

HOMEReady MATRIX

PRIMARY RESIDENCE			
Finance Type ¹	Units	Maximum LTV/CLTV/HCLTV ²	FICO
Purchase and Rate/Term Refinance	1 Unit	97% ^{3,5}	620
	2 Unit	95% ^{4,5}	
	3 – 4 Unit	95% ^{4,5}	
<div><div><div><div>¹Combination of HomeReady and Manufactured Housing: If a transaction includes a combination of HomeReady and manufactured housing, the more restrictive eligibility requirements of each of those transactions apply. DU will apply the applicable eligibility requirements.</div><div><ul style="list-style-type: none">A HomeReady mortgage for a manufactured home (that is not MH Advantage) must be a one-unit property that is underwritten through DU with a maximum LTV ratio of 95% (per manufactured housing), and a purchase or limited cash-out refinance of a principal residence (per HomeReady).</div></div><div><div>²Up to 105% CLTV allowed when using a Community Seconds that meets Fannie Mae Guidelines. A loan securing a manufactured home that is <u>not</u> MH Advantage that has a Community Seconds is limited to 95% LTV/CLTV/HCLTV.</div><div><div>³95.01-97%</div><div><ul style="list-style-type: none">DU onlyCLTV can be up to 105% if the subordinate lien is a Community Seconds loan.Must be a 1-unit property. Manufactured homes are not permitted unless the property meets MH Advantage requirements. All borrowers must occupy the property unless there is a Community Seconds subordinate lien.All borrowers must have a credit score.For limited cash-out refinances: refinance must pay off a Fannie Mae owned loan. Note: This requirement does not apply if the CLTV exceeds 95% only due to a Community Seconds loan.High Balance loans are not permitted.Reserve requirements will be determined by DU.Loans with sweat equity are not allowed.Non-occupying co-borrower not allowed (max 95% LTV/CLTV/HCLTV if there is a non-occupant borrower on the transaction)</div></div></div><div><div>⁴High Balance 2-4 Unit Properties:</div><div><ul style="list-style-type: none">2 Units: Max 85% LTV/CLTV/HCLTV3-4 Units: Max 75% LTV/CLTV/HCLTV</div></div><div><div>⁵LTV > 80% subject to MI Requirements</div></div></div></div>			
Follow Conventional Guidelines unless stated otherwise below			

GENERAL REQUIREMENTS																																																
General Description	The HomeReady mortgage is a conventional community lending mortgage that offers underwriting flexibilities to qualified borrowers who meet specific income criteria.																																															
Mortgage Insurance	<div><div><ul style="list-style-type: none">Required based on the applicable LTV calculation.<ul style="list-style-type: none">Standard Coverage per DU ApprovalReduced MI coverageBorrower paid monthly and single premium; BPMI single premium may be financed.LPMI – single premium only.Refundable and non-refundable options eligible.</div><table><tr><th colspan="5">Mortgage Insurance Coverage</th></tr><tr><th>Transaction Type</th><th>80.01 – 85.00%</th><th>85.01 – 90.00%</th><th>90.01 – 95.00%</th><th>95.01 – 97.00%</th></tr><tr><th colspan="5">All property types (including MH Advantage) other than standard manufactured homes</th></tr><tr><td rowspan="2">Term <= 20 years</td><td rowspan="2">6%</td><td rowspan="2">12%</td><td>16%* + MI LLPA</td><td>18%* + MI LLPA</td></tr><tr><td>25%</td><td>25%</td></tr><tr><td rowspan="2">Term > 20 years</td><td>6%* + MI LLPA</td><td>12%* + MI LLPA</td><td>16%* + MI LLPA</td><td>18%* + MI LLPA</td></tr><tr><td>12%</td><td>25%</td><td>25%</td><td>25%</td></tr><tr><th colspan="5">Standard manufactured homes (not MH Advantage)</th></tr><tr><td rowspan="2">All terms</td><td>6%* + MI LLPA</td><td>12%* + MI LLPA</td><td>16%* + MI LLPA</td><td rowspan="2">Not Applicable</td></tr><tr><td>12%</td><td>25%</td><td>25%</td></tr></table><div>The following additional requirements apply:<ul style="list-style-type: none">The minimum levels (*with an LLPA) are eligible for HomeReady mortgage as indicated; however, the mortgage insurance LLPA will be assessed in all cases regardless of any LLPA limits.</div></div>				Mortgage Insurance Coverage					Transaction Type	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	All property types (including MH Advantage) other than standard manufactured homes					Term <= 20 years	6%	12%	16%* + MI LLPA	18%* + MI LLPA	25%	25%	Term > 20 years	6%* + MI LLPA	12%* + MI LLPA	16%* + MI LLPA	18%* + MI LLPA	12%	25%	25%	25%	Standard manufactured homes (not MH Advantage)					All terms	6%* + MI LLPA	12%* + MI LLPA	16%* + MI LLPA	Not Applicable	12%	25%	25%
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Product Codes	<ul style="list-style-type: none">Click here for Product Codes																																															
Special Feature Codes	<ul style="list-style-type: none">Special Feature Code 900 must be delivered for all HomeReady mortgage loans.In addition, one or more of the following special feature codes may also be required for HomeReady mortgages:<ul style="list-style-type: none">Loans with a Community Second – 118Loans where at least one borrower completed housing counseling – 184Loans with financed mortgage insurance - 281																																															
Underwriting	<ul style="list-style-type: none">DU only. Manual underwrites not allowed.For DU, the lender must enter data in the online loan application, identify the loan as a community lending mortgage, and select the HomeReady product.																																															

