



Home Ready Guideline

Revision: February 6, 2023

(Purchase & Rate/Term Refinances) – Fannie Mae DU			
Occupancy		Owner Occupied	
LTV, CLTV, FICO	TERMS	Max LTV ^{1,2}	Min FICO ²
1 Unit	FIXED	97%	620
	ARM	NOT PERMITTED	
1 Unit	FIXED	95%	620
	ARM	95%	
2 Units	FIXED	85%	620
	ARM	85%	
3-4 Units	FIXED	75%	620
	ARM	75%	
<p>¹ 105% CLTV Ratio/Community Seconds. The following are not permitted with Community Seconds: second homes, investment properties, cash-out refinances, and ARM.</p> <ul style="list-style-type: none"> • 97% only allowed on purchase (FIXED Only) • 97% only allowed on R&T refinance but loan must be service by FNMA, else limited to 95% LTV/CLTV. • 97% only allowed on 1 unit • 97% only does not allow non-occupant borrowers • State of NJ limited to 95% for Fixed and 90% for ARM <p>²Manufactured Homes limited to 95% LTV/CLTV for Purchase and R/T. Minimum Fico 640. Conforming loan amounts only.</p>			



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ATR and QM	All loans must meet the Ability to Repay (ATR) and Qualified mortgage (QM) provisions of the Dodd-Frank Act.															
High Cost	Not Eligible															
HPML	<p>Eligible:</p> <ul style="list-style-type: none"> • Full Appraisal required regardless of AUS findings <p>Ineligible:</p> <ul style="list-style-type: none"> • ARMS with fixed interest rates < 7 years • LTV/CLTV > 100% <p>NOTE:</p> <ul style="list-style-type: none"> • Non-Owner transactions are exempt from HPML guideline • If the property is considered a flip and it's been less than 180 days from Seller's Acquisition Date to Contract date, a 2nd full appraisal will be required if the appreciation is ≥ 10% in the past 90 days or ≥ 20% in the past 91-180 days (Seller Acquisition date to Contract date) • Borrower is not eligible to pay for the 2nd appraisal when required 															
ARM Information	For 5/1 ARM: Index: 1 YR Libor Caps: 2/2/5 Margin: 2.25%															
Products/Terms	<ul style="list-style-type: none"> • Fixed Rate (30-Year) • Fixed period LIBOR ARMs with 30-year term (5/1). • Texas Section 50(a)6 is ineligible 															
Buy Down	<u>Not permitted</u>															
Borrower Qualification	<p><u>Fixed Rate:</u> Borrower is qualified at the Note rate.</p> <p><u>7/1 and 10/1 ARMS:</u> Qualify at the greater of the Note rate or the fully indexed rate.</p> <p><u>5/1 ARMS:</u> Qualify at the higher of the note rate + 2% or the fully indexed rate.</p>															
Mortgage Insurance	<p>The following coverage is required for all fully amortizing products, regardless of DU Findings:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3">Mortgage Insurance Coverage Requirements</th> </tr> <tr> <th>LTV</th> <th>Fixed Rate > 20 years and ALL ARM's</th> <th>Fixed Rate < 20 years</th> </tr> </thead> <tbody> <tr> <td>97% - 90.01%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>90% - 85.01%</td> <td>25%</td> <td>12%</td> </tr> <tr> <td>85% - 80.01%</td> <td>12%</td> <td>6%</td> </tr> </tbody> </table> <p>Financed MI and the Custom MI Flexible Mortgage Insurance Option (where a fee is required) is not permitted.</p> <ul style="list-style-type: none"> • Required for LTV > 80% • BPMI premium allowed on all programs subject to AUS findings. <i>(Effective 3/1/2018)</i> • LPMI premium allowed on all programs subject to AUS findings. <i>(Effective 3/1/2018)</i> • Maximum DTI and Fico Score is subject to current mortgage insurance guidelines and AUS findings. 	Mortgage Insurance Coverage Requirements			LTV	Fixed Rate > 20 years and ALL ARM's	Fixed Rate < 20 years	97% - 90.01%	25%	25%	90% - 85.01%	25%	12%	85% - 80.01%	12%	6%
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Maximum Loan Amount	<p>Minimum Conforming Loan Amount is \$75,000.00</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="6">2023 Loan Limits</th> </tr> <tr> <th rowspan="2">Units</th> <th>Continental Us</th> <th>Hawaii</th> <th rowspan="2">Units</th> <th>Continental Us</th> <th>Hawaii</th> </tr> <tr> <th colspan="2">Conforming Maximum Loan Amount 2023</th> <th colspan="3">High Balance Maximum Loan Amount 2023</th> </tr> </thead> <tbody> <tr> <td>One</td> <td>\$726,200</td> <td>Not Applicable</td> <td>One</td> <td>\$1,089,300</td> <td>Not Applicable</td> </tr> <tr> <td>Two</td> <td>\$929,850</td> <td>Not Applicable</td> <td>Two</td> <td>\$1,394,775</td> <td>Not Applicable</td> </tr> <tr> <td>Three</td> <td>\$1,123,900</td> <td>Not Applicable</td> <td>Three</td> <td>\$1,685,850</td> <td>Not Applicable</td> </tr> <tr> <td>Four</td> <td>\$1,396,800</td> <td>Not Applicable</td> <td>Four</td> <td>\$2,095,200</td> <td>Not Applicable</td> </tr> </tbody> </table> <p>https://www.fanniemae.com/singlefamily/loan-limits</p>	2023 Loan Limits						Units	Continental Us	Hawaii	Units	Continental Us	Hawaii	Conforming Maximum Loan Amount 2023		High Balance Maximum Loan Amount 2023			One	\$726,200	Not Applicable	One	\$1,089,300	Not Applicable	Two	\$929,850	Not Applicable	Two	\$1,394,775	Not Applicable	Three	\$1,123,900	Not Applicable	Three	\$1,685,850	Not Applicable	Four	\$1,396,800	Not Applicable	Four	\$2,095,200	Not Applicable
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Underwriting Method	Loans must receive a DU "Approve/Eligible"																																									
Prepayment Penalty	None																																									
Occupancy	Primary Residence																																									
Minimum Borrower Contributions	1 unit: 0% 2 unit: 3% required if LTV > 80%																																									
Reserves	Must come from borrower own funds if required.																																									
Eligible Borrowers	US Citizens; Permanent Resident Aliens; Non-Permanent Resident Aliens allowed with required VISAs); Revocable Trust; Must have valid Social Security Number; Maximum of 4 borrowers per loan application are allowed																																									
Qualifying Ratios	Maximum qualifying ratio: 50% (Subject to AUS approval and use of income)																																									



