

## FANNIE MAE HomeReady

Primary Residence		
Purchase & Limited Cash-Out Refinance		
Property Type	Max LTV/CLTV	Min Credit Score
1 Unit	FRM: 97% ARM: 95%	620
2-4 Units	FRM/ARM 95%	
Footnotes		
<ul style="list-style-type: none"><li>• Texas transactions: refer to the Restrictions section for additional guidance</li><li>• 95.01% - 97.00% LTV transactions</li><li>• Limited Cash-Out Refinance: existing loan must be owned (or securitized) by Fannie Mae (<a href="#">Loan Lookup Tool</a>).</li><li>• Non-occupant borrower is ineligible</li><li>• High Balance and ARMs are not permitted</li></ul>		

## FANNIE MAE HomeReady

Loan purpose	• Purchase or Limited Cash-out Refinance (LCOR)				
Property Types	Eligible		Ineligible		
	• Owner Occupied Principal Residence <ul style="list-style-type: none"><li>o SFR/PUD (detached/attached)</li><li>o Condominium (low/mid/high rise)</li><li>o 2-4 units</li></ul>		• Agricultural/Income producing properties		
AUS Requirements	• Non-Warrantable Condo/Condotel				
	• Manufactured home				
Mortgage Insurance	• Earth homes, and geodesic domes				
	• Co-ops				
Mortgage Insurance	• DU Approve/Eligible: Fannie Mae guidelines apply				
	• Manual underwriting not permitted				
	• At least one borrower must have traditional credit				
	• Based on income, DU will determine the income eligibility for HomeReady Mortgage; DU findings message must include “This case is eligible for delivery as a “HomeReady” Mortgage Loan.”				
	• Special Feature Code: SFC 900 required for HomeReady Mortgages				
	• Standard Agency underwriting guidelines apply unless specifically referenced in this matrix				
	• BPMI (monthly premium) is eligible				
First-Time Homebuyer	• Financed/Custom/Reduced MI are not eligible				
	• Acceptable renewal types are Level/Constant and Non-refundable				
	Standard – Required MI Coverage				
	Loan Term	LTV			
		80.01-85.00%	85.01-90.00%	90.01-95.00%	95.01-97.00%
	Fixed<=20 year	6%	12%	25%	25%
	Fixed>20 year	12%	25%	25%	25%
Note : ARMs MI coverage follow fixed > 20 year table regardless of term, up to 95% LTV					
Homeownership Education and Housing Counseling	• No requirement for the borrower(s) to be a First-Time Homebuyer				
	• Additional SFC 184 required when at least one borrower on the loan has received customized one-on-one assistance from a HUDapproved non-profit counseling agency, as evidenced by completion of a Certificate of Pre-purchase Housing Counseling ( <a href="#">Form 1017</a> ) <ul style="list-style-type: none"><li>o Loan level price adjustment credit applies.(Refer to Rate Sheet)</li></ul>				
• <a href="#">Fannie Mae Homeownership Education and Housing Counseling</a>					

## FANNIE MAE HomeReady

Income	The following is general guidance and subject to DU approval. Subject to approval		
	• Two year employment history must be verified		
	Qualifying Income Limits		
	<ul style="list-style-type: none"><li>• 80% of area median income (AMI)</li><li>• To determine whether a mortgage is eligible under the borrower income limits, count the income used to qualify the loan<ul style="list-style-type: none"><li>◦ Income (O.T., bonus, etc.) not used to qualify the borrower is not required to be included in the income limit eligibility</li></ul></li><li>• Total annual qualifying income must not exceed 80% of the Area Median Income (AMI) for the property’s location</li><li>• DU will determine if the qualifying income meets the income limits, or<ul style="list-style-type: none"><li>◦ Use the HomeReady <a href="#">Eligibility Lookup Tool</a> / Income Eligibility spreadsheet Census Tract Lookup</li><li>◦ The Additional Data screen field will allow entering census tract information if DU is unable to geocode the property address</li></ul></li></ul>		
	<ul style="list-style-type: none"><li>• Current paystub dated within 120 days from the Note date</li><li>• W2s per DU findings</li></ul>		
	Self-Employed Borrower		
	<ul style="list-style-type: none"><li>• Business in existence for at least two years (as stated on application)</li><li>• Personal/Business signed individual tax returns, including all pages and schedules</li></ul>		
	Rental Income		
	<ul style="list-style-type: none"><li>• Rental income derived from the subject property must be one of the following:<ul style="list-style-type: none"><li>◦ 1 unit principal residence with an accessory unit</li><li>◦ 2-4 unit principal residence in which the borrower occupies one of the units</li></ul></li><li>• Rental income derived from non-subject property have no restrictions on the property type</li><li>• Boarder income (relative or non-relative) from a 1 unit property up to 30% of the total gross income is eligible if<ul style="list-style-type: none"><li>◦ The individual(s) lives with pays rent to the borrower for the last 12 months</li><li>◦ The boarder provides document history of shared residency (i.e. driver’s license, bill, or bank statement with boarder’s address as being the same as the borrower’s address)</li><li>◦ The boarder can demonstrate (such as copies of canceled checks) the payment of rental payments to the borrower for 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</li></ul></li></ul> <p>Note: Payment of rent by the boarder directly to a third party is not acceptable</p>		
Qualifying Rate	Fixed Rate	Initial Fixed-Rate Period ≤ 5	Initial Fixed-Rate Period > 5
	Qualify at the Note Rate	Qualify at the greater of the fully indexed rate or the Note rate + 2.0%	Qualify at the greater of the fully indexed rate or the Note rate
	Per DU Approve/Eligible findings; loans with MI may have more restrictive requirements		
Subordinate Financing	<ul style="list-style-type: none"><li>• Subordinate financing must comply with B2-1.1-04 Subordinate Financing</li><li>• Subordinate financing of a seller-held mortgage is ineligible with HomeReady Mortgage</li></ul>		

