



Home Ready Guideline

Revision: **May 13, 2019** (Product Information Center, 949-390-2670, www.jmac lending.com)

(Purchase & Rate/Term Refinances) – Fannie Mae DU			
Occupancy	Owner Occupied		
LTV, CLTV, FICO	TERMS	Max LTV	Min FICO
1 Unit	FIXED	97% ¹	620
	ARM	NOT PERMITTED	
1 Unit	FIXED	95%	620
	ARM	95%	
2 Units	FIXED	85%	620
	ARM	85%	
3-4 Units	FIXED	75%	620
	ARM	75%	
	¹ 105% CLTV Ratio/Community Seconds. The following are not permitted with Community Seconds: second homes, investment properties, cash-out refinances, and ARM. <ul style="list-style-type: none">• 97% only allowed on purchase transaction• 97% only allowed on 1 unit• 97% only does not allow non-occupant borrowers• State of NJ limited to 95% for Fixed and 90% for ARM		



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ATR and QM	All loans must meet the Ability to Repay (ATR) and Qualified mortgage (QM) provisions of the Dodd-Frank Act.									
High Cost	Not Eligible									
HPML	Eligible: -Minimum 620 score -Full Appraisal required regardless of AUS findings Ineligible: -ARMS with fixed interest rates < 7 years -LTV/CLTV > 100% NOTE: - Non Owner Transactions are exempt from HPML guidelines - If the property is considered a flip and it's been less than 180 days from Seller's Acquisition Date to Contract date, a 2 nd full appraisal will be required if the appreciation is ≥ 10% in the past 90 days or ≥ 20% in the past 91-180 days (Seller Acquisition date to Contract date) - Borrower is not eligible to pay for the 2 nd appraisal when required									
ARM Information	For 5/1 ARM: <u>Index</u> : 1 YR Libor <u>Caps</u> : 2% initial adjust. 2% per adjust. ,thereafter, 5% Life <u>Floor</u> : Margin <u>Margin</u> : 2.25%									
Rate at Adjustment	On 5/1 ARM, the initial note rate is in effect for 60 months; the first interest adjustment is calculated by the lower of Index plus Margin or Initial Rate plus 2%, and is subject to Life Cap of 5% plus Initial Rate if Index plus Margin is greater. Thereafter, a 2% annual adjustment cap begins with the second adjustment.									
Products/Terms	<ul style="list-style-type: none">• Fixed Rate (30-Year)• Fixed period LIBOR ARMs with 30-year term (5/1).• Texas Section 50(a)6) is ineligible									
Buy Down	Not permitted									
Borrower Qualification	<u>Fixed Rate</u> : Borrower is qualified at the Note rate. <u>7/1 and 10/1 ARMS</u> : Qualify at the greater of the Note rate or the fully indexed rate. <u>5/1 ARMS</u> : Qualify at the higher of the note rate + 2% or the fully indexed rate.									
Mortgage Insurance	The following coverage is required for all fully-amortizing products, regardless of DU Findings: <table><tr><th colspan="3">Mortgage Insurance Coverage Requirements</th></tr><tr><th>LTV</th><th>Fixed Rate > 20 years and ALL ARM's</th><th>Fixed Rate < 20 years</th></tr><tr><td>97% - 90.01%</td><td>25%</td><td>25%</td></tr></table>	Mortgage Insurance Coverage Requirements			LTV	Fixed Rate > 20 years and ALL ARM's	Fixed Rate < 20 years	97% - 90.01%	25%	25%
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	<table><tr><td>90% - 85.01%</td><td>25%</td><td>12%</td></tr><tr><td>85% - 80.01%</td><td>12%</td><td>6%</td></tr></table>			90% - 85.01%	25%	12%	85% - 80.01%	12%	6%
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	Financed MI and the Custom MI Flexible Mortgage Insurance Option (where a fee is required) is not permitted.								
	<ul style="list-style-type: none">• Required for LTV > 80%• BPMI premium allowed on all programs subject to AUS findings. <i>(Effective 3/1/2018)</i><ul style="list-style-type: none">○ DTI above 45% requires a 700 minimum credit score○ Radian or Essent must be utilized for DTI above 45% and when Fico Score < 700.• LPMI premium allowed on all programs subject to AUS findings. <i>(Effective 3/1/2018)</i><ul style="list-style-type: none">○ DTI above 45% requires a 700 minimum credit score.○ DTI above 45% and LTV > 95% exclude Radian as an MI option.○ High balance loan amount requires a 660 minimum credit score and DTI <= 45%.								
Maximum DTI and Fico Score is subject to current mortgage insurance guidelines and AUS findings.									
Maximum Loan Amount	Minimum Loan Amount is \$75,000 . Please review FNMA's Single Family Loan Limits for County specifics.								
	Units	Continental Us	Hawaii						
		Maximum Loan Amount 2019							
	One	\$726,525	\$726,525						
	Two	\$930,300	\$930,300						
	Three	\$1,124,475	\$1,124,475						
	Four	\$1,397,400	\$1,397,400						
	https://www.fanniemae.com/singlefamily/loan-limits								
Underwriting Method	Loans must receive a DU "Approve/Eligible"								
Prepayment Penalty	None								
Occupancy	Primary Residence								
Minimum Borrower Contributions	1 unit: 0% 2 unit: 3% required if LTV > 80%								
Reserves	Must come from borrower own funds if required.								



