Fannie Mae

HomeReady FAQs

Listed below are common questions about the features, requirements, and benefits of the HomeReady® mortgage, our affordable mortgage product designed for credit-worthy, low- to moderate-income borrowers, with expanded eligibility for financing homes in low-income communities. For details on the required pre-purchase education for HomeReady, please see the separate Homeownership Education FAQs. To navigate to a specific section, click on the links below.

Contents

General

Q1. What are HomeReady's lender benefits?

HomeReady helps lenders confidently serve today's market of creditworthy, low- to moderate-income borrowers, with expanded eligibility for financing homes in low-income communities. HomeReady offers lenders

- Certainty: Underwrite with confidence – DU automatically identifies potential HomeReady eligible loans and provides a credit risk assessment.
- Competitive pricing: Get pricing that's better than or equal to our standard loan pricing. Take advantage of risk-based pricing waivers for LTV ratios > 80% with a credit score >= 680.
- Simplicity: Combine standard and HomeReady loans into MBS pools and whole loan commitments.
- Sustainability: Expand access to credit responsibly with homeownership education and advising options for borrowers.

Q2. What are HomeReady's borrower benefits?

HomeReady serves low- to moderate-income borrowers, with expanded eligibility for financing homes low-income communities.

- HomeReady features pricing that is better than or equal to standard loan pricing.
- Lower than standard MI coverage requirements for loans with LTVs greater than 90 percent up to 97 percent.
- Cancellable monthly MI payments (per *Servicing Guide* policy; generally upon borrower request when the loan balance drops below 80 percent LTV, or automatically when it drops below 78 percent).

Gifts, grants, and Community Seconds® can be used as a source of funds for down payment and closing costs, with no minimum contribution required from the borrower's own funds (1-unit properties). Any eligible loan may have more than one Community Seconds (i.e., third lien) up to the maximum 105 percent CLTV (see Community Seconds fact sheet). Cash-on-hand can also be used for down payment and closing costs (1-unit properties).

Q3. May any Fannie Mae lender originate HomeReady mortgages?

Yes. HomeReady mortgages are available to all approved Fannie Mae sellers with details in the *Selling Guide*. Note, however, that use of the HomeStyle® Renovation product in conjunction with HomeReady requires that the lender be specifically approved by Fannie Mae to originate HomeStyle Renovation loans.

Q4. Has Fannie Mae targeted particular markets for HomeReady?

The HomeReady product is available nationwide and is designed to serve borrowers across the country. Borrower income eligibility, which differs by census tract, supports Fannie Mae's regulatory housing goals.

Q5. *Selling Guide* Announcement SEL-2016-06 states that entities such as banks with Community Reinvestment Act requirements or other institutions with regulatory commitments to provide funds for community development purposes may be eligible to provide lender-funded grants and down payment assistance on a case-by-case basis for HomeReady loans, provided such lender-funded grants are not funded through the mortgage transaction and are funded through a lender's own funds (e.g., the borrower is not charged a higher Note Rate to fund the assistance). How should a lender go about determining that a program will be acceptable to Fannie Mae?

Lenders must contact their Fannie Mae customer account team to discuss the possibility of obtaining a variance before originating any loans that have a lender-funded grant or down payment assistance. In addition to the requirements noted in the question above and outlined in the Announcement, to be considered for a variance, the lender must be a bank depository or credit union that is not already affiliated with a 501(c)(3) nonprofit organization that provides down payment assistance funds, unless the lender can provide strong compensating factors for further consideration.

Q6. Does HomeReady allow a limited cash-out refinance (LCOR) of a Fannie Mae to Fannie Mae loan up to a 97 percent LTV ratio?

HomeReady allows LCORs only up to 95 percent LTV. For a Fannie Mae to Fannie Mae LCOR above 95 percent up to 97 percent, follow the standard guidelines per *Selling Guide* section B2-1.2-02.

Income Eligibility

Q7. What are the income eligibility requirements for HomeReady borrowers?

Effective July 16, 2016, HomeReady income eligibility requirements were simplified to 100% of area median income (AMI) or no income limit (for low-income census tracts).

