

*Announcement 08-22*

*September 5, 2008*

*Amends these Guides: Selling*

## **Miscellaneous Eligibility, Policy, and Pricing Updates**

### **Introduction**

This Announcement contains updates and clarifications to Fannie Mae's eligibility requirements and policies for the following topics:

- **Mortgage loans with an interest-only feature:** requiring the use of Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>), changes to the allowable DU recommendation, and updates to streamlined refinance eligibility.
- **Eligibility requirements:** reducing the maximum allowable loan-to-value (LTV), combined loan-to-value (CLTV), and home equity combined loan-to-value (HCLTV) ratio requirements for certain transactions.
- **Investment property pricing requirements:** updating the loan-level price adjustments (LLPAs).
- **New and clarified requirements for refinance transactions:** introducing new property ownership seasoning requirements, new listing history requirements, and clarification of the short-term refinance policy.
- **Continuity of obligation:** updating the guidance provided in Announcement 07-23: *Clarification of Purchase and Refinance Transaction Policies; Modification of Interested Party Contribution Policy* as it pertains to continuity of obligation.
- **Multiple mortgages to the same borrower:** updating Fannie Mae's requirements for the number of financed properties a borrower may have when the mortgage being delivered is secured by a second home or investment property.
- **Principal residences pending sale:** clarifying Announcement 08-16: *Bankruptcy, Foreclosure, and Conversion of Principal Residence Policy Changes; and Revised Property Value Representation and Warranty Requirements* regarding the qualification of borrowers purchasing a new principal residence when their current principal residence is pending sale.

- **Delivery of restructured loans:** establishing a policy to prohibit the delivery of mortgage loans to Fannie Mae on a flow basis that have previously been restructured.

## **Mortgage Loans with an Interest-only Feature**

***Selling Guide, Part VII, Section 111.01: Products Eligible for an Interest-only Feature; Section 111.04: Underwriting Mortgage Loans with an Interest-only Feature; Part VIII, Section 203.03: Eligible Mortgage Loans; and Announcement 08-08: Mortgage Eligibility and Pricing Updates for Desktop Underwriter and Manually Underwritten Loans***

Mortgage loans with an interest-only feature are no longer eligible for manual underwriting and must be underwritten through DU. Fannie Mae will contact affected lenders who have previous approvals that permit delivery of mortgage loans with an interest-only feature underwritten through an automated underwriting system other than DU.

All mortgage loans with an interest-only feature must receive an Approve/Eligible recommendation from DU to be eligible for delivery to Fannie Mae. Refer/Eligible and Expanded Approval<sup>®</sup> recommendations are no longer permitted. This new policy applies to all mortgage loans with an interest-only feature, including MyCommunityMortgage<sup>®</sup> loans. Until DU is updated in a future release, lenders must implement controls to ensure compliance with this policy.

## **Streamlined Refinance Transactions**

***Announcement 07-23: Enhancements to Streamlined Refinance Products and Announcement 08-03: Updates and Clarifications for Streamlined Refinance Products***

Because mortgage loans with an interest-only feature are no longer eligible for manual underwriting, there is an impact to streamlined refinance mortgage transactions. Mortgage loans with an interest-only feature are ineligible for the new mortgage under Streamlined Refinance Option B (GSE to Fannie Mae). In an effort to continue providing refinance opportunities to existing Fannie Mae borrowers, mortgage loans with an interest-only feature will continue to be eligible for the new mortgage under Streamlined Refinance Option A (Fannie Mae to Fannie Mae). Mortgage loans with an interest-only feature continue to be ineligible under Streamlined Refinance Option A Select.

## **Effective Date**

Lenders are encouraged to implement these guidelines immediately. All whole mortgage loans purchased by Fannie Mae on or after December 1, 2008, and mortgage loans delivered into MBS with issue dates on or after December 1, 2008 must comply with the new policies. Lenders should note that 90-day whole loan commitments for mortgage

loans with an interest-only feature and an Expanded Approval recommendation will no longer be available in order to ensure delivery by November 30, 2008.

## **Eligibility Requirements**

Fannie Mae is modifying the maximum allowable LTV, CLTV, and HCLTV ratios (collectively referred to as “LTV ratios” herein unless otherwise noted) for certain transactions as noted in the table below. Attachment 1 to this Announcement contains the comprehensive LTV ratio charts that have been updated to incorporate these changes.

