



Fannie Mae - DU Approval			
Owner-Occupied Only, Purchase and Rate & Term Refinance			
¹See Loan Purpose for requirements for loans with LTV/CLTV/HCLTVs > 95%	Property Type	LTV/CLTV/HCLTV	Min Credit Score
	1 Unit¹	FRM 97¹ ARM 95	620
	2 Unit	85	620
	3-4 Unit	75	620
Appraisals	<ul style="list-style-type: none"> - Determined by AUS Findings. The use of value acceptance (appraisal waiver) is allowed when the final submission of the loan casefile to DU results in a value acceptance (appraisal waiver) offer. - Hybrid appraisals are not acceptable regardless of AUS findings - Recert of values in accordance with Fannie Mae guidelines are acceptable. - Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible. 		
Assets/Gift Funds/Large Deposits	<p>Assets</p> <ul style="list-style-type: none"> - Follow Fannie Mae verification of deposit and asset documentation guidelines to determine asset eligibility for down payment, closing costs, and reserve requirements. <ul style="list-style-type: none"> o Asset statements must clearly identify the borrower as the account holder o Assets held solely in the name of a non-borrowing purchaser are considered a gift and must follow Fannie Mae gift fund requirements. - Follow Fannie Mae guidelines for gift fund eligibility and documentation requirements <ul style="list-style-type: none"> o Gift funds are ineligible on an investment property transaction <p>Large Deposits</p> <ul style="list-style-type: none"> - Follow Fannie Mae guidance for large deposit eligibility and verification requirements <ul style="list-style-type: none"> o Large deposits sourced back to a non-borrowing purchaser are considered a gift and must follow Fannie Mae gift fund requirements. - On refinance transactions, the documentation or explanation for large deposits is not required; however, any borrowed funds, including any related liability, must be considered. <p>Virtual Currency</p> <ul style="list-style-type: none"> - Cryptocurrency/Virtual Currency may only be used as funds for closing and reserves if it has been exchanged into U.S. dollars and is held in a U.S. or state regulated financial institution. There must be sufficient documentation to verify that the funds originated from the borrower's cryptocurrency/virtual currency account. Acceptable documentation to use those funds includes the following: <ul style="list-style-type: none"> o Documentation from Cryptocurrency exchange account verifying the borrower as the Legal Owner and not the nickname of the account, AND o Previous borrower bank statement showing funds going into the same Cryptocurrency exchange account that the large deposit came from, OR o 1099-B/MISC from the same Cryptocurrency exchange account that the large deposit came from, plus the borrower's Tax Returns reflecting the 1099 gain/loss 		