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Property Types	
	<ul style="list-style-type: none">• Condo, PUD, SFR, 2-4 Units, Age restrictions <i>Ineligible properties</i>- Deed restrictions other than Age, co-ops, condo hotels, mixed-used live/work, no gut rehab)• Condo complex with 4 or less units require that at least 3 out of 4 are owner occupied properties.• Condo conversion within the past 3 years not allowed.• New condo projects in Florida are eligible only if approved via FNMA PERS Approved process.• Owner occupancy requirement for condos is no longer applicable for owner occupied and second home.• <u>Manufactured Homes:</u><ul style="list-style-type: none">○ It must permanently be affixed to the lot and considered real estate under state law.○ Constructed on or after 6/15/1976; must have one or more labels attached to the home. (IBTS website)○ 1 Unit Classified as Real Property, No Accessory Unit○ Doublewide or Multi-Wide○ Minimum 600 SQFT and minimum 12 ft wide○ Cannot have been previously installed or occupied at another site○ Towing hitch, wheels & axles removed○ Fee Simple○ Max 10 acres○ Cannot be a manufactured Condo or PUD○ No new construction○ No refinance of interim construction financing○ Engineer Cert – Foundation Cert is required only if there is addition○ No manufactured Advantage Properties○ No Conforming High Balance loan amounts○ Minimum Fico 640○ Purchase and R/T max LTV/CLTV at 95%○ Mortgage insurance requires prior approval○ Second signature is required