<b>Transaction Type</b>	<b>Number of Units</b>	<b>Current LTV/CLTV/HCLTV</b>	<b>New LTV/CLTV/HCLTV</b>	<b>Current Credit Score</b>	<b>New Credit Score</b>
<b>Principal</b>					
Cash-Out Refinance	1-2 Units	90%/90%/90%	85%/85%/85%	700 If > 75%	660 If >75%
Streamlined Cash-Out Refinance Options A and B	1-2 Units	75%/90%/90%	75%/85%/85%	No Change	
<b>Second Home</b>					
Cash-Out Refinance	1 Unit	85%/85%/85%	75%/75%/75%	No Change	
<b>Investment</b>					
Purchase	1-2 Units	90%/90%/90%	85%/85%/85%	No Change	
Limited Cash-Out Refinance	1-2 Units	90%/90%/90%	75%/75%/75%	No Change	
Cash-Out Refinance	1-2 Units	85%/85%/85%	75%/75%/75%	No Change	
HomeStyle® Renovation Purchase	1-Unit	75%/90%/90%	75%/85%/85%	No Change	
HomeStyle Renovation Limited Cash-Out Refinance	1-Unit	75%/90%/90%	75%/75%/75%	No Change	

Notes: The above changes do not apply to jumbo-conforming mortgage loans. Furthermore, there are no changes to the LTV ratios or minimum credit score requirements for Streamlined Refinance Option A mortgages secured by investment properties.

## **Effective Date**

The new maximum LTV ratios will be updated in a future release of DU. Until that time, lenders may continue to underwrite and deliver DU loan casefiles underwritten with the current maximum LTV ratios.

These changes apply to manually underwritten loans. Lenders are encouraged to implement these guidelines immediately; however, all manually underwritten mortgage loans purchased by Fannie Mae as whole loans on or after December 1, 2008, and mortgage loans delivered into MBS with issue dates on or after December 1, 2008 must comply with the new requirements.

### **Investment Property Pricing Requirements**

Fannie Mae is updating the LLPAs that apply to all mortgage loans secured by investment properties as follows:

<b>Investment Property LLPAs by LTV Ratio</b>						
<b>&lt; 60.00%</b>	<b>60.01 – 70.00%</b>	<b>70.01 – 75.00%</b>	<b>75.01 – 80.00%</b>	<b>80.01 – 85.00%</b>	<b>85.01 – 90.00%*</b>	<b>90.01 – 100.00%</b>
1.75%	1.75%	1.75%	3.00%	3.75%	3.75%	NA

\* The maximum LTV ratio is limited to 85.00% for manually underwritten loans (except Streamlined Refinance Option A) purchased as whole loans on or after December 1, 2008, or delivered into MBS pools with issue dates on or after December 1, 2008.

Fannie Mae has updated the *Loan-Level Price Adjustment (LLPA) Matrix and Adverse Market Delivery Charge Information*, which is available on the Single-Family Reference Materials page on eFannieMae.com. Lenders are reminded that all LLPAs are cumulative, unless otherwise noted. LLPAs and the Adverse Market Delivery Charge are incorporated by reference into the *Selling Guide* and are binding on lenders as provided by the Mortgage Selling and Servicing Contract.

### **Effective Date**

The updated LLPAs are effective for whole mortgage loans purchased on or after December 1, 2008, and for mortgage loans delivered into MBS with issue dates on or after December 1, 2008.

### **New and Clarified Requirements for Refinance Transactions**

The following policy changes are being instituted for certain refinance transactions. These guidelines are applicable to all occupancy types unless otherwise indicated, and to manually underwritten loans and loan casefiles underwritten with DU. DU does not generally receive information regarding when the property was purchased or refinanced, and also does not receive listing information on the property; therefore, these guidelines must be applied manually by the lender for all mortgage loans.

Policy	Current Requirements	New Requirements
<b>Property Ownership Seasoning Requirement</b>	No existing policy	If the property was purchased by the borrower within the 6 months preceding the application for new financing, the borrower is ineligible for a cash-out refinance transaction.
<b>Short-term Refinance Part VII, Section 103.02</b>	A short-term refinance mortgage that combines a first mortgage and a non-purchase money subordinate mortgage into a new first mortgage that is temporarily held by the lender and then is immediately refinanced again will be viewed as a cash-out transaction	A short-term refinance mortgage loan that combines a first mortgage and a non-purchase money subordinate mortgage into a new first mortgage is considered a cash-out transaction. Any refinance of that loan within 6 months will also be considered a cash-out transaction.
<b>Property Listing History</b>	No existing policy	<ul style="list-style-type: none"> <li>• Properties listed for sale in the 6 months preceding the application date for new financing are limited to 70 percent LTV ratios (65 percent for manufactured homes) for COR transactions. In addition, properties that were listed for sale must have been taken off the market on or before the application date.</li> <li>• Lenders may deliver a limited cash-out refinance of the existing mortgage loan at the prevailing maximum LTV ratios if the property has been taken off the market and the borrowers confirm their intent to occupy the subject property (for principal residence transactions).</li> </ul>

## **Effective Date**

Lenders are encouraged to implement these guidelines immediately. All whole mortgage loans purchased by Fannie Mae on or after December 1, 2008, and mortgage loans delivered into MBS with issue dates on or after December 1, 2008 must comply with the new policies.

