HomeReady® Mortgage Product Matrix

Designed for creditworthy low- to moderate-income borrowers, with expanded eligibility for financing homes in low-income communities. HomeReady lets you lend with confidence while expanding access to credit and supporting sustainable homeownership. Key features include:

- Affordable, conventional financing with cancellable mortgage insurance (restrictions apply)
- Up to 97% loan-to-value (LTV) financing and flexible sources of funds
- Innovative underwriting flexibilities that expand access to credit responsibly

<table>
<tr><th colspan="2"></th><th>1-Unit</th><th>2- to 4-Units</th></tr>
<tr><td rowspan="9">Eligibility</td><td>Loan Purpose</td><td>1-unit principal residence, including eligible condos, co-ops, PUDs, and manufactured housing</td><td>2- to 4-unit principal residence (no condos, co-ops, or manufactured housing)</td></tr>
<tr><td>Occupancy and Property Type</td><td>1-unit principal residence, including eligible condos, co-ops, PUDs, and manufactured housing</td><td>2- to 4-unit principal residence (no condos, co-ops, or manufactured housing)</td></tr>
<tr><td>Manufactured Housing</td><td>In accordance with standard MH guidelines (Desktop Underwriter® [DU®] required; max 95% LTV/CLTV; FRMs or 7/1 and 10/1 ARMs only; no buydowns)</td><td>Not applicable</td></tr>
<tr><td>HomeStyle® Renovation</td><td colspan="2">In accordance with standard HomeStyle Renovation guidelines
(special lender approval; max LTVs/CLTVs per HomeStyle Renovation guidelines)</td></tr>
<tr><td>Borrower Income Limits</td><td colspan="2">• No income limits in low-income census tracts
• 100% of area median income (AMI) for all other properties</td></tr>
<tr><td rowspan="2">Minimum Borrower Contribution (own funds)</td><td>$0</td><td>$0 for LTV/CLTV/HCLTV of 80% or less;
3% for LTV /CLTV/HCLTV > 80%</td></tr>
<tr><td colspan="2">3% required if sweat equity is being used</td></tr>
<tr><td>Acceptable Sources of Funds for Down Payment and Closing Costs</td><td colspan="2">Gifts, grants, and Community Seconds®. Cash-on-hand for 1-unit properties only.
Any eligible loan may have more than one Community Seconds (i.e., third lien) up to the maximum 105% CLTV (see Community Seconds fact sheet). Sweat equity is acceptable in accordance with the Selling Guide.</td></tr>
<tr><td>Product</td><td colspan="2">10-, 15-, 20-, or 30-year fixed-rate mortgages (FRMs)
5/1 (2/2/5 and 2/2/6 caps only), 7/1, and 10/1 adjustable-rate mortgages (ARMs)</td></tr>
</table>

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		1-Unit	2- to 4-Units
Eligibility (continued)	Maximum LTV/CLTV and Subordinate Financing	CLTV up to 105% with eligible Community Seconds (Refer to Eligibility Matrix for details) Other subordinate financing per the *Selling Guide*	
	Maximum LTV/CLTV and Subordinate Financing	Purchase: • DU Only – LTV > 95% to 97% (FRM) • DU and manual underwriting to 95% (FRM); 90% (ARM) LCOR: • DU Only – LTV > 95% to 97% (FRM) for loans owned or securitized by Fannie Mae. DU and manual underwriting to 95% (FRM); 90% (ARM)	Purchase or LCOR: 2-unit: 85% (FRM), 75% (ARM) 3- to 4-unit: 75% FRM only; 65% ARM
	Ownership of Other Property	Occupant and non-occupant borrower(s) may have an ownership interest in other residential property at the time of closing.	
	Non-Occupant Borrowers	Non-occupant borrowers permitted to maximum 95% LTV in DU; 90% LTV manual with max 43% debt-to-income (DTI) for occupying borrower. Income considered as part of qualifying income and subject to income limits.	
	Interest Rate Buydowns	3-2-1 and 2-1 buydown structures permitted; buydowns on 3- to 4-unit properties available in DU	
	Mortgage Insurance (MI) Coverage and Financed MI	• 25% MI coverage for LTVs 90.01−97% • Standard MI coverage for LTVs of 90% or less • 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).	
	Desktop Underwriter® (DU)	• 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. • DU recommendation of Approve/Eligible required. DU will determine qualifying ratios and reserves.	
Under-writing	Manual Underwriting (Limited waiver of representations and warranties does not apply. LTVs >95% not eligible for manual underwriting.)	Use manual underwriting if the DU recommendation is other than Approve/Eligible. Benchmark qualifying ratio follows Fannie Mae standard *Selling Guide* (Section B3-6-02) for manual underwriting.	
		Representative minimum credit scores for manual underwriting	