BORROWER ELIGIBILITY																				
Co-Borrowers	<p><u>Non-Occupant Co-Borrowers</u></p> <p>May not be an interested party to the sales transaction.</p> <ul style="list-style-type: none">Maximum 95% LTV<ul style="list-style-type: none">No minimum borrower contribution requiredMaximum LTV/CLTV/HCLTV may not exceed 95% unless a Community Seconds is part of the transaction, in which case the CLTV may not exceed 105%.Non-occupying co-borrower’s current housing expense must be verified (i.e., VOR, VOM, canceled checks).Regardless of whether an individual borrower will be occupying the property as their principal residence, DU will consider the income, assets, liabilities, and credit of that borrower.																			
Homeownership Education and Housing Counseling	<p>Homeownership education is required when all occupying borrowers are first-time homebuyers.</p> <p><u>Homeownership Education vs. Housing Counseling</u></p> <ul style="list-style-type: none">Homeownership Education: Education with an established curriculum and instructional goals, provided in a group, classroom setting, or via other formats, that covers homeownership topics such as the homebuying process, how to maintain a home, budgeting, and the importance of good credit.Housing Counseling: One-on-one assistance that addresses unique financial circumstances and housing issues and focuses on overcoming specific obstacles to achieve housing goals. Counseling includes topics, such as repairing credit, locating cash for a down payment, recognizing predatory lending practices, understanding fair lending and fair housing requirements, avoiding foreclosure, and resolving a financial crisis. All housing counseling involves the creation of a budget and a written action plan and includes a homeownership education component. <p>Homeownership Education Requirement</p> <p>To satisfy the homeownership education requirement, Fannie Mae permits any qualified third-party provider, independent of the lender, to administer homeownership education. The provider’s content must be aligned with NIS or HUD standards and can be provided in-person, internet, telephone, or a hybrid format. In lieu of homeownership education, the borrower may receive housing counseling.</p> <p>The lender must confirm the course content is aligned with NIS or HUD standards and must retain a copy of the certificate of course completion in the loan file.</p> <p>Housing Counseling</p> <p>Housing counseling must be provided by a HUD-approved agency and meet HUD standards for the delivery of this service. The following requirements apply when counseling is obtained to satisfy the homeownership education requirement:</p> <ul style="list-style-type: none">If a borrower opts to work with a housing counselor, completion of housing counseling prior to closing will satisfy Fannie Mae’s homeownership education requirement. A copy of the certificate of course completion must be retained in the loan file.HomeReady borrowers who complete housing counseling prior to the execution of the sales contract may be eligible for a loan-level price adjustment credit. The requirements of the counseling are described in the Certificate of Completion of Housing Counseling (Form 1017). This form must be signed by the counseling recipient (the borrower) and the HUD counselor if the counseling is obtained prior to the sales contract. The lender must retain a copy of the form in the loan file. <p>Completion of Form 1103</p> <p>Lenders are required to present the Supplemental Consumer Information Form (Form 1103) to the borrower. The lender or borrower should complete the Homeownership Education and Housing Counseling section of the form for those transaction where homeownership education or housing counseling is required.</p> <table><tr><th></th><th>Homeownership Education</th><th>Housing Counseling</th></tr><tr><td>Eligible Provider</td><td><ul style="list-style-type: none">Any qualified third-party provider, independent of the lender; which can include a mortgage insurance company (without regard to whether they provide mortgage insurance coverage for the particular transaction)Education course provided by a Community Seconds or other down payment assistance program provider, where the program requires homeownership education or counseling provided by a HUD-approved agency</td><td>HUD-approved agency</td></tr><tr><td>Course Content</td><td>Course content must align with NIS or HUD standards</td><td>Course content must align with HUD standards</td></tr><tr><td>Method of Delivery</td><td>Any method offered by an eligible provider</td><td>Any method offered by HUD standards</td></tr><tr><td>Date Required for Completion</td><td>Prior to loan closing</td><td>Prior to loan closing. 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Income Limits	Income from all borrowers who sign the note must be counted, to the extent that the income is considered in evaluating creditworthiness for the loan.	
