Primary Residence[1,2]			
Transaction	**FICO**	**Number of Units**	**Maximum LTV/CLTV**
Purchase	620	1 - Unit	97%
Rate / Term	620	1 - Unit	95%
Purchase	620	2 - Units	85%
Rate / Term	620	3-4 - Units	75%

Footnotes:

- The minimum credit score is determined by DU but must not be less than 620.
- Florida Condominiums:
  - Refer to the Fannie Mae Guidelines for LTV requirements based on condo review type.

Note: Additional LTV/FICO requirements may apply to loans >80% LTV due to mortgage insurance restrictions. Check with the MI company guidelines for details.

Primary Residence
• Min loan amount $50,000. • Non-traditional Credit – Not Allowed • Manual Underwriting – Not Allowed • 620 Minimum Fico Score • Borrowers without credit scores – Not Allowed • Temporary buydowns – Not Allowed • Manufactured Housing – Not Allowed • Cooperatives – Not Allowed • Sweat equity not allowed • DU "Approve Eligible" only: Expanded Approval is Not permitted • High Balance loan amounts not eligible • Florida Condominiums: Established Projects only, New Construction or Conversions NOT • allowed. • LTV limited to Fannie Mae guides in accordance with Condominium review type. • Example: 75% LTV for Florida Condominiums with Limited review. • Hawaii- Ineligible

HomeReady Mortgage

HomeReady Mortgage Loan and Borrower Eligibility

General Loan Eligibility

- A HomeReady mortgage is a first mortgage, purchase money or limited cash-out refinance transaction for one-to-four unit properties used as the borrower's principal residence.
- Eligible properties include:
  - One unit properties including units in condos and PUDs;
  - Existing structures and new construction; and
  - Two-to-four unit properties.
- Additional restrictions apply to transactions with LTV, CLTV, or HCLTV ratios of 95.01 – 97%. See below for additional requirements for HomeReady mortgage transactions.
- Refer to the Eligibility Matrix for maximum allowable LTV, CLTV, and HCLTV ratios for HomeReady mortgage loans
- Homeownership education is required for HomeReady purchase mortgage loans when all occupying borrowers are first-time homebuyers
- Non-occupant borrowers are permitted on HomeReady mortgages.
- DU will determine the reserves requirement.

<u>LTV, CLTV, HCLTV Ratios of 95.01 – 97%</u>

- If the LTV, CLTV, HCLTV ratio exceeds 95% for a HomeReady transaction, the following requirements apply:

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PROGRAM DETAILS	
Criteria	**Requirements**
LTV, CLTV or HCLTV Ratio	95.01 to 97% The CLTV ratio can be up to 105% if the subordinate lien is a Community Seconds loan.
Loan Purpose	Purchase transactions or limited cash-out refinances only.
Existing loan	For limited cash-out refinances: Document that the existing loan being refinanced is owned or securitized by Fannie Mae. Inform DU that Fannie Mae owns the existing mortgage using the "Owner of Existing Mortgage" field in the online application before submitting the loan to DU.
Loan Type	Fixed rate loans with terms up to 30 years. **High-Balance loans are not permitted.**
Property and Occupancy	One-unit principal residence. All borrowers must occupy the property. **Manufactured housing is not permitted.**
Credit Score	All borrowers on the loan must have a credit score.
Underwriting Method	DU only.
Reserves	Reserves requirements will be determined by DU.
Other	All other standard purchase and limited cash-out refinance and HomeReady requirements apply.
ATR and QM	All loans must meet the Ability to Repay (ATR) and Qualified Mortgage (QM) provisions of the Dodd- Frank Act
Asset Sources	• Checking/Savings accounts • Retirement accounts • Gifts • Grants • Cash-on-hand for 1-unit properties only (must meet Fannie requirements) Sweat Equity not allowed
AUS	• DU Only • Must be Approve/Eligible; No manual underwrites • Based on the borrower income, DU will notify users when a loan casefile appears to be eligible for HomeReady but the lender has not underwritten the loan casefile as HomeReady. • Resubmit the loan casefile as a HomeReady loan to obtain the appropriate HomeReady messaging. • Ratios and reserves determined by DU
Credit Report	• All borrowers must have a credit score and traditional credit history. • Trade line requirements determined by DU findings. • Inquiries: A detailed explanation letter that specifically addresses both the purpose and outcome of each inquiry is required. If additional credit was obtained, a verification of that the debt/payment must be obtained and the DU must be resubmitted • Student Loans: Any student loan currently in default status must have a working repayment plan to be paid in full at the time of close. • Revolving Credit: If there is no payment on the credit report for revolving credit, use the greater of $10 or 5% of the balance on credit. • Credit Score Model- Classic FICO® only. VantageScore® 4.0 and FICO® Score 10T are ineligible.
	Bankruptcy: • Ch 7 – 48 months • Ch 11 – 48 months • Ch 13 – 24 months from Discharge date: 48 months from Dismissal Date • Multiple Bankruptcies – 60 months Foreclosure: 84 Months Deed-in-Lieu, Pre-Foreclosure, Charge-off of Mortgage account: 48 Months