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Acceptable Visa Types	
	<ul style="list-style-type: none">○ A-1 thru A-3 Visas- Note: Borrowers with these Visa types who have diplomatic immunity are not acceptable○ E-1 thru E-3 Visas○ G-1 thru G-5 Visas- Note: Borrowers with these Visa types who have diplomatic immunity are not acceptable○ H-1, H-1B and H-1C Visa's○ H-4 Visa- These visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified H-1 visa holder. When income is being used to qualify, a current (unexpired) EAD issued by USCIS is also required.○ L-1 Visa○ L-2 Visa- These visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified L-1 visa holder. When income is being used to qualify, a current (unexpired) EAD issued by USCIS is also required.○ O-1A Visa- Note: Borrowers with this Visa type cannot work in the Arts, Motion Picture or Television industry○ O-1B Visa- Note: This Visa type is for those excluded from eligibility on a O-1A visa as listed above○ O-2 Individuals who will accompany an O-1, artist or athlete, to assist in a specific event or performance○ TN, NAFTA Visa -Used by Canadian or Mexican citizens for professional or business purposes○ TC, NAFTA Visa- Used by Canadian citizens for professional or business purposes● Note: An unexpired Employment Authorization Document (EAD) may be used in lieu of a Visa<ul style="list-style-type: none">○ If EAD will expire within one year, the following must be provided<ul style="list-style-type: none">▪ One previous EAD Renewal or if there are no prior EAD renewals, the likelihood of renewal must be determined based on the information provided by USCIS● If Visa from the eligible list above is expired, the borrower may still be considered if the below can be met.<ul style="list-style-type: none">○ Confirmation that the borrower has submitted an application for extension of the visa or an application for a green card. Documentation includes, but is not limited to:<ul style="list-style-type: none">▪ USCIS Form I-797- issued when application or petition is approved▪ USCIC Form I-797C or I-797E- Cannot state application has been declined▪ USCIS Form I-539 or equivalent or copy of USCIS Form I-485 or equivalent plus electronic verification of receipt from the USCIS website▪ If sponsored by employer, the employer may verify that they are sponsoring the visa renewal



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Credit	<ul style="list-style-type: none"> • Non-traditional credit allowed subject to AUS with the following restrictions: <ul style="list-style-type: none"> ○ Primary 1 unit with all borrowers occupying subject ○ Wage Earner only ○ At least one borrower must have traditional credit and those borrowers must contribute more than 50% of the total qualifying income • Minimum credit score(s): Minimum required per LTV/CLTV grid • DU Approve/Eligible General Credit Guidelines <u>Mortgage lates</u>: DU findings <u>Chapter 7 or 11 Bankruptcy</u>: 4 years have elapsed since the discharge or dismissal date to the Note date <u>Chapter 13 Bankruptcy</u>: 2 years have elapsed since discharge date to the Note date; 4 years have elapsed since dismissal date to the Note Date <u>Short Sale, "Settled for Less", Deed-in-lieu of foreclosure, Pre-foreclosure</u>: with AUS approval- 4 years waiting period from recording date to the Note Date. 2 years waiting period (base on Credit Report Date) is acceptable if reason was due to extenuating circumstances as per agency guidelines. Extenuating circumstances must be explained with adequate supporting documentation <u>Foreclosure</u>: 7 years waiting period is required from completion date to the Note date • Borrower with multiple BK filings within the last seven (7) years: five (5) years waiting period since the most recent discharged / dismissal date. • If the foreclosure is within the bankruptcy than the seasoning requirements follow bankruptcy guidelines. 								
Borrower Income Eligibility Limit	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Borrower Income Eligibility Limit</th> <th style="text-align: left;">Area</th> </tr> </thead> <tbody> <tr> <td>80% of area median income</td> <td>All properties</td> </tr> <tr> <td colspan="2">To check to see if income eligibility area go to https://www.fanniemae.com/singlefamily/homeready</td> </tr> </tbody> </table>	Borrower Income Eligibility Limit	Area	80% of area median income	All properties	To check to see if income eligibility area go to https://www.fanniemae.com/singlefamily/homeready			
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Interested Party Contributions	<p>The amount of the contribution made by an interested party is based on the LTV/CLTV of the mortgage.</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="2">Maximum Contribution Limits</th> </tr> </thead> <tbody> <tr> <td>LTV/CLTV 90.01% - 100%</td> <td style="text-align: center;">3%</td> </tr> <tr> <td>LTV/CLTV 75.01 – 90%</td> <td style="text-align: center;">6%</td> </tr> <tr> <td>LTV/CLTV <= 75%</td> <td style="text-align: center;">9%</td> </tr> </tbody> </table>	Maximum Contribution Limits		LTV/CLTV 90.01% - 100%	3%	LTV/CLTV 75.01 – 90%	6%	LTV/CLTV <= 75%	9%
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Assets	<p>Allowable Assets for down payment and closing:</p> <ul style="list-style-type: none">• Checking• Saving• 401K, Stock, Bonds and Mutual Funds- 100% of vested balance minus any outstanding loans, may be used.• Business Funds - must own the company 100%• Life Insurance – 100% of cash value
Non-Traditional Credit	<ul style="list-style-type: none">○ Restrictions when no borrower has a credit score:<ul style="list-style-type: none">○ Must have DU approval○ Primary one (1) unit with all borrowers occupying subject○ The transaction must be a purchase or limited cash-out refinance○ The loan amount must meet the general loan limits not high balance limits○ The loan must be a fixed-rate mortgage○ The Maximum LTV/CLTV, and HCLTV at 90%○ The DTI ratio must be less than 40%○ Reserves may be required as determined by DU○ Two (2) nontraditional credit history must be documented for each borrower without a credit score○ Restrictions when at least one borrower has no credit score:<ul style="list-style-type: none">○ Must have DU approval○ Primary 1 unit with all borrowers occupying subject○ Borrower with no credit score can only be wage earner○ At least one borrower must have at least one credit score○ The transaction must be a purchase or limited cash-out refinance○ The loan amount must meet the general loan limits not high balance limits○ If the borrower(s) with a credit score is contributing <u>more than 50%</u> of the qualifying income, then non-traditional credit history is not required for each borrower without a credit score else it required. Refer to Fannie Mae guidelines B3-5.4-03, Documentation and Assessment of a Nontraditional credit history, for additional information.○ If the borrower with a credit score is contributing <u>50% or less</u> of the qualifying income, two (2) nontraditional credit history for each borrower without a credit score is required.○ Maximum DTI subject to DU.○ Reserve may be required as determined by DU.



