



Fannie Mae HomeReady

Mortgage insurance providers may have additional restrictions not listed within this document. Please refer to each mortgage insurance company's website for complete eligibility details.

FIXED RATE CONFORMING

PRIMARY RESIDENCE – PURCHASE				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	97% ¹	105%/97% ²	620	DU – Approve/Eligible
2-Unit	85%	85%	620	
3 to 4-Unit	75%	75%	640	

PRIMARY RESIDENCE - RATE/TERM REFINANCE				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	95%	95%	620	DU – Approve/Eligible
2-Unit	85%	85%	620	
3 to 4-Unit	75%	75%	640	

FIXED RATE HIGH BALANCE

PRIMARY RESIDENCE - PURCHASE & RATE/TERM REFINANCE				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	95%	105%/95% ²	700	DU – Approve/Eligible
	75%	75%	660	
2-Unit	85%	85%	740	
3 to 4-Unit	75%	75%	680	

1. LTV is limited to 95% on all rate/term refinances, High Balance loans and loans with a non-occupant borrower.

2. Traditional subordinate financing is limited to 97% CLTV. Maximum CLTV allowed up to 105% for purchase transactions when utilizing an approved community second program with a fixed rate.

PROGRAM SUMMARY

The HomeReady product is offered by Fannie Mae to help meet the diverse needs of today's buyers. It is designed for creditworthy, low to moderate income borrowers, with expanded eligibility in designated low-income, minority and disaster-impacted communities.

PRODUCTS OFFERED

Product Name	Term
HomeReady 30-Year Fixed	30 years
HomeReady 20-Year Fixed	20 years
HomeReady 15-Year Fixed	15 years
HomeReady 10-Year Fixed	10 years
HomeReady High Balance 30-Year Fixed	30 years
HomeReady High Balance 20-Year Fixed	20 years
HomeReady High Balance 15-Year Fixed	15 years
HomeReady High Balance 10-Year Fixed	10 years

LOAN REGISTRATION

When registering HomeReady loans in Loantrac, select HomeReady for the product question: Is an affordable housing loan requested? See **INCOME LIMITS** section below for additional registration instructions.

LOAN AMOUNTSMINIMUM

\$20,000

MAXIMUM

The maximum conforming loan limits for 1 to 4-unit property, including high balance loan limits. Refer to Fannie Mae High Balance, [Doc. #5346](#) for complete list of eligible high-cost areas.

LOANS WITH AN LTV, CLTV OR HCLTV 95.01-97%

All loans with an LTV, CLTV or HCLTV between 95.01-97% must meet all of the following criteria in addition to all other HomeReady requirements:

- CLTV is restricted to 97% if subordinate lien is not an eligible community second loan. Eligible community second may have a CLTV up to 105%
- HCLTV is restricted to 97%
- Purchase transaction
- Subject loan must be a fixed-rate
- All borrowers must occupy the property, non-occupant co-borrowers are not eligible
- DU Approve/Eligible
- Reserves per DU

ELIGIBLE BORROWERS

- All income-eligible occupant borrowers
- Non-occupant co-borrowers for loans with LTV, CLTV or HCLTV less than or equal to 95%

INELIGIBLE BORROWERS

- Occupant borrowers with an ownership interest in any other residential property at time of loan closing. Ownership in a timeshare, either as a deeded interest or a right-to-use arrangement, is not considered ownership in a residential dwelling for HomeReady financing.

ELIGIBLE PROPERTY TYPES

- 1 to 4-Unit properties
- Fannie Mae-eligible condominium
- Planned Unit Development (PUD)
- Modular home

INELIGIBLE PROPERTY TYPES

- Manufactured home
- Cooperative property

MINIMUM CREDIT SCORES

Refer to eligibility grids above

QUALIFYING RATE

Note rate

QUALIFYING RATIOS

- Determined by Desktop Underwriter (DU)
- Non-borrowing household member income may be used as a compensating factor when the occupying borrower DTI is greater than 45%. See **UNDERWRITING**

UNDERWRITING

All loans must meet the parameters as set out in Flagstar Bank's Residential Underwriting Guidelines.