On the HomeReady page, the Income Eligibility Lookup tool provides lenders and other housing professionals with a quick and easy way to determine potential borrower eligibility. Simply use the tool to look up census tract income eligibility by property address or by Federal Information Processing Standards (FIPS) code. In addition, maps posted on the HomeReady page provide state-by-state eligibility snapshots. Eligibility by census tract is shown in the Income Eligibility by Census Tract Lookup, and income eligibility is identified in Desktop Underwriter® (DU®).

The table below shows the percentage of census tracts in each eligibility category.

Borrower Income Eligibility	2016-17 Eligibility (Fannie Mae analysis using 2016 data)
No income limit: Properties in low-income census tracts	34% of census tracts
100% of AMI: All other properties	66% of census tracts

Source: AMIs are the basis for the income limits that are used in determining borrower eligibility for HomeReady mortgage loans.

Q8. How can lenders determine income eligibility for HomeReady?

For loan casefiles underwritten through DU, income eligibility is determined by DU (see Q42). A field on the Additional Data screen in the Desktop Originator® (DO®)/DU User Interface gives lenders the ability to enter census tract information if DU is unable to standardize the property address. Details are provided in the DU Version 9.3 Release Notes.

When determining whether a mortgage is eligible under the borrower income limits, lenders must count the income from any borrowers listed on the mortgage note whose income is considered in evaluating creditworthiness for the mortgage loan.

The HomeReady Income Eligibility Lookup tool provides lenders and other housing professionals with a quick and easy way to determine potential borrower eligibility for HomeReady. Simply use the tool to look up census tract income eligibility by property address or by Federal Information Processing Standards (FIPS) code.

Also on the HomeReady page, an Income Eligibility by Census Tract Lookup (spreadsheet) is provided to allow lenders to check eligibility in advance of DU submission or to determine eligibility for manually underwritten loans. The property census tract is usually provided on the appraisal.

Eligibility and Underwriting

Q9. Can HomeReady loans be manually underwritten?

Yes, manual underwriting is allowed, although we expect the vast majority of loans to be underwritten through DU. Certain HomeReady transactions – such as LTV ratios exceeding 95 percent, manufactured housing, high-balance mortgage loans, and non-borrower household income – must be underwritten through DU.

Q10. May borrowers have an ownership interest in other residential property at the time of loan closing?

Yes, effective July 26, 2016, borrower(s) who intend to occupy the property may have an ownership interest in other residential property at the time of loan closing.

Non-Borrower Household Income Flexibility

Q11. What is the non-borrower household income flexibility for HomeReady?

This innovative new feature supports extended households by considering the existence of income from non-borrower household members as a compensating factor in DU to allow for a debt-to-income (DTI) ratio greater than 45 percent, up to 50 percent. Note: Non-borrower household income is not included as qualifying income and is not considered when calculating the DTI ratio and should not be considered when reviewing income eligibility by census tract.

Questions 12 through 26 cover the requirements of the non-borrower household income flexibility, and the Non-Borrower Household Income Flexibility infographic provides more details, including a sample borrower scenario.

Q12. What research data does Fannie Mae have to support the non-borrower household income flexibility?

Extended-household living arrangements are more common among underserved populations, including low- to moderate-income, minority, and immigrant households.

- Fannie Mae's internal analysis indicates that such households have lower incomes overall, compared with a broader population, and that may impact their access to credit – but many are also "extended-income households" or EIHs.
- EIHs (for our purposes, limited to homeowners with a mortgage) are defined as those in which a household member other than the mortgage holder or spouse has an income equal to at least 30 percent of that of the borrower(s). These are most commonly adult children (42 percent), parents (8 percent), other relatives (14 percent), or unmarried domestic partners (22 percent); the other 13 percent are non-relatives.
- Among all households with a mortgage (based on 2013 data), 14 percent are EIHs. Among households by race/ethnicity, the totals are:

Homeowners with a Mortgage	Percentage of EIHs
Hispanic	25
African American	20
Asian	17

- Our analysis also indicates that variability in the household income of EIHs over time is the same as, or lower than, that of comparable populations of non-EIHs. This finding supports our new underwriting flexibility that permits the borrower to have a higher debt-to-income (DTI) ratio, up to 50 percent, considering the existence of available household income to offset household expenses in the event of a decline in the borrower's income.

We believe this first-in-the-industry flexibility not only provides access to mortgage credit for additional creditworthy borrowers, but may also provide a meaningful marketing opportunity for many lenders.

