

Fannie Mae's HomeReady Program



homebridge
wholesale

- HomeReady is Fannie Mae's affordable lending program designed for low-to-moderate income borrowers with expanded eligibility for financing homes in low-income communities
- Non-first time homebuyers and first time homebuyers eligible
- Purchase and rate/term refinance transactions
- 1-4 unit owner-occupied properties
- Fixed rate only with 10, 15, 20, 25, or 30 year terms
- Maximum 97% LTV for 1-unit owner-occupied purchase transactions; available for non-first time **and** first time homebuyers
- Maximum 97% LTV for rate/term refinance **if** loan being refinanced is currently serviced by Fannie Mae
- Maximum 95% LTV for 1-unit manufactured homes and rate/term refinance transactions not currently serviced by Fannie Mae

- Lower MI coverage at 90.01%-97% LTV: 25% (standard requires 30%/35%)
- DU “Approve/Eligible” Finding required; manual underwriting ineligible
- Homeownership education or counseling must be completed by at least one borrower on purchase transactions prior to the Note date when **all** of the occupying borrowers are first time homebuyers
- Borrowers may own one additional financed property in addition to the subject; maximum 2 including subject.

NOTE: Financed properties owned by a non-occupant borrower are not included in the financed property count

- Borrower own funds contribution requirements:

- ≤ 80% LTV: Not required

- > 80% LTV:

Number of Units	Minimum Borrower Own Funds Contribution	Minimum Down Payment Requirement
1	None	3%
2	3%	15%
3-4	3%	25%

- HomeReady loans may be combined with HomeStyle. The more restrictive of the applicable guidelines apply with the exception of MI requirements; the lower level MI coverage allowed by HomeReady may be used

- **HomeReady LLPA cap is 0.00 if LTV is > 80% and FICO is ≥ 680**

- All other combinations HomeReady LLPA cap is 1.50 (excludes loan amount, escrow and state adjustors)

■ **Income Eligibility**

- The borrower's total annual qualifying income cannot exceed 80% of the area median income (AMI) where the property is located (including properties in low-income census tracts)
- The total income from all borrowers on the transaction is included when determining if the borrower meets the income requirements