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<p>AUS</p>	<ul style="list-style-type: none"> - Desktop Underwriter with "Approve/Eligible" Findings is required - Manual UW is not permitted
<p>Borrower Eligibility</p>	<ul style="list-style-type: none"> - U.S. citizens - Permanent resident aliens, with proof of lawful permanent residence - Nonpermanent resident alien immigrants with proof of lawful residence - DACA recipients are eligible with proof of legal status, including but not limited to a valid Employment Authorization Document card. See Non-U.S. Citizen Documentation Requirements. - Non-occupant borrowers permitted to maximum 95% LTV/CLTV/HCLTV in DU <ul style="list-style-type: none"> o Income is considered as part of qualifying income and subject to income limits
<p>Condominiums</p>	<ul style="list-style-type: none"> - See B4-2 Project Standards in Fannie Mae's Seller Guide or https://www.fanniemae.com/singlefamily/project-eligibility for complete details on condos. - Fannie Mae to Fannie Mae rate and term refinances up to 80% LTV may be eligible for a waiver of the project eligibility review. <ul style="list-style-type: none"> o Documentation confirming refinanced loan was owned by Fannie Mae is required. o Condo type V required. o See B4-2.1-02 Waiver of Project Review for additional information. - Limited Review allowed in accordance with Fannie Mae Guidelines, including NOO up to 75% LTV/CLTV/HCLTV - Projects in which the HOA is named as a party to pending litigation, or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project are ineligible. - Projects with pending litigation that involves minor matters with no impact on the safety, structural soundness, habitability, or functional use of the project, may be eligible if the litigation meets Fannie Mae's requirements for minor matters. See Fannie Mae Selling Guide Section B4-2.1-03 for details. - Florida Condos are allowed in accordance with Fannie Mae requirements.
<p>Credit</p>	<ul style="list-style-type: none"> - Each borrower's representative credit score must be a minimum of 620 regardless of the DU eligibility assessment unless the below requirement for borrowers without a credit score are met: <ul style="list-style-type: none"> o All borrowers may have no credit score. Fannie Mae and DU requirements must be met. - Mortgage Payment History <ul style="list-style-type: none"> o The mortgage payment history reflected on the credit report can be used to meet mortgage payment history requirements o On the date of the loan application, the borrower's existing mortgage(s) must be current, which means that no more than 45 days have elapsed since the last paid installment. If the credit report does not reflect the above, proof the additional loan payments were paid on time is required. Refer to Fannie Mae Selling Guide B3-5.3-03 - A maximum of one credit bureau may be frozen with a DU accept. If the credit must be un-frozen, borrowers must unfreeze all bureaus, and the DU rerun with the updated credit. - LTV/CLTV/HCLTV > 95% require at least one borrower to have at least one credit score.



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Derogatory Credit	Derogatory Event	Waiting Period Requirements
	Bankruptcy — Chapter 7 or 11	4 years
	Bankruptcy — Chapter 13	2 years from discharge date 4 years from dismissal date
	Multiple Bankruptcy Filings	5 years if more than one filing within the past 7 years
	5 years if more than one filing within the past 7 years	<ul style="list-style-type: none"> - 7 years - 3 years with documented extenuating circumstances (see section below) allowed subject to: <ul style="list-style-type: none"> o up to the lesser of 90% LTV/CLTV or the max LTV/CLTV per the eligibility matrix, o purchase of an OO, or o rate and term of any occupancy <p><i>If a mortgage debt was discharged through a bankruptcy, the bankruptcy waiting periods may be applied if the lender obtains the appropriate documentation to verify that the mortgage obligation was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting periods must be applied.</i></p>
Deed-in-Lieu of Foreclosure, Pre-foreclosure Sale (Short Sale), Mortgage Charge-Off	<ul style="list-style-type: none"> - 4 years - 2 years with documented extenuating circumstances, see Extenuating Circumstances below 	
All transactions require a DU Approve/Eligible regardless of which time frame for the derogatory event is met, standard or extenuating circumstances.		
Disaster Policy	<ul style="list-style-type: none"> - A post-disaster inspection may be required when the appraisal occurred before the incident end date of the disaster 	
Documentation	<ul style="list-style-type: none"> - Documentation requirements are determined by the AUS - Private mortgages may be verified with cancelled checks or bank statements - Income or assets derived from the following sources are ineligible for qualifying: <ul style="list-style-type: none"> o The production or sale of marijuana o Bitcoin or other cryptocurrencies - See the Assets/Gift Funds/Large Deposits section for documentation requirements on funds used for closing/reserves that originated from a cryptocurrency account. <p><i>Note: Regardless of AUS documentation requirements, all documentation submitted with the loan file is subject to review and may be used for qualification purposes.</i></p>	