## FANNIE MAE HomeReady

Assets/Reserves	<ul style="list-style-type: none"><li>Minimum contribution:<ul style="list-style-type: none"><li>o \$0 for One unit</li><li>o \$0 for LTV/CLTV/HCLTV of 80% or less</li><li>o 3% for LTV /CLTV/HCLTV &gt; 80%</li><li>o 3% required if sweat equity is being used</li></ul></li><li>Reserves: Refer to the Fannie Mae guidelines</li></ul>				
Interested Party Contribution (IPC)		LTV/CLTV > 90%	LTV/CLTV 75.01-90%	LTV/CLTV ≤ 75%	
		3%	6%	9%	
Property Ownership	<ul style="list-style-type: none"><li>Occupant borrowers may own one other financed residential property (in addition to the subject property) at the time of closing</li><li>Non-occupant borrower(s) has no limitation on ownership of other residential property</li></ul>				
Properties Listed for Sale	<ul style="list-style-type: none"><li>Limited Cash-Out: Property must be taken off the market on or before the disbursement date and the borrower must confirm their intent to occupy the subject property</li></ul>				
Credit	Mortgage/Rental History				
	<ul style="list-style-type: none"><li>Refer to the Fannie Mae guidelines</li></ul>				
	Installment/Revolvig				
	<ul style="list-style-type: none"><li>Refer to the Fannie Mae guidelines</li></ul>				
	Derogatory Credit				
	Derogatory Event		Discharge/Dismissal		
	Bankruptcy — Chapter 7 or 11		4 years		
	Bankruptcy — Chapter 13		2 years from discharge date 4 years from dismissal date		
	Multiple Bankruptcy Filings		5 years from dismissal or discharge date		
	Foreclosure		7 years		
	Loan Modification		No seasoning, DU will evaluate		
	Deed-in-Lieu of Foreclosure		4 years		
	Pre-foreclosure Sale				
	Charge-Off of Mortgage Account				
	Collections and Non-Mortgage Charge-Off				
Transaction Type		Requirement			
1 Unit, Principal Residence		Payoff not required regardless of amount			
2-4 Units, Owner Occupied and Second Home		Accounts totaling > \$5,000 must be paid in full prior to or at closing			
Investment Property		Individual accounts ≥ \$250 and totaling > \$1,000 must be paid in full prior to or at closing			
Note: Collection accounts reported as medical collections are not used in the DU risk					
	<ul style="list-style-type: none"><li>Student loans in repayment, deferment, or forbearance:</li></ul>				
	If	Then			
	Payment Reflected on Credit Report	May use that amount for qualifying purposes			
	Payment Not Reflected on credit report	May use the monthly payment that is on the most recent student loan statement to qualify the borrower			

## FANNIE MAE HomeReady

<b>Student Loans</b>	<p>Credit report shows \$0</p>	<ul style="list-style-type: none"> <li>• Use 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or</li> <li>• a fully amortizing payment using the documented loan repayment terms</li> </ul> <p>If income-driven payment plan is \$0</p> <ul style="list-style-type: none"> <li>• Obtain student loan documentation to verify the actual monthly payment is \$0, then may qualify the borrower with a \$0 payment</li> </ul>
<b>HPML and HPCT Loans</b>	<ul style="list-style-type: none"> <li>• Higher-priced mortgage loan underwriting requirements are applicable to all occupancy types (not just primary residences)</li> <li>• 5/1 ARM not eligible as HPML or higher-priced covered transactions (HPCT)</li> </ul>	
<b>Net Tangible Benefit</b>	<ul style="list-style-type: none"> <li>• Every refinance transaction must offer a documented, demonstrable, Net Tangible Benefit to the borrower.</li> <li>• Team members with delegated underwriting authority or melloAuthority are responsible for identifying Net Tangible Benefit throughout the loan process.</li> <li>• State-required NTB forms must be completed as applicable.</li> <li>• Refer to the Net Tangible Benefit policy in the YODA Conventional Lending Guide for complete guidance, including transactions in which the Net Tangible Benefit is not easily identifiable.</li> </ul>	
<b>Restrictions</b>	<p>Texas Limited Cash-Out Refinances</p> <ul style="list-style-type: none"> <li>• 1-Unit primary residence transactions <ul style="list-style-type: none"> <li>o Ineligible</li> <li>o Refer to the Texas Homestead Refinance Matrix (DU)</li> </ul> </li> </ul>	