

**Product Guidelines – DU Only**  
**FNMA CONVENTIONAL HomeReady Program**

Program Codes: See Table

Version 4.2 – 01/01/25



PURCHASE & RATE/TERM REFINANCE - FIXED RATE								
Occupancy		Max Loan Amount	Maximum LTV/CLTV, HCLTV	Min FICO	Max Ratios	Minimum Cash Investments	Mortgage/Rental History	Reserves
Primary	1 Unit	\$806,500	95.01 - 97%*	620	AUS Approved Eligible - Up to 50% Maximum DTI	Refer to minimum cash investments	Evaluated by AUS	Refer to minimum reserves section for requirements
			95%	620				
Primary	2 Units	\$1,032,650	95%**	620				
Primary	3 Units	\$1,248,150	95%**	620				
Primary	4 Units	\$1,551,250	95%**	620				

Alaska & Hawaii **\$1,209,750**

\*For LTVs 95.01 – 97% the following guidelines apply.

1. All borrowers must occupy the property (non-occupant co-borrowers not permitted for LTV ratios of 95.01 - 97%)
2. High Balance loans are not permitted for LTV/CLTV/HCLTV from 95.01 to 97%

\*\*LTV, CLTV, or HCLTV Ratios for High-Balance 2-4 Unit Properties: 2 Unit ≤ 85% and 3-4 Unit ≤ 75%

MANUFACTURED HOMES			
Occupancy	Loan Purpose	Max LTV/CLTV/HCLTV	
Primary	1 Unit	Purchase & Rate/Term Refinance	95%

CONVENTIONAL Underwriting Guidelines Requirements (Loan MUST be submitted through AUS)	
COLLATERAL	
Appraisal	Transferred or ported appraisals are permitted with proof the appraisals comply with Appraisal Independence Requirements (AIR). Re-use of an appraisal report is not permitted. HPML loans may require second appraisal. If the appraisal report is marked "subject-to" a final inspection 1004D will always be required, processor certifications will not be accepted in lieu of.
Second Appraisals	When a new appraisal is obtained, CMS must document the deficiencies that are the basis for ordering the new appraisal and select the most reliable appraisal. CMS must either document the resolution of the noted deficiencies in the original appraisal or detail the reasons for relying on a second opinion of market value.
Appraisal Updates	Permitted. Follow guidelines and acceptable extension dates. The appraisal may be no older than 240 days at closing with an appraisal update.
Appraisal Acknowledgment	Borrowers must acknowledge that they received all appraisal reports three (3) days prior to close.

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**COLLATERAL, continued**

Appraisal Waiver	Permitted. Follow FNMA Appraisal Waiver requirements. Not eligible for manufactured homes, 2-4 unit properties, TX Home Equity 50(a)(6) or 50(a)(6) Conversion, values of \$1M or greater, leaseholds, properties with resale restrictions, when satisfying construction financing, using rental income from the subject property to qualify, gifts of equity, or an appraisal has been obtained within 120 days of the note date.
Condo	<p>All condos must be warranted &amp; must have completed warranty forms. Acceptable condo project approvals are PERS approval, Lender Full Review completed by InterIsland, and Limited Review (DU).</p> <p>Not eligible: Condotels, including projects that allow short-term rentals, vacation rentals, timeshares, or segmented ownership. Condo projects that have resort-type amenities such as restaurants, room service, maid service, central telephone or key systems, or share facilities with a hotel, Condo projects restricting owner's ability to occupy, Condo projects that do not contain full-sized kitchen appliances, Nonresidential use exceeding 25%, Pending litigation, Cooperative projects, Project with multi-dwelling units: A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit, Project with excessive commercial or non-residential space, Tenancy-in Common apartment project.</p> <p><b><u>Limited Review:</u></b>          Primary Residence = LTV 90% or below</p> <p><b><u>Full Review:</u></b>          All established projects not eligible for Limited Review. All manufactured housing projects require a Fannie Mae PERS Review or a Full Review. All new projects (see exceptions requiring PERS approval below).</p> <p><b><u>PERS Review:</u></b>          The standard PERS submission MUST be used for the following project types: New or newly converted condo projects consisting of attached units in Florida, newly converted non-gut rehabilitation projects consisting of more than four attached units and new condo projects consisting of manufactured homes.</p> <p><b>Florida Specific</b></p> <p><b><u>Limited Review:</u></b>          Primary Residence = LTV 75% or below</p> <p><b><u>Full Review:</u></b>          Primary Residence = LTV 75.01% and above.</p> <p>Florida new construction, projects constructed within the previous 3 years and projects converted within the previous 3 years are not eligible regardless of LTV and review type.</p>
Property Condition	<p>Minor conditions and deferred maintenance are typically due to normal wear and tear from the aging process and the occupancy of the property. While such conditions generally do not rise to the level of a required repair, they must be reported. Examples of minor conditions and deferred maintenance include worn floor finishes or carpet, minor plumbing leaks, holes in window screens, or cracked window glass.</p> <p>Condition Ratings C1, C2, C3, C4, and C5 are eligible for delivery in "as is" condition. Properties with a Condition Rating of C6 are eligible for sale to Fannie Mae provided any deficiencies that impact the safety, soundness, or structural integrity of the property are repaired prior to delivery of the loan.</p>