	For determining loan eligibility, refer to the AMIs that Fannie Mae uses in Desktop Underwriter or on Fannie Mae’s website and not other published version (such as AMIs posted on huduser.org).	
	To be eligible as a HomeReady mortgage, the total annual qualifying income may not exceed 80% of the AMI for the property’s location. If the property has resale restrictions, follow Fannie Mae B5-5.2-02, Loans with Resale Restrictions.	
Minimum Borrower Contribution		
	LTV, CLTV, or HCLTV	Minimum Borrower Contribution Requirement from Borrower’s Own Funds
	80% or less	1–4-unit principal residence A minimum borrower contribution from the borrower’s own funds is not required.
	Greater than 80%	1 Unit principal residence A minimum borrower contribution from the borrower’s own funds is not required.
		2-4-Unit principal residence The borrower must make a 3% minimum contribution from their own funds unless there is any type of grant.
	Note: If a grant is being provided, refer to Fannie Mae requirements under B3-4.3-06, Grants and Lender Contributions for additional borrower contribution requirements.	
	No minimum contribution is required with a limited rate and term refinance.	
Multiple Financed Properties	<ul style="list-style-type: none">The occupant borrower may not have more than two financed properties.	
Occupancy	<ul style="list-style-type: none">Owner-Occupied	
Qualified Mortgage (QM)	All loans must be a Qualified Mortgage (QM) and the file must contain evidence of compliance to be eligible. Loan level documentation should include but is not limited to: <ul style="list-style-type: none">Compliance findings validating a pass of the points and fees testing, andAUS, andIncome worksheet, andFinal 1008 / Loan Transmittal Additionally, all disclosures and documentation required under the QM/Consider and Verify provisions of the Dodd-Frank Act must be provided. Compliance with the verification standards of Fannie Mae Selling Guide is required.	
FINANCING TYPES		
Eligible Loan Types	<ul style="list-style-type: none">Fixed Rate: 15-, 20-, 25- and 30-year	
Eligible Transactions	Eligible transactions <ul style="list-style-type: none">PurchaseLimited Cash-Out Refinance transactions	
Temporary Buydowns	The following requirements apply to temporary interest rate buydowns on HomeReady mortgages: <ul style="list-style-type: none">Purchase transaction only95% Maximum LTVMust be fixed rateLender paid buydown onlyQualify at note rateAUS approval requiredAll borrowers must have a credit scoreIneligible property types<ul style="list-style-type: none">Manufactured HomeLeasehold propertiesLoans in Texas are not eligible	
CREDIT		
Credit	<ul style="list-style-type: none">Refer to LTV matrix for minimum credit score requirements.All borrowers are required to have a credit score.Tri-merged credit report is required for all borrowers.Refer to Conventional Guidelines (DU) for additional credit requirements.Collection accounts – follow Conventional Guidelines. In addition, at the underwriter’s discretion, payoff of collection accounts may be required.	
Qualifying Ratios	<ul style="list-style-type: none">Determined by AUSThe DTI ratio must account for the borrowers rental housing if the subject transaction:<ul style="list-style-type: none">Includes a non-occupant co-borrowerRefer to Conventional Guidelines (DU) for additional DTI requirements.	
INCOME		
Boarding Income	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: <ul style="list-style-type: none">Is not obligated on the mortgage loan and does not have any ownership interest in the property;Has lived with the borrower for the last 12 monthsCan 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); andCan 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, orAt least 9 of the most recent 12 months provided the rental income is averaged over a 12-months period. Note: Payment of rent by the boarder directly to a third party is not acceptable.	

