



## HomeReady® Mortgage Comparison with Fannie Mae Standard

This table compares HomeReady® mortgage features with Fannie Mae standard mortgage loans. For details, refer to *Selling Guide* section [B5-6](#), HomeReady Mortgage. Sample borrower payment scenarios for HomeReady and standard mortgages are shown on page 4. See also *Selling Guide* Announcement ([SEL-2016-06](#)), which details changes effective now and later in 2016.



Category	HomeReady	Fannie Mae Standard
<b>Loan Purpose</b>	Purchase and Limited cash-out refinance (LCOR)	Purchase, LCOR, and cash-out refi
<b>Occupancy</b>	1- to 4-unit Principal Residence	1- to 4-unit Principal Residence, 1-unit Second Homes, 1- to 4-unit Investment Properties
<b>LTV Limits</b>	<p><b>1-unit purchase and LCOR:</b> 95% FRM; 90% ARM</p> <p><b>Purchase:</b> LTV&gt;95%-97% FRM; Desktop Underwriter® (DU®) only. No first-time home buyer (FTHB) requirement</p> <p><b>LCOR:</b> LTV&gt;95% to 97% FRM. DU only; for loans owned or securitized by Fannie Mae.</p> <p><b>2- to 4-unit purchase and LCOR:</b></p> <p>2-unit – 85% FRM; 75% ARM</p> <p>3- to 4-unit – 75% FRM; 65% ARM</p>	<p><b>1-unit purchase and LCOR (principal residence):</b> 95% FRM; 90% ARM</p> <p><b>Purchase:</b> LTV&gt;95%-97% FRM; DU only. At least one borrower must be a first-time home buyer (FTHB).</p> <p><b>LCOR:</b> LTV&gt;95% to 97% FRM. DU only. Existing Fannie Mae loans only.</p> <p><b>2- to 4-unit purchase and LCOR (Principal Residence):</b></p> <p>2-unit – 85% FRM; 75% ARM</p> <p>3- to 4-unit – 75% FRM; 65% ARM</p>
<b>Product</b>	Up to 30-year FRM 5/1 (2/2/5 and 2/2/6 caps only), 7/1, and 10/1 ARMs	Up to 30-year FRM 3/1, 5/1 (2/2/5 and 5/2/5 caps), 7/1, and 10/1 ARMs
<b>Borrower Income Limits</b>	<ul style="list-style-type: none"> <li>No income limits in low-income census tracts</li> <li>100% of area median income (AMI) for all other properties</li> </ul>	No income limits
<b>Ownership of Other Property and Non-Occupant Borrowers</b>	<p>Borrower may own other residential property at time of closing</p> <p>Non-occupant borrowers are permitted (to max 95% LTV in DU; 90% LTV in manual)</p>	



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<b>Manufactured Housing (MH)</b>	In accordance with standard MH guidelines (DU only, max 95% LTV, 7/1 and 10/1 ARMs only, no temporary buydowns), except limited to 1-unit principal residence transactions	DU-only, max 95% LTV, 7/1 and 10/1 ARMs only, no temporary buydowns, 1-unit principal residence and second home transactions
<b>Renovation</b>	HomeStyle® Renovation in accordance with standard HomeStyle Renovation guidelines (special lender approval, max 95% LTV/CLTV), except limited to principal residence transactions	Special lender approval, max 95% LTV, principal residence, second home and investment properties transactions
<b>Buydowns</b>	3-2-1 and 2-1 buydown structures permitted Buydowns on 3-4-unit properties available in DU	3-2-1 and 2-1 buydown structures permitted
<b>Non-Borrower Household Income</b>	Permitted as a compensating factor in DU to allow a debt-to-income ratio greater than 45% up to 50% (non-borrower income is not considered qualifying income)	Not permitted
<b>Boarder Income</b>	Permitted with documentation of at least 9 of the most recent 12 months (averaged over 12 months) up to 30% of qualifying income	Not permitted
<b>Accessory Dwelling Units</b>	For 1-unit property, rental income from an accessory unit can be considered in qualifying the borrower; documentation and calculation in accordance with existing rental income guidelines	No rental income from an accessory unit can be considered for qualifying
<b>Homeownership Education</b>	At least one borrower on each HomeReady purchase mortgage must do <b>one</b> of the following: <ul style="list-style-type: none"> <li>complete the <a href="#">Framework homeownership education course</a> (\$75 fee paid by the borrower to Framework) prior to note date; or</li> <li>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 note date, if the HomeReady loan involves a Community Seconds or down payment assistance program; or</li> <li>receive housing advising from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed <i>Certificate of Completion of Housing</i></li> </ul>	Homeownership education and counseling required for at least one borrower when all borrowers are relying solely on nontraditional credit to qualify