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Ineligible Properties	Co-ops, On-frame modular construction, Single wide manufactured homes, Boarding houses, Bed and Breakfast properties, properties that are not suitable for year-round occupancy regardless of location, Agricultural properties, such as farms or ranches, properties that are not readily accessible by roads that meet local standards, vacant land or land development properties, properties serviced by hauled water, properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations, State-approved medical marijuana producing properties, properties with more than one dwelling unit where one or more of the units (includes accessory dwelling units) is a manufactured home, properties with water sourced by a river, properties located on Tribal Lands which include section 184, Hawaiian Properties located in Lava Zones 1 and 2. See complete ineligible property list in CMS CONV guidelines. (2 to 4 unit principal residence no condos allowed).
Maximum Number of Financed Properties	Effective July 20, 2019: There is maximum limit of two financed properties (including the subject property) for HomeReady mortgage loans.
Resale/Deed Restrictions	Fannie Mae will purchase mortgages that are subject to one or more of the following types of resale restrictions (although some restrictions are likely to occur only in combination with others): income limits, age-related requirements (senior communities must comply with applicable laws), purchasers must be employed by the subsidy provider, principal residence requirements, properties that are group homes or that are principally used to serve disabled residents, and resale price limits.  CMS accepts age-restricted properties. Manufactured homes with age restrictions are not eligible unless they are located in a PERS-approved project. Refer to the guidelines for eligible transaction types, products, occupancy, and properties.
Private Transfer Fee	Not permitted.
Property Flip	Property flips less than 90 days are permitted. Underwriter must review for valid transaction, acceptable transfer/chain of title, and inflation of value or sales price is properly supported. CMS must confirm and document in the mortgage file that the property seller in a purchase money transaction or the borrower in a refinance transaction is the owner of the subject property when an appraisal is required. Examples of acceptable documentation include, but are not limited to: <ul style="list-style-type: none"> <li>• the appraiser’s analysis and conclusions in the appraisal report,</li> <li>• a copy of a recorded deed, mortgage, or deed of trust,</li> <li>• a recent property tax bill or tax assessment notice,</li> <li>• a title report,</li> <li>• a title commitment or binder, or</li> <li>• a property sale history report.</li> </ul> This documentation is especially important for transactions involving an assignment (or sale) of a contract for sale and back-to-back, simultaneous, double transaction closings, or double escrows to support the property acquisition, financing, and closing.
At Interest Transactions	Transactions where: Builder is acting as Realtor/Broker – permitted on primary residence only. Realtor/Broker is selling their own property – permitted on primary residence only. Loan originator is acting in another real-estate related role - not permitted. Loan Originator cannot have another real estate related position on any loan, regardless of the loan program.