- **DU Identifies Census Tract**

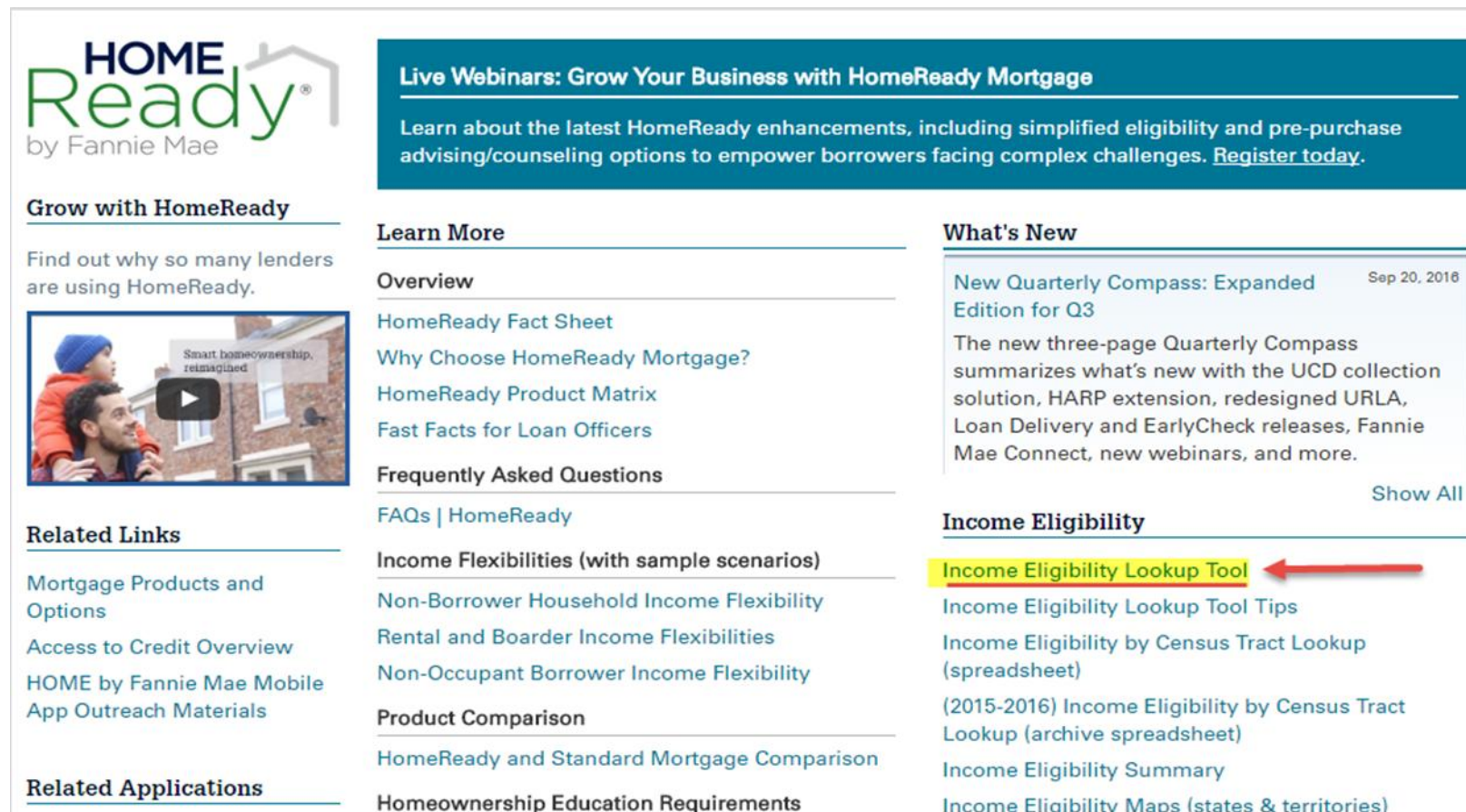
- DU will automatically apply the income limit if it is able to identify the census tract where the property is located and issue a DU message identifying the census tract used

■ DU Unable to Identify Census Tract

- If DU is unable to determine the census tract, the census tract must be manually determined

Go to: <https://www.fanniemae.com/singlefamily/homeready>

- ✓ Select “Income Eligibility Lookup Tool”



The screenshot shows the HomeReady website interface. At the top left is the HomeReady logo by Fannie Mae. A teal banner at the top right promotes live webinars. Below the banner, the page is divided into several sections: 'Grow with HomeReady' with a video thumbnail, 'Learn More' with links to fact sheets and FAQs, 'What's New' with a recent update on the Quarterly Compass, 'Income Eligibility' with a list of tools, and 'Related Links' and 'Related Applications' at the bottom left. A red arrow points to the 'Income Eligibility Lookup Tool' link in the 'Income Eligibility' section.

HOME Ready
by Fannie Mae

Live Webinars: Grow Your Business with HomeReady Mortgage
Learn about the latest HomeReady enhancements, including simplified eligibility and pre-purchase advising/counseling options to empower borrowers facing complex challenges. [Register today.](#)

Grow with HomeReady
Find out why so many lenders are using HomeReady.

Learn More
Overview
[HomeReady Fact Sheet](#)
[Why Choose HomeReady Mortgage?](#)
[HomeReady Product Matrix](#)
[Fast Facts for Loan Officers](#)
Frequently Asked Questions
[FAQs | HomeReady](#)

What's New
New Quarterly Compass: Expanded Edition for Q3 Sep 20, 2016
The new three-page Quarterly Compass summarizes what's new with the UCD collection solution, HARP extension, redesigned URLA, Loan Delivery and EarlyCheck releases, Fannie Mae Connect, new webinars, and more.
[Show All](#)