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		1-Unit	2- to 4-Units
		(Minimum could be higher for certain reserves and debt-to-income ratios; see the Eligibility Matrix)	
		620 or higher, per the Eligibility Matrix	
		Reserves for manual underwriting	620 or higher, per the Eligibility Matrix
		Minimum none or up to 6 months, per the Eligibility Matrix (based on credit score, DTI ratio, and FRM or ARM)	
	Manual Underwriting, Exceptions to Minimum Credit Score Requirements	• Borrowers with nontraditional credit are eligible. In addition, up to 30% of qualifying income may come from a borrower for whom no traditional or nontraditional credit profile can be established. • If the borrower has a credit score below the minimum required as a result of an insufficient traditional credit history (“thin files”) as documented by reason codes on the credit report, the lender may supplement the thin file with an acceptable nontraditional credit profile. SFC 818 must be used to identify loans with supplemented thin files (for manually underwritten loans only). • If a borrower has a credit score below the minimum required, but not as a result of a thin file, the lender may not establish a nontraditional credit profile to supplement the borrower’s traditional credit history. • If the borrower’s credit history was heavily influenced by credit deficiencies that were the result of documented extenuating circumstances, the minimum credit score requirement must be met (per the Eligibility Matrix), or the credit score must be no less than 620.	Minimum none or up to 6 months, per the Eligibility Matrix (based on credit score, DTI ratio, and FRM or ARM)
	Other Income	• 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.	Not eligible
		• Accessory dwelling units: Rental income may be considered in qualifying the borrower per rental income guidelines.	Rental income may be used as qualifying income per rental income guidelines.

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<tr><th></th><th></th><th>1-Unit</th><th>2- to 4-Units</th></tr>
<tr><td></td><td>Non-Borrower Household Income

(See note regarding the retirement of this flexibility with the release of DU Version 10.1.)</td><td colspan="2">Permitted as a compensating factor in DU only to allow a debt-to-income (DTI) ratio >45%, up to 50% (non-borrower income is not considered qualifying income and is not applied to income limits). The following additional requirements apply:
• Non-borrower household income must total at least 30% of the total monthly qualifying income being used by the borrower(s). (Note: Income from more than one non-borrower household member may be considered.)
• Non-borrower household members may be relatives or non-relatives.
• Non-borrower household income must be documented in accordance with standard Selling Guide policy based on the income type.
• Non-borrowers must sign a statement of intent to reside with the borrower for a minimum of 12 months. (See optional Fannie Mae Form 1019.)
• The income must be reflected in DU as an Other Income type of “Non-Borrower Household Income.” This income will not be included as qualifying income, and will not impact the DTI ratio used in the risk assessment or be displayed on the DU Underwriting Findings report.