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Eligible Borrowers	US Citizens; Permanent Resident Aliens; Non-Permanent Resident Aliens allowed with required VISAs); Revocable Trust; Must have valid Social Security Number; Maximum of 4 borrowers per loan application are allowed
Acceptable Visa Types	<ul style="list-style-type: none"> ○ A-1 thru A-3 Visas- Note: Borrowers with these Visa types who have diplomatic immunity are not acceptable ○ E-1 thru E-3 Visas ○ G-1 thru G-5 Visas- Note: Borrowers with these Visa types who have diplomatic immunity are not acceptable ○ H-1, H-1B and H-1C Visa's ○ H-4 Visa- These visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified H-1 visa holder. When income is being used to qualify, a current (unexpired) EAD issued by USCIS is also required. ○ L-1 Visa ○ L-2 Visa- These visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified L-1 visa holder. When income is being used to qualify, a current (unexpired) EAD issued by USCIS is also required. ○ O-1A Visa- Note: Borrowers with this Visa type cannot work in the Arts, Motion Picture or Television industry ○ O-1B Visa- Note: This Visa type is for those excluded from eligibility on a O-1A visa as listed above ○ O-2 Individuals who will accompany an O-1, artist or athlete, to assist in a specific event or performance ○ TN, NAFTA Visa -Used by Canadian or Mexican citizens for professional or business purposes ○ TC, NAFTA Visa- Used by Canadian citizens for professional or business purposes ● Note: An unexpired Employment Authorization Document(EAD) may be used in lieu of a Visa <ul style="list-style-type: none"> ○ If EAD will expire within one year, the following must be provided <ul style="list-style-type: none"> ▪ One previous EAD Renewal or if there are no prior EAD renewals, the likelihood of renewal must be determined based on the information provided by USCIS ● If Visa from the eligible list above is expired, the borrower may still be considered if the below can be met. <ul style="list-style-type: none"> ○ Confirmation that the borrower has submitted an application for extension of the visa or an application for a green card. Documentation includes, but is not limited to: <ul style="list-style-type: none"> ▪ USCIS Form I-797- issued when application or petition is approved ▪ USCIC Form I-797C or I-797E- Cannot state application has been declined ▪ USCIS Form I-539 or equivalent or copy of USCIS Form I-485 or equivalent plus electronic verification of receipt from the USCIS website ▪ If sponsored by employer, the employer may verify that they are sponsoring the visa renewal
Property Types	<ul style="list-style-type: none"> ● Condo, PUD, SFR, 2-4 Units, Age restrictions <i>Ineligible properties-</i> Deed restrictions other than Age, manufactured homes, co-ops, condo hotels, mixed-used live/work, no gut rehab) ● Condo complex with 4 or less units require that at least 3 out of 4 are owner occupied properties. ● Condo conversion within the past 3 years not allowed. ● New Condo allowed if it's Agency Approved.