The analysis mentioned above was provided by Fannie Mae's Credit Portfolio Management group based on publicly available data. For more information on the research behind this flexibility, view the eLearning course [Mortgage Lending and Extended-Income Households.]

Q13. Are there any special requirements related to the use of non-borrower household income as a compensating factor for DU?

Yes. The following additional requirements apply:

- To be considered a compensating factor for a higher DTI, non-borrower income must equal at least 30 percent 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. See also Q21.)
- The non-borrower's income must be documented in accordance with standard *Selling Guide* policy (see *Selling Guide* section B3-3.3-01: Income and Employment Documentation for DU [08/25/2015]), based on the income type. The verbal verification of employment requirement does not apply.
- Non-borrowers may be relatives or non-relatives.
- Non-borrowers must sign a statement of intent to reside with the borrower for a minimum of 12 months. Documentation is required only if DU determines the non-borrower income will provide a benefit. (See optional Fannie Mae Form 1019.).

Q14. Why does non-borrower household income have to be at least 30 percent of the total monthly qualifying income to be considered a compensating factor for a higher DTI?

Requiring that the total of non-borrower household members' income be 30 percent or more when compared to the borrower's income is designed to ensure that non-borrower household members have income in an amount sufficient to contribute to household expenses if the need arises.

Q15. Must a non-borrower household member document a certain history of prior shared residency to be eligible?

No. HomeReady does not require any prior history of shared residency for a non-borrower household member.

Q16. What documentation must non-borrowers provide to show they are currently or will be household members?

Non-borrowers must 1) provide documentation of their income, and 2) sign a statement of intent to reside with the borrower(s) for a minimum of 12 months. The statement can be in any format as determined by the lender, or the lender may utilize the *HomeReady Non-Borrower Household Income Worksheet* and *Certification* (Fannie Mae Form 1019) for this purpose. The lender must maintain documentation in the loan file.

Q17. What documentation is needed to evidence non-borrower household members' income?

The level of documentation for non-borrower income is the same documentation required by the *Selling Guide* for that type of income for loans underwritten by DU. For example, if a non-borrower reports salary income, the most recent paystub and W-2 would be required in accordance with standard DU income documentation requirements.

Q18. Is it acceptable to include all household members that meet the requirement as long as combined total income is at least 30 percent?

There is no limit on the number of non-borrower household members who can be present on a single transaction. All requirements and related documentation must be obtained for each non-borrower household member, and the total of all non-borrower household member income must be entered into DU.

Q19. Are non-borrowers and borrowers with Individual Taxpayer Identification Numbers (ITINs) eligible?

Borrowers with ITINs are eligible in accordance with standard *Selling Guide* requirements. Fannie Mae requires that each borrower have a valid Social Security number or ITIN (in addition to meeting legal residency and documentation requirements).

Because **non-borrower** household members are not borrowers on the loan, these requirements, including determination and documentation of legal residency, do not apply to the non-borrower household member.

Q20. Must all HomeReady loans be underwritten with non-borrower household income?

No. Non-borrower household income is not required for HomeReady. When it is used on a HomeReady loan casefile, it is considered only as a compensating factor to allow the DTI ratio to exceed 45 percent, up to 50 percent. If the loan casefile does not include non-borrower household income, it may be limited to a 45 percent DTI.

Q21. Is there any benefit to the existence of non-borrower household income if the borrower's DTI ratio is 45 percent or less? Does the non-borrower household member's income need to be documented in those cases?

Consideration of the existence of non-borrower household member as a compensating factor is only applied when the borrower's DTI is greater than 45 percent to 50 percent. If the borrower's DTI is 45 percent or less, there is no benefit to the existence of the non-borrower household member's income. In these cases, the non-borrower household member's income does not need to be documented and no additional information is required. Lenders may rely on DU messaging to determine if the non-borrower household member's income needs to be documented.

Q22. Do all HomeReady loan casefiles for borrowers with DTI ratios greater than 45 percent and up to 50 percent that include non-borrower household income receive an Approve/Eligible recommendation from DU?

DU assesses the risk of the loan casefile to determine if it meets Fannie Mae's credit risk standards, and the presence of the non-borrower household income does not impact that risk assessment. When the loan casefile meets our credit risk standards, it will receive an Approve recommendation. DU will then determine the maximum allowable DTI for the loan casefile, and will use the existence of non-borrower household income as a compensating factor that will allow the borrower DTI to exceed 45 percent, up to 50 percent, without the casefile receiving an Ineligible recommendation due to an excessive DTI.