Income Eligibility
Income Eligibility Lookup Tool ←
[Income Eligibility Lookup Tool Tips](#)
[Income Eligibility by Census Tract Lookup \(spreadsheet\)](#)
[\(2015-2016\) Income Eligibility by Census Tract Lookup \(archive spreadsheet\)](#)
[Income Eligibility Summary](#)
[Income Eligibility Maps \(states & territories\)](#)

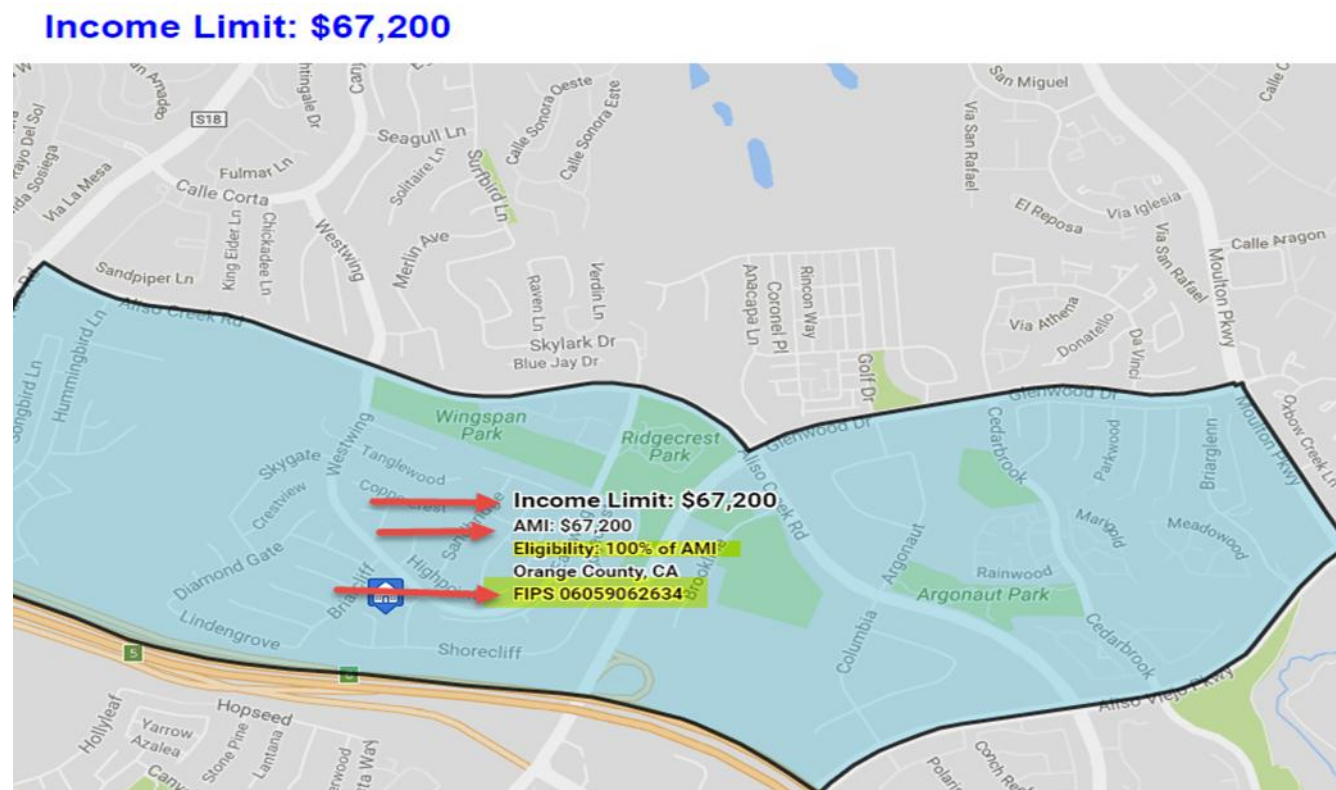
Related Links
[Mortgage Products and Options](#)
[Access to Credit Overview](#)
[HOME by Fannie Mae Mobile App Outreach Materials](#)

Related Applications
Product Comparison
[HomeReady and Standard Mortgage Comparison](#)
Income Flexibilities (with sample scenarios)
[Non-Borrower Household Income Flexibility](#)
[Rental and Boarder Income Flexibilities](#)
[Non-Occupant Borrower Income Flexibility](#)
Homeownership Education Requirements

Income Eligibility: DU Unable to Identify Census Tract (cont.)

