

Additional TMS Resources:

Conventional Program Overlays Matrix

Conventional Program Limits Matrix

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<p>Overview</p>	<p>Designed for creditworthy, low- to moderate-income borrowers, with expanded eligibility for financing homes in designated low-income, minority, and disaster-impacted communities. HomeReady lets you lend with confidence while expanding access to credit and supporting sustainable homeownership.</p>
<p>Product Eligibility</p>	<p>Occupancy Type</p> <ul style="list-style-type: none"> • Primary Residence only • No Second Home or Investment properties allowed <p>Loan Purpose – Allowable Transactions</p> <ul style="list-style-type: none"> • Purchase or Limited Cash-Out Refinance (LCOR) • Cash-Out Refinances not allowed <p>Mortgage Insurance Mortgage Insurance Coverage Requirements:</p> <ul style="list-style-type: none"> • 25% MI coverage for LTVs 90.01–97% • Standard MI coverage for LTVs of 90% or less <p>MI may be financed up to the maximum LTV for the transaction, including the financed MI. (Minimum MI Coverage Option may be used with additional LLPA; the HomeReady LLPA waiver or cap does not apply).</p> <p>General Purchase Transaction Eligibility Requirements A purchase money transaction is one in which the proceeds are used to finance the acquisition of a property or to finance the acquisition and rehabilitation of a property. The bullet points below provide general requirements for purchase money mortgage transactions. Certain mortgage loans and products may have different eligibility requirements for purchase mortgage transactions.</p> <ul style="list-style-type: none"> • The minimum borrower contribution requirements for the selected mortgage loan type must be met. • 1 Unit: No Minimum Borrower Contribution required. • 2-4 Units: None for LTV/CLTV/HCLTV of 80% or less and 3% for LTV /CLTV/HCLTV > 80%. • 1-4 Units: 3% required if sweat equity is being used. <p>Proceeds from the transaction must be used to:</p> <ul style="list-style-type: none"> • finance the acquisition of the subject property

<p>Product Eligibility</p>	<p>Limited Cash-Out Refinance (Rate and Term) Limited cash-out refinance transactions must meet the following requirements:</p> <ul style="list-style-type: none"> • The transaction is being used to pay off an existing first mortgage loan (including an 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 and included in the new mortgage. • 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). <p>Ineligible Limited Cash-Out Transactions When the following conditions exist, the transaction is ineligible as a limited cash-out refinance and must be treated as a cash-out refinance:</p> <ul style="list-style-type: none"> • No outstanding first lien on the subject property; • The proceeds are used to pay off a subordinate lien that was not used to purchase the property; • The borrower finances the payment of real estate taxes for the subject property in the loan amount, but does not establish an escrow account; • The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount; and • A short-term refinance mortgage loan that combines a first mortgage and a non-purchase-money subordinate mortgage into a new first mortgage or any refinance of that loan within six months. <p>Acceptable Subordinate Financing Types</p> <ul style="list-style-type: none"> • Grants and Community Seconds. • Any eligible loan may have more than one Community Seconds (i.e., third lien) up to the maximum 105% CLTV.
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<p>Borrower Eligibility</p>	<p>Eligible Borrowers Borrowers must meet the Income Limits of the program (Income Eligibility):</p> <ul style="list-style-type: none"> • No income limits in low-income census tracts • 100% of area median income (AMI) in low-income census tracts or designated disaster areas • 100% of AMI in all other census tracts. • Occupant borrower(s) may not have an ownership interest in any other residential property at the time of closing. <p>Ineligible Borrowers</p> <ul style="list-style-type: none"> • Partnerships • Corporations • Non-Revocable Inter Vivos Trusts • Foreign nationals • Borrowers with diplomatic immunity • Inter Vivos Revocable Trusts <p>Non-Occupying Co-borrowers</p> <ul style="list-style-type: none"> • Non-occupant borrowers permitted to maximum 95% LTV in DU with max 43% DTI for occupying borrower. • Income considered as part of qualifying income and subject to income limits. • No limitation on ownership of other property for non-occupant borrower. <p>Non-Borrower Household Income</p> <ul style="list-style-type: none"> • Not allowed for qualification purposes
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<p>Property Eligibility</p>	<p>Eligible Properties Expanded eligibility for financing homes in designated low-income, minority, and disaster-impacted communities.</p> <p>Principal Residences Only.</p> <ul style="list-style-type: none"> • Attached/Detached SFRs • Attached/Detached PUDs • Low-rise/high-rise condos (except new construction) • 2-4 units (except in the state of NJ) (no condos, co-ops, or manufactured housing) • Manufactured Homes (Restrictions apply, see Manufactured Housing Section of TMS guidelines) (Desktop Underwriter® [DU®] required; max 95% LTV/CLTV; FRMs or 7/1 and 10/1 ARMs only; no buydowns)
<p>Credit</p>	<p>FICO Score: 620 or higher</p> <p>DU recommendation of Approve/Eligible required. DU will determine qualifying ratios and reserves. Eligible in DU if at least one borrower has traditional credit and contributes more than 50% of qualifying income. Based on the census tract and borrower income, DU will notify Underwriter 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. New Additional Data screen field will allow entering census tract information if DU is unable to geocode the property address.</p>