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	<ul style="list-style-type: none"> New condo projects in Florida are eligible only if approved via FNMA PERS Approved process. Owner occupancy requirement for condos is no longer applicable for owner occupied and second home. 								
Qualifying Ratios	Maximum qualifying ratio: 50% (Subject to AUS approval and use of income)								
Credit	<ul style="list-style-type: none"> Non-traditional credit allowed subject to AUS with the following restrictions: <ul style="list-style-type: none"> Primary 1 unit with all borrowers occupying subject Wage Earner only At least one borrower must have traditional credit and those borrowers must contribute more than 50% of the total qualifying income At least one borrower must have at least one credit score Minimum credit score(s): Minimum required per LTV/CLTV grid DU Approve/Eligible General Credit Guidelines <u>Mortgage Lates</u>: DU findings <u>Chapter 7 or 11 Bankruptcy</u>: 4 years have elapsed since the discharge or dismissal date to the Note date <u>Chapter 13 Bankruptcy</u>: 2 years have elapsed since discharge date to the Note date; 4 years have elapsed since dismissal date to the Note Date <u>Short Sale, "Settled for Less", Deed-in-lieu of foreclosure, Pre-foreclosure</u>: with AUS approval- 4 years waiting period from recording date to the Note Date. 2 years waiting period (base on Credit Report Date) is acceptable if reason was due to extenuating circumstances as per agency guidelines. Extenuating circumstances must be explained with adequate supporting documentation <u>Foreclosure</u>: 7 years waiting period is required from completion date to the Note date Borrower with multiple BK filings within the last seven (7) years: five (5) years waiting period since the most recent discharged / dismissal date. If the foreclosure is within the bankruptcy than the seasoning requirements follow bankruptcy guidelines. 								
Borrower Income Eligibility Limit	<table border="1"> <thead> <tr> <th>Borrower Income Eligibility Limit</th><th>Area</th></tr> </thead> <tbody> <tr> <td>No Income Limit</td><td>Properties in low-income census tracts</td></tr> <tr> <td>100% of area median income</td><td>All other properties</td></tr> <tr> <td colspan="2">To check to see if income eligibility area go to https://www.fanniemae.com/singlefamily/homeready</td></tr> </tbody> </table>	Borrower Income Eligibility Limit	Area	No Income Limit	Properties in low-income census tracts	100% of area median income	All other properties	To check to see if income eligibility area go to https://www.fanniemae.com/singlefamily/homeready	
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Non-Traditional Credit	<ul style="list-style-type: none"> Restrictions when no borrower has a credit score: <ul style="list-style-type: none"> Must have DU approval Allowed only on wage earners 								

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	<ul style="list-style-type: none"> ○ Primary one (1) unit with all borrowers occupying subject ○ The transaction must be a purchase or limited cash-out refinance ○ The loan amount must meet the general loan limits not high balance limits ○ The loan must be a fixed-rate mortgage ○ The Maximum LTV/CLTV, and HCLTV at 90% ○ The DTI ratio must be less than 40% ○ Reserves may be required as determined by DU ○ Two (2) nontraditional credit history must be documented for each borrower without a credit score <ul style="list-style-type: none"> ○ Restrictions when at least one borrower has no credit score: <ul style="list-style-type: none"> ○ Must have DU approval ○ Primary 1 unit with all borrowers occupying subject ○ Borrower with no credit score can only be wage earner ○ At least one borrower must have at least one credit score ○ The transaction must be a purchase or limited cash-out refinance ○ The loan amount must meet the general loan limits not high balance limits ○ If the borrower(s) with a credit score is contributing <u>more than 50%</u> of the qualifying income, then non-traditional credit history is not required for each borrower without a credit score else it required. Refer to Fannie Mae guidelines B3-5.4-03, Documentation and Assessment of a Nontraditional credit history, for additional information. ○ If the borrower with a credit score is contributing <u>50% or less</u> of the qualifying income, two (2) nontraditional credit history for each borrower without a credit score is required. ○ Maximum DTI subject to DU. ○ Reserve may be required as determined by DU. <p>Nontraditional Documentation Requirements</p> <ul style="list-style-type: none"> ○ Rental Payment History <ul style="list-style-type: none"> ○ The borrower's rental payment history must be documented for the most recent consecutive 12-month period. The following documentation is acceptable: <ul style="list-style-type: none"> ▪ Canceled checks can be provided. In lieu of canceled checks, borrower's bank statements, copies of money orders, or other reasonable methods for documenting the timely payment of rent. The documentation must clearly indicate the payee and amount being paid, and reflect that payments were made on a consistent basis. ▪ Direct verification of the payment of rent from the landlord. Direct landlord verification is acceptable whether the landlord is an individual or a professional management company.
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NOTE: If at least one borrower on the loan can document a rental housing payment as a source of nontraditional credit, the loan has met the rental payment history requirement. However, each nontraditional credit borrower still needs to document the minimum number of nontraditional credit sources required.