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Nontraditional Documentation Requirements

○ Rental Payment History

- The borrower's rental payment history must be documented for the most recent consecutive 12-month period. The following documentation is acceptable:
 - Canceled checks can be provided. In lieu of canceled checks, borrower's bank statements, copies of money orders, or other reasonable methods for documenting the timely payment of rent. The documentation must clearly indicate the payee and amount being paid, and reflect that payments were made on a consistent basis.
 - Direct verification of the payment of rent from the landlord. Direct landlord verification is acceptable whether the landlord is an individual or a professional management company.

NOTE: If at least one borrower on the loan can document a rental housing payment as a source of nontraditional credit, the loan has met the rental payment history requirement. However, each nontraditional credit borrower still needs to document the minimum number of nontraditional credit sources required.

If two or more borrowers on a loan share the housing-related source (for example, they are both named on the lease for the property in which they are living), that documentation counts as one source of nontraditional credit documentation for each borrower, even if only one borrower has been making the payments.

○ Payment History Obtained from the Borrower

- Documentation that describes the terms of the debt repayment or contract together with canceled checks or copies of bills marked "paid" that reflect the borrower's payment history over the most recent consecutive twelve (12) months.

○ Standards for Individual Credit References Obtained Directly from a Creditor

- Individual credit references (other than rental housing payments) from a creditor must include the following:
 - The creditor's name
 - The name of the individual providing the reference
 - The date the account was opened
 - The amount of highest credit
 - The current status of the account
 - The required payment amount
 - The unpaid balance, and
 - The payment history

NOTE: The historical status of each account must be started in a "number of times past due" format using "0x30, 0x60, 0x90" days late. Vague statements such as "current", "satisfactory", or "pays as agreed" are not acceptable by themselves.



