

**FANNIE MAE HOMEREDY PROGRAM****Program Guidelines**

Ideal HomeReady Borrowers	<ul style="list-style-type: none"> • Low to moderate income • First-time or repeat homebuyers • Have limited cash for down payment • Supplemental boarder or ADU rental income 												
Underwriting Method	DU only. Manual underwriting is not offered												
Income Eligibility	Borrowers whose qualifying income is ≤ 80% of the applicable AMI limit for the subject property's address (AMI Look-Up Tool). Non occupant co-borrower allowed, and all qualifying income is used to determine income eligibility. Any income that is not used to qualify the loan (such as overtime, bonus, tips, etc.) is not included for determination												
Loan Terms	Fixed no more than 30 years, 5/6, 7/6, 10/6 SOFR Adjustable Rate												
Loan amount	Follow Fannie Mae												
Occupancy	Primary Only												
Purpose	Purchase and Limited Cash-Out Refinance												
Maximum LTV/CLTV/HCLTV	<table border="1"> <thead> <tr> <th></th> <th>1 unit</th> <th>2 unit</th> <th>3-4 unit</th> </tr> </thead> <tbody> <tr> <td>Fixed</td> <td>*97%</td> <td>95%</td> <td>95%</td> </tr> <tr> <td>ARM</td> <td>95%</td> <td>95%</td> <td>95%</td> </tr> </tbody> </table> <p>*Max 95% applies for high balance loan amount *For LCOR(Limited Cash-Out Refinance), over 95% allowed only when current loan is owned or securitized by Fannie Mae *CLTV up to 105% is acceptable with eligible community seconds (i.e. down payment assistance programs). For more information about community seconds, refer to the checklist *Max 95% applies when there is non occupant co-borrower</p>		1 unit	2 unit	3-4 unit	Fixed	*97%	95%	95%	ARM	95%	95%	95%
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ARM	95%	95%	95%										
Minimum Borrower Contribution	<ul style="list-style-type: none"> • One unit: \$0. All funds can come from gifts, grants or community seconds • 2-4 units: 0% for LTV/CLTV ≤ 80%, 3% for over 80% 												
Credit Requirements	Minimum FICO 620												
Number of Financed Properties	May own maximum of two (2) financed property, including the subject at the time of closing. Non-occupant borrowers are not subject to this restriction												
Mortgage Insurance Coverage	<ul style="list-style-type: none"> • LTVs 90.01 - 97%: 25% coverage (vs standard 35%) • LTVs 90% or less: Standard coverage • MI may not be financed 												
Income, Debts, Assets	Follow standard Fannie Mae guideline												
Other Income	<ul style="list-style-type: none"> • Boarder income <ul style="list-style-type: none"> - Income generated from shared residency can be used (i.e. rents from roommates) for both purchase and refinance, up to 30% of qualifying income - Boarder may not be borrower's spouse or domestic partner - Proof of boarder's shared residency for minimum 12 months is required (such as driver's license, bills, bank statements or W-2 forms showing the same address of borrower) - Copy of cancelled checks or bank statements to show the boarder's rental payments for the most recent 12 months is needed, however, if only partial payments are verified (at least 9 months), income will be multiplied by verified months then divided by 12 (i.e. \$500 cancelled checks of 9 months - \$500 * 9 / 12 = \$375) - Borrower statement affirming the source of rental income and the fact that the renter has resided with the borrower for the past year and intends to continue residing at the new residence for the foreseeable future is needed • Accessory dwelling unit rental income: 1 unit property with accessory dwelling unit (ADU) can generate rental income and it can be used for qualifying. ADU must have fully functioning kitchen and bathroom. For purchase transaction, either executed lease agreement or rent schedule from appraisal report (Form 1007) can be used with 25% vacancy factor. For LCOR, 1040 schedule E is used with no vacancy factor. Rental income is added to total qualifying income, and may never offset subject PITIA 												
Homeownership Education	<p>If all occupying borrowers are first-time homebuyers, at least one borrower must complete homeownership education and proof of completion must be provided. To get proof, borrower must</p> <ul style="list-style-type: none"> • complete the Framework homeownership education course prior to closing; or • complete a homeownership education course required by a Community Seconds or down payment assistance program that is provided by a HUD-approved agency prior to closing, if the HomeReady loan involves a Community Seconds or down payment assistance program; or • receive housing counseling from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed Certificate of Completion of Housing Counseling (Form 1017) prior to the borrower signing a purchase contract 												
Loan-Level Price Adjustments (LLPAs)	LLPAs are waived for all HomeReady loans												
Interest Rate Buydowns	<ul style="list-style-type: none"> • Loan must be purchase transactions • Loans must be fixed rate or 7- or 10-year ARMS 												