- ✓ Enter the address of the subject property and the income eligibility, income limit, and the 11-digit FIPS code will be provided

NOTE: The FIPS code is the Federal Information Processing Standard that uniquely identifies counties in the U.S. When DU is unable to identify the census tract the FIPS code will be entered on the Loan Information section in DU (refer to [slide 27](#))



- Conforming and high balance eligible
- Borrowers may own additional property
- Transactions where no borrower has a credit score are **ineligible**
- Transactions with borrower(s) with non-traditional credit are ineligible **UNLESS** the borrower with the credit score (traditional credit) is contributing > 50% of the qualifying income

- **95.01% to 97% LTV subject to specific eligibility requirements:**
 - 1-unit purchase transaction
 - 1-unit rate/term refinance **if** current loan is serviced by Fannie Mae. Refer to [Know Your Options - Loan Lookup](#) for eligibility
 - Conforming loan amounts only
 - Eligible for first time **and** non-first time homebuyers
 - All borrowers must occupy the subject property (no non-occupant co-borrowers)
 - Manufactured housing ineligible
 - 105% CLTV eligible with a Community Second only; maximum 97% CLTV without Community Second

NOTE: Community Second/DPA must be a Homebridge approved program

- **HomeReady has multiple advantages:**
 - Borrowers are not required to be first time homebuyers
 - Lower borrower own funds contribution requirements
 - Lower MI coverage for 90.01% - 97% LTV
 - Cash-on-hand eligible with certain requirements
 - Boarder income is eligible for qualifying (both purchase and rate/term)
 - Accessory unit income is eligible for qualifying (purchase and rate/term)
 - Non-occupant co-borrower income may be used for qualifying
 - ✓ Income and liabilities are included in the DTI

NOTE: Transactions with a non-occupant co-borrower are limited to a maximum of 95% LTV/CLTV

- Rental income received from one or more individuals who reside with the borrower is considered stable income. Boarder income is eligible on purchase and rate/term transactions. The boarder is **not required** to be related to the borrower.
- Boarder income is eligible subject to:
 - 1-unit properties only
 - Boarder income is limited to 30% of the total gross income that is used to qualify the borrower
 - The individual must have lived with the borrower for 12 months (in a property other than the subject if purchase or subject property if refinance)
 - Rental payments must be documented for 12 months. If 12 months cannot be documented a minimum of 9 months documented payments is acceptable however the **rental income must be averaged over 12 months**
 - Rent payments **must be paid directly to the borrower**; rent payments made to a third party are **ineligible**

- **Boarder Income Examples:**

- Documented receipt full 12 months

Boarder Income Documented for Full 12 months	
Borrowers Income:	\$6,000
Borrower's Liabilities:	\$2820
DTI:	\$2820 divided by \$6,000 = 47%
Eligibility:	Not Eligible
<u>With Rental Income from Boarder:</u>	\$375 per month (documented 12 months)
Eligibility:	Eligible \$6,000 (borrower income) + \$375 (rental income from boarder documented 12 months) = \$6,375. \$2820 divided by \$6375. = 44.24% DTI

- Documented receipt 10 months – **average over 12 months**

Boarder Income Documented for 10 Months (must be averaged over 12 months)	
Borrowers Income:	\$6,000
Borrower's Liabilities:	\$2820
DTI:	\$2820 divided by \$6,000 = 47%
Eligibility:	Not Eligible
<u>With Rental Income from Boarder:</u>	\$375 per month (documented 10 months) \$375 multiplied by 10 = \$3750 divided by 12 months = \$312.50 per month
Eligibility:	Eligible \$6,000 (borrower income) + \$312.50 (rental income from boarder averaged) = \$6,312.50. \$2820 divided by \$6312.50 = 44.67% DTI