## **Continuity of Obligation**

### ***Selling Guide, Part VII, Section 103.02: Limited Cash-Out Refinance Transactions; and Section 103.03: Cash-Out Refinance Transactions***

In Announcement 07-23, Fannie Mae established a continuity of obligation eligibility requirement for both limited cash-out and cash-out refinance transactions. The objective of the continuity of obligation requirement was to address refinance transactions that include a borrower that is on title, but not obligated on the original mortgage note being satisfied. This guidance refines the determination of whether continuity exists, and if not, what additional eligibility restrictions are applicable.

An acceptable continuity of obligation (assuming that there is an outstanding lien against the property) exists when:

- There is at least one borrower obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.
- The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor.
- The existing loan being refinanced and the title have been held in the name of a natural person or an LLC as long as the borrower was a member of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.
- The borrower has recently inherited or was legally awarded the property (divorce, separation).

Loans with an acceptable continuity of obligation may be underwritten, priced, and delivered as either a limited cash-out refinance or a cash-out refinance based on the standard definitions in the *Selling Guide*. Fannie Mae will continue to allow “buy-outs” resulting from divorce settlements or property inheritance as limited cash-out refinances in accordance with the *Selling Guide, Part VII, Section 103.02*. In addition, the requirements in the *Selling Guide, Part VII, Section 103.05: Payoffs of Installment Land Contracts* remain in place and are unaffected by these changes.

Announcement 07-23 also advised lenders that if an acceptable continuity of obligation did not exist, the new loan had to be treated as a purchase transaction. Fannie Mae is removing the purchase treatment guidance and replacing it with guidance on when cash-out refinance eligibility must be applied.

If the borrower is currently on title but is unable to demonstrate an acceptable continuity of obligation, or there is no outstanding lien against the property, the loan is still eligible for delivery to Fannie Mae but with additional restrictions. The loans must be underwritten, priced, and delivered as a cash-out refinance transaction with these additional limits:

- **No outstanding liens (e.g. purchased for cash or previous mortgage loans have been paid off)**
  - If the property was purchased within the 6 to 12 month period prior to the application date for the new financing, the LTV ratios will be based on the lesser of the original sales price/acquisition cost (documented by the HUD-1 Settlement Statement) or the current appraised value. Standard *Selling Guide* or DU eligibility will apply, as applicable; or
  - If the property was purchased more than 12 months prior to the application date for new financing, the current appraised value may be used to calculate the LTV ratios.
  
- **Outstanding liens with no continuity of obligation**
  - If the borrower has been on title for at least 6 months but continuity of obligation does not exist, the maximum LTV ratios will be limited to 50 percent based on the current appraised value.

## **Effective Date**

Lenders are encouraged to implement these guidelines immediately. All whole mortgage loans purchased by Fannie Mae on or after December 1, 2008, and mortgage loans delivered into MBS with issue dates on or after December 1, 2008 must comply with these requirements.

## **Multiple Mortgages to the Same Borrower**

### ***Selling Guide*, Part VII, Section 101.05: Multiple Mortgages to the Same Borrower**

When a conforming mortgage loan is secured by the borrower's principal residence, there is no limitation on the number of one-to-four unit financed properties in which the borrower may have an individual or joint ownership interest. If the conforming mortgage will be secured by a second home or investment property, the borrower is currently limited to no more than ten financed properties in accordance with the *Selling Guide*.

Fannie Mae is updating the guidelines to limit the number of financed properties to four when the mortgage being delivered to Fannie Mae is secured by a second home or investment property. This applies to mortgage loans that are manually underwritten and loan casefiles underwritten through DU. This update does not apply to the existing guidelines for HomeStyle renovation mortgages (*Selling Guide*, Part VII, Section 117) or Community Living<sup>®</sup> mortgage loans (*Selling Guide*, Part IX, Section 301.02). As a

reminder, jumbo-conforming mortgage loans are currently limited to four financed properties, including principal residences, second homes and investment properties.

In addition, Fannie Mae is clarifying that it does not consider the borrower to have either joint or total ownership in a property that is held in the name of a corporation, even if the borrower is the owner of the corporation. Such properties are not counted towards the four financed property limit.

## **Effective Date**

The current DU message that is issued when the borrower appears to have more than ten financed properties will be updated in a future release to reflect this updated policy.