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**TYPES OF FINANCING**

Loan Purpose	Purchase or Limited Cash-out Refinance; Homeownership Education may be required on Purchase transactions. 2nd Homes or investment properties are not eligible, must be primary residence only. All borrowers must occupy the property.
Limited Cash Out Refi (LCOR)	Final Closing Disclosures are required from any transaction within past 6 months. If previous transaction was cash-out or if it combined a first and non-purchase money subordinate into a new first, loan to be coded cash out. If new transaction combines a 1st and non-purchase money 2nd into a new 1st loan, it is considered cash out. If a new transaction combines a purchase money 2nd used in whole to acquire the property, a copy of the Final Closing Disclosure must be obtained. Closing costs and prepaids may be financed into loan amount. Cash out is limited to the lessor of 2% or the new loan or \$2,000.
Refinance < 12 months seasoned	Purchase transactions being paid off less than 12 months seasoned must show documentation supporting increasing values and any home improvements. A copy of the original appraisal showing appraised value higher than original sales price will be considered as supporting documentation.
Listed for sale or purchase	Properties listed for sale are ineligible for refinance. Property must be taken off the market prior to the loan application date and the borrower must confirm their intent to occupy the subject for Owner Occupied. In all instances, careful consideration should be given to the listing price and appraised value to be sure the value is supported.
Texas	No Cash out permitted. If existing 1st & 2nd to be paid are Texas Section 50(a) (6), all subsequent financing is considered cash out and is not eligible. This rule applies whether or not the borrower is getting cash back. If the 1st mortgage is not (never was) a Texas Section 50 (a)(6) loan and the 2nd mortgage is a Texas Section 50(a)(6), the 2nd lien must subordinate. Borrower cannot receive any cash back from 1st mortgage refinance - not even \$1. Transactions with subordinate financing subject to Section 50(a)(6) provisions are limited to max LTV/TLTV/CLTV of lesser of 80% or max program allowed.
All Refinances	Must have Net Tangible Benefit to Borrower.

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**CREDIT**

Manual Underwrite	Not permitted. Must receive DU Approve/Eligible.
Minimum FICO	Minimum credit score is the greater of 620 or the minimum as described in the product matrix. All borrowers must meet minimum credit score requirement.
Mortgage Loans	The refinance of a mortgage loan in violation of bankruptcy code is not eligible. Documentation from the courts validating the mortgage debt was reaffirmed is required. A credit report is not valid confirmation that a debt has been reaffirmed.
Bankruptcy	Chapter 13: Must be discharged > 2 years prior to application. BK discharge must be > 2 years seasoned. BK dismissal must be >4 years seasoned. Chapter 7: Must be discharged > 4 years prior to application. BK discharge must be > 4 years seasoned. BK dismissal must be > 4 years seasoned. Multiple Bankruptcy filings within past 7 years must be discharged/dismissed > 5 years. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u> Multiple BK filings - 5 years if more than one filing within the past 7 years ***Chapter 11 > 4 years prior to application***
Bankruptcy (with extenuating circumstances)	BK7 or BK 11: A two-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the discharge or dismissal date of the bankruptcy action. BK13: A two-year waiting period is permitted after a Chapter 13 dismissal, if extenuating circumstances can be documented. There are no exceptions permitted to the two-year waiting period after a Chapter 13 discharge. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u> Multiple BK filings - 3 years from the most recent discharge or dismissal date.
Short Sale / Pre-Foreclosure / Deed in Lieu of Foreclosure	A four-year waiting period is required from the completion date of the deed-in-lieu of foreclosure, pre-foreclosure sale, or charge-off as reported on the credit report or other documents provided by the borrower. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u>
Short Sale / Pre-Foreclosure / Deed in Lieu of Foreclosure (with extenuating circumstances)	A two-year waiting period is permitted if extenuating circumstances can be documented. Note: Deeds-in-lieu and pre-foreclosure sales may not be accurately or consistently reported in the same manner by all creditors or credit reporting agencies. See Identification of Significant Derogatory Credit Events in the Credit Report above for additional information. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u>
Collections/Charge Offs	Refer to AUS stipulations.
Judgments/Liens	Outstanding judgments and liens must be paid at or prior to loan closing. All outstanding debt owed to a state or the IRS for income or property tax must be paid off, at or prior to Closing, regardless of whether or not the debt has become an actual lien. All state and IRS tax liens on the subject property and other properties are required to be paid whether or not they currently affect title. No payment plans or subordination is allowed. Documentation of the satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations must be obtained.
Federal Income Tax Installment Agreements	The monthly payment amount may be included as part of the borrower’s monthly debt obligations (in lieu of requiring payment in full) if no Federal Tax Lien has been filed against the borrower. Refer to CMS Conventional FNMA guidelines for additional requirements.
Foreclosure	A seven-year waiting period is required, and is measured from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.

