# Fannie Mae HomeReady Program

## Conforming and High Balance Loan Amounts

**Fixed Rate**

| Owner-Occupied Primary Residence | | | | | |
|---|---|---|---|---|---|
| ***Transaction Type*** | ***Units*** [5] | ***LTV*** [1] | ***CLTV*** | ***Loan Amount*** [2] | ***Credit Score*** |
| **Purchase** | 1 | 97% [3,4] | 105% [3,4] | Conforming Loan Amounts **Only** | Per DU |
| | | 95% [4] | 95% [4] | Refer to Loan Limits Matrix | |
| | 2 | 85% | 85% | | |
| | 3-4 | 75% | 75% | | |
| | 2-4 [6] | 95% [6] | 95% [6] | Conforming Loan Amounts Only | |
| **Limited Cash-Out** | 1 | 97% [3,4] | 97% [3,4] | Conforming Loan Amounts **Only** | Per DU |
| | | 95% [4] | 95% [4] | Refer to Loan Limits Matrix | |
| | 2 | 85% | 85% | | |
| | 3-4 | 75% | 75% | | |
| | 2-4 [6] | 95% [6] | 95%[6] | Conforming Loan Amounts Only | |

**Footnotes:**

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic for additional information.
2. Minimum loan amount $60,000.
3. 95.01%-97% LTV eligible subject to the following:
   - 1-unit purchase transaction. Manufactured home **ineligible** > 95% LTV
   - 1-unit rate/term transaction eligible **if loan being refinanced is currently owned by Fannie Mae;** if loan being refinanced is not owned by Fannie Mae maximum 95% LTV/CLTV
   - Conforming loan amount only; high balance ineligible
   - At least one borrower on the loan must have a credit score
   - 105% CLTV only eligible with Community Second; maximum 97% CLTV without community second. Program must be currently approved with Homebridge. A list of Homebridge approved DPA programs can be found under Working with Us on the Homebridge Wholesale website.
   - All borrowers must occupy the property (no non-occupant co-borrowers)
   - Refer to the 95.01% to 97% LTV topic for complete requirements
4. Florida Condominium Projects: Loans with an application dated **prior to August 3, 2026** have specific requirements; refer to the **Fannie Mae Conforming & High Balance – Loan Applications Dated On or After June 1, 2026** guidelines posted on the Products and Guidelines page on the Homebridge website for requirements
5. Manufactured home maximum 95% LTV/CLTV, 1-unit only and must meet all manufactured home requirements.
6. 95% LTV eligible for **conforming loan amounts only; high balance ineligible**

### HomeReady Program Overview

Fannie Mae's HomeReady program is an affordable lending program designed for creditworthy low-to-moderate income borrowers with expanded eligibility for financing homes in low-income communities.

### Program Highlights

- Not limited to first time homebuyers
- Non-occupant co-borrowers income eligible for qualifying
- No minimum borrower own funds required on 1-unit properties
- Gifts, grants and Community Seconds eligible sources for down payment and closing costs
- Cash-on-hand eligible for 1-unit properties. Refer to the Cash-on-Hand topic for requirements
- Boarder income and rental income from accessory units eligible subject to certain requirements
- 105% CLTV eligible with Community Second only

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EQUAL HOUSING OPPORTUNITY

## HomeReady Program Overview (cont.)

- Lower MI coverage at 90.01% to 97% LTV: 25% coverage (standard requires 30% to 35%)
- Borrower may own other residential property
- Homeownership counseling **required** on purchase transactions when **all** occupying borrowers are first time homebuyers. Refer to the Homeownership Education and Counseling topic for requirements
- Fixed rate product only

### Income Requirements – All HomeReady Loans

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)

**NOTE:** Any income **not used** to qualify the borrower (e.g. O.T., bonus, etc.) is not included when determining if the borrower's income meets the above requirements

The AMI used to determine income eligibility **must be from DU or from Fannie Mae's website**. Refer to the Area Median Income Lookup Tool to determine income eligibility.

