

## **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 FICO	Occupancy
<b>Purchase and Rate / Term Refinance</b>	1 Unit	97% <sup>1,2,3</sup> / 105% <sup>1,2,3</sup>	97% <sup>1</sup> / 97% <sup>1</sup>	620	Primary
	2 Units	95% / 105%	95% / 95%		
	3-4 Units	95% / 105%	95% / 95%		

1. 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.
2. The CLTV ratio can be up to 105% if the subordinate lien is a Community Seconds loan.
3. 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



Underwriting	1-Unit		2-4 Units
ELIGIBILITY	<ul style="list-style-type: none"><li>Conforming and High Balance</li><li>Loan Purpose: Purchase or Limited Cash-out Refinance</li><li>HomeReady transactions must be submitted through DU and must indicate HomeReady Community Lending product</li><li>DU recommendation of Approve/Eligible required.</li><li>Manual underwriting not allowed.</li><li>30-, 25-, 20-, 15-, 10-year fixed-rate mortgages only.</li></ul>		
MAXIMUM LTV/CLTV AND SUBORDINATE FINANCING	<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>Purchase and Limited Cash Out Refinance:</b> <ul style="list-style-type: none"><li>DU Only – 95% to 97%</li></ul>	<b>Purchase or Limited Cash Out Refinance:</b> <ul style="list-style-type: none"><li>2-4 Units: 95% Fixed Rate</li></ul>	
BORROWERS	<ul style="list-style-type: none"><li>Borrower is not required to be a first-time buyer</li><li>Requirements with LTV, CLTV, or HCLTV Ratios of 95.01% – 97%:<ul style="list-style-type: none"><li>One-unit principal residence. All borrowers must occupy the property.</li></ul></li><li>Non-occupant borrowers permitted to maximum 95% LTV in DU</li><li>Unexpired government issued ID’s and social security number are required for each Borrower.</li><li>Land Home Financial Services Inc. will process a third-party social security number validation required for all Borrowers.</li><li>Maximum number of 4 borrowers, including accommodation mortgagors.</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> <p><b><u>Ineligible Borrowers</u></b></p> <ul style="list-style-type: none"><li>Borrowers that are not legal residents including, but not limited to the following borrowers:<ul style="list-style-type: none"><li>Diplomatic Immunity/Embassy Personnel,</li><li>Borrowers with deferred action status, which includes DACA,</li><li>Foreign Nationals,</li><li>Borrowers with Temporary Protected Status (TPS)</li></ul></li></ul>		
CREDIT	<ul style="list-style-type: none"><li>620 FICO Requirement:<ul style="list-style-type: none"><li>Exception for No Credit Score: When borrowers have joint credit and one has a credit score and the other does not, and an Approve / Eligible is received, the loan is acceptable.</li><li>Requirements with LTV, CLTV, or HCLTV Ratios of 95.01% – 97%:<ul style="list-style-type: none"><li>At least one borrower on the loan must have a credit score.</li></ul></li></ul></li><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>Current year IRS taxes due:<ul style="list-style-type: none"><li>If borrower has not paid current year taxes due and is on extension, taxes must be paid current or taxes must be filed and have an approved IRS installment plan established.</li></ul></li><li>Investment Properties using rental income to qualify:<ul style="list-style-type: none"><li>Borrowers must be qualified with primary housing expense.<ul style="list-style-type: none"><li>Exceptions: Non-Borrowing spouse solely obligated to present housing mortgage.</li></ul></li></ul></li><li>Land Home Financial Services, Inc. will run Undisclosed Debt Monitoring (UDM) prior to closing. Any new inquiries and/or debt must be documented.</li><li>DU will determine qualifying ratios.</li></ul>		



Underwriting	1-Unit	2-4 Units
<b>INCOME</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>Effective with new casefiles submitted to DU on or after the weekend of July 20, 2019, LHFS is aligning with Fannie Mae's updates to HomeReady Income Eligibility limits and requiring all HomeReady loans to not exceed 80% AMI for the property's location, including properties in low-income census tracts.</li> <li><a href="#">Income Eligibility Summary by State</a></li> <li><a href="#">Income Eligibility Maps</a></li> <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>Rental income received from a relative requires a documented 12-month payment history of rents.</li> <li>Amended tax returns are only acceptable for documented errors or omissions.</li> <li>Paystubs and W-2's may not be substituted with a written verification of employment. <ul style="list-style-type: none"> <li>Does not apply to conventional Fannie Mae (DU) transactions that utilize Day 1 Certainty</li> </ul> </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>OTHER INCOME</b>	When "Other Income" is considered part of the qualifying income, it is subject to "Borrower Income Limits"	
	<b>Boarder income (relatives or non-relatives):</b> <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> <b>Accessory dwelling units:</b> <ul style="list-style-type: none"> <li>Rental income may be considered in qualifying the borrower per rental income guidelines</li> </ul>	<b>Boarder income (relatives or non-relatives):</b> <ul style="list-style-type: none"> <li>Not eligible</li> </ul> <b>Accessory dwelling units:</b> <ul style="list-style-type: none"> <li>Rental income may be considered in qualifying the borrower per rental income guidelines</li> </ul>
<b>ASSETS</b>	<ul style="list-style-type: none"> <li>Reserve requirements will be determined by DU.</li> <li>Gifts, grants, and Community Seconds</li> <li>Gift donors cannot be on title or purchase contract as they do not meet the definition of "Gift" per agency definition.</li> <li>VOD's are not acceptable for asset documentation alone. <ul style="list-style-type: none"> <li>May not apply to Day 1 Certainty loans.</li> </ul> </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>	