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	<ul style="list-style-type: none"> ○ Assessment of the Payment History for Nontraditional Credit Sources <ul style="list-style-type: none"> ○ For each nontraditional credit source, the following requirements must be met: <ul style="list-style-type: none"> ▪ There cannot be any delinquency on rental housing payments within the past 12 months ▪ Only one account, excluding rental housing payments, can have a 30-day delinquency in the past 12 months ▪ No collections (other than medical collections) or judgments have been filed in the past 24 months ▪ All Judgments and liens must be paid in full ▪ Collections and Charge-Offs per AUS findings <ul style="list-style-type: none"> • NOTE - If collection or charge off does not reflect as such on credit, subject to evaluation by the Underwriter <p>For more detail information on acceptable nontraditional credit, refer to Fannie Mae guidelines B3-5.4-03, Documentation and Assessment of a Nontraditional credit history, for additional information.</p> <p>Only borrower paid mortgage insurance (BPMI) mortgage insurance are allowed when using non-traditional credit.</p> <p>Homeownership Education If all borrowers on the loan relies solely on nontraditional credit to qualify, at least one borrower must complete pre-purchase homeownership education prior to loan closing. Refer to Fannie Mae B2-2-06, Homeownership Education and Housing Counseling.</p>
<p>Employment Offers & Contracts</p>	<p>Refer to Fannie Mae guidelines. Delivered with special code SFC707.</p>
<p>Temporary Interest Rate Buydown</p>	<ul style="list-style-type: none"> • 2/1 and 1/0 temporary buydown • Fixed Rate only • Qualification is on the full note rate • Purchase Transaction Only • Owner Occupied Transaction Only • 1 to 4 Unit – (Exclude manufactured homes) • Minimum Fico 680 • All buydown needs to be from the following third parties which can be from the seller/builder. Borrower and lender funded buydown accounts are not allowed. • The buydown plan must be a written agreement between the party providing the buydown funds and the borrower. • The total closing costs and buydown cannot exceed IPC Limits.