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**CREDIT, continued**

Foreclosure (with extenuating circumstances)	A three-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the completion date of the foreclosure action. Additional requirements apply between three and seven years, which include: Maximum LTV, CLTV, or HCLTV ratios of the lesser of 90% or the maximum LTV, CLTV, or HCLTV ratios for the transaction per the Eligibility Matrix. The purchase of a principal residence is permitted. Limited cash-out refinances are permitted for all occupancy types pursuant to the eligibility requirements in effect at that time. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u>
Non-Traditional (Alt) Credit	Not permitted.
Debts/Minimum Payment	If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the lender must use 5% of the outstanding balance as the borrower's recurring monthly debt obligation. For DU loan casefiles, if a revolving debt is provided on the loan application without a monthly payment amount, DU will use the greater of \$10 or 5% of the outstanding balance as the monthly payment when calculating the total debt-to-income ratio.
Minimum Payment Student Loans	For all student loans, if a monthly student loan payment amount is provided on the credit report, use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.  If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, Determine the qualifying monthly payment using one of the options below. <ul style="list-style-type: none"> <li>• If the borrower is on an income-driven payment plan, obtain student loan documentation to verify the actual monthly payment is \$0 and then qualify the borrower with a \$0 payment.</li> <li>• For deferred loans or loans in forbearance, calculate a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or a fully amortizing payment using the documented loan repayment terms.</li> </ul>
30-day Charge Accounts	Open 30–day charge accounts require the balance to be paid in full every month. Fannie Mae does not require open 30–day charge accounts to be included in the debt-to-income ratio.
Mortgage History	Mortgage payment histories must be verified for any mortgages not reporting on the credit report. Any verified mortgage history that shows a 30 day late or greater in the last 24 months must be reported on the borrower's credit report and included in the AUS decision. As permitted by AUS findings, a VOM from an acceptable third party showing no 30 day or greater lates is acceptable at underwriter discretion for a mortgage not showing on the credit report (not directly considered in the AUS decision).
Long Term Debts	Revolving charge accounts and unsecured lines of credit are open-ended and should be treated as long-term debts and must be considered part of the borrower's recurring monthly debt obligations. The monthly payment on every revolving and open-end account with a balance must be included in ratio calculation. Accounts cannot be paid down to qualify, installments or Mortgage accounts must be paid in full. Payoff of revolving accounts in order to qualify the borrower is generally not allowed.
Court Ordered Debt	If the obligation to make payments on a debt has been assigned to another person by court order, such as a divorce decree, and transfer of ownership of any related property has taken place, the payment may be excluded from long-term debt. The following documents are required: copy of the court order; and for mortgage debt, a copy of the recorded documents transferring ownership of the property (e.g.: Quit Claim Deed). If a transfer of ownership has not taken place, late payments associated with the loan repayment of the debt owing on the property should be taken into account when reviewing the Borrower's credit profile.
Non-Occupant Co-borrowers	The non-occupant borrower income flexibility allows a parent, or anyone else willing and financially able, to be a borrower on the loan. Non-occupant borrowers are permitted (to max 95% LTV in DU); Income considered as part of qualifying income and subject to income limits.

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**CREDIT, continued**

Business Debt	If the Borrower is personally liable for a business debt, whether the debt is reflected on the Borrower’s personal credit report or not, the Borrower is personally liable and the debt must be included in the debt-to-income ratios. If the Borrower can provide twelve (12) months’ proof of payment/canceled checks drawn against a business account, this debt need not be included in the debt-to-income ratio.
Contingent Liabilities	A contingent liability may be disregarded if the Borrower provides conclusive evidence from the creditor that there is no possibility that the creditor will pursue debt collection against the Borrower should the other party on the debt default.
Subordinate Financing	New, Modified, and existing subordinate liens are permitted within the max CLTV tolerances noted in the LTV matrix. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is also required. Subordinate financing from a seller-held mortgage is not permitted with HomeReady mortgages. Down Payment Assistance programs, including Community Seconds are permitted.
Disputed	DU will issue the disputed tradeline message. If it is determined that the disputed tradeline information is accurate and complete, the lender must ensure the disputed tradelines are considered in the credit risk assessment by either obtaining a new credit report with the tradeline no longer reported as disputed and resubmitting the loan casefile to DU. If DU does not issue the disputed tradeline message, the lender is not required to: further investigate the disputed tradeline on the credit report, obtain an updated credit report (with the undisputed tradeline).
Exceptions to Minimum Credit Score Requirements	Not permitted.

