loan from a vendor listed on the Approved Appraisal Desk Review Vendors.
 - CDA report from Clear Capital
 - ARR from ProTeck
 - ARA from Computershare
- A copy of the appraisal desk review report should be submitted in the loan file. The review must not be over 120 days old from the date of the Note.
- If the desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible for purchase; provided, the seller has the option to then ask Mortgage Mac to order a Field Review to support the appraised value. If the field review also produces a value in excess of a 10% negative variance to the appraised value, then the loan will remain ineligible for purchase.
- All appraisals are reviewed for eligibility as well as value support. However, the use of an appraisal review product does not relieve the seller of its representations and warranties relating to the property and the appraisal including the underwriting thereof.

14.11 Home Equity Combined Loan-to-Value (HCLTV)

The HCLTV is calculated by adding the first lien amount to the combined total of the junior liens (adding the outstanding balance of loans, the remaining balance of lines in repayment without ability to make new draws, and the greater of the line amount or outstanding balance for lines of credit that are active where the borrower continues to have the ability to make new draws). When a junior lien is present, payment must be included when calculating the qualifying ratios and the HCLTV must not exceed program guidelines.

14.12 Value Seasoning

If borrower has less than 12 months ownership in the property, LTV/CLTV is calculated on the lower of the purchase price or appraised value. If the borrower has owned property for more than 12 months, LTV/CLTV is based on the appraised value.

14.13 Loan Amount

The maximum loan amount is contained in the applicable product eligibility matrix.

14.14 Insurance Requirements

14.14.1 Flood Insurance

Flood insurance consistent with standard Fannie Mae/Freddie Mac requirements must be in place.

14.14.2 Hazard Insurance

Hazard insurance consistent with standard Fannie Mae/Freddie Mac requirements must be in place.

14.14.3 Title Insurance

Title insurance consistent with standard Fannie Mae/Freddie Mac requirements must be in place.

15 Legal and Regulatory Requirements

Loans must be originated in accordance with applicable federal, state and local laws and regulations.

16 Age of Documentation

Credit Documentation: All credit documentation must be dated within 120 days of closing.

Asset Statements: The most recent asset statement to verify the source of funds or reserves must be dated no more than 45 calendar days earlier than the date of the loan application, and not more than 120 days earlier than the date of the Note. Quarterly statements are permissible.

Income Documentation: The most recent income documentation including WVOE, bank statements, and P&L reports, must be dated no more than 45 calendar days earlier than the date of the loan application, and not more than 120 days earlier than the date of the Note.

Appraisal: Eligible appraisals must be dated within 120 days of closing.

Title & CPL: Eligible Title & CPL must be dated within 120 days of closing.

17 Additional Requirements

17.1 Escrow Waivers

- Property tax and insurance escrows may be waived.
- Individual state laws may supersede this requirement.

17.2 Escrow Holdback

Escrow Holdbacks are not eligible.

17.3 Assumable

Adjustable Rate Notes – May be assumable based upon the note, in general Fannie Mae Notes contain an assumable clause. In any case, the verbiage in the Note and Closing Disclosure must match.

17.4 Prepayment Penalty

Prepayment penalties are not permitted on any of the Non-QM products.

17.5 Section 32: High-Cost Loans

High-cost loans (Section 32) as defined by applicable state and/or local regulations are not permitted.

17.6 Section 35: Higher Priced Mortgage Loan (HPML)

HPML only applies to principal residences.

Mortgage Mac will purchase loans that are defined as HPML only if all of the requirements listed below are met along with applicable product guidelines;

- QM Points and Fees audit must pass.
- Escrows/Impounds are required for property taxes and homeowner's insurance (including flood

insurance).

- All federal and state guidelines are met.

Use the FFIEC Rate Spread Calculator to help determine Higher Priced Mortgage Loan (HPML) status: <https://www.ffiec.gov/ratespread/newcalc.aspx>

The calculator requires: Lock-In Date, APR, and the fixed term of the mortgage (in years).

A loan is “higher priced” if:

- It is a first-lien mortgage (other than a jumbo loan) with an Annual Percentage Rate (APR) that exceeds the published Average Prime Offer Rate (APOR) at the time the APR is set (lock date) by ≥ 1.5 percentage points.
- It is a first-lien jumbo loan with an APR that exceeds the APOR at the time the APR is set (lock date) by ≥ 2.5 percentage points.

Property Flipping with HPML is Ineligible

- Limitations on HPML loans for resale transactions within 180 days
- When a second appraisal is required per the TILA HPML Appraisal Rule the loan is considered on a case by case basis.

For principal residences, when the price reflected in the buyer’s purchase agreement is more than a certain amount higher than the seller’s acquisition price, the rule requires a second appraisal.

These amounts are:

- More than a 10% increase if the seller acquired the property in the past 90 days;
- More than a 20% price increase if the seller acquired the property in the past 91 to 180 days
- See the CFPB TILA HPML Appraisal Rule for exemptions from this requirement.

17.7 State Restrictions

Refer to eligible states at https://www.mtgmac.com/tpo_offices.html

Texas refinance loans that must close under Section 50(a)(6) requirements are not eligible.

17.8 Early Pay Off (EPO’s)

Full Premium Recapture upon loan payoff within the first 6 months following the loan funding date.

17.9 Early Payment Default (EPD)

If any of the first four (4) monthly payments due after the loan sale date becomes delinquent Mortgage Mac considers this an Early Payment Default (EPD). EPD loans are subject to repurchase by the Client pursuant to the Mortgage Loan Purchase Agreement

17.10 Legal Documentation

Available Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for loan documentation. In the case when Fannie Mae doesn’t offer current documentation, such as interest only, a document vendor should be utilized for forms.

17.11 Fraud Prevention

All loans are underwritten with fraud prevention and detection as part of the lending decision process. The following fraud prevention requirements are used for all transactions as applicable, which include,

but are not limited to:

- Internal Fraud Prevention Tools (CoreLogic™ or FraudGuard® Reports).
- Ineligible Party List search requirements.
- Verbal Verification of Employment requirements.
- MERS search prior to closing.
- Internal settlement agent and title company approval process.
- Soft-pull credit report in compliance with Fannie Mae's LQI to determine if the borrower may have taken out new credit prior to closing.
- Originators are required to originate loans in compliance with all applicable federal, state and local laws, rules and regulations, including the USPAP and the FACT Act.

The Fraud Report is reviewed by the Underwriter at initial approval and again prior to issuing a clear to close if the report is more than 30 days old. All variances noted on the Fraud report must be reviewed and mitigated with comments and supporting documentation, if necessary, before the final clear to close can be issued.

Clearing Variances on Fraud Report: Underwriters must note how they mitigated the Moderate and High Risk Variances on the Fraud report by making notes on the report. Supporting documentation should be included in file before the final clear to close be issued.

FraudGuard® scores above 800 from CoreLogic™ require management review and approval by the Underwriting Manager in order to proceed with the loan.

Underwriters to confirm by reviewing the Fraud Tools, if any of the companies or individuals involved in the origination, underwriting or servicing of the mortgage transaction are on any of the following lists:

- General Services Administration (GSA) Excluded Party List
- HUD Limited Denial of Participation List (LDP List)
- OFAC List
- Freddie Mac Exclusionary List

Regardless of the reason or the scope for the party being excluded, any party to the transaction included on either list will result in the loan being ineligible for delivery.

17.12 Pre-Funding Audit

Mortgage Mac strongly recommends but does not require that lender's implement a pre- funding audit process (such as those prescribed by Fannie Mae and Freddie Mac) to improve loan origination quality.