

FANNIE MAE HOMEREDY

POLICY	GUIDELINE																									
GENERAL DESCRIPTION	A conventional lending mortgage designed for creditworthy low- to moderate-income borrowers, with expanded eligibility for financing homes in designated low-income, minority, and disaster-impacted communities.																									
CORE PROGRAM	Unless specifically addressed in this product matrix, all standard Fannie Mae requirements apply.																									
THIRD PARTY FEES	Third party processing fees as a separate fee paid by the borrower, property seller, or other third party is not allowed.																									
PRODUCT TYPE & TERMS	<ul style="list-style-type: none"> Amortization up to 30 years This product cannot be used in conjunction with renovation or construction permanent financing. To identify this as a HomeReady product go to TPO connect comment section – Input HomeReady Product Temporary interest rate buydowns are not permitted. 																									
OCCUPANCY	Primary Residence																									
LOAN PURPOSE	<ul style="list-style-type: none"> Purchase Limited Cash-out Refinance <p style="background-color: yellow;"><i>Note: Refinance Transactions not permitted in Texas</i></p>																									
MAX LTV/CLTV/HCLTV	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr style="background-color: #d9e1f2;"> <th colspan="3" style="text-align: center;">Primary Residence</th> </tr> <tr> <th style="width: 50%;">Transaction Type</th> <th style="width: 20%;">Number of Units</th> <th style="width: 30%;">Max LTV/CLTV/HCLTV</th> </tr> </thead> <tbody> <tr> <td>Purchase</td> <td style="text-align: center;">1 Unit</td> <td style="text-align: center;">FRM: 97%</td> </tr> <tr> <td>Limited Cash-Out Refinance</td> <td style="text-align: center;">1 Unit</td> <td style="text-align: center;">FRM: 97%⁽¹⁾</td> </tr> <tr> <td rowspan="2">Purchase Limited Cash-Out Refinance</td> <td style="text-align: center;">2 Units</td> <td style="text-align: center;">FRM: 85%</td> </tr> <tr> <td style="text-align: center;">3-4 Units</td> <td style="text-align: center;">FRM: 75%</td> </tr> </tbody> </table> <p>⁽¹⁾ For limited cash out refinance transactions > 95% LTV, existing mortgage must be owned or securitized by Fannie Mae to be eligible. Refer to DU/Underwriting for DU submission process.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #d9e1f2;"> <th colspan="2" style="text-align: center;">Requirements for 95.01-97% Ratios 1-Unit Primary Residence</th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">CLTV/HCLTV Ratio</td> <td> <ul style="list-style-type: none"> 95.01 to 97% if the subordinate lien is not a Community Seconds loan 105% if the subordinate lien is a Community Seconds loan </td> </tr> <tr> <td>Occupancy</td> <td>All borrowers must occupy the property</td> </tr> <tr> <td>Existing Loan</td> <td>For limited cash out refinances, document that existing loan is owned by Fannie Mae: refer to special documentation section</td> </tr> </tbody> </table>	Primary Residence			Transaction Type	Number of Units	Max LTV/CLTV/HCLTV	Purchase	1 Unit	FRM: 97%	Limited Cash-Out Refinance	1 Unit	FRM: 97% ⁽¹⁾	Purchase Limited Cash-Out Refinance	2 Units	FRM: 85%	3-4 Units	FRM: 75%	Requirements for 95.01-97% Ratios 1-Unit Primary Residence		CLTV/HCLTV Ratio	<ul style="list-style-type: none"> 95.01 to 97% if the subordinate lien is not a Community Seconds loan 105% if the subordinate lien is a Community Seconds loan 	Occupancy	All borrowers must occupy the property	Existing Loan	For limited cash out refinances, document that existing loan is owned by Fannie Mae: refer to special documentation section
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SUBORDINATE FINANCING	<p>Subordinate financing must comply with:</p> <ul style="list-style-type: none"> The terms for the Community Seconds option, which allow among other provisions, a maximum CLTV of 105% (see eligibility matrix above) or standard FNMA guides <p>Subordinate financing from a seller-held mortgage is not permitted.</p>																									
MAXIMUM LOAN AMOUNT	Standard Conforming Mortgage Limits apply. Super-conforming and High Balance mortgage limits are not eligible for HomeReady financing.																									