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Non-Borrower Household Income Requirements	<ul style="list-style-type: none"> • Considered as a compensating factor to allow a DTI ratio greater than 45%, up to 50% • Not included as qualifying income and does not impact the DTI ratio used in the risk assessment or displayed on the AUS Findings. • The non-borrower household member IS NOT REQUIRED TO BE A FAMILY MEMBER. • The non-borrower’s income must be at least 30% of the total monthly qualifying income being used by the borrower – the 30% could be reached by an aggregate of more than one person up to 3 and not to exceed combined total of 4 borrowers on one loan. • The non-borrower income must be documented in accordance with standard Fannie Mae Selling Guideline policy based on the income type. • There must be signed statement of intent for the non-borrower to reside with the borrower to reside with the borrower for a minimum of 12 months. (Fannie Mae provides optional Form 1019 for this purpose) • Must be reflected in DU as Other Income Type of “Non-Borrower Household Income”. <table border="1" data-bbox="512 719 1934 987"> <thead> <tr> <th colspan="3">Example of non-borrower household income sample scenario</th> </tr> </thead> <tbody> <tr> <td>Borrowers income \$6,000 / month</td> <td>Borrower’s Liabilities \$2,820 month</td> <td>= DTI Ratio \$2,820 / \$6,000 = 47% NOT ELIGIBLE</td> </tr> <tr> <td>Existence of \$2,000 month in non-borrower household income (33.33% of the borrower’s qualifying income)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>= DTI Ratio remains the same \$2,820 / \$6,000 = 47% ELIGIBLE</td> </tr> </tbody> </table>	Example of non-borrower household income sample scenario			Borrowers income \$6,000 / month	Borrower’s Liabilities \$2,820 month	= DTI Ratio \$2,820 / \$6,000 = 47% NOT ELIGIBLE	Existence of \$2,000 month in non-borrower household income (33.33% of the borrower’s qualifying income)					= DTI Ratio remains the same \$2,820 / \$6,000 = 47% ELIGIBLE
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Non-Occupant Borrowers	<p>The consideration of a non-occupant borrower’s income, assets, credits and liabilities permitted for qualifying: maximum 95%LTV</p> <p>Income is considered part of qualifying income and subject to HomeReady income limits</p> <table border="1" data-bbox="512 1146 1934 1437"> <thead> <tr> <th colspan="3">Example of Non-Occupant borrower sample scenario</th> </tr> </thead> <tbody> <tr> <td>Borrowers income \$6,000 / month</td> <td>Borrower’s Liabilities \$3,060 month</td> <td>= DTI Ratio \$3,060 / \$6,000 = 51% NOT ELIGIBLE</td> </tr> <tr> <td>Non-Occupant income of \$9,000 / month</td> <td>Non-Occupant Borrower’s Liabilities \$2,700 month</td> <td></td> </tr> <tr> <td>TOTAL \$15,000 / month</td> <td>\$5,760 / month</td> <td>= DTI Ratio \$5,760 / \$15,000 = 38.40% ELIGIBLE</td> </tr> </tbody> </table>	Example of Non-Occupant borrower sample scenario			Borrowers income \$6,000 / month	Borrower’s Liabilities \$3,060 month	= DTI Ratio \$3,060 / \$6,000 = 51% NOT ELIGIBLE	Non-Occupant income of \$9,000 / month	Non-Occupant Borrower’s Liabilities \$2,700 month		TOTAL \$15,000 / month	\$5,760 / month	= DTI Ratio \$5,760 / \$15,000 = 38.40% ELIGIBLE
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<p>Difference between a Non-occupant borrower and a Non-Borrower Household Member?</p>	<table border="1" data-bbox="520 922 1940 1073" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Is the person on the loan?</th> <th>Lives in the Home?</th> <th>Income Included in qualifying income?</th> <th>Must meet income eligibility requirements?</th> </tr> </thead> <tbody> <tr> <td>Non-Occupant Borrower</td> <td>YES</td> <td>NO</td> <td>YES</td> <td>YES</td> </tr> <tr> <td>Non-Borrower Household Member</td> <td>NO</td> <td>YES</td> <td>NO</td> <td>NO</td> </tr> </tbody> </table>						Is the person on the loan?	Lives in the Home?	Income Included in qualifying income?	Must meet income eligibility requirements?	Non-Occupant Borrower	YES	NO	YES	YES	Non-Borrower Household Member	NO	YES	NO	NO
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Non-Occupant Borrower	YES	NO	YES	YES																
Non-Borrower Household Member	NO	YES	NO	NO																
<p>Rental Income</p>	<p>Fannie Mae Form 216 (Operating Income Statement) is required on all 2-4 unit properties, regardless of whether the income is needed to qualify. Rental income is calculated from the subject property's gross rental figure provided by the appraiser using the lesser of 75% for a 2-unit property, and 65% for a 3-4 unit property, of the actual or projected rent. The rental income is added to the gross qualifying income.</p> <p>Accessory Dwelling Units: Rental income may be considered in qualifying the borrower per rental income guidelines.</p>																			



Home Ready Guideline

Boarder Income	<p>The rental payments that any borrower receives from one or more individuals who reside with the borrower (who 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 the boarder:</p> <ul style="list-style-type: none"> • Is not obligated on the mortgage loan and does not have an ownership interest in the property; • Has lived with the borrower for the last 12 months; • 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); and • Can demonstrate the payment of rental payments (such as with copies of canceled checks) 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 average over a 12-month period <p>Payment of rent by the board directly to a third party is NOT acceptable.</p> <p>NOTE: Rental income for accessory dwelling units may be considered in qualifying the borrower but must follow the Rental Income Guidelines</p> <p>Documentation Requirements:</p> <ul style="list-style-type: none"> • Maximum LTV is 95%. • Eligible for Purchase and Refinance transactions. Use 75% Vacancy factor for Purchase Transactions from existing lease or Proposed Rent from Appraisal Form #1007 Single Family Rent Comparison. • Document shared residency for the past 12 months for refinances. • Rent must be documented and averaged over the last 12 months and documented for 9 out of the last 12 months. • Must meet zoning requirements • Borrower cannot be obligated on the note. • The amount used to qualify must be entered as “Boarder Income”. If the field is not available on the AUS enter as “other” income. DU will drop the standard conditions and findings for the type of income selected. <p>NOTE: If any of the required documentation cannot be provided, the income may not be used as qualifying income and may only be considered as a compensating factor.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">Example of Boarder Income sample scenario</th> </tr> </thead> <tbody> <tr> <td style="width: 40%;">Borrowers income \$6,000 / month</td> <td style="width: 40%;">Borrower’s Liabilities \$2,820 / month</td> <td style="width: 20%;">= DTI Ratio \$2,820 / \$6,000 = 47% NOT ELIGIBLE</td> </tr> <tr> <td>Rental Income from the Boarder \$312.50 / month</td> <td></td> <td></td> </tr> <tr> <td>TOTAL = \$6312.50 / month</td> <td>\$2,820 / month</td> <td>= DTI Ratio \$2,820 / \$6312.50 = 44.67% ELIGIBLE</td> </tr> </tbody> </table>	Example of Boarder Income sample scenario			Borrowers income \$6,000 / month	Borrower’s Liabilities \$2,820 / month	= DTI Ratio \$2,820 / \$6,000 = 47% NOT ELIGIBLE	Rental Income from the Boarder \$312.50 / month			TOTAL = \$6312.50 / month	\$2,820 / month	= DTI Ratio \$2,820 / \$6312.50 = 44.67% ELIGIBLE
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Home Ready Guideline