Q23. Is the income from a non-borrower household member rounded to determine whether it meets the 30 percent threshold for eligibility?

Yes. When the income is entered into DU, the amount is truncated to two digits and rounded to the next whole number. For example, if the income represents 29.01 percent, this amount is rounded up to 30 percent by DU to determine eligibility.

Q24. May an individual who is already contributing boarder income, or is the source of rental income on a 2- to 4-unit property or a 1-unit property with an accessory unit, also be considered a non-borrower household member?

No. If the individual is the source of boarder or rental income, he or she cannot also be considered a non-borrower household member. In these cases, the individual is making an actual, documented contribution to the household through the boarder or rental income, and this income is being included in the borrower's total qualifying income. This is in contrast to the eligibility for non-borrower household members, where there is no documented, on-going contribution and the non-borrower's income is not being used as qualifying income.

Q25. Is IRS Form 4506-T required from the non-borrower household member?

No. Because the non-borrower's income is not being considered as part of the qualifying income, Form 4506-T does not need to be obtained from the non-borrower household member.

Q26. Is a non-borrower household member's information expected to be provided on the *Uniform Loan Application* (Form 1003) or provided as part of the loan delivery data?

No. Because a non-borrower household member is not a borrower on the loan, his or her information is not provided as part of the loan application or provided as part of the loan delivery data. The only information that is captured is the amount of non-borrower income within DU for consideration as a compensating factor to allow the borrower to have a higher DTI ratio up to 50 percent. DU has a specific income type to capture the amount of the non-borrower household income (see Q43).

Borrower Income and Assets

Q27. What borrower income flexibilities are unique to HomeReady?

Acceptable income sources permitted only for HomeReady loans include rental income from a 1-unit property with an accessory dwelling unit (such as a basement apartment) and boarder income (updated guidelines provide documentation flexibility).

Q28. Must the accessory unit be in compliance with local zoning requirements?

One-unit properties with accessory units are eligible for delivery to Fannie Mae, including instances in which the accessory unit does not comply with zoning requirements. The appraisal report must meet specified requirements. Refer to *Selling Guide* section B4-1.3-05 for details.

Q29. If the borrower is purchasing a 1-unit property with an accessory unit but does not have a lease to document rental income, what documentation can be used to determine the amount of rental income to be used for qualifying purposes?

Lenders may obtain a Fannie Mae Single-Family Comparable Rent Schedule (Form 1007) from the appraiser. Even though the form applies to a single-family investment property, Fannie Mae will accept the use of this form with an explanation from the appraiser that the estimated market rent is for the rental of an accessory unit on a 1-unit, principal residence property, and that the information reported on the form is specific to the accessory unit. Rental income used for qualifying purposes can then be calculated in accordance with *Selling Guide* section B3-3.1-08, Rental Income.

Q30. What documentation is required for boarder income?

For boarder income to be eligible, there must be documented evidence of prior shared residency for the most recent 12 months. The flexibility provided allows for documentation of the boarder income to be from at least nine of the most recent 12 months and averaged over 12 months. This is to provide support in instances where the boarder has lived with the borrower for 12 months, but is unable to provide a full 12 months' worth of documentation.

Q31. Are there any changes to the existing cash-on-hand documentation requirements?

There are no policy changes associated with the use of cash on hand. Cash on hand remains an acceptable source of funds for the borrower's down payment, closing costs and/or prepaid items. The lender must verify and document that the borrower customarily uses cash for expenses and that the amount of funds saved is consistent with the borrower's previous payment practices, and must follow other requirements of *Selling Guide* section B5-6-03. Using cash-on-hand as an asset in DU is permitted on HomeReady loan casefiles; this flexibility is exclusive to HomeReady mortgages.

Nontraditional Credit

Q32. Is nontraditional credit permitted for HomeReady?