- Rental income received from an accessory unit is eligible to use for qualifying the borrower subject to:
 - Subject property is 1-unit with an accessory unit
 - The accessory unit is not required to comply with local zoning
 - A lease agreement or a Single Family Comparable Rent Schedule (Fannie Mae form 1007) is required to document rental income
 - If Form 1007 is used the appraiser must:
 - ✓ Explain that the estimated market rent is for the rental of an accessory unit on a 1-unit property, and
 - ✓ The information on Form 1007 is specific to the accessory unit

- **Cash-on-hand is eligible for down payment, funds to close and prepaid items. Cash-on-hand is not eligible to satisfy reserve requirements (if applicable)**
- Cash-on-hand is eligible on 1-unit properties only
- **Cash-on-hand is subject to the following verification and documentation requirements:**
 - Borrower typically uses cash for expenses and the cash-on-hand is consistent with payment practices, *and*
 - Funds must be deposited in a financial institution at time of loan application or a **minimum of 30 days prior to loan closing, and**
 - Borrower must provide a written statement that the funds are not borrowed, *and*
 - The credit report validates the borrower has limited/no use of credit or relationship with a bank/credit union

- **Mortgage insurance coverage is lower** on the HomeReady program for 90.01% to 97% LTVs:
 - 25% coverage for LTVs 90.01% - 97% (standard requires 30%-35%)
 - Standard MI coverage for LTVs 90% or less
 - ✓ 80.01% to 85% LTV: 6% / 12% (determined by loan term)
 - ✓ 85.01% to 90% LTV: 12% / 25% (determined by loan term)
 - Homebridge will use **Radian** as the mortgage insurance provider on the HomeReady program

- **Purchase transactions** require at least one borrower on the loan to complete homeownership education or counseling **prior to the Note date when all occupying borrowers on the transaction are first time homebuyers**
- **Homeownership Education:** Homeownership education may be provided by any third-party provider. The provider's content must be aligned with one of the following:
 - The [National Industry Standards](#) (NIS) for Homeownership Education and Counseling, **OR**
 - HUD

NOTE: Fannie Mae offers [HomeView](#), a certificate course for first time home buyers, which satisfies the education requirement
- The education may be in-person, via the internet, telephone, or a hybrid format

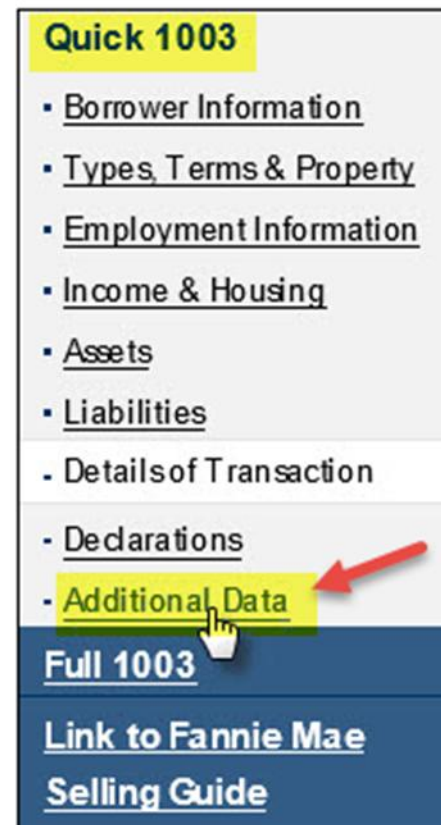
NOTE: In lieu of homeownership education the borrower may elect to complete housing counseling (see next slide)

- **Homeownership Counseling:** Housing counseling must be provided by a HUD-approved agency and meet HUD standards
 - HUD-approved agencies include affiliated agencies participating in a HUD program through a HUD-approved intermediary or State Housing Finance Agency
 - The below links are provided to assist in located a HUD-approved housing counseling agency:
 - ✓ [Nationally HUD-Approved Housing Counseling Agencies](#)
 - ✓ Find a local housing counselor by zip code: [Consumer Financial Protection Bureau](#)

