

## Maximum LTV/CLTV/HCLTV (Purchase and No Cash-Out Refinance Transactions)

HomeReady Program	Unit	Max LTV/CLTV with Community 2 <sup>nd</sup>	Max LTV/CLTV without Community 2 <sup>nd</sup>	Minimum LTV	Minimum FICO	Occupancy
Purchase and Rate / Term Refinance	1 Unit	97% <sup>1,2,3</sup> / 105% <sup>1,2,3</sup>	97% <sup>1</sup> / 97% <sup>1</sup>	80.01%	620	Primary
Purchase and Rate / Term Refinance	2 Units	85% / 105%	85% / 85%			
Purchase and Rate / Term Refinance	3-4 Units	75% / 105%	75% / 75%			

- Transactions with an LTV, CLTV, and HLTV greater than 95% are not permitted for high-balance loans, loans with a non-occupant borrower, or manufactured homes that are not MH Advantage. At least one borrower on the loan must have a credit score. For limited cash-out refinances, Fannie Mae must be the owner of the existing mortgage.
- The CLTV ratio can be up to 105% if the subordinate lien is a Community Seconds loan.
- Non-Community Second's max CLTV 97%.

### Help More Buyers Achieve Homeownership with a HomeReady Mortgage!

- Up to 97% financing for home purchase and refinance transaction - 1 unit /Owner Occupied.
- No minimum borrower contribution (1 Unit properties) - use flexible sources of funds for down payment and closing costs (gifts, Community Seconds® & cash-on-hand).
- Non-Occupant borrowers allowed to 95%
- Maximum debt-to-income (DTI) ratio up to 50%
- Reduced risk-based pricing adjustments.
- Reduced monthly MI coverage >90% to 97%
- Manufactured Homes allowed up to 95%.
- Assist with financing and supporting disaster impacted areas.
- Rental income allowed from an accessory unit.
- Nontraditional credit allowed.

#### LHFS PROGRAM CODES

Conforming 30 year FNMA HomeReady	WC30FHR-000
Conforming 25 year FNMA HomeReady	WC25FHR-000
Conforming 20 year FNMA HomeReady	WC20FHR-000
Conforming 15 year FNMA HomeReady	WC15FHR-000
Conforming 10 year FNMA HomeReady	WC10FHR-000
Conforming 30 year FNMA High Balance HomeReady	WCHB30FHR-000
Manufactured Home 30 FNMA HomeReady	WMH30FHR-000

#### HELPFUL LINKS:

- [FNMA HomeReady FAQ](#)
- [FNMA HomeReady Website](#)
- [FNMA Guidelines](#)