Cash Out Transaction	Not permitted
Student Loan	<p>Student Loan- Monthly Payment calculations:</p> <ul style="list-style-type: none"> • If a payment amount is provided on the credit report, that amount can be used for qualifying purposes. • If the credit report does not reflect a payment (or reflects \$0), we can now use 1% of the outstanding balance of the student loan, or a calculated payment that will fully amortize the loan/payment, based on the documented loan repayment terms.
Two to Four Unit Condo Project	Requires 3 out of 4 to be owner occupied.
Maximum Number of Financed Properties	<p>Occupying borrowers: Maximum 2 financed properties Non-Occupying Co-borrowers: Per FNMA Guidelines</p>
Recently Listed Properties	Properties that were listed for sale must have been taken off the market at least one day before the Note date
Delayed Financing	Not Allowed
Limited Review for Condos	<ul style="list-style-type: none"> • Please refer to Agency guideline for reduced LTV's for restricted states such as Florida. • If a condo is in litigation and litigation is approved, it's always subject to full review regardless of AUS findings. • New projects require a full project review regardless of DU findings <p>LIMITED REVIEW PARAMETERS</p> <ul style="list-style-type: none"> • Maximum LTV/CLTV/HCLTV: The maximum LTV/CLTV/HCLTV is dependent upon the method by which the loan is evaluated and decision as well as where the property is geographically located Approve/Eligible Loan • Primary Residence: 90%/90%/90% (75% / 75% / 75% for Florida properties)
Landlord Education	Not required.
Community Seconds	Refer to sections B5.5.1-01 & 02 of FNMA guidelines for a complete list of guidelines
Land & Community Land Trust	Not allowed



Home Ready Guideline

Home Buyer Education

Homebuyer education is required prior to the Note date for at least one borrower on all Purchase transactions with an LTV of 95.01-97%. Homebuyer education on LTV's equal to or less than 95%, will only be required when all occupying borrowers are considered First Time Homebuyers.

There are now two options for borrowers to meet the pre-purchase homeownership education requirements as described below.

- **Option 1:** May be provided through Framework, an online program approved by Fannie Mae.
<https://www.fanniemae.com/singlefamily/homeready>
 - Homebuyer Education certificate must be retained in the mortgage file
 - Although one-on-one counseling is optional for HomeReady, Framework will offer borrowers a referral to a HUD-approved counseling agency for additional assistance. Borrowers also have the option to consult a counselor of their choice.

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 (i.e. in-person classroom education, telephone conference call, etc.). 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. Framework will register the consumer for potential post-purchase support. The counseling agency that handles the referral must provide a certificate of completion, and the lender must retain a copy of the certificate in the loan file.

- **Option 2:** Pre-purchase housing counseling and complete homeownership education from a HUD-approved non-profit housing counseling agency.