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<p>Financing Concessions</p>	<ul style="list-style-type: none"> - Financing concessions for primary residences must be within the following allowable percentages: <ul style="list-style-type: none"> o 9% of value with LTV/CLTV ratios less than or equal to 75% o 6% of value with LTV/CLTV ratios greater than 75% up to and including 90% o 3% of value with LTV/CLTV ratios greater than 90% - Value is the lesser of the sales price or appraised value. 												
<p>Funds to Close: Borrower Contribution</p>	<table border="1" data-bbox="474 529 2045 659"> <thead> <tr> <th>Number of Units</th> <th>Minimum Borrower Contributions</th> <th>Min Down Payment Requirement</th> </tr> </thead> <tbody> <tr> <td>One</td> <td>None</td> <td>3%</td> </tr> <tr> <td>Two</td> <td>3%</td> <td>15%</td> </tr> <tr> <td>Three or Four</td> <td>3%</td> <td>25%</td> </tr> </tbody> </table> <p>A 3% down payment is permitted for certain purchase transactions. Loan must meet LTV/CLTV/HCLTV > 95% requirements. See Loan Purpose section, and Fannie Mae Selling Guide B5-6-02.</p>	Number of Units	Minimum Borrower Contributions	Min Down Payment Requirement	One	None	3%	Two	3%	15%	Three or Four	3%	25%
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<p>Funds to Close</p>	<ul style="list-style-type: none"> - Cash on hand is an acceptable source for the borrower's down payment, funds for closing costs, and prepaid items for one-unit properties. <ul style="list-style-type: none"> o The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practices. o Funds for the down payment and closing costs must 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. o A written statement from the borrower is required that discloses the source of funds and states that the funds have not been borrowed. o 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. - Note: Cash-on-hand may not be used to fund the borrower's reserve requirement, if applicable. 												
<p>High Cost / High Priced</p>	<ul style="list-style-type: none"> - High Cost Loans are not eligible - Higher Priced Mortgage Loans (HPML) transactions are eligible <ul style="list-style-type: none"> o Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence. o Must meet all applicable state and/or federal compliance requirements. 												
<p>Homeownership: Education and Counseling</p>	<ul style="list-style-type: none"> - When all occupying borrowers are first-time homebuyers on a HomeReady purchase then at least one borrower must do one of the following : <ul style="list-style-type: none"> o Complete a homeownership education course with any qualified third-party provider as long as the provider is aligned with the National Industry Standards (NIS) for Homeownership Education and Counseling or with the U.S. Department of HUD Housing Counseling Program or provided by a HUD-approved counseling agency; or o 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. - Homeownership education certificate or Form 1017 must be retained in the mortgage file. 												



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<p>Income: Boarder</p>	<ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> o The individual(s) has lived with (and paid rent to) the borrower for the last 12 months. o 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). o The boarder can demonstrate (such as copies of canceled checks) the payment of rental payments to the borrower for the last 12 months, or o At least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period. - Payment of rent by the boarder directly to a third party is not acceptable
<p>Income: Limits</p>	<ul style="list-style-type: none"> - Total annual qualifying income may not exceed 80% of area median income (AMI) using AMI's in DU or on FNMA's website.
<p>Loan Purpose</p>	<ul style="list-style-type: none"> - Purchase - Rate & Term Refinance: <ul style="list-style-type: none"> o A transaction is not eligible as a limited cash-out refinance if the borrower completed a cash-out refinance transaction with a Note date 30 days or less prior to the application date of a new refinance secured by the same property o Proceeds can be used to pay off a first mortgage lien o Proceeds can be used to pay off an existing first lien mortgage that includes a deferred balance <ul style="list-style-type: none"> * A deferred balance that is a second lien is not eligible for a limited cash-out refinance o For two-closing construction-to-permanent loans, to pay off an existing construction loan and documented construction cost overruns that were incurred outside of the interim construction financing. (These construction cost overruns must be paid directly to the builder at closing.) o Pay related closing costs and prepaid items o Disburse cash out to the Borrower in an amount not to exceed 2% of the new Mortgage or \$2,000, whichever is less o Disaster-Related Limited Cash-Out Refinance Flexibilities - Standard limited cash-out refinance policies for borrowers who have been impacted by a natural disaster are allowed as follows: <ul style="list-style-type: none"> - > 95% LTV/CLTV/HCLTV Purchase and Rate & Term Refinance: <ul style="list-style-type: none"> o One Unit primary residence only o Standard balance only o All borrowers must occupy the property o At least one borrower has a credit score o Rate & Term only: Must document the existing loan being refinanced is owned (or securitized) by Fannie Mae. - Cash Out <ul style="list-style-type: none"> o Not allowed



