

Allowable Principal Reductions

Product Type	Maximum Principal Reduction
Conventional: Fannie/Freddie	Cannot exceed the lesser of \$2,500 or 2% of the original loan amount
FHA	Cannot exceed the lesser of \$2,500 or 2% of the loan amount
VA	Cannot exceed the lesser of \$2,000 or 2% of the loan amount
NonQM	Cannot exceed the lesser of \$5,000 or 2% of the loan amount

Where to apply the Principal Reduction:

Principal reductions must be applied on the **Summaries of Transactions** table on page 3 of the Closing Disclosure for Purchases or within the **Payoff and Payments Table** of the Closing Disclosure for Refinances.

Purchase Advice:

At the time of Purchase, NDM will purchase the loan at the full Loan Amount less any monthly payment(s) made by the borrower (i.e., first payment), and then net the total amount of the Principal Reduction (PR) from the purchase advice. The purchase advice will reflect a negative adjustment to the balance for the PR.