Definitions, as evidenced by a Certificate of Completion of Pre-purchase Housing Counseling ([Fannie Mae Form 1017](#)), signed by both the counseling recipient and the HUD counselor. The form can be accessed at: https://www.fanniemae.com/content/guide_form/1017.pdf



Home Ready Guideline

Leasehold Requirements	<ul style="list-style-type: none">• Must not be impaired by any merger of title between the lessor and lessee• If a sublease is included within the leasehold estate, the documents must provide that a default under the leasehold estate will not by such default result in the termination of the sublease.• The term of the leasehold must extend beyond our loan term by no less than 5 years unless it can be documented that title will vest as Fee Simple at an earlier date. IE Leasehold expires and automatically converts to Fee Simple.• Lease must provide that the leasehold can be assigned, transferred, mortgaged and sublet unlimited without restrictions or on payment of a reasonable fee and delivery of reasonable documentation to the lessor. The lessor cannot require a credit review or require any qualifying criteria to any assignee, transferee, mortgagee or sub-lessee. The lease must provide that in addition to the obligation to pay lease rents, the borrower will pay taxes, insurance, utilities and homeowners' association dues (if applicable), related to the land in addition to those he or she is paying on the improvements• The lease must be valid, in good standing, and in full force and effect in all respects.• The lease must not include any default provisions that could give rise to forfeiture or termination of the lease, except for nonpayment of the lease rents.• The lease must include provisions to protect the mortgagee's interests in the event of a property condemnation.• The lease must provide lenders with the right to receive a minimum of 30 days' notice of any default by the borrower, and the option to either cure the default or take over the borrower's rights under the lease.• The lease must be current on all payments and assessments nor can the borrower be in default or have any claims of default under any provision of the lease.• Leasehold may not contain any deed or resell restrictions. (Age Restrictions are acceptable)• Cannot be held in a Community Land Trust• Indian Leased Land is not eligible• Leaseholds are not eligible on Texas(a)6 loans• A full appraisal is required regardless of AUS findings <p>Documentation Requirements: Copy of the full lease agreement including any sub lease agreement(s)</p> <ul style="list-style-type: none">• Evidence of the monthly Ground Rent payment (must be included in the Housing DTI Calculations if subject and total DTI if a property other than subject); Ground rent payment should be included in any calculations toward reserve requirements as well.• Appraiser must provide 3 closed Leasehold interest comparables; Fee Simple Comparables are not acceptable.• Title must include an ALTA Endorsement 13.1-06 plus include the value of the lessee's leasehold improvements if any. Full Title Policy is required.• Leasehold Rider will be included as an attachment to the Deed of Trust/Mortgage and will require the borrower's signature.
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Subject – New Subordinating Financing	<ul style="list-style-type: none">• No negative amortization allowed<ul style="list-style-type: none">○ Minimum payment due must equal the accrued monthly interest○ Seller carried back 2nd:<ul style="list-style-type: none">• Rate cannot be lower than 2% of the rate of the 1st TD (IE- 1st TD is at 5%; lowest rate on 2nd is 3%)<ul style="list-style-type: none">▪ Payment must be fully amortized▪ Maximum CLTV is 95%▪ Borrower's must make a 5% minimum down payment• Balloon payments less than 5 years from the 1st liens note date are not eligible• With the exception of a HELOC, the payment stream must remain constant for a minimum of 12 months at a time• Employer secondary financing may be structured in any of the following ways:<ul style="list-style-type: none">○ Fully amortized payments○ Deferred payments for some period before changing to fully amortized level payments○ Deferred payments over the entire term of the loan○ Forgiveness of the debt over time○ May not include provision requiring repayment upon termination• HELOCs<ul style="list-style-type: none">○ When calculating the CLTV- use current balance○ When calculating the TCLTV- use the full line amount• Subordinate financing is not allowed on a Texas(a) 6 loan• Must allow for prepayment without restriction <p>Existing Secondary Financing (HELOCs)</p> <ul style="list-style-type: none">• If the existing HELOC is beyond its draw period- the UPB must still be utilize for the CLTV and the total line must be utilized for the TCLTV• If HELOC has been permanently modified- use the outstanding UPB to calculate the CLTV as well as the TCLTV when the outstanding balance is higher than the modified line amount; if the UPB is lower than the modified line amount, use the modified line amount to calculate the CLTV and TCLTV <p>Documentation Requirements</p> <ul style="list-style-type: none">• For existing secondary financing remaining in place, a fully executed subordination agreement must be provided• Copy of Note/HELOC Agreement- for both existing and new secondary financing• If modified, provide copy of modification agreement for the secondary financing.
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