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<p>Loan Purpose: Ineligible Transactions</p>	<p>Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines, they are not bonafide purchase transactions. Unacceptable transactions of this type may have some or all of the following characteristics:</p> <ul style="list-style-type: none"> - Gift of equity from the seller - Large amount of seller credits - Family member remaining in the home and on title after the “purchase” - Seller unable to qualify for a cash-out transaction of their own
<p>Mortgage Insurance</p>	<ul style="list-style-type: none"> - Coverage percentage per Fannie Mae requirements. Full coverage only. - Acceptable MI Types: <ul style="list-style-type: none"> o Borrower Paid Monthly o Borrower Paid Single Premium o Financed: Gross LTV cannot exceed the program maximum
<p>Occupancy</p>	<p>Owner Occupied only</p>
<p>Power of Attorney (POA)</p>	<p>An individual employed by or affiliated with any party to the loan transaction e.g. title insurer, settlement agent etc. is not eligible as a POA.</p>
<p>Property: Eligible Types</p>	<ul style="list-style-type: none"> - Single Family Detached Single Unit - Single Family Attached Single Unit - 2–4 Unit Attached/Detached - PUDs - Low-rise and High-rise condominiums (must be Fannie Mae eligible) - Rural Properties (in accordance with agency Guidelines, properties must be residential in nature) - Leaseholds
<p>Property: Ineligible Types</p>	<ul style="list-style-type: none"> - Mobile and manufactured homes - Cooperatives - Condotels - Hotel Condominiums - Timeshares - Working Farms and Ranches - Unimproved Land - Property currently in litigation - Land Trust, including Community Land Trust Mortgages and Illinois Land Trust - Condition Rating of C5/C6 or a Quality Rating of Q6 - Homes purchased using HomeStyle Financing



Property Flipping Policy (Properties resold within 180 days of purchase)	<ul style="list-style-type: none"> - Properties that involve a re-sale that occurred within the last 180 days that have a non-arm's length relationship between the buyer and seller and an increase in value are prohibited. Time frame is established by seller's date of acquisition as the date of settlement on the seller's purchase of that property and the execution of a sales contract to another party. - An additional value product may be required to support the subject appraised value in instances of greater than 20% appreciation.
Property: Maximum Number of Financed Properties	The occupant borrower may not have more than two financed properties.
Ratios	The Maximum DTI is 50% with a DU Approve/Eligible.
Recently Listed Properties	<ul style="list-style-type: none"> - 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. Borrowers must confirm their intent to occupy the subject property (for principal residence transactions).
Rental Income Calculation	<ul style="list-style-type: none"> - Rental Income from accessory units is allowed. - Follow standard rental income requirements. - See B3-3.1-08 for complete details.
Reserves	Required per DU
State Restrictions	<ul style="list-style-type: none"> - Texas 50 (a)(6) refinance mortgages are eligible <ul style="list-style-type: none"> o Owner-Occupied, 1 unit only o Maximum 80% LTV/CLTV o 2% fee restriction in accordance with Texas Constitution o Full appraisal required o No new secondary financing o Loans must comply with Fannie Mae and Texas Constitution requirements o Power of Attorney allowed in accordance with Texas requirements.
Temporary Interest Rate Buydowns	<p>Allowed subject to the following:</p> <ul style="list-style-type: none"> - Max total interest rate reduction of 3%, max increase per year of 1% (1/0, 1/1, 2/1, and 3/2/1 buydowns allowed) - Maximum 3 years to reach standard note rate - Minimum 660 FICO - Purchase only - Must qualify at the standard note rate without benefit of the buydown - Must meet all other applicable Fannie Mae requirements, including but not limited to qualification, documentation of buydown, and funding of buydown. - Seller or lender paid only