

REM N WHOLESALE FNMA HOMEREA D Y GUIDELINES



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HOMEReadY PRODUCT MATRIX		
Product Overview	Fannie Mae’s HomeReady program is designed for creditworthy, low-to-moderate income borrowers, with expanded eligibility for financing homes in designated low-income, minority and disaster-impacted communities.	
	1 Unit	2 to 4 Unit
Maximum LTV/CLTV – Conforming Loan Amounts	Purchase – 97% LTV* / 105% CLTV**	2 Unit – 95% LTV/CLTV 3-4 Unit – 95% LTV/CLTV
	Limited Cash-Out Refinance (LCOR) - 97% LTV/CLTV 95.01 – 97% - Existing FNMA loans only	
	* Manufactured Homes are limited to 95% LTV/CLTV, in accordance with standard Fannie MH guidelines. **CLTV up to 105% allowed with eligible Community Seconds program. Other subordinate financing requires per FNMA Selling Guide	
Max LTV/CLTV – High Balance Loan Amounts	Subject to standard Fannie Mae High Balance LTV/CLTV limits	
Eligible Products	10yr, 15yr, 20yr or 30yr Fixed Rate mortgage No ARMs (REM N WS Overlay)	
Loan Purpose	Purchase or Limited Cash-Out Refinance (LCOR) Cash-Out Refinances are NOT eligible	
Occupancy	Primary Residence only Second Homes and Investment Properties are NOT eligible	
Eligible Property Types	1 unit, including SFR, Condo & PUD Manufactured Homes (in all states except for New York) – see Manufactured Home Product Compare on HomeBase for complete guidelines/criteria	2 unit, 3-4 unit
Ineligible Property Types	<ul style="list-style-type: none"> » Co-ops » Non-warrantable condos » Mixed- Use » Manufactured homes located in the state of New York 	
Credit Score Requirements	<ul style="list-style-type: none"> » For LTVs over greater than 95%, at least one borrower on the loan must have a FICO credit score. 	
Credit Inquiries	<ul style="list-style-type: none"> » The borrower(s) must address ALL inquiries listed on their credit report within the past 90 days; <ul style="list-style-type: none"> ○ All inquiries listed on the credit report must be addressed by the borrower, specifically stating the creditor(s) and verifying no extension of credit. ○ Acceptable response: The inquiries by Chase, Wells & Bank of America have not resulted in any extension of credit. ○ Unacceptable response: We have not obtained any additional credit as a result of the inquiries listed on our credit report. (Does not name the creditors - Chase, Wells & Bank of America). 	
HomeStyle Renovation	<ul style="list-style-type: none"> » HomeReady mortgage loans are eligible in combination with HomeStyle Renovation » The more restrictive requirements of HomeReady or HomeStyle Renovation apply when the two products are combined on a loan. For example, a HomeReady HomeStyle Renovation mortgage must be a principal residence transaction only, whereas standard HomeStyle Renovation permits second homes and investment properties. » HomeReady loans combined with HomeStyle® Renovation may be delivered with the lower level of mortgage insurance coverage permitted for HomeReady. 	

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Borrower Income Limits	<ul style="list-style-type: none"> » REM N WS must count the income from all borrowers who will sign the note, to the extent that the income is considered in evaluating creditworthiness for the loan. » Eligibility for a HomeReady mortgage loan compares the borrower’s income to the applicable area median income (AMI) for the property’s location. » The total annual qualifying income may not exceed 80% of the AMI for the property’s location. » FNMA Income Limits: https://ami-lookup-tool.fanniemae.com/amilookuptool/ 	
Min Borrower Contribution (own funds)	\$0.00	3%
Ownership of Other Property at Time of Transaction	Borrowers (Occupant & Non-Occupant) are allowed to own other residential properties at the time of the transaction.	
Multiple Financed Properties	The maximum limit of financed properties for all HomeReady mortgage loans, including the subject property, is two (2). Financed properties owned by a non-occupant borrower do not have to be included. The additional reserves required for multiple financed properties are not applicable to HomeReady loans.	
Non-Occupant Co-Borrowers	Non-occupant co-borrowers permitted to maximum 95% LTV with DU Approve/Eligible findings. Co-Borrower’s income considered as part of qualifying income and subject to income limits (i.e. blended ratios). No limitation on ownership of other property for non-occupant co-borrower.	
Temporary Buydowns	<ul style="list-style-type: none"> » Temporary Buydowns are eligible for HomeReady mortgage loans subject to the following: <ul style="list-style-type: none"> ○ Primary Residence and Second Home only ○ Must be seller-funded ○ Must Qualify at the Note Rate ○ Manufactured Homes are ineligible. » Secondary Marketing must be contacted for pricing. <p>See Fannie Mae Guidelines for full details.</p> <ul style="list-style-type: none"> » Temporary Buydowns ineligible for HomeReady loans combined with Homestyle 	
Acceptable Sources - Down Payment & Closing Costs	<ul style="list-style-type: none"> » Gifts, grants and Community Seconds. » Cash-on-hand is allowed (1 unit only), as per FNMA Selling Guide B5-6-03: HomeReady Mortgage Underwriting Methods and Requirements. » Sweat equity is NOT allowed (REM N WS overlay) 	<ul style="list-style-type: none"> » Gifts, grants and Community Seconds. » Cash-on-hand is NOT allowed. » Sweat equity is NOT allowed (REM N WS overlay)