Borrowers with nontraditional credit are eligible for HomeReady. If there is at least one borrower with traditional credit and a credit score, the loan can be underwritten using DU. If all borrowers are relying on nontraditional credit to qualify, the loan must be manually underwritten. An additional flexibility is provided for manually underwritten loans that permits up to 30 percent of qualifying income to come from a borrower for whom no traditional or nontraditional credit profile can be established. In addition, if the borrower's credit score is less than the minimum credit score required for the transaction due to an insufficient credit history (as documented by reason codes on the credit report indicating a lack of credit accounts or insufficient history), the lender may develop an acceptable nontraditional credit profile. Refer to *Selling Guide* section B5-6-03 for additional details and eligibility requirements when underwriting a borrower with nontraditional credit.

Q33. How do we define nontraditional credit?

If a borrower has no credit score due to a lack of credit history with the credit repository, a nontraditional credit profile may be established.

Q34. What types of nontraditional credit are allowed?

For manual underwriting, an acceptable nontraditional credit profile must be established, which includes the following:

- A minimum of three sources of nontraditional credit that have been active for at least 12 months.
- One of the sources must be housing related; i.e., rental housing payments.
- One of the sources must be a utility company.
- The remaining source may represent any reasonable service or purchase (e.g., auto insurance, medical insurance, school tuition, daycare, gym, life insurance, etc.) as long as the repayment terms are in writing, and the borrower can provide canceled checks or money order receipts that show the creditor as the payee to document the payments.
- No history of delinquency on rental housing payments within the past 24 months (or since inception, if less than 24 months).
- Only one account, excluding rental payments, may have had a 30-day delinquency in the past 12 months.
- No collections or judgments (other than medical collections) filed within the past 24 months. Any/all judgments must be satisfied. Collection accounts (including medical) in excess of $250 per individual account or $1,000 in the aggregate must be paid in full.

And, if a borrower with no credit score has a prior bankruptcy or foreclosure in his or her credit history, he or she must have re-established credit that satisfies the requirements of *Selling Guide* section B3-5.3-07, Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit.

If one or more HomeReady borrowers is underwritten with nontraditional credit, the mortgage loan must also meet the requirements in *Selling Guide* section B3-5.1-01, General Requirements for Credit Scores.

Property Type

Q35. What is the maximum LTV ratio for 2- to 4-unit properties?

HomeReady eligibility for 2- to 4-unit properties (purchase or limited cash-out refinance) is aligned with standard eligibility, except that only FRMs are permitted for 3- to 4-unit properties to better reflect the risk of multi-unit properties (2-unit limited to 85 percent FRM, 75 percent ARM; 3- to 4-unit limited to 75 percent FRM only).

Q36. Is there a minimum contribution requirement for borrowers buying a 2- to 4-unit home?

There is a 3 percent minimum borrower contribution on 2- to 4-unit HomeReady properties with LTV ratios exceeding 80 percent. Standard business requires a 5 percent minimum borrower contribution. There is no minimum borrower contribution if the LTV is 80 percent or less on either HomeReady or standard business.

Q37. As with a 1-unit home, may rental income for 2- to 4-unit properties be used with a HomeReady mortgage?

Rental income may be used from a 2- to 4-unit property with HomeReady, as well as standard business. For HomeReady loans, rental income also may be used on a 1-unit property if there is an accessory unit (such as a basement apartment), and boarder income can be used for qualifying if there is an individual residing with the borrower who will continue to reside with the borrower in the subject property.

Q38. Can a Community Seconds loan be used with a HomeReady loan secured by a manufactured home up to a 105 percent combined loan-to-value (CLTV) ratio?

A Community Seconds can be used in conjunction with a HomeReady loan secured by a manufactured home; however, the maximum LTV and CLTV ratios are limited to 95 percent. When HomeReady is combined with a manufactured home, the more restrictive eligibility applies. For example, the loan must be underwritten in DU (manufactured housing requirement), the maximum LTV and CLTV ratios are limited to 95 percent (manufactured housing requirement), the transaction is limited to a 1-unit principal residence (manufactured housing requirement), and the transaction must be a purchase or limited cash-out refinance (HomeReady requirement).

Q39. Are community land trusts eligible for HomeReady financing?

Yes. When used in combination with down payment assistance programs and community land trust properties, HomeReady creates a robust value proposition supporting affordable housing. For information on our community land trust guidelines, see the Community Land Trusts fact sheet. For more information on community land trusts, visit the National Community Land Trust Network.

DU Requirements

Q40. How does DU provide automated identification of loans potentially eligible for HomeReady?