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	<p><i>Counseling</i> (Form 1017)); counseling/advising <b>must</b> occur prior to sales contract.</p> <ul style="list-style-type: none"> <li>• have already completed housing counseling (as evidenced by a completed Fannie Mae <a href="#">Form 1017</a>).</li> </ul> <p>Lenders may choose to provide a credit against closing costs for the \$75 Framework fee in accordance with <i>Selling Guide</i> <a href="#">section B3-4.1-02</a> (Lender Incentives for Borrowers).</p> <p>Homeownership education certificate or Form 1017 must be retained in the mortgage file.</p> <p>When buyers have received customized assistance from HUD-approved nonprofit counseling agencies prior to entering into a sales contract:</p> <ul style="list-style-type: none"> <li>• if the HomeReady loan is delivered with Special Feature Code 184, the lender will receive a loan-level price adjustment credit of \$500; and</li> <li>• when the lender indicates in DU that the HUD-approved counseling 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%.</li> </ul>	
<p><b>Pricing (see next page for sample borrower payment scenarios – HomeReady and standard)</b></p>	<p>Lender base guaranty fee</p> <p>Standard risk-based loan-level price adjustments (LLPAs):</p> <ul style="list-style-type: none"> <li>• <i>waived</i> with an LTV above 80% <i>and</i> a representative credit score equal to or greater than 680;</li> <li>• for loans outside of these parameters, standard LLPAs apply (per the <a href="#">LLPA matrix</a>) with a cap of 1.50%.</li> </ul> <p>(The Minimum MI Coverage Option LLPA is not waived or considered toward the cap if that option is used.)</p>	<p>Lender base guaranty fee</p> <p>Standard risk-based LLPAs</p>



## Sample Borrower Payment Scenarios (HomeReady and Standard)

97% LTV Comparison	HomeReady with Borrower-Paid Monthly MI (25%)		HomeReady, with <sup>3</sup> Single-Premium Lender-Paid MI		Standard, with Borrower-Paid Monthly MI		Standard, with <sup>3</sup> Single-Premium Lender-Paid MI	
Credit Score:	740	700	740	700	740	700	740	700
LTV	97%	97%	97%	97%	97%	97%	97%	97%
Loan Balance	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Total Loan Amount	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Monthly MI Rate (bps)	0.70%	0.98%			0.75%	1.15%		
Monthly MI Cost (\$)	\$ 117	\$ 163			\$ 125	\$ 192		
<sup>1</sup> Base Note Rate	3.625%	3.625%	3.625%	3.625%	3.625%	3.625%	3.625%	3.625%
LLPAs					0.750%	1.500%	0.750%	1.500%
Single Premium MI Rate			2.61%	4.72%			3.45%	5.13%
Note Rate with LLPAs or Single Premium	3.625%	3.625%	4.147%	4.569%	3.775%	3.925%	4.465%	4.951%
Principal & Interest	\$ 912	\$ 912	\$ 972	\$ 1,022	\$ 929	\$ 946	\$ 1,009	\$ 1,068
<b>Total Monthly Payment</b>	<b>\$ 1,029</b>	<b>\$ 1,075</b>	<b>\$ 972</b>	<b>\$ 1,022</b>	<b>\$ 1,054</b>	<b>\$ 1,138</b>	<b>\$ 1,009</b>	<b>\$ 1,068</b>
<sup>2</sup> Multiple		5		5		5		5

### Notes

- Note rates based on observed market rates as of September 2016 and adjusted to cover applicable loan-level price adjustments.
- Multiple: Factor by which upfront price (LLPA) is converted into note rate.
- Single-premium lender-paid MI: Lender increases note rate to generate a premium coupon, using proceeds to buy the MI policy; these scenarios based on MGIC rate care April 4, 2016.