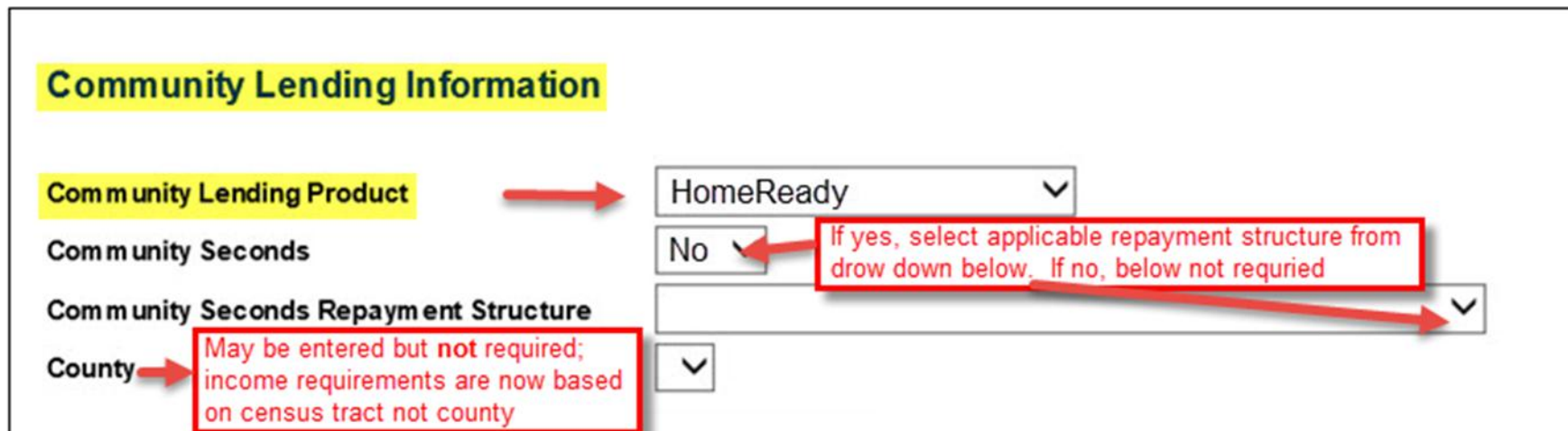
Homeownership Education/Counseling Requirements (cont.)

- A copy of the homeownership education course completion certificate must be provided, **OR**
- A copy of the homeownership counseling completion certificate must be provided, **AND**
- When homeownership education/counseling is required the ***Homeownership Education and Housing Counseling*** section of Form 1103, **Supplemental Consumer Information Form** must be completed for all transactions where the borrower was required to complete homeownership education **or** counseling (i.e. form 1103 must be completed for borrowers who chose to complete an education course **and** for borrowers who chose to complete counseling)

- To identify the loan as a HomeReady transaction in DU:
 - Select “Additional Data” located in the navigation screen on the Quick 1003 page



- On the “Additional Data” screen, locate the *Community Lending Information* section and select “HomeReady” from the “Community Lending Product” drop down menu
- Select “Yes” or “No” from the Community Second drop down, as applicable. If yes, select the applicable information from the Community Seconds Repayment Structure drop down



The screenshot shows the 'Community Lending Information' section of a form. The 'Community Lending Product' dropdown is set to 'HomeReady'. The 'Community Seconds' dropdown is set to 'No'. The 'Community Seconds Repayment Structure' dropdown is empty. The 'County' dropdown is empty. Red arrows point from text boxes to the corresponding fields. A red box around the 'Community Seconds' dropdown contains the text: 'If yes, select applicable repayment structure from drop down below. If no, below not required'. A red box around the 'County' dropdown contains the text: 'May be entered but not required; income requirements are now based on census tract not county'.