- At least one borrower must complete the Framework Homeownership education course. See **HOMEOWNERSHIP EDUCATION** below.
- Loans must be submitted to Desktop Underwriter and receive Approve/Eligible response.
- All loans must meet minimum credit score requirements and standard credit eligibility guidelines. Manual underwriting, thin file or non-traditional credit profiles are not eligible.
- Occupant borrowers may not own any other residential property.
- Minimum borrower contribution requirements for purchase loans:

There is not a required minimum borrower contribution from the borrower's own funds if the loan has an LTV, CLTV, or HCLTV ratio of 80% or less.

If the LTV, CLTV or HCLTV ratio is greater than 80%, the minimum required borrower contribution from the borrower's own funds is dependent on the number of units, except as noted in the table below:

Number of Units	Minimum Borrower Contribution	Down Payment Requirement
One	None	3% ³
Two	3%	15%
Three or Four	3%	25%

3. 3% down payment is permitted for certain transactions. See **LOANS WITH AN LTV, CLTV OR HCLTV 95.01-97%** section above.

- Income and Income Limits

In determining whether a mortgage is eligible under the borrower income limits, the lender must count the income from all of the borrowers who will be listed on the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.

- No income limits in low-income census tracts (median tract income \leq 80% of area median income [AMI])
- 100% of AMI in high-minority census tracts or designated disaster areas
- 80% of AMI in other tracts
- In order to obtain the proper income limit an 11 digit Federal Information Processing Standard, or FIPS code, must be determined. The FIPS is comprised of the state code, county code and census tract. Once the FIPS is determined the income limits can be confirmed.
 - For pre-registration FIPS determination go to:
 - <https://www.fanniemae.com/singlefamily/homeready>
 - Under Income Eligibility select Income Eligibility Lookup Tool
- Loans registered in Loantrac with a standardized address, Loantrac will display the FIPS number and the corresponding Area Median Income and the corresponding income percentage limits.
 - If the FIPS and income limits are not displaying in the Affordable Housing screen return to the property address, verify address and select standardized when prompted.
- When DU is able to standardize the address, a message will be issued specifying the census tract used to determine the income limit to be applied to the loan.
- FIPS census tract must be compared to appraisal.
- In the event the address cannot be standardized:
 - Determine census tract via FFIEC link above
 - Document file with screenshot
 - Verify census tract with appraisal
- In the event a census tract number must be entered prior to the submission of the loan to underwriting, send an email to UnderwritingSupport@flagstar.com with the following:
 - Census Tract Entry in the subject line
 - Seller ID #
 - Loan Number
 - Borrower Name
 - State Code, County Code and Census Tract for the subject property
 - Underwriting Support enters census tract without . (i.e. 2140.00 = 214000)
 - Underwriting Support to ensure loan limits are displayed in the Affordable Housing screen prior to closing ticket
- Non-borrower household income is not required to be included for income limitation purposes
- Income other than listed below to be documented per standard Fannie Mae guidelines and/or DU.
- Boarder income:
 - From a related or non-related party may be included for one-unit properties as qualifying income up to an amount of 30% of the total qualifying income if the relative or non-relative has lived with (and paid rent to) the borrower for the last 12 months
 - The boarder must provide appropriate documentation to demonstrate a history of shared residency (such as a copy of a driver's license, bill, or bank statement that shows the boarder's address as being the same as the borrower's address)
 - Document the payment of rent to the borrower for:
 - The last 12 months (through cancelled check, etc)
 - At least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period
- Rental income from a 1-unit property with an accessory unit can be considered in qualifying the borrower; documentation and calculation in accordance with existing rental income guidelines