If two or more borrowers on a loan share the housing-related source (for example, they are both named on the lease for the property in which they are living), that documentation counts as one source of nontraditional credit documentation for each borrower, even if only one borrower has been making the payments.

- **Payment History Obtained from the Borrower**
 - Documentation that describes the terms of the debt repayment or contract together with canceled checks or copies of bills marked “paid” that reflect the borrower’s payment history over the most recent consecutive twelve (12) months.
- **Standards for Individual Credit References Obtained Directly from a Creditor**
 - Individual credit references (other than rental housing payments) from a creditor must include the following:
 - The creditor’s name
 - The name of the individual providing the reference
 - The date the account was opened
 - The amount of highest credit
 - The current status of the account
 - The required payment amount
 - The unpaid balance, and
 - The payment history

NOTE: The historical status of each account must be started in a “number of times past due” format using “0x30, 0x60, 0x90” days late. Vague statements such as “current”, “satisfactory”, or “pays as agreed” are not acceptable by themselves.
- **Assessment of the Payment History for Nontraditional Credit Sources**
 - For each nontraditional credit source, the following requirements must be met:
 - There cannot be any delinquency on rental housing payments within the past 12 months
 - Only one account, excluding rental housing payments, can have a 30-day delinquency in the past 12 months
 - No collections (other than medical collections) or judgments have been filed in the past 24 months
 - All judgments and liens must be paid in full
 - Collections and Charge-Offs per AUS findings
 - NOTE - If collection or charge off does not reflect as such on credit, subject to evaluation by the Underwriter



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	<p>For more detail information on acceptable nontraditional credit, refer to Fannie Mae guidelines B3-5.4-03, Documentation and Assessment of a Nontraditional credit history, for additional information.</p> <p>Only borrower paid mortgage insurance (BPMI) mortgage insurance are allowed when using non-traditional credit.</p> <p>Homeownership Education</p> <p>If all borrowers on the loan relies solely on nontraditional credit to qualify, at least one borrower must complete pre-purchase homeownership education prior to loan closing. Refer to Fannie Mae B2-2-06, Homeownership Education and Housing Counseling.</p>
Income Documentation	<p>Requirements subject to AUS findings</p> <p>Future Employment Requirements:</p> <ul style="list-style-type: none">• Purchase and Rate & Term Transactions Only• Primary Residence Only• Max LTV/CLTV 90%• Salary income only (hourly earnings are not permitted)• Employment start date must be within 90 days of the note date• Income must be for a new primary employment• 1 Unit SFR, Condo and PUD only• Employer cannot be a family member or interested party to the real estate transaction <p>Required Documentation:</p> <ul style="list-style-type: none">• Copy of Employment offer letter or employment contract<ul style="list-style-type: none">○ Contract must be fully executed and accepted by the borrower and employer○ Clearly state the employer and borrower○ Is non-contingent or verification from employer that all contingencies have been cleared○ Include the terms of employment, including employment start date and annual income based on salaried income only• An additional four months PITIA above the requirements stated by the AUS findings is required• A pre-closing verification verifying the terms of the employment letter or contract have not changed will be completed by JMAC Lending within ten calendar days of the note date <p>NOTE:</p> <ul style="list-style-type: none">• Paystub is not required• Loan must be delivered with Special Feature Code 707