Employment / Income	<ul style="list-style-type: none">Follow AUS Findings for income documentation requirements																			
Rental Income from the Subject Property	<p>Rental income is an acceptable source of qualifying income in the following instances:</p> <ul style="list-style-type: none">One-unit principal residence with an accessory unit2-4-unit principal residence properties. <p>Follow Fannie Mae requirements for calculation and documentation of rental income used for qualifying purposes.</p>																			
ASSETS																				
Assets	<ul style="list-style-type: none">Follow AUS Findings for required documentation (i.e., 2 months bank statements or VOD)																			
Cash on Hand	<ul style="list-style-type: none">1-Unit properties: cash on hand is an acceptable source of funds for the borrower’s down payment, funds for closing costs, and prepaid items. Cash-on-hand cannot be used for borrower’s reserve requirement, if applicable.Must verify and document the following with respect to the cash-on-hand funds:<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.Verify the 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.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 to no depository relationship between the borrower and a financial institution.																			
Reserves	<ul style="list-style-type: none">DU will determine the reserve requirement.																			
Subordinate Financing	<ul style="list-style-type: none">Subordinate financing and Community Seconds, meeting Fannie Mae requirements, are eligible.Subordinate financing from a seller-held mortgage is not permitted with HomeReady mortgages.																			
Sweat Equity	<ul style="list-style-type: none">Sweat equity is an acceptable source of funds for HomeReady loans when the borrower participates in an affordable housing purchase program run by an eligible provider. Sweat equity program providers must be a nonprofit organization exempt from taxation under Section 501(c)(3) of the IRS code with a demonstrated history affordable housing construction and experience in managing volunteers.Sweat equity can only be applied towards the down payment, and the borrower must comply with minimum borrower contribution requirements. <p>The following table provides the maximum sweat equity amount and LTV ratio requirements based on property type.</p> <table><tr><th>Property Type</th><th>Maximum Sweat Equity</th><th>Maximum LTV</th></tr><tr><td>1-unit residence</td><td>None</td><td>95%</td></tr><tr><td>2-4-unit residence</td><td>2% of the lesser of the purchase price or appraised value</td><td>Refer to LTV Matrix for maximum LTVs</td></tr></table> <p>The lender must document the loan is originated under a specific lending program. The value attributed to sweat equity must be based on the hours of work performed. The following table provides instructions for determining the contributory value of sweat equity.</p> <table><tr><th>Step</th><th>Determining the Value of Sweat Equity</th></tr><tr><td>1</td><td><ul style="list-style-type: none">The hours of work to be performed and the hourly rate established by the sweat equity program provider must be fully documented in an agreement between the borrower and the provider.The hourly rate must conform with the national or state value of the volunteer time per hour.</td></tr><tr><td>2</td><td><p>The hours of work performed each day must be recorded in a log managed by the sweat equity program provider.</p><p>The log must include all of the following:</p><ul style="list-style-type: none">Program name,Borrower name,Work date(s),Time in/out,Number of hours,Volunteer worker name,Work location and activity, andSupervisory approval.<p>Note: The hours of work performed must be completed before the loan is closed.</p></td></tr><tr><td>3</td><td><p>The contributory value of the sweat equity is calculated by multiplying the total number of hours of work performed by the hourly rate.</p><p>Example: 500 hours worked x \$20 per hour = \$10,000</p></td></tr><tr><td>4</td><td><p>The lender must review the agreement and log from the sweat equity program provider to validate the contributory value of the sweat equity applied towards the down payment. All documentation must be retained in the loan file.</p></td></tr></table>	Property Type	Maximum Sweat Equity	Maximum LTV	1-unit residence	None	95%	2-4-unit residence	2% of the lesser of the purchase price or appraised value	Refer to LTV Matrix for maximum LTVs	Step	Determining the Value of Sweat Equity	1	<ul style="list-style-type: none">The hours of work to be performed and the hourly rate established by the sweat equity program provider must be fully documented in an agreement between the borrower and the provider.The hourly rate must conform with the national or state value of the volunteer time per hour.	2	<p>The hours of work performed each day must be recorded in a log managed by the sweat equity program provider.</p> <p>The log must include all of the following:</p> <ul style="list-style-type: none">Program name,Borrower name,Work date(s),Time in/out,Number of hours,Volunteer worker name,Work location and activity, andSupervisory approval. <p>Note: The hours of work performed must be completed before the loan is closed.</p>	3	<p>The contributory value of the sweat equity is calculated by multiplying the total number of hours of work performed by the hourly rate.</p> <p>Example: 500 hours worked x \$20 per hour = \$10,000</p>	4	<p>The lender must review the agreement and log from the sweat equity program provider to validate the contributory value of the sweat equity applied towards the down payment. All documentation must be retained in the loan file.</p>
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PROPERTY																				
Property Types	<p>Eligible Properties</p> <ul style="list-style-type: none">1-unit properties, including manufactured housing, and units in condos and PUDsExisting structures and new construction2–4-unit properties																			

HOMEReady PRODUCT CODES

HomeReady	
Conforming	High Balance
HomeReady Fixed 15 Year: HomeR-15FC-02	HomeReady Fixed High Bal 15 Year: HomeR-15FHB-02
HomeReady Fixed 20 Year: HomeR-20FC-02	HomeReady Fixed High Bal 20 Year: HomeR-20FHB-02
HomeReady Fixed 25 Year: HomeR-25FC-02	HomeReady Fixed High Bal 25 Year: HomeR-25FHB-02
HomeReady Fixed 30 Year: HomeR-30FC-02	HomeReady Fixed High Bal 30 Year: HomeR-30FHB-02