Lenders are encouraged to implement these guidelines immediately. All whole mortgage loans purchased by Fannie Mae on or after December 1, 2008, and mortgage loans delivered into MBS with issue dates on or after December 1, 2008 must comply with the new policy.

## **Principal Residences Pending Sale**

In Announcement 08-16, Fannie Mae provided guidance on how to qualify a borrower under three different scenarios:

- the current principal residence is pending sale but the transaction will not close (with title transfer to the new owner) prior to the new transaction,
- conversion of a current principal residence to a second home, and
- conversion of a current principal residence to an investment property.

Fannie Mae is clarifying the first scenario – when a current principal residence is pending sale but will not close prior to the new transaction.

If the borrower's current principal residence is pending sale, and he or she is purchasing a new principal residence, both the current and proposed mortgage payments must be used in qualifying the borrower for the new mortgage loan. In addition, Fannie Mae will now require minimum reserves of 6 months principal, interest, taxes, and insurance (PITI) for both properties, but will allow a reduction to 2 months if 30 percent equity in the existing principal residence is documented with a current appraisal, broker price opinion, or automated property valuation.

Fannie Mae will not require the current principal residence's PITI to be used in qualifying the borrower as long as the 6 months of reserves (or 2 months with documented equity) for both properties are documented and the following additional documentation is provided:

- the executed sales contract for the current residence; and
- confirmation that any financing contingencies have been cleared.



## **Effective Date**

These clarifications and policies apply to manually underwritten loans, as well as loan casefiles underwritten through DU, with the following exception. The minimum reserve requirement will not apply to loans underwritten through DU. DU will continue to determine the amount of assets to be verified based on the overall risk assessment of the loan casefile.

Lenders are encouraged to implement these guidelines immediately. All whole mortgage loans purchased by Fannie Mae on or after December 1, 2008, and mortgage loans delivered into MBS with issue dates on or after December 1, 2008 must comply with the new policy.

## **Delivery of Restructured Loans to Fannie Mae**

Fannie Mae has received many questions regarding the delivery of mortgage loans that have previously been restructured. A “restructured” loan for purposes of this policy is a mortgage loan in which the terms of the original transaction have been changed resulting in either absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in:

- forgiveness of a portion of principal and/or interest on either the first or second mortgage;
- application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness;
- conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage; or
- conversion of any portion of the original mortgage debt from secured to unsecured.

## **Effective Date**

Effective with the date of this Announcement, mortgage loans that have previously been restructured (as defined above) are not eligible for delivery to Fannie Mae on a flow basis. These loans may be eligible for bulk delivery on a negotiated basis due to Fannie Mae’s ability to conduct a more intensive risk evaluation of the terms of the restructure.

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Lenders who have questions about Announcement 08-22 should contact their Customer Account Team for additional information.

Michael A. Quinn  
Senior Vice President  
Single-Family Risk Officer

# Attachment 1

<b>Standard Eligibility Criteria: Maximum Allowable LTV, CLTV, HCLTV Ratios and Minimum Credit Scores for FRM, ARM and Balloons (Manual Underwriting)</b>			
<b>Note: Excludes MyCommunityMortgage, HomeStyle Renovation, Streamlined Refinance Products, and Jumbo-Conforming Mortgages.</b>			
Transaction Type	Number of Units	Maximum LTV/CLTV <sup>1</sup> /HCLTV	Minimum Credit Score <sup>2</sup>
<b>PRINCIPAL RESIDENCES</b>			
Purchase Money Mortgage (PMM) and Limited Cash-Out Refinance (LCOR)	1-unit No Co-ops	95%/95%/95%	660 if > 75% 620 if ≤ 75%
	1-unit Co-op <sup>3</sup>	PMM = 95%/(N/A)/(N/A)	660 if > 75%
		LCOR = 90%/(N/A)/(N/A)	620 if ≤ 75%
	2-units	95%/95%/95%	680 if > 75% 620 if ≤ 75%
	3-4 units	75%/75%/75%	640
Cash-Out Refinance <sup>4</sup> (COR)	1-2 units No Co-ops	<b>85%/85%/85%</b>	<b>660</b> if > 75% 620 if ≤ 75%
	1-unit Co-op	85%/(N/A)/(N/A)	660 if > 75% 620 if ≤ 75%
	3-4 units	75%/75%/75%	680
<b>SECOND HOMES</b>			
Purchase Money Mortgage (PMM) and Limited Cash-Out Refinance (LCOR)	1-unit No Co-ops	90%/90%/90%	660 if > 75% 620 if ≤ 75%
	1-unit Co-op	PMM = 90%/(N/A)/(N/A)	660 if > 75%
LCOR = 75%/(N/A)/(N/A)		620 if ≤ 75%	
Cash-Out Refinance <sup>4</sup> (COR)	1-unit (No Co-ops)	<b>75%/75%/75%</b>	680
<b>INVESTMENT PROPERTIES</b>			
Purchase Money Mortgage (PMM)	1-2 units	<b>85%/85%/85%</b>	680 if > 75% 620 if ≤ 75%
	3-4 units	75%/75%/75%	660
Limited Cash-Out Refinance (LCOR)	1-2 units	<b>75%/75%/75%</b>	620
	3-4 units	75%/75%/75%	660
Cash-Out Refinance <sup>4</sup> (COR)	1-2 units	<b>75%/75%/75%</b>	700
	3-4 units	70%/70%/70%	680