- Income from a non-borrower household occupant is permitted as a compensating factor in DU to allow a DTI ratio greater than 45% up to 50%. This income is not considered qualifying income and is not included in the DTI calculation. Non-borrower household income is entered in the Affordable Housing Section of Loantrac
 - Non-borrower household income must be documented in accordance with standard guidelines based on income type
 - There must be a signed statement of the intent for the non-borrower to reside with the borrower for a minimum of 12 months (or continue to reside with the borrower for rate/term refinance transactions). See Fannie Mae Form 1019 located in the Seller's Guide under Doc. #3282.
 - The non-borrower's income must be at least 30% of the total monthly qualifying income being used by the borrower
 - If income of more than one non-borrower is used, together they must be at least 30% of the total monthly qualifying income being used by the borrower. All contributors must provide income documentation as indicated above and execute Fannie Mae Form 1019/Doc. #3282.
- Cannot use boarder income and non-borrower household income from the same person
- Assets
 - Document reserves/asset requirements per standard Fannie Mae guidelines and/or DU
 - Source of funds:
 - Borrower must contribute to the transaction, from his or her own funds, if required, the minimum amount listed in the Underwriting section above towards down payment, closing costs and/or prepaid expenses. Other funds required for the transaction may be obtained from any combination of the following sources:
 - Gifts per Flagstar Conventional Underwriting Guidelines
 - Eligible grants, see Flagstar Gift/Grant Program information, Doc. #5935
 - Community Seconds, see Flagstar Community Seconds Programs information, Doc. #5932
 - Net proceeds from a loan against the cash value or from the surrender of a life insurance policy
 - Cash-on-hand may be an acceptable source of funds for down payment, closing costs and prepaids in the following circumstances:
 - Not used towards reserve requirements
 - The following must be verified and documented:
 - The borrower customarily uses cash for expenses and that its usage and reasonableness, as well as the amount of funds saved is consistent with the borrower's previous payment practices
 - The lender must verify that 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
 - Borrower to provide written statement that discloses the source of funds and states that the funds have not been borrowed
 - 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
 - Data must be entered correctly prior to submitting loan to DU:
 - You must enter the amount of cash on hand as *Cash on Hand* in the Assets section of the online loan application
 - DU will use the *Cash on Hand* amount to calculate the available funds to close. However, cash-on-hand funds will not be used to calculate reserves. As an example, if a borrower needs \$2,000 to close and the amount of cash-on-hand is \$3,000, DU would

count the cash-on-hand as sufficient funds to close; however, DU would not apply the remaining \$1,000 toward reserves

- DU will return a message specific to the use of cash-on-hand

INTERESTED PARTY CONTRIBUTIONS

Interested party contributions include funds contributed by the property seller (directly or indirectly), builder, real estate agent/broker, or any other party with an interest in the real estate transaction. The mortgage lender may also be considered an interested party if it has an ownership relationship with the property seller or one of the other interested parties such as the builder or real estate broker/agent.

- Interested party contributions may be used exclusively to cover closing costs and prepaid expenses that exceed the borrower's minimum contribution requirement

INTERESTED PARTY CONTRIBUTION LIMITS			
CLTV	Up to 75%	75.01-90%	90.01-97%
Primary Residences	Maximum 9%	Maximum 6%	Maximum 3%

HOMEOWNERSHIP EDUCATION

At least one borrower must complete online pre-purchase Homeownership Education from Framework Homeownership LLC prior to loan closing for purchase and refinance transactions.

Fannie Mae applies the following definitions of homeownership education and housing counseling:

- Homeownership Education: Education is an established curriculum and instructional goals, provided in a group or classroom setting or via other formats, that covers such homeownership topics as the home-buying process, how to maintain a home, budgeting and the importance of good credit. Participants in homeownership education must also receive a referral to or information about locating HUD-approved counseling agencies for additional assistance.
- Housing Counseling: Counselor-to-client assistance that addresses unique financial circumstances and housing issues, and focuses on overcoming specific obstacles to achieve housing goals such as repairing credit, locating cash for a down payment, recognizing predatory lending practices, understanding fair lending or fair housing requirements, avoiding foreclosure or resolving a financial crisis.

A copy of the certificate of completion for homeownership education must be retained in the mortgage loan file.

See <https://knowyouroptions.com/homeready> or

<https://homeready.frameworkhomeownership.org/Default.aspx>.

Cost of course is \$75 and is paid directly to Framework and typically takes four to six hours to complete. It meets the requirements of the HUD Housing Counseling Program and the curriculum guidelines of the National Industry Standards for homebuyer Education and Counseling. Also acceptable is Framework Fannie Mae's HomePath Ready Buyer program.

For borrowers where online education may not be appropriate due to disability, lack of Internet access or other issues may indicate that a borrower is better served through other methods such as in-person classroom education, telephone conference call, etc. can call Framework at 855-659-2267 to be referred to a HUD approved counseling agency that can meet their needs.

For HomeReady loan applications dated on or before September 30, 2016, if a borrower has completed homeownership education from a HUD-approved counseling agency within six months of the loan application date, that education will meet the HomeReady requirements.