MINIMUM BORROWER CONTRIBUTION	<p>No minimum borrower contribution from the borrower’s own funds required if the loan has an LTV, CLTV, or HCLTV ratio of 80% or less.</p> <p>If the LTV, CLTV, or HCLTV ratio is greater than 80%, the minimum required borrower contribution from the borrower’s own funds is dependent on the number of units, as noted in the table below.</p> <table border="1" data-bbox="636 300 1271 497"> <thead> <tr> <th>Number of Units</th> <th>Minimum Borrower Contribution</th> <th>Minimum Down Payment</th> </tr> </thead> <tbody> <tr> <td>1 Unit</td> <td>None</td> <td>3% ⁽¹⁾</td> </tr> <tr> <td>2 Unit</td> <td>3%</td> <td>15%</td> </tr> <tr> <td>3-4 Units</td> <td>3%</td> <td>25%</td> </tr> </tbody> </table> <p>⁽¹⁾A 3% down payment is permitted for certain purchase transactions refer to max LTV/CLTV/HCLTV section for details</p>	Number of Units	Minimum Borrower Contribution	Minimum Down Payment	1 Unit	None	3% ⁽¹⁾	2 Unit	3%	15%	3-4 Units	3%	25%
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ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • 1 unit primary residence <ul style="list-style-type: none"> • Eligible condos • PUDs • 2-4 unit primary residence <p>Occupying Borrower must not have an ownership interest in more than two financed residential properties including the subject property as of the note date or the effective date of permanent financing for construction conversion or renovation transactions.</p>												
ELIGIBLE BORROWERS	<ul style="list-style-type: none"> • Occupant borrowers and non-occupant borrowers can own other residential property. • Non-occupant borrowers, such as a parent allowed. (refer to Non-Occupant Borrower section below) 												
NON-OCCUPANT BORROWERS	<p>Non-occupant borrowers are permitted as follows:</p> <ul style="list-style-type: none"> • Maximum 95% LTV • The DTI ratio is calculated using the income and liabilities of all borrowers; there is no separate DTI ratio requirement for the occupant borrower. • Income considered as part of qualifying income and subject to income limits. • No limitation on ownership of other property for non-occupant borrower. 												
FEES	<p>In addition to standard fees, the following apply:</p> <ul style="list-style-type: none"> • \$75 Homeownership Education payable to Framework, if applicable 												
CREDIT	<p>620 minimum score, however, if loan has mortgage insurance, a higher score may be required by the MI company. Minimum of 2 scores are required.</p>												
SOURCE OF FUNDS	<p>Gifts, grants, and Community Seconds®. Cash-on-hand are eligible sources of funds already described below. Any eligible loan may have more than one Community Seconds (i.e., third lien) up to the maximum 105% CLTV.</p> <p>Please refer to the Community Seconds Fact Sheet on the corporate TPO connect website Product Matrices page for complete details.</p> <p>Cash on Hand (must be deposited, refer to details below)</p> <p>Broker may allow cash-on-hand as an acceptable source of funds for the borrower’s down payment, funds for closing costs, and prepaid items.</p> <p>The Broker must verify and document the following with respect to the cash-on-hand funds:</p> <ul style="list-style-type: none"> • The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower’s previous payment practices • The Broker 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 Broker 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 												

RESERVES	<p>DU will determine the reserve requirements based on the overall risk assessment of the loan case file and the minimum reserves that may be required for the transaction. Reserves may be considered a compensating factor in DU's risk analysis, and may serve to improve the underwriting recommendation.</p> <p>Note: Cash-on-hand may not be used to fund the borrower's reserve requirement, if applicable. Using cash on hand as an asset in DU is permitted on HomeReady loan case files; this flexibility is exclusive to HomeReady mortgages.</p>
INCOME LIMITS/ REQUIREMENTS	<p>In determining whether a mortgage is eligible under the borrower income limits, the Broker must count the income from all of the borrowers who will sign the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.</p> <p>To be eligible as a HomeReady mortgage, the total annual qualifying income may not exceed 80% of the annual Area Median Income (AMI) for the property's location.</p> <p>For determining Fannie Mae loan eligibility. Broker must refer to the AMIs that Fannie Mae uses on Fannie Mae's website and may not rely on other published versions (such as AMIs posted on huduser.org)</p> <p>To view Fannie Mae's Income Eligibility Tools, refer to: www.fanniemae.com/singlefamily/homeready</p> <p><u>Rental Income</u></p> <p>Rental income is an acceptable source of qualifying income in the following instances:</p> <ol style="list-style-type: none"> a) 1-unit primary residence with an accessory unit (see accessory income below) b) 2-4 unit primary residence properties <p style="padding-left: 40px;">Accessory Income</p> <ul style="list-style-type: none"> • An accessory unit is a separate dwelling (as identified by the appraisal) with a kitchen and bathroom. Additional information related to accessory units is provided in Fannie Mae's Selling Guide section B4-1.3-05, Improvements Section of the Appraisal Report • Income generated from an accessory unit can be considered as rental income under HomeReady in accordance with standard rental income guidelines <p><u>Boarder Income (1-Unit Only)</u></p> <p>The rental payments that any borrower receives from one or more individuals who reside with the borrower (but who are not obligated on the mortgage debt and 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:</p> <ul style="list-style-type: none"> • The individual(s) has lived with (and paid rent to) the borrower for the last 12 months • The boarder 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) • The boarder can demonstrate (such as copies of canceled checks) the payment of rental payments to the borrower for: <ul style="list-style-type: none"> ○ 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 <p>Note: Payment of rent by the boarder directly to a third party is not acceptable.</p>
NON-BORROWER HOUSEHOLD INCOME	<p>A "household member" is defined as any person who intends to live with the borrower in the subject property for a minimum of 12 months. Income from a non-borrower household member, may be considered as a compensating factor in DU only to allow a debt-to-income (DTI) ratio >45% up to 50%.</p>