**Bolded LTV/CLTV, HCLTV and/or Minimum Credit Score indicates a change or addition from previous criteria.**

<sup>1</sup> The CLTV may be up to 105% only if the mortgage is part of a *Community Seconds* transaction.

<sup>2</sup> Minimum credit score requirements are for mortgage loans underwritten outside of DU and do not apply to mortgage loans underwritten with DU. The minimum credit score must be based on the highest of LTV, CLTV, or HCLTV, as applicable. We will allow accommodations to the credit score based on the underwriter's Comprehensive Risk Assessment. Regardless of the documented circumstances or offsetting contributory risk factors, the minimum credit score may not be lower than 580 or 40 points below the minimum required, whichever is higher. See additional information in the *Selling Guide* for borrowers without credit scores or with credit scores impacted by erroneous data.

<sup>3</sup> No subordinate financing permitted on cooperative share loans.

# Attachment 1

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<sup>4</sup> If property purchased within prior 6 months, borrower is ineligible for a COR transaction. If the property was listed for sale in the past 6 months, the LTV for a COR transaction is limited to 70% (or maximum allowed if less than 70% such as MH). If the borrower has been on title for at least 6 months but cannot demonstrate an acceptable continuity of obligation, the loan is considered a COR transaction and the LTV is limited to 50% of current appraised value.

## Attachment 1

<b>Special Mortgage Products: Maximum Allowable LTV, CLTV, and HCLTV Ratios and Minimum Credit Scores for Special Mortgage Products (Manual Underwriting)</b>			
<b>Transaction Type</b>	<b>Number of Units</b>	<b>Maximum LTV/CLTV<sup>1</sup>/HCLTV</b>	<b>Minimum Credit Score<sup>2</sup></b>
<b><i>MyCommunityMortgage</i></b>			
<b>PRINCIPAL RESIDENCE</b>			
Purchase Money <i>and</i> Limited Cash-Out Refinance	1-2 units	95%/95% (N/A)	640
	3-4 units	95%/95%/(N/A)	680
<b><i>HomeStyle Renovation Mortgage</i></b>			
<b>PRINCIPAL RESIDENCE</b>			
Purchase Money <i>and</i> Limited Cash-Out Refinance	1- 2 units	95%/95%/95%	660
	1-unit Co-op <sup>3</sup>	90%/(N/A)/(N/A)	660
	3-4 units	75%/75%/75%	640
<b>SECOND HOME</b>			
Purchase Money <i>and</i> Limited Cash-Out Refinance	1-unit	90%/90%/90%	660
<b>INVESTMENT PROPERTY</b>			
Purchase Money	1-unit	75%/ <b>85%</b> / <b>85%</b>	680
Limited Cash-Out Refinance	1-unit	75%/75%/75%	680

**Bolded LTV, CLTV, HCLTV and/or Minimum Credit Score indicate an addition or change from previous guidelines**

<sup>1</sup> The CLTV may be up to 105% only if the mortgage is part of a *Community Seconds* transaction.

<sup>2</sup> Minimum credit score requirements are for mortgage loans underwritten outside of DU and do not apply to mortgage loans underwritten with DU. The minimum credit score must be based on the highest of LTV, CLTV, or HCLTV, as applicable. We will allow accommodations to the credit score based on the underwriter's Comprehensive Risk Assessment (Part X, Chapter 3). Regardless of the documented circumstances or offsetting contributory risk factors, the minimum credit score may not be lower than 580 or 40 points below the minimum required, whichever is higher. See additional information in the *Selling Guide* for borrowers without credit scores or with credit scores impacted by erroneous data (Part X, Chapter 8).

<sup>3</sup> No subordinate financing permitted on cooperative share loans.