Eligibility	1-Unit	2-4 Units
<b>Acceptable Sources of Funds for Down Payment and Closing Costs</b>	<ul style="list-style-type: none"> <li>• Gifts, grants, and Community Seconds</li> <li>• Cash-on-hand for 1-unit properties only               <ul style="list-style-type: none"> <li>• Cash-on-hand may not be used to fund the borrower's reserve requirement, if applicable.</li> <li>• The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practices.</li> <li>• Funds for the down payment and closing costs exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing.</li> <li>• Written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed is required.</li> <li>• The borrower's credit report and other verifications should indicate limited or no use of credit and limited or no depository relationship between the borrower and a financial institution.</li> </ul> </li> </ul> <p>Any eligible loan may have more than one Community Seconds (i.e. third lien) up to the maximum 105% CLTV (see <a href="#">Community Seconds fact sheet</a>)</p>	
<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) in high minority census tracts or designated disaster areas</li> <li>• 80% of AMI in all other census tracts</li> <li>• <a href="#">Income Eligibility Summary by State</a></li> <li>• <a href="#">Income Eligibility Maps</a></li> </ul>	
<b>Credit</b>	<ul style="list-style-type: none"> <li>• No mortgage lates 0x60</li> <li>• Prior loss mitigation: 4 years prior to application date</li> <li>• Foreclosure History: 7 years</li> <li>• Chapter 7: 4 years from discharge date</li> <li>• Chapter 13: 2 years from discharge date</li> <li>• Borrowers with Non-traditional credit are eligible upon DU approval recommendation with conditions.</li> </ul>	
<b>Ineligible States</b>	<ul style="list-style-type: none"> <li>• Texas 50(a)(6) is not permitted</li> </ul>	
<b>Loan Amounts</b>	Conforming loan amounts only	
<b>Loan Purpose</b>	Purchase or Limited Cash-out Refinance	
<b>Manufactured Housing</b>	<ul style="list-style-type: none"> <li>• In accordance with standard MH guidelines (DU required)</li> <li>• Max 95% LTV/CLTV</li> </ul>	Not applicable
<b>Maximum LTV/CLTV and Subordinate Financing</b>	<ul style="list-style-type: none"> <li>• CLTV up to 105% with eligible Community Seconds</li> <li>• Other subordinate financing per the Selling Guide</li> </ul>	
<b>Minimum Borrower Contribution (own funds)</b>	<ul style="list-style-type: none"> <li>• \$0</li> </ul>	<b>Purchase or Limited Cash Out Refinance:</b> <ul style="list-style-type: none"> <li>• 2-Unit: 85% Fixed Rate</li> <li>• 3-4 Units: 75% Fixed Rate</li> </ul>
<b>Minimum Borrower Contribution (own funds)</b>	<ul style="list-style-type: none"> <li>• 3%</li> </ul>	<ul style="list-style-type: none"> <li>• \$0 for LTV/CLTV/HCLTV of 80% or less</li> <li>• 3% for LTV/CLTV/HCLTV &gt; 80%</li> </ul>
<b>Mortgage Insurance (MI) Coverage and Financed MI</b>	<ul style="list-style-type: none"> <li>• A minimum 3% borrower contribution and minimum down payment of 5% is required if sweat equity is being used toward the down payment for one-unit HomeReady purchase transactions.</li> <li>• No minimum contribution is required in connection with a limited cash-out refinance transaction.</li> </ul>	
<b>Mortgage Insurance (MI) Coverage and Financed MI</b>	<ul style="list-style-type: none"> <li>• 25% MI coverage for LTVs 90.01-97%</li> <li>• Standard MI coverage for LTVs of 90% or less</li> <li>• MI may not be financed</li> <li>• Custom or Reduced MI below standard HomeReady requirements shown above are not eligible</li> </ul>	
<b>Non-Occupant Borrowers</b>	<ul style="list-style-type: none"> <li>• Non-occupant borrowers permitted to maximum 95% LTV in DU</li> <li>• Income considered as part of qualifying income and subject to income limits</li> <li>• Occupant and non-occupant borrower(s) may have an ownership interest in other residential property at the time of closing.</li> </ul>	
<b>Occupancy and Property Type</b>	<ul style="list-style-type: none"> <li>• 1-unit principal residence, including eligible condos, PUDs, and manufactured housing</li> </ul>	<ul style="list-style-type: none"> <li>• 2- to 4-unit principal residence (no condos, co-ops, or manufactured housing)</li> </ul>
<b>Product</b>	<ul style="list-style-type: none"> <li>• 30-, 25-, 20-, 15-, 10-year fixed-rate mortgages only</li> </ul>	
<b>Reserves</b>	<ul style="list-style-type: none"> <li>• DU will determine the reserve requirement.</li> </ul>	