	<p>HomeReady does not require any prior history of shared residency for non-borrower household member. There is no limit on the number of non-borrower household members who can be present on a single transaction.</p> <p>Restrictions: An individual who is considered a non-borrower household member in accordance with these guidelines may not also be a contributor of rental income (2-4 unit properties), accessory unit income (1-unit properties), or boarder income (1-unit properties) on the subject transaction.</p> <p>The following additional requirements apply:</p> <ul style="list-style-type: none"> • Non-borrower income must total at least 30% of the total monthly qualifying income being used by the borrower(s). (Note: Income from more than one non-borrower household member may be considered) • Non-borrower household members may be relatives or non-relatives • Non-borrower household income must be documented in accordance with standard Fannie Mae Selling Guide policy based on the income type • Non-borrowers must sign a statement of intent to reside with the borrower for a minimum of 12 months. (See optional Fannie Mae Form 1019) <p>The income must be reflected in DU as an Other Income type of “Non-Borrower Household Income” (new income type will be added with DU implementation). This income will not be included as qualifying income, and will not impact the DTI ratio used in the risk assessment or displayed on the DU Underwriting Findings report.</p>					
DU/UNDERWRITING	<p>DU “Approve/Eligible” only Manual underwriting is not permitted.</p> <p>Special Mortgage Builder inputs:</p> <ul style="list-style-type: none"> • When using non-borrower household income, on the Employment screen in the “other income” section, open the description table and select “NB non-borrower household income”. • For Limited Cash Out refinance transactions > 95% LTV, indicate that the existing mortgage is owned by Fannie Mae. On the 1008 Transmittal screen, select the “Mtg and Appraisal info” tab and then in the “Owner of First Mortgage” field, select Fannie Mae. • In the Fannie Mae DU submission screen in the “FNMA Comm Lending Product” screen, select “Homeready” in the drop down list. <ul style="list-style-type: none"> ○ In the “FNMA Comm Lending Product” field, select “HomeReady” in the drop down list. ○ For loans with Community Seconds, check the “community seconds” box and select the appropriate repayment schedule in the drop down list. 					
QUALIFYING RATIOS	<p>Determined by AUS system Non-borrower household income is permitted as a compensating factor in DU to allow a DTI greater than 45% up to 50%. See “Non-Borrower Household Income” section above.</p>					
MORTGAGE INSURANCE	<p>Coverage Requirements:</p> <table border="1" data-bbox="712 1482 1192 1638"> <thead> <tr> <th>Amortization > 20 years</th> </tr> </thead> <tbody> <tr> <td>95.01% - 97% = 25%</td> </tr> <tr> <td>90.01% - 95% = 25%</td> </tr> <tr> <td>85.01% - 90% = 25%</td> </tr> <tr> <td>80.01% - 85% = 12%</td> </tr> </tbody> </table> <p>Eligible payment options include: monthly plans, single-premium plans, and split-premium plans. Lender-paid single premium is allowed. Financed MI is not permitted.</p>	Amortization > 20 years	95.01% - 97% = 25%	90.01% - 95% = 25%	85.01% - 90% = 25%	80.01% - 85% = 12%
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HOMEOWNERSHIP EDUCATION

For all purchase transactions, at least one borrower on the mortgage loan must complete pre-purchase homeownership counseling and receive a referral to housing counseling prior to closing. Homeownership education certificate must be retained in the mortgage file.

The Homeownership required counseling needs to be obtained from the FNMA approved Framework <https://homeready.frameworkhomeownership.org/> OR a HUD Approved Counselor.