# Attachment 1

## Streamlined Refinance Products: Maximum Allowable LTV, CLTV, and HCLTV Ratios and Minimum Credit Score Requirements for Streamlined Refinance Products (Manual Underwriting)

<b>Streamlined Refinance Mortgage Option A and Option A Select—Fannie Mae to Fannie Mae</b>			
<b>Transaction and Property Type</b>	<b>Number of Units</b>	<b>LTV/CLTV/HCLTV</b>	<b>Minimum Credit Score<sup>1</sup></b>
<b>Limited Cash-Out Refinance Transactions, Fully-Amortizing, FRMs only, without subordinate financing – Option A and Option A Select</b>			
<b>Principal Residence</b> <i>Excludes cooperatives and/or manufactured homes</i>	1-unit	100%/(N/A)/(N/A)	No minimum
<b>Limited Cash-Out Refinance, Fully-Amortizing, FRMs and Arms with an initial fixed period ≥ 5 years Option A and Option A Select</b>			
<b>Principal Residence</b> <i>Includes manufactured homes</i>	1-unit	95%/95%/95%	No minimum
<b>Principal Residence</b>	2-units	95%/95%/95%	No minimum
	3-4 units	75%/75%/75%	No minimum
<b>Principal Residence</b> <i>Cooperatives<sup>2</sup> only</i>	1-unit	90%/(N/A)/(N/A)	No minimum
<b>Second Home</b> <i>Includes manufactured homes</i>	1-unit	90%/90%/90%	No minimum
<b>Second Home</b> <i>Cooperatives<sup>2</sup> only</i>	1-unit	75%/(N/A)/(N/A)	No minimum
<b>Investment Property</b> <i>(Not available for Option A Select)</i>	1-2 units	90%/90%/90%	No minimum
	3-4 units	75%/75%/75%	No minimum
<b>Limited Cash-Out Refinance Transactions, IO and ARMs with initial fixed periods &lt; 5 years (excludes cooperatives and manufactured homes) Option A Only</b>			
<b>Principal Residence</b>	1-unit	95%/95%/95%	720 if > 90%
			700 if > 75% and ≤ 90%
			660 if ≤ 75%
	2-units	90%/90%/90%	700 if > 75%
			680 if ≤ 75%
3-4 units	75%/75%/75%	680	
<b>Second Home</b>	1-unit	90%/90%/90%	740 if > 75%
			680 if ≤ 75%
<b>Investment Property</b>	1-2 units	90%/90%/90%	740 if > 75%
	3-4 units	N/A	N/A

# Attachment 1

<b>Streamlined Refinance Mortgage Option A—Fannie Mae to Fannie Mae</b>			
<b>Cash-Out Refinance Transactions<sup>3</sup>, Fully-Amortizing FRMs and ARMs with initial fixed periods ≥ 5 years (excludes cooperatives and manufactured homes) Option A Only</b>			
<b>Principal Residence</b>	1-2 units	<b>75%/85%/85%</b>	700 if > 75%
			620 if ≤ 75%
	3-4 units	<b>75%/75%/75%</b>	680
<b>Second Home</b>	All	N/A	N/A
<b>Investment Property</b>	All	N/A	N/A
<b>Cash-Out Refinance Transactions<sup>3</sup>, Fully-Amortizing ARMs with initial fixed periods &lt; 5 years (excludes cooperatives and manufactured homes) Option A Only</b>			
<b>Principal Residence</b>	1-2 units	<b>75%/85%/85%</b>	740 if >75%
			700 if ≤ 75%
	3-4 units	<b>75%/75%/75%</b>	700
<b>Second Home</b>	All	N/A	N/A
<b>Investment Property</b>	All	N/A	N/A

# Attachment 1

<b>Streamlined Refinance Mortgage Option B—GSE to Fannie Mae</b>			
<b>Transaction and Property Type</b>	<b>Number of Units</b>	<b>LTV/CLTV/HCLTV</b>	<b>Minimum Credit Score<sup>1</sup></b>
<b>Limited Cash-Out Refinance Transactions, Fully Amortizing FRMs and ARMs with initial fixed period ≥ 5 years (excludes manufactured homes and IO)</b>			
<b>Principal Residence</b>	1-2 units	95%/95%/95%	660 if >75%
			620 if ≤ 75%
	3-4 units	75%/75%/75%	640
<b>Principal Residence</b> Cooperatives <sup>2</sup> only	1-unit	90%/(N/A)/(N/A)	660 if >75%
			620 if ≤ 75%
<b>Second Home</b>	1-unit	90%/90%/90%	660 if >75%
			620 if ≤ 75%
<b>Second Home</b> Cooperatives <sup>2</sup> only	1-unit	75%/(N/A)/(N/A)	620
<b>Investment Property</b>	N/A	N/A	N/A
<b>Limited Cash-Out Refinance Transactions, Fully Amortizing ARMs with initial fixed periods &lt; 5 years (excludes cooperatives, manufactured homes and IO)</b>			
<b>Principal Residence</b>	1 unit	95%/95%/95%	720 if > 90%
			700 if > 75 and ≤ 90%
			660 if ≤ 75%
	2 units	90%/90%/90%	700 if >75%
			680 if ≤ 75%
3-4 units	75%/75%/75%	680	
<b>Second Home</b>	1 unit	90%/90%/90%	740 if >75%
			680 if ≤ 75%
<b>Investment Property</b>	N/A	N/A	N/A