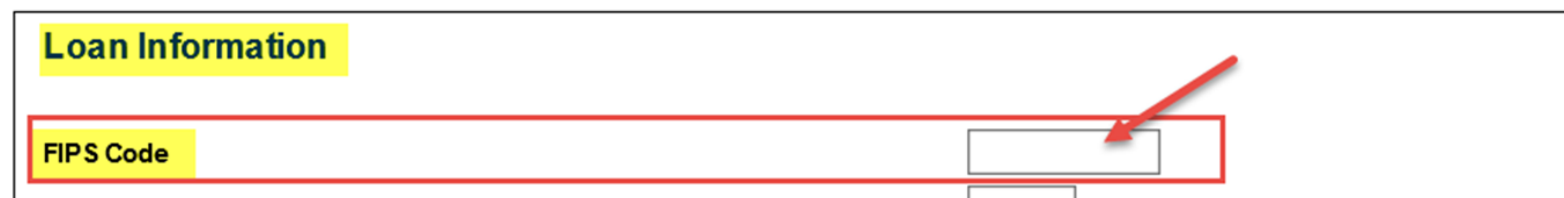
NOTE: The county may be entered but is **not** required

- FIPS Code

- DU determines the income eligibility requirements for HomeReady based on the census tract where the property is located. If DU was unable to identify the census tract following the instructions on [slides 8](#) and [9](#) of this presentation



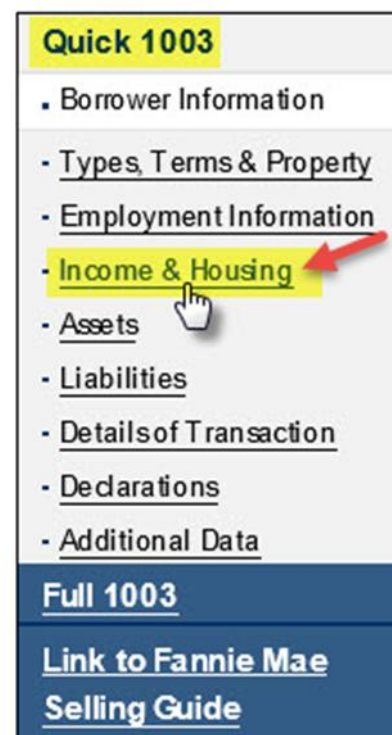
- Enter the 11-digit FIPS code under the Loan Information section



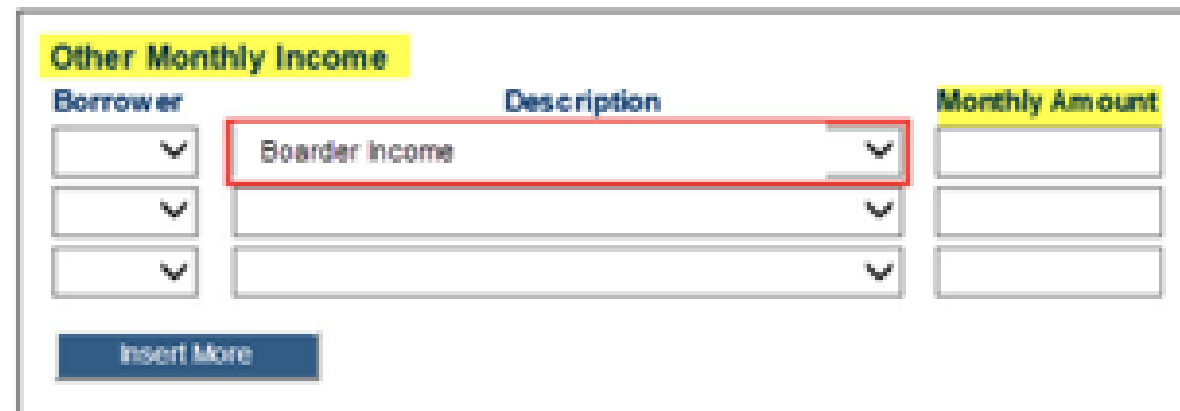
- Once all information has been entered, click “Submit”

■ **Boarder Income or Accessory Unit Income**

- If the above income types are being utilized on the transaction enter the information in DU by selecting “Income and Housing” from the navigation bar on the Quick 1003 screen



- Select the applicable income type from the drop down menu and enter the monthly amount; complete this step for accessory unit and/or boarder income as applicable