Based on a comparison of the income limit for the area in which the property is located and the total qualifying income on the loan casefile, DU notifies users when a loan casefile appears to be eligible for HomeReady but the lender has not underwritten the loan casefile as HomeReady. The lender would then need to resubmit the loan casefile as a HomeReady loan to obtain the appropriate HomeReady messaging.

Q41. How does DU underwrite a HomeReady loan casefile using non-borrower household income?

"Non-Borrower Household Income" is an Other Income type in DU. This income is not included as qualifying income and does not impact the DTI used in the risk assessment or displayed on the DU Underwriting Findings report. However, if the non-borrower household income is 30 percent or more of the total qualifying income on the loan casefile, DU considers the presence of the income a compensating factor and allows a DTI ratio greater than 45 percent, up to 50 percent.

See Q14 and Q23 for additional details.

Q42. Does DU specify when a loan casefile is *not* eligible for HomeReady?

When the lender selects HomeReady as the Community Lending product in DU and the loan casefile receives an Ineligible recommendation, DU issues a message specifying the reason the loan casefile is ineligible.

Q43. When and how should the FIPS code be entered?

Lenders may use the FIPSCodeIdentifier field in DU to provide the Federal Information Processing Standard Code – or FIPS code – which is a unique code assigned to all geographic areas. The first two digits of the FIPS code indicate the state number; the next three, the county number; and the last six indicate the census tract number. For example, the FIPS code for 3900 Wisconsin Ave. NW, Washington, DC, is 11001001002 (State code 11, county code 001, and census tract 001002).

Enter all 11 digits of the FIPS code, with no periods, spaces, or dashes.

The FIPS code is not required, but it can be used if DU is unable to determine the census tract. When the FIPS code is provided, DU uses that census tract to determine the AMI to be used in the income eligibility determination.

Mortgage Insurance

Q44. What are the MI coverage requirements for HomeReady?

Standard MI coverage is required on HomeReady loans with LTV ratios at or below 90 percent, and 25 percent coverage is required for LTV ratios exceeding 90 percent, which is lower than Fannie Mae's standard MI coverage levels of 30 percent for LTV ratios of 90.01–95.00 percent and 35 percent for LTV ratios of 95.01–97.00 percent that apply to most loans.

The MI coverage levels for HomeReady were specifically designed to work in conjunction with the use of the lender's standard base guaranty fee and the loan-level price adjustment (LLPA) structure with certain waivers and caps.

Q45. Can lenders use the Minimum MI Coverage Option with HomeReady?

Yes, the Minimum MI Coverage Option (see the LLPA Matrix) may be used, but the LLPAs associated with it are not waived or considered toward the LLPA cap for HomeReady loans.

Pricing

Q46. What is the HomeReady pricing structure?

HomeReady pricing uses the lender's base guaranty fee. LLPAs are waived for HomeReady loans that have an LTV ratio greater than 80 percent and a credit score of 680 or higher. For other HomeReady loans, Fannie Mae's standard LLPAs apply, with a cap of 1.50%. (The Minimum MI coverage option LLPA is not waived if that option is used.)

Committing and Delivery

Q47. Do lenders need to deliver HomeReady loans into separate MBS contracts?

No, lenders can commingle standard and HomeReady loans into MBS pools and whole loan commitments.

Q48. Do lenders need to take down a separate whole loan commitment for HomeReady loans?

No, HomeReady has no separate whole loan committing product/pricing grids. Refer to the HomeReady product matrix for more information.

Q49. Are there limits on the percentage of HomeReady loans that can be delivered into an MBS pool or against a whole loan commitment?

No. There is no limit on the percentage of HomeReady loans that can be delivered.

Q50. How are HomeReady loans identified at delivery?

When delivering a HomeReady loan in Loan Delivery, you must provide special feature code (SFC) 900. In addition, as part of the delivery data for the HomeReady product, lenders need to ensure that ULDD Sort ID 238 – LoanAffordableIndicator – is set to “True,” for any mortgage where the borrower completes homeownership education through Framework or housing counseling through any HUD-approved agency. ULDD Sort ID 576 must be set to “HUD Approved Counseling Agency,” and ULDD Sort ID 578 must be set to “HomeStudy” if the borrower completed the Framework online course, or set to “Individual” if the borrower completed counseling through a HUD-approved agency.