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UNDERWRITING		
	1 Unit	2 to 4 Unit
Desktop Underwriter (DU)	<ul style="list-style-type: none"> » DU Approve/Eligible findings are required. Qualifying ratios and post-closing reserves will be determined by DU. » At least one (1) borrower on the loan must have a credit score. » Based on the census tract and borrower income, DU will notify users when a loan casefile appears to be eligible for HomeReady but REMN WS has not underwritten the loan casefile as HomeReady. Resubmit the loan casefile as a HomeReady loan to obtain the appropriate HomeReady messaging. New Additional Data screen field will allow entering census tract information if DU is unable to geocode the property address. » Unless specifically referenced in this document, standard Fannie Mae underwriting guidelines will apply. 	
Manual Underwriting	Not Eligible	
Other Income Sources	<u>Boarder income (relatives or non-relatives):</u> Up to 30% of qualifying income; documentation for at least nine (9) of the most recent twelve (12) months (averaged over 12mos) and documentation of shared residency for the past 12 months. A boarder may not be obligated on the mortgage loan. The boarder may also not have an ownership interest in the property.	Not Eligible
	<u>Rental Income from 1unit Property w/ Accessory Unit:</u> Allowed for qualifying income; documentation & calculation in accordance with existing FNMA rental income guidelines.	Rental income may be used as qualifying income as per existing FNMA rental income guidelines.
Minimum Borrower Contribution for Purchase Transactions	<ul style="list-style-type: none"> » <u>LTV/CLTV/HCLTV is 80% or Less</u> <ul style="list-style-type: none"> ○ A minimum borrower contribution from the borrower's own funds is not required. » <u>LTV/CLTV/HCLTV is Greater than 80%</u> » A minimum borrower contribution from the borrower's own funds is not required. 	<ul style="list-style-type: none"> » <u>LTV/CLTV/HCLTV is 80% or Less</u> <ul style="list-style-type: none"> ○ A minimum borrower contribution from the borrower's own funds is not required. » <u>LTV/CLTV/HCLTV is Greater than 80%</u> » The borrower must make a 3% minimum contribution from their own funds.
Mortgage Insurance (MI) Coverage & Financed MI	<ul style="list-style-type: none"> » 25% MI coverage for LTV's 90.01-97% » Standard MI coverage for LTV's of 90% or less » MI may be financed up to the maximum LTV for the transaction, including the financed MI » NOTE – United Guaranty (UG) will not allow the use of cash-on-hand for HomeReady loans. » REMN approved MI companies: Arch, Enact, Essent, MGIC, National, Radian » HomeReady loans combined with HomeStyle® Renovation may be delivered with the lower level of mortgage insurance coverage permitted for HomeReady. 	
Sweat Equity	<ul style="list-style-type: none"> » <u>Maximum Sweat Equity</u> <ul style="list-style-type: none"> ○ None » <u>Maximum LTV</u> » 95% 	<ul style="list-style-type: none"> » <u>Maximum Sweat Equity</u> <ul style="list-style-type: none"> ○ 2% of the lesser of the purchase price or appraised value » <u>Maximum LTV</u> » Refer to Maximum LTV/CLTV – Conforming Loan Amounts
	<ul style="list-style-type: none"> » Sweat equity can only be applied towards the down payment, and the borrower must comply with the requirements in Minimum Borrower Contribution for Purchase Transactions. » 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: 	

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	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 volunteer time per hour.
	2	<ul style="list-style-type: none"> » The hours of work performed each day must be recorded in a log managed by the sweat equity program provider. The log must include all of the following: <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, and ○ supervisory approval. » Note: The hours of work performed must be completed before the loan is closed.
	3	<ul style="list-style-type: none"> » The contributory value of the sweat equity is calculated by multiplying the total number of hours of work performed by the hourly rate. » Example: <ul style="list-style-type: none"> ○ 500 hours worked x \$20 per hour = \$10,000
	4	<ul style="list-style-type: none"> » REMN WS 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.

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HOMEOWNERSHIP EDUCATION			
	1 Unit	2 to 4 Unit	
Homeownership Education & Housing Counseling	<ul style="list-style-type: none"> » Homeownership education must be completed by at least one (1) borrower for HomeReady purchase mortgage loans when all occupying borrowers are first-time homebuyers. » If a borrower opts to work with a counselor, completion of housing counseling will satisfy Fannie Mae’s homeownership education requirement, provided it was completed before the borrower executed the sales contract. <ul style="list-style-type: none"> – Loans where at least one borrower completed housing counseling from a HUD-approved agency are eligible for an LLPA credit. The housing counseling must meet the requirements of, and be documented on Form 1017. The loan must be delivered with SFC 184. » Summary of Homeownership Education and Housing Counseling Options: 		
		Homeownership Education	Housing Counseling
	Provider	<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), or - Education course provided by a Community Seconds or other down payment assistance program provider, where the program requires its own homeownership education or counseling provided by a HUD-approved counseling agency. 	HUD-Approved Counseling Agency
	Course Content	Course content must align with NIS or HUD standards.	Course content must align with HUD standards.
	Method of Delivery	Any method offered by and eligible provider	Any method offered per HUD standards
	Date Required for Completion	Prior to loan closing	Prior to loan closing
	Required Documentation	<ul style="list-style-type: none"> - Certificate of completion from the provider 	If after execution of the sales contract but prior to closing, certificate of course completion from the provider. If prior to execution of the sales contract (HomeReady loans) Form 1017 signed by both the counseling recipient (borrower) and the HUD counselor.