2- to 4-unit Properties

At least one borrower must complete landlord education when purchasing 2- to 4-unit properties in addition to homeownership education. The loan file must be documented with the certificate of completion. Landlord education is not currently supported by Framework and must be obtained from one of the following:

- MGIC <https://homebuyers.mgic.com/landlord/becoming-a-landlord.html>
- Genworth <https://mortgageinsurance.genworth.com/LenderServices/HomebuyerEducation.aspx>
- Radian <http://www.radian.biz/page?name=HomeownershipCounselingCenter>
- Essent <http://financialpaths.org/home-ownership/homeownership-phone-counseling-and-certificate/>

SUBORDINATE FINANCING

Refer to the *Subordinate Financing* section of the *Conventional Underwriting Guidelines* for details. The use of financing obtained from the property seller is not allowed.

Eligible Community Seconds subsidized subordinate financing (up to 105% CLTV). Community Seconds may be eligible from a state, local or municipal authority or agency, a 501(c)(3) nonprofit corporation, a tax-exempt religious organization or the borrower's employer. Flagstar Bank must review all Community Second programs for eligibility. An official written description of the program (from the agency providing the funds), the loan documents used in connection with the financing (i.e. the Note, Mortgage/Deed of Trust, etc.), and any other written descriptive material must be submitted with the loan file. Subordinate financing program review generally requires three to five business days for approval.

TEMPORARY BUYDOWNS

Not eligible

TEXAS REFINANCE LOANS

All refinance loans in Texas will be evaluated against the criteria outlined in our *Conventional Underwriting Guidelines, Texas Refinances* section to determine if the loan must be originated under the requirements of Section 50(a)(6) of the Texas Constitution. Refer to *Texas Homestead 50(a)(6) Refinance - Correspondent*, Doc. #5906, or *Texas Homestead 50(a)(6) Refinance - Broker*, Doc. #5907, for eligibility, documentation/disclosure, and title/closing requirements.

SPECIAL FEATURE CODES

This loan program requires that certain special feature codes be attached to each loan file by the underwriter.

- All HomeReady: SFC 900
- HomeReady High Balance: SFC 808
- Other SFC as applicable

MORTGAGE INSURANCE

Mortgage insurance providers may have additional restrictions not listed within this document. Due to rapid changes within the industry, please refer to each mortgage insurance company's website for complete details.



Fannie Mae HomeReady

Refer to [MI Company Parameter Matrix](#) to assist you with keeping up with these changes. However, this document is to be used as a reference only.

MGIC, Genworth, Essent & Radian may provide the required mortgage insurance coverage under all HomeReady products. Reduced MI coverage is not eligible.

All loans above 80% LTV require mortgage insurance coverage according to the following guidelines:

MORTGAGE INSURANCE GUIDELINES

Primary Residence – Purchase & Rate/Term Refinance		
LTV	30-Year	10, 15 & 20-Year
95.01-97%	25%	25%
90.01-95%		12%
85.01-90%		
80.01-85%	12%	6%

NEW YORK PROPERTIES

See [Conventional Underwriting Guidelines](#).

For Single Financed Mortgage Insurance (SFMI) and Lender Paid Mortgage Insurance (LPMI) eligibility see Single Financed Mortgage Insurance – Lender Paid Mortgage Insurance, [Doc. #5010](#).

STATE ELIGIBILITY

These products are available in the following states/territories with restrictions. The states/territories not listed are available without restrictions.

State/Territory	Restriction
New York	Refer to Mortgage Insurance section above for mortgage insurance coverage calculation requirements.
Texas	Refer to Texas Refinances section above.

PREPAYMENT PENALTY

None

CLOSING DOCUMENTATION

Closing docs may be ordered through Flagstar's Web Based Closing Docs (WBCD) service available in Loantrac.

ALL LOANS

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Standard title commitment with all applicable endorsements

IF APPLICABLE

- Fannie Mae/Freddie Mac multi-state Condo Rider, Form# 3140
- Fannie Mae/Freddie Mac multi-state PUD Rider, Form# 3150
- Fannie Mae/Freddie Mac multi-state 1-4 Family Rider, Form# 3170 (for 2 to 4-Unit primary residences and all investment property mortgages)



Fannie Mae HomeReady

Refer to Flagstar's *All Memos Search* page for memos relating to recent guidelines changes.