**INCOME**

Borrower Income Limits	Income eligibility: HomeReady loans may not exceed 80% AMI for the property’s location. (This includes properties in low income census tracts.)  In determining whether a mortgage is eligible under the borrower income limits, the lender must count the income from all of the borrowers who will be listed on the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.  For Income limits, see the link: <a href="https://homeready-eligibility.fanniemae.com/homeready/">https://homeready-eligibility.fanniemae.com/homeready/</a> .
Unacceptable Types of Income	Income based on trailing spouse income; Draw income; VA education benefits; Illegal income; Taxable income not listed on tax returns, any income that cannot be documented and/or verified; Passive income from partnerships and S corporations; Income that is not stable; and Grants.
Future Income	Permitted - borrower must provide a contract or employment offer prior to documents and a 30 day pay stub prior to funding.
Non-Taxable Income	Must verify and document source of income is non-taxable. Documentation includes award letters, policy agreements, account statements or any other documents that address the non-taxable status of the income. All disclosed, non-taxable income must be grossed-up even if not being used for qualification.
Rental Income from Other Real Estate Owned	Most recent signed federal income tax return required. Can use 12-month average from Schedule E for calculation. The full amount of the mortgage payment (PITIA) must be included in the borrower’s total monthly obligations when calculating the DTI ratio.

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**INCOME, continued**

Tax Return Transcripts/ W-2 transcripts	When federal income tax information is used to document income for qualifying purposes, the lender may obtain transcripts of the applicable federal income tax documents directly from the IRS (or designee) by using IRS Form 4506-C. For example, the lender may obtain Tax Return Transcripts for Form 1040, 1040A or 1040EZ or Wage and Income Transcripts for W2s, 1098s, and 1099s. However, in certain instances, copies of the actual returns, schedules, or forms are needed because the tax return transcripts will not provide the detail required to qualify the borrower. For example, the lender must obtain copies of Schedules B through F, Schedule K-1, Form 2106, or business returns.
Income from Departure Residence	When the borrower owns mortgaged real estate, the status of the property determines how the existing property's PITIA must be considered in qualifying for the new mortgage transaction. If the mortgaged property owned by the borrower is a current principal residence converting to investment use, the borrower must be qualified in accordance with, but not limited to the following: <ul style="list-style-type: none"> <li>• Lease Agreements. When current lease agreements are used, the lender must calculate the rental income by multiplying the gross rent(s) by 75%. The remaining 25% of the gross rent will be absorbed by vacancy losses and ongoing maintenance expenses.</li> <li>• DU will determine the reserve requirements based on the overall risk assessment of the loan, the minimum reserve requirement that may be required for the transaction, and whether the borrower has multiple financed properties.</li> <li>• If the mortgage loan being delivered to Fannie Mae is secured by the borrower's principal residence, there are no limitations on the number of other properties that the borrower will have financed.</li> </ul>
Other Income	1-unit Primary Residence only (not permitted for 2-4 Unit) - Boarder income (relatives or non-relatives): Up to 30% of qualifying income; documentation for at least 9 of the most recent 12 months (averaged over 12 months) and documentation of shared residency for the past 12 months. 1-Unit: Accessory dwelling units: Rental income may be considered in qualifying the borrower per rental income guidelines. 2-4 Unit: Rental income may be used as qualifying income per rental income guidelines.