Underwriting	1-Unit	2-4 Units
<b>Underwriting Method</b>	<ul style="list-style-type: none"> <li>HomeReady transactions must be submitted through DU and must indicate HomeReady Community Lending product</li> <li>Manual Underwriting not allowed</li> </ul>	
<b>Desktop Underwriter (DU)</b>	<ul style="list-style-type: none"> <li>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 entering census tract information if DU is unable to geocode the property address.</li> <li>DU recommendation of Approve/Eligible required. DU will determine qualifying ratios and reserves.</li> </ul>	
<b>Income Flexibilities (with sample scenarios)</b>	<ul style="list-style-type: none"> <li><a href="#">Rental and Boarder Income Flexibilities</a></li> <li><a href="#">Non-Occupant Borrower Income Flexibilities</a></li> </ul>	
<b>Non-Borrower Household Income</b>	<p>Permitted as a compensating factor in DU only to allow a debt-to-income (DTI) ratio &gt;45% up to 50% (non-borrower income is not considered qualifying income and is not applied to income limits). The following additional requirements apply:</p> <ul style="list-style-type: none"> <li>Non-borrower 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).</li> <li>Non-borrower household members may be relatives or non-relatives.</li> <li>Non-borrower household income must be documented in accordance with standard <i>Selling Guide</i> policy based on the income type.</li> <li>Non-borrowers must sign a statement of intent to reside with the borrower for a minimum of 12 months. (See optional <a href="#">Fannie Mae Form 1019.</a>)</li> <li>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 would not impact the DTI ratio used in the risk assessment or displayed on the DU Underwriting Findings report.</li> </ul> <p><b>NOTE:</b> 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.</p>	
<b>Other Income</b>	When "Other Income" is considered part of the qualifying income, it is subject to "Borrower Income Limits"	
	<p><b>Boarder income (relatives or non-relatives):</b></p> <ul style="list-style-type: none"> <li>Up to 30% of qualifying income;</li> <li>Documentation for at least 9 of the most recent 12 months (averaged over 12 months); AND</li> <li>Documentation of shared residency for the past 12 months</li> </ul> <p><b>Accessory dwelling units:</b></p> <ul style="list-style-type: none"> <li>Rental income may be considered in qualifying the borrower per rental income guidelines</li> </ul>	<p><b>Boarder income (relatives or non-relatives):</b></p> <ul style="list-style-type: none"> <li>Not eligible</li> </ul> <p><b>Accessory dwelling units:</b></p> <ul style="list-style-type: none"> <li>Rental income may be considered in qualifying the borrower per rental income guidelines</li> </ul>
<b>Requirements with LTV, CLTV, or HCLTV Ratios of 95.01% – 97%</b>	<p>One-unit principal residence. All borrowers must occupy the property. Manufactured housing is not permitted. At least one borrower on the loan must have a credit score. Reserves requirements will be determined by DU.</p>	



Homeownership Education	1-Unit	2-4 Units
<b>Homeownership Education and Housing Counseling</b>	<ul style="list-style-type: none"> <li>Homeownership education is required for all HomeReady purchase mortgage loans.</li> <li>Certificate of Completion of Pre-purchase Housing Counseling:               <ul style="list-style-type: none"> <li>Once HUD-approved one-on-one counseling is completed, an update will be made to the Homebuyer Education Completion Indicator. This field will include two options:                   <ol style="list-style-type: none"> <li>Homebuyer Education complete and</li> <li>One-on-one counseling complete. For option 2, the counseling recipient must have received both pre-purchase housing counseling and homeownership education, as detailed on <a href="#">Form 1017</a>.</li> </ol> </li> </ul> </li> </ul>	
<b>Post-Purchase Support</b>	<ul style="list-style-type: none"> <li>To support sustainability, borrowers will have access to post-purchase homeownership support for the life of the loan through Framework's homeownership advisor service.</li> </ul>	
<b>Pre-Purchase Homeownership Education</b>	<ul style="list-style-type: none"> <li>At least one borrower on each HomeReady purchase mortgage must do one of the following prior to the note date:               <ul style="list-style-type: none"> <li>Complete the Framework homeownership education course (\$75 fee paid by the borrower to Framework); or</li> <li>Receive pre-purchase housing advising from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed Certificate of Completion of Pre-Purchase Housing Counseling (Form 1017)); 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, if the HomeReady loan involves a Community Seconds or down payment assistance program.</li> </ul> </li> <li>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).</li> <li>Homeownership education certificate must be retained in the mortgage file.</li> </ul>	
<b>Previous Home-Buyer Education</b>	<p>In lieu of the Framework course, Fannie Mae will allow lenders to accept a certificate of pre-purchase education/counseling from a HUD-approved counseling agency dated within the previous six months before the loan application date and before September 30, 2016.</p>	
<b>Special Borrower Considerations</b>	<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 (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.</p>	

Any item not covered in the guidelines can be accessed by searching the [Fannie Mae](#) Seller Guide.

**For specific scenario requests, please go to the eScenarios tab located in eXPRESS - [LHFSWholesale.com](#), and post your scenario.**

**Guidelines are for use by mortgage professionals only and subject to change without notice.**