# Attachment 1

<b>Streamlined Refinance Mortgage Option B—GSE to Fannie Mae</b>			
<b>Cash-Out Refinance Transactions<sup>3</sup>, Fully Amortizing FRMs and ARMs with initial fixed period ≥ 5 years</b> (excludes cooperatives, manufactured homes and IO)			
<b>Principal Residence</b>	1-2 units	<b>75%/85%/85%</b>	700 if > 75% 620 if ≤ 75%
	3-4 units	75%/75%/75%	680
<b>Second Homes</b>	All	N/A	N/A
<b>Investment Property</b>	All	N/A	N/A
<b>Cash-Out Refinance Transactions<sup>3</sup>, Fully Amortizing ARMs with initial fixed periods &lt; 5 years</b> (excludes cooperatives, manufactured homes and IO)			
<b>Principal Residence</b>	1-2 units	<b>75%/85%/85%</b>	740 if >75% 700 if ≤ 75%
	3-4 units	75%/75%/75%	700
<b>Second Homes</b>	All	N/A	N/A
<b>Investment Property</b>	All	N/A	N/A

**Bolded LTV, CLTV, HCLTV and/or Minimum Credit Score indicate an addition or change from previous guidelines**

<sup>1</sup> The borrower’s “representative” credit score from a merged credit report must be provided at delivery for pricing purposes even when there is no minimum credit score. We will allow accommodations to the credit score based on the underwriter’s Comprehensive Risk Assessment (Part X, Chapter 3). The minimum credit score must be based on the highest of LTV, CLTV, or HCLTV, as applicable. Regardless of the documented circumstances or offsetting contributory risk factors, the minimum credit score may not be lower than 580 or 40 points below the minimum credit score, whichever is higher (except for Option A and Option A Select where “no minimum” credit score is provided, the 580 minimum does not apply). See additional information in the *Selling Guide* for borrowers without credit scores or with credit scores impacted by erroneous data (Part X, Chapter 8).

<sup>2</sup> No subordinate financing permitted on cooperative share loans.

<sup>3</sup> If the property was listed for sale in the past 6 months, the LTV for a COR transaction is limited to 70% (or maximum allowed if less than 70% such as MH). If the borrower has been on title for at least 6 months but cannot demonstrate an acceptable continuity of obligation, the loan is considered a COR transaction and the LTV is limited to 50% of current appraised value.



# Attachment 1

<b>Desktop Underwriter: Maximum Allowable LTV, CLTV, and HCLTV Ratios and Expanded Approval Eligibility</b>									
<b>Note: Excludes Jumbo-Conforming Mortgages</b>									
Loan Purpose / Loan Type	Occupancy	# Units	Amortization <sup>1</sup> / Property Restrictions	LTV/CLTV <sup>2</sup> / HCLTV	Approve	EA-I <sup>3</sup> (SFC 716)	EA-II <sup>3</sup> (SFC 716)	EA-III <sup>3</sup> (SFC 716)	Refer W Caution/IV
<b>Flexible Mortgages – Selling Guide Part VII, Chapter 1, Section 113</b>									
Purchase and LCOR	Principal	1	Flexible Requirements	97%/97%/(N/A)	<b>Approve, EA-I, EA-II, EA-III Eligible IO eligible for Approve Only</b>				<i>Refer W Caution/IV Ineligible</i>
<b>Standard Selling Guide Products in DU – Selling Guide Part VII, Chapter 1, Exhibit 1</b>									
Purchase and LCOR	Principal	1	Co-op No IO	Purchase = 95%/(N/A)/(N/A) LCOR = 90%/(N/A)/(N/A)	<b>Approve, EA-I, EA-II, EA-III Eligible IO eligible for Approve Only</b>				<i>Refer W Caution/IV Ineligible</i>
		1-2	No IO	95%/95%/95%					
		1	IO	95%/95%/95%					
		2	IO	90%/90%/90%					
		3-4	All	80%/80%/80%					
	Second Home	1	Co-op No IO	Purchase = 90%/(N/A)/(N/A) LCOR = 80%/(N/A)/(N/A)					
		1	All	95%/95%/95%					
	Investor	1-2	All	90%/90%/90%					
		3-4	No IO	75%/75%/75%					
	Cash-out refinance <sup>4</sup>	Principal	1	Co-op No IO					
1-2			All	90%/90%/90%					
3-4			All	75%/75%/75%					
Second Home		1	All	90%/90%/90%					
		1-2	IO	70%/70%/70%					
Investor		1-2	No IO	85%/85%/85%					
		3-4	No IO	70%/70%/70%					