**ASSETS**

Gift Equity	A gift or a gift of equity from a related person that does not have to be repaid is an eligible source.
Borrower Contribution toward Down Payment	Primary <80% LTV= None Primary >80% LTV = None Primary 2-4 Unit = \$0 for LTV/CLTV/HCLTV of 80% or less, 3% for LTV/CLTV/HCLTV > 80%
Gifts	Follow FNMA Guidance: 1 Unit Primary Residences (including High Balance): no minimum borrower contribution is required, 2-4 Units, LTVs > 80% require the borrower have a minimum 3% of their own funds in the transaction. A gift can be provided by a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner. The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction. If DU requires reserves, it can be gifted after the minimum borrower contribution is met.
Verification of Deposits	Not permitted as standalone documentation – must be accompanied by computer printout or other statements directly from the banking institution.
Large Deposits	Purchase Money Transactions Only: Deposits >50% of the borrower's qualifying monthly income are considered large deposits and must be sourced.



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**ASSETS, continued**

Business Assets	Business Assets are allowed for down-payment; however, the borrower must be the 100% owner of the Business. The effect on borrower's business must be established by the underwriter.
Custodial Accounts for Minors	These accounts are not an allowable asset for down payment, closing costs or reserves. Accounts that are in a minors name where the borrower is only the custodian of the funds are not eligible to be used for a transaction in closing costs, reserves or down payment.
Down Payment Assistance	Down Payment Assistance is permitted. Requests to review Down Payment Assistance Programs for use with CMS agency first mortgage programs may be submitted to <a href="mailto:DPAPrograms@Carringtonms.com">DPAPrograms@Carringtonms.com</a> . All requests must include a completed <a href="#">Down Payment Assistance New Program Request Submission Form</a> along with the required exhibits.

**GENERAL**

Desktop Underwriter	<ul style="list-style-type: none"> <li>Based on the census tract and borrower income, DU will notify users 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. The Additional Data screen field will allow the lender to enter census tract information if DU is unable to geocode the property address.</li> <li>DU recommendation of Approve/Eligible required. DU will determine qualifying ratios and reserves.</li> <li>May be eligible in DU if at least one borrower has traditional credit and contributes more than 50% of qualifying income.</li> <li>DU will notify users 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.</li> </ul>
Debt Ratios	Per AUS findings, must receive Approve/Eligible.
Cash-on-hand	<p>"Lenders may deliver purchase money mortgages for one-unit properties with cash-on-hand as an acceptable source of funds for the borrower's down payment, funds for closing costs, and prepaid items.</p> <p><b>Note:</b> Cash-on-hand may not be used to fund the borrower's reserve requirement, if applicable.</p> <ul style="list-style-type: none"> <li>The lender must verify and document the following with respect to the cash-on-hand funds:</li> <li>The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practices.</li> <li>The lender must verify that 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.</li> <li>The lender must obtain a written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed.</li> <li>The borrower's credit report and other verifications should indicate limited or no use of credit and limited or no depository relationship between the borrower and a financial institution.</li> </ul>
Age of Documents	Must be <120 days old at time of closing. Appraisal must be <120 days old.
Loan Terms Available	10, 15, 20, & 30 Year Fixed