Borrower	Description	Monthly Amount
<input type="text"/>	Boarder Income	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Insert More

- Once all information has been entered, click “Submit”



Previous Next Save and Close Cancel Submit

■ Cash-on-Hand

- If cash-on-hand is being utilized on the transaction, enter the information in DU by selecting “Assets” from the navigation bar on the Quick 1003 screen



- Select Cash on Hand from the dropdown menu and enter the cash value

Account Owner *	Asset Type *	Cash Value *
<input type="text"/>	<input type="text" value="Cash on Hand"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

- Once all information has been entered click on “Submit”

Q. What are the benefits of the HomeReady program?

A. Some of the benefits include:

- ✓ Lower down payment
- ✓ Flexibility in income sources (accessory unit, boarder income eligible)
- ✓ Lower MI coverage required at 90.01%-97% LTV
- ✓ Financing up to 97% LTV on an owner-occupied purchase transaction (first time homebuyers AND non-first time homebuyers)
- ✓ Financing up to 97% LTV on rate/term refinance if the loan being refinanced is currently owned by Fannie Mae (if not, max. 95% LTV)
- ✓ 105% CLTV on 1-unit purchase transactions with eligible Community Second
- ✓ Cash-on-hand eligible with certain requirements

Q. Is there a minimum credit score for the program?

A. No, credit score eligibility is determined by DU

Q. Is manual underwriting allowed?

A. While Fannie Mae allows manual underwriting, Homebridge requires all HomeReady loans be run through DU and receive an “Approve/Eligible” Finding

Q. Is a borrower with non-traditional credit eligible?

A. Homebridge will allow a borrower with non-traditional credit *if* at least one borrower on the transaction has traditional credit, has a credit score, and is contributing > 50% of the qualifying income

Income Eligibility

Q. Who determines income eligibility?

A. Generally, DU determines income eligibility. If DU is unable to determine the applicable census tract for the property there is a manual process to determine

Q. What income is used when determining program income eligibility?

A. Only borrowers on the transactions total income is considered (occupant and non-occupant, if applicable). Non-borrower household income is **not** considered.

Q. Is income from an accessory unit or boarder included when determining program income eligibility?

A. Yes, as it is income received by the borrower

Q. Is the **total** household income used to determine income eligibility?

A. No, only the borrower's income is considered. For example, if a borrower is purchasing a property without their spouse, even if they live in the same house, only the borrower's income is considered when determining if the income meets the requirement

Boarder Income

Q. What are the requirements to use boarder income?

A. Eligible on 1-unit properties only. The boarder must have lived with the borrower for a minimum of 12 months and made payments for 12 months. Payments must be documented (cancelled checks, etc.). If 12 months payments cannot be documented a minimum of 9 months documented payments is acceptable but the income must be averaged over 12 months

Q. Does boarder income need to be listed on Schedule E?

A. No

Q. Is the boarder required to be related to the borrower?

A. No

Q. Are boarder rental payments made to a third party acceptable?

A. No. The rent payments must be paid directly to the borrower

Cash-on-Hand

Q. What can cash-on-hand be used for?

A. Cash-on-hand is eligible for down payment, funds to close and pre-paid items. Cash-on-hand **cannot** be used for reserves

Q. Can cash-on-hand still be used if is not deposited into a bank account?

A. No. Cash-on-hand must be deposited (financial institution or acceptable escrow account) **at least 30 days prior to loan closing** or the funds cannot be used for the transaction

Homeownership Counseling

Q. Do all transactions require homeownership education/counseling?

A. No, homeownership education/counseling is only required on purchase transactions

Q. Do all borrowers on the transaction have to take the homeownership education course or obtain homeownership counseling?

A. No, only one borrower must complete the course

Q. Can the borrower use any education course or counseling provider?

A. No, only one of the options for homeownership education/counseling allowed by Fannie Mae is eligible

Q. Where can I find more information on HomeReady?

A. Fannie Mae has a HomeReady page on their website with materials and additional information on the program. Go to <https://www.fanniemae.com/singlefamily/homeready>