# Attachment 1

Loan Purpose/ Loan Type	Occupancy	# Units	Amortization <sup>1</sup> / Property Restrictions	LTV/CLTV <sup>2</sup> / HCLTV	Approve	EA-I <sup>3</sup> (SFC 716)	EA-II <sup>3</sup> (SFC 716)	EA-III <sup>3</sup> (SFC 716)	Refer W Caution/IV
<b>MyCommunityMortgage (MCM) – Selling Guide Part VIII, Chapter 2</b>									
Purchase and LCOR	Principal	1		97%/97%/(N/A)	<b>Approve, EA-I, EA-II, EA-III Eligible (SFC 716 should not be used for MCM loan deliveries) IO eligible for Approve Only</b>				<b>Refer W Caution/IV Ineligible</b>
		2		97%/97%/(N/A)					
		3-4		95%/95%/(N/A)					
<b>Manufactured Housing<sup>1</sup> – Selling Guide Part VII, Chapter 1, Section 102.07</b>									
Purchase and LCOR	Principal	1	No IO Term ≤ 30 years	95%/95%/95%	<b>Approve, EA-I, EA-II, EA-III Eligible</b>				<b>Refer W Caution/IV Ineligible</b>
	Second	1	No IO Term ≤ 30 years	90%/90%/90%					
Cash Out <sup>4</sup>	Principal	1	No IO Term ≤ 20 years	65%/65%/65%					
<b>HomeStyle Renovation Mortgages<sup>1</sup> – Selling Guide Part VII, Chapter 1, Section 117</b>									
Purchase and LCOR	Principal	1	Co-op No IO	Purchase = 95%/(N/A)/(N/A) LCOR = 90%/(N/A)/(N/A)	<b>Approve, EA-I, EA-II Eligible</b>				<b>EA-III, Refer W Caution/IV Ineligible</b>
		1-2	No IO	95%/95%/95%					
		3-4	No IO	80%/80%/80%					
	Second Home	1	Co-op No IO	Purchase = 90%/(N/A)/(N/A) LCOR = 80%/(N/A)/(N/A)					
		1	No IO	95%/95%/95%					
	Investment	1	No IO	80%/80%/80%					
<b>Construction<sup>5</sup> (One-time Close)</b>									
Construction	Principal	1-2	No Condo No Co-op	95%/95%/95%	<b>Approve, EA-I, EA-II Eligible IO eligible for Approve Only</b>				<b>EA-III, Refer W Caution/IV Ineligible</b>
	Second Home	1	No Condo No Co-op	95%/95%/95%					
	Investment	1-2	No Condo No Co-op	90%/90%/90%					

**Bolded LTV, CLTV, HCLTV, footnotes and/or Minimum Credit Score indicate an addition or change from previous guidelines**

## Attachment 1

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<sup>1</sup> 40-year amortization terms are not allowed on the following: biweekly, ARMs with the IO feature, HomeStyle Renovation mortgages and Manufactured Housing.

<sup>2</sup> The CLTV ratio may be up to 105% only if the mortgage is part of a *Community Seconds* transaction (except MH).

<sup>3</sup> The following amortization types/terms are eligible for loans receiving an EA (I, II or III) recommendation: Fully amortizing; Fixed-rate, ARMs (5/1, 7/1 and 10/1).

<sup>4</sup> If property purchased within prior 6 months, borrower is ineligible for a COR transaction. If the property was listed for sale in the past 6 months, the LTV for a COR transaction is limited to 70% (or maximum allowed if less than 70% such as MH). If the borrower has been on title for at least 6 months but cannot demonstrate an acceptable continuity of obligation, the loan is considered a COR transaction and the LTV is limited to 50% of current appraised value.

<sup>5</sup> Construction refers to the loan purpose entered on the loan application of "Construction", which in DU is used for one-time close transactions. Construction transactions are not permitted for units on condominium or cooperative projects and manufactured housing. Loan casefiles submitted as "Construction-Permanent" are considered two separate closing transactions and are treated as a Standard *Selling Guide* refinance transaction.