NOTE: Prior to the release of DU Version 10.1 during the weekend of July 29, 2017, the existence of income from a non-borrower household member may be considered as a compensating factor for loans underwritten through DU to allow for a higher DTI ratio. With the release of DU Version 10.1, the comprehensive DU risk assessment will enable all borrowers to be eligible for an increased maximum DTI ratio of up to 50% depending on risk factors. As a result, the non-borrower household income flexibility and its associated compensating factor will be retired with the release of DU Version 10.1. Casefiles submitted or resubmitted through DU Version 10.0, however, may still use non-borrower household income to qualify borrowers.</td></tr>
<tr><td>Homeownership Education and Housing Counseling</td><td>Homeownership Education</td><td colspan="2">• At least one borrower on each HomeReady purchase mortgage must do one of the following:
  ○ complete the Framework homeownership education course ($75 fee paid by the borrower to Framework) prior to closing; or
  ○ complete a homeownership education course required by a Community Seconds or Down Payment Assistance Program that is provided by a HUD-approved agency prior to closing, if the HomeReady loan involves a Community Seconds or down payment assistance program; or
  ○ receive housing counseling from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed Certificate of Completion of Housing Counseling (Form 1017)) prior to the borrower signing a purchase contract; or
  ○ have already completed housing counseling (as evidenced by a completed Fannie Mae Form 1017).
• Lenders may choose to provide a credit against closing costs for the $75 Framework fee in accordance with Selling Guide section B3-4.1-02 (Lender Incentives for Borrowers).</td></tr>
</table>

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		1-Unit	2- to 4-Units
		NOTE: *Homeownership education certificate or Form 1017 must be retained in the mortgage file.*	
	Housing Counseling/Advising Benefits	When borrowers have received customized assistance prior to entering into a sales contract from HUD-approved nonprofit counseling agencies (as evidenced by a completed Form 1017 in the loan file): • if the HomeReady loan is delivered with Special Feature Code 184, the lender will receive a loan-level price adjustment credit of $500; and • if the lender indicates in DU that the HUD-approved one-on-one assistance was completed, that information will be considered a compensating factor for those loan casefiles with debt-to-income ratios greater than 45% up to 50%. **NOTE:** *With the release of DU Version 10.1 the weekend of July 29, 2017, the completion of housing counseling will no longer be considered a compensating factor to allow a DTI ratio up to 50%. Casefiles submitted or resubmitted through DU 10.0, however, may still apply the completion of housing counseling as a compensating factor. The LLPA credit for housing counseling may be applied in DU Versions 10.0 and 10.1.*	
	Post-Purchase Support	To support sustainability, borrowers who complete the Framework course will have access to post-purchase homeownership support through Framework's homeownership advisor service.	
	Special Borrower Considerations for Online Homeownership Education	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, 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.	
Pricing and Committing	Loan-Level Price Adjustments (LLPAs)	Standard risk-based LLPAs waived with an LTV above 80% and a representative credit score equal to or greater than 680; for loans outside of these parameters, standard LLPAs apply (per the LLPA matrix) with a cap of 1.50%. (The Minimum MI Coverage Option LLPA is not waived or considered toward the cap if that option is used.)	
	Whole Loan Pricing/Committing	View live whole loan pricing and make commitments in Fannie Mae's whole loan committing application	
	MBS Pricing and Committing	Lender base guaranty fee per MBS contract	
	Execution	Commingle with non−HomeReady loans in whole loan commitments and MBS pools	
	Delivery Data	Special Feature Code 900 required; set ULDD Sort ID 238 – LoanAffordableIndicator – to "True," for any mortgage where the borrower completes homeownership education through Framework or housing counseling through a HUD-approved agency, and set ULDD Sort ID 576 to "HUD Approved Counseling Agency." If the borrower completed the	

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		1-Unit	2- to 4-Units
		Framework online course, set ULDD Sort ID 578 to “HomeStudy”; if the borrower completed counseling through a HUD-approved agency, set ULDD Sort ID 578 to “Individual.” Special Feature Code 184 is required at delivery for lenders to receive $500 LLPA credit when borrowers have received one-on-one counseling from a HUD-approved counseling agency prior to a sales contract as evidenced by a completed Form 1017 in the loan file.	
	Servicing	HomeReady loans are serviced under the requirements for all other Fannie Mae non-government conventional mortgage loans. In June 2016, Fannie Mae updated its servicing policies to eliminate requirements unique to community lending mortgage loans.	

Find more resources at fanniemae.com/homeready.

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