<p>Income</p>	<p>Designed for creditworthy, low to moderate-income borrowers.</p> <ul style="list-style-type: none"> • No income limits in low-income census tracts • 100% of area median income (AMI) in low-income census tracts or designated disaster areas • 100% of AMI in all other census tracts <p>Non-Borrower Household Income</p> <ul style="list-style-type: none"> • Not allowed for qualification purposes. <p>Boarder Income (1 Unit Only): The rental payments that any borrower receives from one or more individuals who reside with the borrower (but who are not obligated on the mortgage debt and 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:</p> <ul style="list-style-type: none"> • The individual(s) has lived with (and paid rent to) the borrower for the last 12 months, and • The boarder 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 • The boarder can demonstrate (such as copies of canceled checks) the payment of rental payments 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 averaged over a 12–month period. <p><i>Payment of rent by the boarder directly to a third party is not acceptable</i></p> <p>Rental Income (1 Unit Only):</p> <ul style="list-style-type: none"> • Accessory dwelling units: Rental income may be considered in qualifying the borrower per rental income guidelines. <p>Rental Income 2-4 Units:</p> <ul style="list-style-type: none"> • Rental income may be used as qualifying income per rental income guidelines.
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<p>Assets and Reserves Requirements</p>	<p>Down Payment The minimum borrower contribution requirements for the HomeReady program are:</p> <ul style="list-style-type: none"> • 1 Unit: No Minimum Borrower Contribution required. • 2-4 Units: None for LTV/CLTV/HCLTV of 80% or less and 3% for LTV/CLTV/HCLTV > 80%. • 1-4 Units: 3% required if sweat equity is being used <p>Acceptable Sources of Funds for Down Payment and Closing Costs:</p> <p>Gifts, grants, and Community Seconds®. Cash-on-hand for 1-unit properties only. Any eligible loan may have more than one Community Seconds (i.e., third lien) up to the maximum 105% CLTV (see Community Seconds fact sheet).</p> <p>Reserve requirements as determined by DU Findings.</p>
<p>Appraisal and Property Requirements</p>	<p>Refer to The Money Source Conventional Guidelines</p>
<p>Condominiums and PUDs</p>	<p>Refer to The Money Source Conventional Guidelines</p>
<p>Manufactured Housing</p>	<p>Refer to The Money Source Conventional Guidelines</p>
<p>Pre-purchase Homeownership Education</p>	<p>Homeownership Education Requirements</p> <ul style="list-style-type: none"> • Homeownership education required prior to note date for at least one borrower on all transactions (purchase and LCOR). • Must be provided through <i>Framework</i>, an online program approved by Fannie Mae. • \$75 fee paid by the borrower to <i>Framework</i> for a simple, accessible online program with email support 7 days a week. • Lenders may choose to provide a credit against closing costs in accordance with Selling Guide section B3-4.1-02 (Lender Incentives for Borrowers). • Homeownership education certificate must be retained in the mortgage file. • Although one-on-one counseling is optional for HomeReady, <i>Framework</i> 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.

<p>Post-Purchase Support</p>	<p>To support sustainability, borrowers will have access to post-purchase homeownership support for the life of the loan through <i>Framework's</i> homeownership advisor service.</p>
<p>Special Borrower Considerations</p>	<p>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 (e.g., in-person classroom education, telephone conference call, etc.). In these situations, consumers should be directed to <i>Framework's</i> toll-free customer service line, from which they can be directed to a HUD-approved counseling agency that can meet their needs. The counseling agency that handles the referral must provide a certificate of completion, and the Underwriter must retain a copy of the certificate in the loan file.</p>
<p>Previous Home-Buyer Education</p>	<p>In lieu of the <i>Framework</i> course, Fannie Mae will allow lenders to accept a certificate of pre-purchase education/counseling from a HUD-approved counseling agency dated within the previous six months before the loan application date and before September 30, 2016.</p>
<p>Landlord Education</p>	<p>1 Unit: Not Applicable</p> <p>2-4 Unit:</p> <ul style="list-style-type: none"> • Landlord education required in accordance with <i>Selling Guide</i> requirements (not available through <i>Framework</i>)