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<table>
<tr><td>Derogatory Credit</td><td>
<table>
<tr><td>Short Sale</td><td>48 months</td></tr>
<tr><td>Mortgage Modification</td><td>24 Months</td></tr>
<tr><td>Foreclosure and Bankruptcy on the same Mortgage (Mortgages not-reaffirmed)</td><td>If a mortgage debt was discharged through a bankruptcy, the bankruptcy waiting periods may be applied if the lender obtains the appropriate documentation to verify that the mortgage obligation was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting periods must be applied. And demonstrate acceptable mortgage history.</td></tr>
<tr><td>Judgements / Liens</td><td>Must be fully satisfied prior to or at time of closing.</td></tr>
<tr><td>Bankruptcy</td><td>Follow DU requirements outlined in DU findings</td></tr>
</table>
</td></tr>
<tr><td>Geographical Restrictions</td><td>• Texas 50(a)(6)-Ineligible
• Hawaii-Ineligible</td></tr>
<tr><td>Homebuyer Education</td><td>• Pre-purchase homeownership education and housing counseling referrals, post-purchase early delinquency counseling, and landlord education are required for HomeReady mortgage loans. Home Ready requires that one borrower on each loan do one of the following prior to the note date:
• Complete the Framework homeownership education course -Purchase Homeownership Education and Housing Counseling Referral along with Post-purchase Early Delinquency Counseling. https://homeready.frameworkhomeownership.org/ Or:
• Receive pre-purchase housing advising from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed Certificate of Completion of Pre-Purchase Housing Counseling (Form 1017).</td></tr>
<tr><td>Household Income</td><td>• Permitted as a compensating factor in DU only to allow a debt-to-income (DTI) ratio >45%, up to 50% (nonborrower income is not considered qualifying income and is not applied to income limits).
• The following additional requirements apply:
• 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 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.)
• 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 would not impact the DTI ratio used in the risk assessment or displayed on the DU Underwriting Findings report.</td></tr>
<tr><td>Income Limits</td><td>• 80% of the area median income (AMI) required To determine appropriate income limits:
• Go to: https://ami-lookup-tool.fanniemae.com/amilookuptool/</td></tr>
<tr><td>Income – Boarder Income</td><td>Rental Income from Boarder:
Income from a boarder (related or non-related) can be included in the calculation of the borrower’s stable monthly income if the following are met:
• One unit
• The boarder must have resided with (and paid rent to) the borrower for the last 12 months.
• Provide documentation to evidence residency with the borrower (i.e. copy of driver’s license, monthly bills, bank statement that shows the boarder’s address as being the same as the borrower’s address)
• Provide evidence of payment of rental payments (such as cancelled checks) to the borrower for:
○ Last 12 months or
○ At least 9 of the most recent 12 months provided the rental income is averaged over a 12 month period
• Payment of rent by the boarder directly to a third party is not acceptable
• The boarder will continue to reside with the borrower in the new residence
• The amount of rental income may not exceed 30% of the total qualifying income for the mortgage (if rental income exceeds 30%, reduce the amount of income to not more than 30% and use that figure for qualifying income and AMI limitations)</td></tr>
<tr><td>LLPAs – Loan Level Price Adjustments</td><td>• Loans with an LTV > 80% and credit score ≥ 620, LLPAs are waived
• All other LTV & credit score combinations, LLPAs are capped at 1.50%</td></tr>
</table>

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Loan Purpose	• Purchase • Rate & Term Refinance
Loan Limits	• Conforming balances only • High-balance is not eligible
Mortgage Insurance	• 25% MI coverage for LTVs 90.01–97% • Standard MI coverage for LTVs of 90% or less
Non-Occupant Co-Borrower	• Allowed – Maximum 95% LTV / CLTV • Occupant borrower must have a DTI ratio no higher than 43% • Note: Non-Occupant Co-borrower cannot have an interest in the property sales transaction, such as the property seller, the builder, or the real estate broker
Property Types	• SFR, Condos & PUD & 2-4 units • No Co-Ops or Manufactured Homes
Ratios	• Per DU
Refinances	Rate and Term Refinances: Must meet the following requirements: • The transaction is being used to pay off an existing first mortgage loan (including and existing HELOC in first-lien position) by obtaining a new first mortgage loan secured by the same property, or for single-closing construction-to-permanent loans to pay for construction costs to build the home, which may include paying off an existing lot lien. • Only subordinate liens used to purchase the property may be paid off in the new mortgage. • The borrower must be on title prior to the application. **Note:** For certain transactions on properties with a PACE loan, Fannie Mae will waive the prohibition against using the proceeds of a limited cash-out refinance to pay off a loan not used to purchase the property if the loan being paid off is a PACE loan. See B5-3.4-01, Property Assessed Clean Energy Loan, See Fannie Mae Agency guidelines for additional information. • The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions). Listed Properties: • The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions).
Student Loan Payment Requirements	Whether deferred, in forbearance, or in repayment (not deferred), monthly payment must be included in the borrower's recurring monthly debt obligation when qualifying the borrower. If a monthly payment is provided on the credit report, use that amount as the monthly payment for qualifying purposes. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment (which may be the case for deferred loans or loans in forbearance), calculate a qualifying monthly payment using one of the options below: • 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or • a fully amortizing payment using the documented loan repayment terms.
FANNIE MAE GUIDELINES	For further information not covered here please proceed to Fannie Mae Guidelines. https://www.fanniemae.com/singlefamily/originating-underwriting • HomeReady specific Fannie Mae information page https://www.fanniemae.com/singlefamily/homeready

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