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**GENERAL, continued**

Temporary Interest Rate Buydowns	Buydowns are permitted for purchase transactions only. Terms available: 3-Year (3-2-1), 2-Year (2-1) and 1-Year (1-0). Buydown fee must be seller-paid and within the interested party contribution limits for the loan. Borrowers must qualify at the note rate. Buydowns are not permitted for refinance transactions, investment properties and manufactured properties.
Borrower Eligibility	Permanent and Non-Permanent Resident Aliens allowed with supporting documentation. Foreign Nationals or borrowers with Diplomatic Immunity are not eligible. Loans with title or interest held in various forms/legal entities such as Life Estates, Non-Revocable Trusts, Guardianships, LLC's, Corporations or Partnerships are not eligible.
Escrows / Escrow Holdbacks	Escrows: Tax and Insurance escrows are required on all loans greater than 80.00% loan to value (subject to state law); escrow waivers are allowed subject to a demonstrated ability by the borrower to manage lump sum tax and insurance payments. Effective on loans closed on or after January 1, 2016 that require flood insurance: the premiums related to the flood insurance must be escrowed - escrows for these premiums may not be waived, regardless of LTV. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required.
Homeownership Education	At least one borrower must complete homebuyer education when all borrowers are first-time homebuyers, regardless of the LTV. Borrowers may: <ul style="list-style-type: none"> <li>• Complete the Framework homeownership education course (no fee) prior to closing at <a href="https://educate.frameworkhomeownership.org/">https://educate.frameworkhomeownership.org/</a>; or</li> <li>• Receive housing advising from a HUD-approved nonprofit housing counseling agency, as evidenced by a signed Certificate of Completion of Pre-purchase Housing Counseling (Form 1017) prior to the borrower signing a purchase contract.</li> <li>• Homeownership education certificate or Form 1017 must be retained in the mortgage file.</li> </ul> Framework's 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 Framework's toll-free customer service line 1-855-659-2267, 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 lender must retain a copy of the certificate in the loan file.
Ineligible Programs	Refi Plus, Homestyle/Homepath Renovations, HomeStyle Energy, Adjustable Rate and Interest Only Loan Programs
Short Payoffs	Ineligible. FNMA will NOT accept a refinance transaction where the loan CMS is paying off was a Short Payoff.
Metropolitan Statistical Areas (MSAs)	Go to <a href="https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx">https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx</a> to obtain the MSA# on the property. Update E360 MORNETPlus Community Lending screen as follows: 1) Check the Community Lending checkbox, 2) Enter the MSA# into the Metropolitan Statistical Area or County field, and 3) Select ""08 Home Ready"" from the dropdown list in the Fannie Mae's Community Lending Product field.
Mortgage Insurance (MI)	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). Refer to Mortgage Insurance Requirements below. CMS requires full files to be sent to one of our approved Mortgage Insurance providers to obtain the mortgage insurance certificate.

**Product Guidelines – DU Only**  
**FNMA CONVENTIONAL HomeReady Program**

Program Codes: See Table

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**GENERAL, continued**

Lender Paid Mortgage Insurance (LPMI)	<p>CMS allows lender-purchased mortgage insurance (LPMI) coverage.</p> <ul style="list-style-type: none"> <li>• MI certificate must be obtained prior to clear to close.</li> <li>• Full credit file needs to be submitted to MI Company.</li> <li>• Lender Paid Disclosure Form must be provided to the borrower.</li> <li>• CMS must deliver the loan with Special Feature Code (SFC) 019.</li> <li>• Lump-sum (single) premium plan that provides coverage for the life-of-the loan is required</li> <li>• Mortgage insurance coverage must remain in effect until the mortgage is paid in full</li> </ul> <p>Use Program Codes C30FLPMI (Conforming) and H30FLPMI (High Balance)</p>																																			
Mortgage Insurance Coverage Requirements	<p>The table below provides the mortgage insurance coverage requirements for HomeReady first-lien mortgages. CMS requires standard coverage for the transaction type.</p> <table border="1"> <thead> <tr> <th colspan="5">LTV Range</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> </thead> <tbody> <tr> <td colspan="5"><b>All property types other the standard manufactured homes</b></td> </tr> <tr> <td><b>Fixed-rate, term ≤ 20 years</b></td> <td>6%</td> <td>12%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td><b>Fixed-rate, term &gt; 20 years</b></td> <td>12%</td> <td>25%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td colspan="5"><b>Standard manufactured homes</b></td> </tr> <tr> <td><b>Fixed-rate, any term</b></td> <td>12%</td> <td>25%</td> <td>25%</td> <td>Not Applicable</td> </tr> </tbody> </table>	LTV Range					Transaction Type	80.01 – 85.00%	85.01-90.00%	90.01-95.00%	95.01-97.00%	<b>All property types other the standard manufactured homes</b>					<b>Fixed-rate, term ≤ 20 years</b>	6%	12%	25%	25%	<b>Fixed-rate, term &gt; 20 years</b>	12%	25%	25%	25%	<b>Standard manufactured homes</b>					<b>Fixed-rate, any term</b>	12%	25%	25%	Not Applicable
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**PROGRAM CODES**

Product Code	Loan Program Description
C10FHR	Conforming 10-Year Fixed - FNMA Home Ready
C15FHR	Conforming 15-Year Fixed - FNMA Home Ready
C20FHR	Conforming 20-Year Fixed - FNMA Home Ready
C25FHR	Conforming 25-Year Fixed - FNMA Home Ready
C30FHR	Conforming 30-Year Fixed - FNMA Home Ready