Below is the link to HUD website where you can locate HUD approved Housing Counselors <https://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>

There are three options for borrowers to meet the pre-purchase homeownership education requirements as described below:

Option	Description	Evidence of Completion
Complete the Framework Homeownership LLC online education program	<p>The Framework homeownership education program is available in both English and Spanish and meets the standards defined by both the National Industry Standards for Homeownership Education and Counseling and by HUD.</p> <p>Framework will offer borrowers a referral to a HUD-approved counseling agency for additional assistance. Borrowers who complete the Framework program also have the option of consulting a counselor from any HUD-approved agency of their choice.</p> <p>Note: online education may not be appropriate for all potential home buyers. The presence of a disability, lack of internet access, and other issues may indicate that a consumer is better served through other education modes (for example, in-person classroom education or via a telephone conference call). In these situations, consumers should be directed to Framework’s toll-free customer service line, from which they can be directed to a HUD-approved counseling agency that can meet their needs. The counseling agency that handles the referral must provide a certificate of completion, and the Broker must retain a copy of the certificate in the loan file. Brokers may contact Fannie Mae for guidance in other situations not addressed above.</p>	Framework certificate of course completion.
Receive pre-purchase housing counseling and complete homeownership education from a HUD-approved nonprofit housing counseling agency (prior to the borrower signing a purchase contract)	The counseling recipient must receive both pre-purchase housing counseling and homeownership education that meets HUD’s definitions, as evidenced by a <i>Certificate of Pre-purchase Housing Counseling</i> (Form 1017), signed by both the counseling recipient and the HUD counselor.	<i>Certificate of Pre-purchase Housing Counseling</i> (Form 1017), signed by both the counseling recipient and the HUD counselor.
Complete a homeownership education course required by a Community Seconds or Down Payment Assistance program by a HUD-approved agency (see Description for limitations)	<p>If the mortgage loan involves a Community Seconds or Down Payment Assistance Program and that program requires its own homeownership education course provided by a HUD-approved counseling agency, the borrower is not required to enroll in the Framework program.</p> <p>Note: Housing counseling or a referral to a housing counselor is not required</p>	Certificate issued by a HUD-approved agency that provided the course.

HOMEOWNERSHIP EDUCATION continued	<p><u>Framework</u> Framework’s website is MyHomeReady.com and typically takes 4-6 hours to complete. The cost of the course is \$75 and is paid directly to Framework online with a credit/debit card. Framework’s only business is providing independent homeownership education. The interactive online course helps borrowers prepare themselves to buy and own a home.</p> <p>***ALL counseling options offered by MI companies are unacceptable for use to satisfy Fannie Mae’s HomeReady homebuyer education/counseling requirements.</p>										
SPECIAL DOCUMENTATION	<p>In addition to standard conventional documentation, the following are required when applicable:</p> <ul style="list-style-type: none"> • Homeownership Education Certificate - for all purchase transactions • HomeReady Form 11 – Affordable Loan ULDD Data Collection Form - required for all HomeReady loans <ul style="list-style-type: none"> • Form is located on the corporate MLS TPO connect website Product Matrices webpage • Form must be completed by the Processor and included in the Submission Package • Underwriter will review and sign form prior to closing (signed form must be uploaded to MB) • HomeReady Non-Borrower Income Worksheet & Certification (Fannie Mae Form 1019) – required when using non-borrower income <ul style="list-style-type: none"> • Form is located on the corporate MLS TPO connect website on the MLS Product Matrices webpage • If there are multiple non-borrower household members associated with the transaction, each non-borrower household member’s information should be documented on a separate form. • The form must be signed by the non-borrower household member. • Income must be documented as outlined in the “Non-Borrower Household Income” section • For Limited Cash-Out refinances with LTV’s > 95%, the Broker must document that the existing loan being refinanced is owned by Fannie Mae. Documentation may be obtained from: <ul style="list-style-type: none"> • The lenders 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 Broker 										
INTERESTED PARTY CONTRIBUTIONS	<table border="1" data-bbox="506 1178 1141 1335"> <thead> <tr> <th>Occupancy</th> <th>LTV/CLTV</th> <th>Maximum Contribution</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Primary Residence</td> <td>> 90%</td> <td>3%</td> </tr> <tr> <td>75.01%-90%</td> <td>6%</td> </tr> <tr> <td>≤75%</td> <td>9%</td> </tr> </tbody> </table>	Occupancy	LTV/CLTV	Maximum Contribution	Primary Residence	> 90%	3%	75.01%-90%	6%	≤75%	9%
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ESCROW WAIVERS	<p>Escrow waivers are allowed on transactions that meet the following requirements:</p> <ul style="list-style-type: none"> • The LTV is less than or equal to 80% • Borrower has a minimum 700 credit score; and borrower has a minimum of 2 months in reserves after closing. 										
DOCUMENT AGE	<ul style="list-style-type: none"> • Credit Docs – 120 days • Appraisal – 120 days 										
SPECIAL FEATURE CODES	<p>Brokers must use:</p> <ul style="list-style-type: none"> • SFC 900 when delivering HomeReady mortgage loans to Fannie Mae. • SFC 118 when delivering a first mortgage that is originated as part of a community seconds transaction. 										