Eligibility	1-Unit	2-4 Units
<b>MINIMUM BORROWER CONTRIBUTION (OWN FUNDS)</b>	<ul style="list-style-type: none"> <li>\$0</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>
	<ul style="list-style-type: none"> <li>3%</li> </ul>	<ul style="list-style-type: none"> <li>2 Units: 15%</li> <li>3-4 Units: 25%</li> </ul>
	<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>PROPERTY COLLATERAL</b>	<ul style="list-style-type: none"> <li>1-unit principal residence, including eligible condos, PUDs, and manufactured housing <ul style="list-style-type: none"> <li>All manufactured home condos must be on FNMA's approved list.</li> </ul> </li> <li>Requirements with LTV, CLTV, or HCLTV Ratios of 95.01% – 97%: <ul style="list-style-type: none"> <li>Manufactured housing not permitted</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>2- to 4-unit principal residence (condos, co-ops, and manufactured housing are not permitted)</li> </ul>
	<p>Transferred appraisal allowed under conforming loan amounts and fixed rate transactions only.</p> <p><b><u>Ineligible Properties / Locations:</u></b></p> <ul style="list-style-type: none"> <li>LHFS does not offer financing to properties that are secured by community land trusts (i.e., Illinois Land Trust).</li> <li>Co-ops are not permitted.</li> <li>Manufactured Homes – Leasehold Estate ownership</li> <li>Texas 50(a)(6) is not permitted</li> <li>Unincorporated territories of the United States (borrowers and properties) are ineligible for financing. <ul style="list-style-type: none"> <li>Puerto Rico</li> <li>US Virgin Islands</li> <li>Guam</li> <li>American Samoa</li> <li>Swains Island</li> </ul> </li> </ul>	



Eligibility	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> <p><b>Post Purchase Support:</b></p> <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> <p><b>Pre-Purchase Homeownership Education:</b></p> <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; 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>Homeownership education certificate must be retained in the mortgage file.</li> </ul> <p><b>Previous Home-buyer education:</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p><b>Special Borrower Considerations:</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	
<b>OTHER CONSIDERATIONS</b>	<ul style="list-style-type: none"> <li>Maximum days allowed for seller rent back 60 days.</li> <li>All loan documentation should not be over 90 days old at submission.</li> <li>Property Assessed Clean Energy (PACE) aka: Home Energy Renovation Opportunity (HERO) subordination not permitted. Must be paid in full prior to closing.</li> <li>Temporary Buy down loans not permitted.</li> <li>All HPML loans must pass Safe Harbor in order to be eligible for closing.</li> </ul>	
<b>HELPFUL LINKS</b>	<p><b>Land Home Financial Additional Resources:</b></p> <ul style="list-style-type: none"> <li><a href="#">LHFSWholesale.com</a></li> <li><a href="#">Conventional - Submission Checklist</a></li> </ul> <p><b>Agency Guidelines:</b></p> <ul style="list-style-type: none"> <li><a href="#">Fannie Mae Selling Guide</a></li> <li><a href="#">Fannie Mae HomeReady FAQ</a></li> <li><a href="#">Fannie Mae HomeReady Website</a></li> <li><a href="#">Framework Course - Homebuyer Education</a></li> </ul> <p><b>Manufactured Housing:</b></p> <ul style="list-style-type: none"> <li><a href="#">Manufactured Housing Additional Requirements</a></li> <li><a href="#">Manufactured Housing – Underwriting Reminders</a></li> <li><a href="#">Institute for Building Technology and Safety (IBTS)</a></li> <li><a href="#">Manufactured Home Construction and Safety Standards</a></li> </ul>	

Each loan will be evaluated for layers of risk, reasonability, ability and willingness to repay debt. Additional items for consideration include but are not limited to payment shock, assets, reserves, negative balances in bank accounts, housing history, slow pays, financing management evidenced by credit and asset reviews, red flags, multiple layers of risk, etc. May require additional documentation or explanations above and beyond the AUS requirements.

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