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Non-Borrower Household Income Requirements

- Considered as a compensating factor to allow a DTI ratio greater than 45%, up to 50%
- Not included as qualifying income and does not impact the DTI ratio used in the risk assessment or displayed on the AUS Findings.
- The non-borrower household member IS NOT REQUIRED TO BE A FAMILY MEMBER.
- The non-borrower's income must be at least 30% of the total monthly qualifying income being used by the borrower – the 30% could be reached by an aggregate of more than one person up to 3 and not to exceed combined total of 4 borrowers on one loan.
- The non-borrower income must be documented in accordance with standard Fannie Mae Selling Guideline policy based on the income type.
- There must be signed statement of intent for the non-borrower to reside with the borrower to reside with the borrower for a minimum of 12 months. (Fannie Mae provides optional Form 1019 for this purpose)
- Must be reflected in DU as Other Income Type of "Non-Borrower Household Income".

Example of non-borrower household income sample scenario

Borrowers income \$6,000 / month	Borrower's Liabilities \$2,820 month	= DTI Ratio $\$2,820 / \$6,000 = 47\%$ NOT ELIGIBLE
Existence of \$2,000 month in non-borrower household income (33.33% of the borrower's qualifying income)		
		= DTI Ratio remains the same $\$2,820 / \$6,000 = 47\%$ ELIGIBLE



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Non-Occupant Borrowers	The consideration of a non-occupant borrower’s income, assets, credits and liabilities permitted for qualifying: <ul style="list-style-type: none">• DU: maximum 95%LTV				
	Income is considered part of qualifying income and subject to HomeReady income limits				
	Example of Non-Occupant borrower sample scenario				
	Borrowers income \$6,000 / month		Borrower’s Liabilities \$3,060 month		= DTI Ratio \$3,060 / \$6,000 = 51% NOT ELIGIBLE
	Non-Occupant income of \$9,000 / month		Non-Occupant Borrower’s Liabilities \$2,700 month		
	TOTAL \$15,000 / month		\$5,760 / month		= DTI Ratio \$5,760 / \$15,000 = 38.40% ELIGIBLE
Difference between a Non-occupant borrower and a Non-Borrower Household Member?		Is the person on the loan?	Lives in the Home?	Income Included in qualifying income?	Must meet income eligibility requirements?
	Non-Occupant Borrower	YES	NO	YES	YES
	Non-Borrower Household Member	NO	YES	NO	NO
Boarder Income	Borrower Income Requirements:				
	Boarder income (relatives or non-relatives) for HomeReady is permitted as qualifying income if the eligibility guidelines are met as outline below: <ul style="list-style-type: none">• 1 unit properties only, including Condo, and PUD’s.• Must have resided with the borrower for the most recent 12 months.• Does not exceed 30% of the total gross income used to qualify for the Mortgage.• Rent must be averaged over 12 full months.• Boarders may not be obligated to the Note or have ownership on title to subject property.				