Homeownership Education

(Note: Refer to the separate homeownership education FAQs for more details.)

Q51. What are the homeownership education requirements for HomeReady loans?

At least one borrower on each HomeReady purchase transaction must complete the Framework® online education program (see exceptions below). The Framework course, available in English and Spanish, meets or exceeds industry standards and consistently receives high marks from learners.

Exceptions:

- For HomeReady loans that involve a Community Seconds® or down payment assistance program, buyers may instead complete the homeownership education course or counseling required by the Community Seconds® or down payment assistance program as long as it is provided by a HUD-approved agency and completed prior to closing.
- The presence of a disability, lack of Internet access, and other issues may indicate that a consumer is better served through other education modes (for example, in-person classroom education or via a telephone conference call). In such cases, lenders should direct buyers to Framework’s toll-free customer service line (855-659-2267), which can refer consumers to a HUD-approved counseling agency.
- Finally, buyers who have already completed housing counseling prior to entering into a sales contract (as evidenced by a completed Fannie Mae Form 1017) are not required to complete the Framework course.

Fannie Mae believes that access to high-quality education and counseling can provide the borrower with the additional information and resources to make informed decisions that support long-term homeownership sustainability. For more information, refer to the homeownership education FAQs.

Q52. May the lender rebate the $75 homeownership education cost for the Framework course to the borrower?

Lenders may choose to provide a credit against closing costs in accordance with our existing *Selling Guide* policies. See “Lender Incentives for Borrowers” in *Selling Guide* section B3-4.1-02, Interested Party Contributions (Lender Incentives for Borrowers).

Framework offers lenders, real estate agents, or other parties the option of purchasing one or multiple coupon codes to provide to customers who plan to take the Framework course. Coupons can cover the entire $75 course fee or just a portion of the course cost. To purchase coupons, visit Framework's coupon store at http://store.frameworkhomeownership.org.

Q53. Do lenders need to have the Borrower's Authorization for Counseling form signed at closing for HomeReady loans?

No. The requirement to have the Borrower's Authorization for Counseling form signed at closing was removed from the *Selling Guide* in December 2015 (SEL-2015-13).

Desktop Underwriter® (DU®) will be updated the weekend of September 24, 2016 to remove the Borrower's Authorization for Counseling form requirement. The DU message requiring the lender to verify that all borrowers have signed the Borrower's Authorization for Counseling form may be disregarded until that time.

Servicing

Q54. Are there any specific servicing requirements for HomeReady?

No. In June 2016, Fannie Mae updated our servicing policies to eliminate requirements unique to community lending mortgage loans (see *Servicing Guide* Announcement SVC-2016-05). HomeReady mortgage loans must be serviced in accordance with policies for all other Fannie Mae non-government conventional mortgage loans. These include the servicer's requirement to provide information on and, when appropriate refer borrowers to, programs that may assist in resolving their delinquencies or housing counseling agencies that may help them in their debt management.

Q55. Can a servicer refer a borrower to the Framework network housing counselor if the borrower requests housing counseling?

Yes. Fannie Mae requires that housing counseling be provided by a HUD-approved counseling agency, and the Framework network of housing counselors meets that standard. HomeReady borrowers should be reminded of the housing counseling resources available to them, including the Framework network, throughout the life of their mortgage loan. For more information on Framework, the servicer should refer to the homeownership education FAQs. Note: The DU allowance of a DTI up to 50% and the $500 LLPA credit applies only when a buyer completes counseling prior to entering into a sales contract.

Lender Resources

Q56. What resources and training are available for lenders?

Many lender resources are available on the HomeReady web page, including the following:

- Product matrix, loan officer fact sheet, general FAQs, and Homeownership Education and Housing Counseling FAQs
- HomeReady Income Eligibility Lookup tool, which provides lenders and other housing professionals with a quick and easy way to determine potential eligibility for HomeReady by property address or by Federal Information Processing Standards (FIPS) code
- HomeReady income flexibility infographic fact sheets, including sample borrower scenarios with non-borrower household income, rental and boarder income, and non-occupant borrowers
- An eLearning course, based on the live webinar, available 24/7

- Customizable marketing materials, in English and Spanish, to help you promote HomeReady to your customers and business partners
- Delinquency Counseling Policies job aid to help in understanding delinquency counseling requirements when servicing Fannie Mae mortgage loans.