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	<p>NOTE: Rental income for accessory dwelling units may be considered in qualifying the borrower but must follow the Rental Income Guidelines</p> <p>Documentation Requirements:</p> <ul style="list-style-type: none">• Maximum LTV is 95%.• Eligible for Purchase and Refinance transactions. Use 75% Vacancy factor for Purchase Transactions from existing lease or Proposed Rent from Appraisal Form #1007 Single Family Rent Comparison.• Document shared residency for the past 12 months for refinances.• Rent must be documented and averaged over the last 12 months and documented for 9 out of the last 12 months.• Must meet zoning requirements• Borrower cannot be obligated on the note.• The amount used to qualify must be entered as “Boarder Income”. If the field is not available on the AUS enter as “other” income. DU will drop the standard conditions and findings for the type of income selected. <p>NOTE: If any of the required documentation cannot be provided, the income may not be used as qualifying income and may only be considered as a compensating factor.</p> <table><tr><th colspan="3">Example of Boarder Income sample scenario</th></tr><tr><td>Borrowers income \$6,000 / month</td><td>Borrower’s Liabilities \$2,820 / month</td><td>= DTI Ratio \$2,820 / \$6,000 = 47% NOT ELIGIBLE</td></tr><tr><td>Rental Income from the Boarder \$312.50 / month</td><td></td><td></td></tr><tr><td>TOTAL = \$6312.50 / month</td><td>\$2,820 / month</td><td>= DTI Ratio \$2,820 / \$6312.50 = 44.67% ELIGIBLE</td></tr></table>	Example of Boarder Income sample scenario			Borrowers income \$6,000 / month	Borrower’s Liabilities \$2,820 / month	= DTI Ratio \$2,820 / \$6,000 = 47% NOT ELIGIBLE	Rental Income from the Boarder \$312.50 / month			TOTAL = \$6312.50 / month	\$2,820 / month	= DTI Ratio \$2,820 / \$6312.50 = 44.67% ELIGIBLE
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TOTAL = \$6312.50 / month	\$2,820 / month	= DTI Ratio \$2,820 / \$6312.50 = 44.67% ELIGIBLE											
Rental Income	<p>Fannie Mae Form 216 (Operating Income Statement) is required on all 2-4 unit properties, regardless of whether the income is needed to qualify. Rental income is calculated from the subject property’s gross rental figure provided by the appraiser using the lesser of 75% for a 2-unit property, and 65% for a 3-4 unit property, of the actual or projected rent. The rental income is added to the gross qualifying income.</p> <p>Accessory Dwelling Units: Rental income may be considered in qualifying the borrower per rental income guidelines.</p> <p>NOTE: Not permitted on 97% financing</p>												



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Assets	<p>Allowable Assets for down payment and closing:</p> <ul style="list-style-type: none"> • Checking • Saving • 401K, Stock, Bonds and Mutual Funds- 100% of vested balance minus any outstanding loans, may be used. • Business Funds - must own the company 100% • Life Insurance – 100% of cash value
Cash Out Transaction	Not permitted
Student Loan	<p>Student Loan- Monthly Payment calculations:</p> <ul style="list-style-type: none"> • If a payment amount is provided on the credit report, that amount can be used for qualifying purposes. • If the credit report does not reflect a payment (or reflects \$0), we can now use 1% of the outstanding balance of the student loan, or a calculated payment that will fully amortize the loan/payment, based on the documented loan repayment terms.
Two to Four Unit Condo Project	Requires 3 out of 4 to be owner occupied.
Maximum Number of Financed Properties	<p>Occupying borrowers: Maximum 2 financed properties</p> <p>Non-Occupying Co-borrowers: Per FNMA Guidelines</p>
Recently Listed Properties	Properties that were listed for sale must have been taken off the market at least one day before the Note date
Delayed Financing	Not Allowed
Limited Review for Condos	<ul style="list-style-type: none"> • Please refer to Agency guideline for reduced LTV's for restricted states such as Florida. • If a condo is in litigation and litigation is approved, it's always subject to full review regardless of AUS findings. <p>LIMITED REVIEW PARAMETERS</p> <p>Maximum LTV/CLTV/HCLTV: The maximum LTV/CLTV/HCLTV is dependent upon the method by which the loan is evaluated and decision as well as where the property is geographically located Approve/Eligible Loans</p> <ul style="list-style-type: none"> ○ Primary Residence: 90%/90%/90% (75% / 75% / 75% for Florida properties)

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Interested Party Contributions	<p>The amount of the contribution made by an interested party is based on the LTV/CLTV of the mortgage.</p> <table border="1" data-bbox="787 479 1606 597"> <thead> <tr> <th colspan="2">Maximum Contribution Limits</th></tr> </thead> <tbody> <tr> <td>LTV/CLTV 90.01% - 100%</td><td>3%</td></tr> <tr> <td>LTV/CLTV 75.01 – 90%</td><td>6%</td></tr> <tr> <td>LTV/CLTV <= 75%</td><td>9%</td></tr> </tbody> </table>	Maximum Contribution Limits		LTV/CLTV 90.01% - 100%	3%	LTV/CLTV 75.01 – 90%	6%	LTV/CLTV <= 75%	9%
Maximum Contribution Limits									
LTV/CLTV 90.01% - 100%	3%								
LTV/CLTV 75.01 – 90%	6%								
LTV/CLTV <= 75%	9%								
Home Buyer Education	<p>Fannie Mae believes that high-quality homeownership education and housing counseling can provide the borrower with the additional information and resources to make informed decisions that support long-term homeownership.</p> <p>Homebuyer education is required prior to the Note date for at least one borrower on all Purchase transactions. There are now two options for borrowers to meet the pre-purchase homeownership education requirements as described below.</p> <ul style="list-style-type: none"> • Option 1: May be provided through <u>Framework</u>, an online program approved by Fannie Mae. https://www.fanniemae.com/singlefamily/homeready <ul style="list-style-type: none"> ○ \$75 fee paid by the borrower to <u>Framework</u> for a simple, accessible online program with email support 7 days a week. ○ Homebuyer Education certificate must be retained in the mortgage file ○ Although one-on-one counseling is optional for HomeReady, <u>Framework</u> will offer borrowers a referral to a HUD-approved counseling agency for additional assistance. Borrowers also have the option to consult a counselor of their choice. <p>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 (i.e. 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. Framework will register the consumer for potential post-purchase support. 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.</p> <p>Option 2: Pre-purchase housing counseling and complete homeownership education from a HUD-approved non-profit housing counseling agency.</p> <ul style="list-style-type: none"> • Definitions, as evidenced by a Certificate of Completion of Prepurchase Housing Counseling (<u>Fannie Mae Form 1017</u>), signed by both the counseling recipient and the HUD counselor. The form can be accessed at: https://www.fanniemae.com/content/guide_form/1017.pdf 								
Landlord Education	Not required.								

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Leasehold Requirements	<ul style="list-style-type: none"> • Must not be impaired by any merger of title between the lessor and lessee • If a sublease is included within the leasehold estate, the documents must provide that a default under the leasehold estate will not by such default result in the termination of the sublease. • The term of the leasehold must extend beyond our loan term by no less than 5 years unless it can be documented that title will vest as Fee Simple at an earlier date. IE Leasehold expires and automatically converts to Fee Simple. • Lease must provide that the leasehold can be assigned, transferred, mortgaged and sublet unlimited without restrictions or on payment of a reasonable fee and delivery of reasonable documentation to the lessor. The lessor cannot require a credit review or require any qualifying criteria to any assignee, transferee, mortgagee or sub-lessee. The lease must provide that in addition to the obligation to pay lease rents, the borrower will pay taxes, insurance, utilities and homeowners' association dues (if applicable), related to the land in addition to those he or she is paying on the improvements • The lease must be valid, in good standing, and in full force and effect in all respects. • The lease must not include any default provisions that could give rise to forfeiture or termination of the lease, except for nonpayment of the lease rents. • The lease must include provisions to protect the mortgagee's interests in the event of a property condemnation. • The lease must provide lenders with the right to receive a minimum of 30 days' notice of any default by the borrower, and the option to either cure the default or take over the borrower's rights under the lease. • The lease must be current on all payments and assessments nor can the borrower be in default or have any claims of default under any provision of the lease. • Leasehold may not contain any deed or resell restrictions. (Age Restrictions are acceptable) • Cannot be held in a Community Land Trust • Indian Leased Land is not eligible • Hawaiian Home Lands are not eligible • Leaseholds are not eligible on Texas(a)6 loans • A full appraisal is required regardless of AUS findings • Loan must be ran through DU only and must meet all FNMA guidelines <p>Documentation Requirements:</p> <ul style="list-style-type: none"> • Copy of the full lease agreement including any sub lease agreement(s) • Evidence of the monthly Ground Rent payment (must be included in the Housing DTI Calculations if subject and total DTI if a property other than subject); Ground rent payment should be included in any calculations toward reserve requirements as well. • Appraiser must provide 3 closed Leasehold interest comparables; Fee Simple Comparables are not acceptable.
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Home Ready Guideline

	<ul style="list-style-type: none"> Title must include an ALTA Endorsement 13.1-06 plus include the value of the lessee's leasehold improvements if any. Full Title Policy is required. <p>Leasehold Rider will be included as an attachment to the Deed of Trust/Mortgage and will require the borrowers signature.</p>
Community Seconds	<ul style="list-style-type: none"> Purchase and Rate and Term Refinance only Maximum CLTV is 105% or maximum per loan program chosen, whichever is less. If the Community Second has an Age-Related Deed restriction only, the following additional requirement is needed. <ul style="list-style-type: none"> At least one individual who occupies the home must be at least 55 years of age. This individual can be a non-borrowing household member or renter in the case of an investment home. The following property/occupancy types are eligible <ul style="list-style-type: none"> All Occupancy types are allowed 1-2 unit properties, Condos and PUDs No Deed/Resale restrictions allowed unless Age related No Government subsidies allowed in conjunction with the agency who is providing the Community Second to our borrower- IE No Gov't assistance to the Agency providing the Community 2nd A Community Second must be funded by a federal agency, municipality, state, county, state or local housing finance agency, non-profit organization, employer or a regional Federal Home Loan Bank under one of their affordable housing programs. <ul style="list-style-type: none"> Loans from Employers may not include a provision requiring repayment upon termination The following are acceptable payment terms for a Community Second <ul style="list-style-type: none"> Fully amortized payment with level payments throughout the life of the loan Deferred payments for a period of time before changing to a fully amortizing level payment mortgage Deferring payments over the entire term of the loan Forgiveness of debt over time When the repayment of the Community Second is deferred for fewer than 5 years, the payment must be included in the DTI calculations. A Community Second with a balloon payment due 15 years or earlier from the note date, is not eligible The maximum interest rate for the Community Second cannot exceed the interest rate of the 1st by no more than 2% The Community Second cannot provide an option for negative amortization Equity Sharing is not eligible <p>Please refer to sections B5.5.1-01 & 02 of FNMA guidelines for a complete list of guidelines</p>



Home Ready Guideline

Subject – New Subordinating Financing	<ul style="list-style-type: none">• No negative amortization allowed<ul style="list-style-type: none">○ Minimum payment due must equal the accrued monthly interest○ Seller carried back 2nd:<ul style="list-style-type: none">• Rate cannot be lower than 2% of the rate of the 1st TD (IE- 1st TD is at 5%; lowest rate on 2nd is 3%)<ul style="list-style-type: none">▪ Payment must be fully amortized▪ Maximum CLTV is 95%▪ Borrower's must make a 5% minimum down payment• Balloon payments less than 5 years from the 1st liens note date are not eligible• With the exception of a HELOC, the payment stream must remain constant for a minimum of 12 months at a time• Employer secondary financing may be structured in any of the following ways:<ul style="list-style-type: none">○ Fully amortized payments○ Deferred payments for some period before changing to fully amortized level payments○ Deferred payments over the entire term of the loan○ Forgiveness of the debt over time○ May not include provision requiring repayment upon termination• HELOCs<ul style="list-style-type: none">○ When calculating the CLTV- use current balance○ When calculating the TCLTV- use the full line amount• Subordinate financing is not allowed on a Texas(a) 6 loan• Must allow for prepayment without restriction <p>Existing Secondary Financing (HELOCs)</p> <ul style="list-style-type: none">• If the existing HELOC is beyond its draw period- the UPB must still be utilize for the CLTV and the total line must be utilized for the TCLTV• If HELOC has been permanently modified- use the outstanding UPB to calculate the CLTV as well as the TCLTV when the outstanding balance is higher than the modified line amount; if the UPB is lower than the modified line amount, use the modified line amount to calculate the CLTV and TCLTV <p>Documentation Requirements</p> <ul style="list-style-type: none">• For existing secondary financing remaining in place, a fully executed subordination agreement must be provided• Copy of Note/HELOC Agreement- for both existing and new secondary financing• If modified, provide copy of modification agreement for the secondary financing.
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