## 2026 Maximum Loan Limits

| 2026 Conforming Loan Limits | | |
|---|---|---|
| **Units** | **Contiguous States** | **Alaska, Hawaii** |
| One | $832,750 | $1,249,125 |
| Two | $1,066,250 | $1,599,375 |
| Three | $1,288,800 | $1,933,200 |
| Four | $1,601,750 | $2,402,625 |
| **2026 High-Cost Area Loan Limits*** | | |
| **Units** | **Contiguous States** | **Hawaii** |
| One | $1,249,125 | $1,299,500 |
| Two | $1,599,375 | $1,663,600 |
| Three | $1,933,200 | $2,010,950 |
| Four | $2,402,625 | $2,499,100 |

*Actual loan limits for certain high-cost counties **may be lower** than the maximum amount listed above

**Alaska does not** have high-cost areas in 2026; the applicable conforming limit applies

To view the 2026 loan limits by county click here: FHFA 2026 Loan Limits

| Topic | Guideline |
|---|---|
| **4506-T** | • Signed 4506-T required prior to loan closing for both personal and business tax returns (if applicable)<br>• Tax transcripts are **not** required<br>**NOTE:** At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by a family member, etc.)<br>• Homebridge will order transcripts at random for quality control purposes |
| **95.01%-97% LTV Requirements** | Eligible subject to the following:<br>• Purchase transactions<br>• Rate/term refinance transactions if the loan being refinanced is **currently owned by Fannie Mae**; the refinance of a loan **not** currently owned by Fannie Mae is **limited to 95% LTV.**<br>• 1-unit primary residence only<br>• All borrowers must occupy the property (non-occupant co-borrowers **ineligible**)<br>• At least one borrower on the transaction must have a credit score<br>• DU "Approve/Eligible" required<br>• Conforming loan amounts **only;** high balance ineligible<br>• Reserves determined by DU<br>• Maximum 97% LTV/CLTV/HCLTV. CLTV may only exceed 97% if the second lien is a Community Second (maximum 105% CLTV with Community Second)<br>• > 90% to 97%: 25% mortgage insurance coverage<br>• Manufactured homes ineligible<br>• Loan meets all other HomeReady and Homebridge guidelines<br>To determine if a loan is currently owned by Fannie Mae go to Know Your Options - Loan Lookup |
| **Age of Documents** | • All credit, income and asset documentation must be the lesser of the expiration date noted on DU or ≤ 4 months from the Note date.<br>• Appraisal documents must be ≤ 4 months from the Note date<br>Refer to the Homebridge FEMA Disaster Declarations Reference Guide, posted on the Homebridge Working with Us page for a list of eligible counties by state |

**Appraisals**

- DU determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from DU it must be on the final DU Finding. Refer to the Appraisal- Property Inspection Waiver (PIW) topic for eligibility and requirements.
- Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).
- A Fannie Mae Market Conditions Addendum (1004MC) and a Fannie Mae Submission Summary Report is required on all appraisals.
- If an applicable law, regulation or Homebridge policy requires more than one (1) appraisal be obtained, the single most accurate appraisal must be used for underwriting and submission to the Uniform Collateral Data Portal (UCDP).
- A full appraisal must provide legible interior and exterior photos.
  - The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.
  - The interior photos, at minimum, must include:
    - Kitchen, (free-standing stove/range or refrigerator not required)
    - Main living area,
    - All bathrooms,
    - Examples of physical deterioration, if present,
    - Examples of any recent updates, if present (i.e. remodel, renovation, restoration)
- A minimum of 3 closed comparable sales is required. The sources of the closed comparable sales used in the appraisal are subject to the following requirements (excluding rural areas and/or Maine, New Hampshire and Vermont; see **NOTE** below).
  - **At least one of the comparables must be from the Multiple Listing Service (MLS)**
  - The remaining comparables must be from one of the following entities:
    - Comps Inc., or
    - Property Navigator (NY only – formerly GeoData), or
    - PropertyShark (NY only), or
    - StreetEasy (NY only)
  - **If at least one comparable is not from the MLS, the appraisal will require review by the Homebridge Appraisal Dept. and a desk review will be required**

  **NOTE:** Comparables from a **public independent source are eligible** in rural areas **and/or** in Maine, New Hampshire, and Vermont where MLS is not common; the above policy does not apply
- Net or gross adjustments made to the comparable sales by the appraiser must be market based (i.e. the appraiser must analyze the market for competitive properties and provide appropriate market based adjustments without regard to "rule-of-thumb"/arbitrary limits on the size of the adjustment. Properties used as a comparable sale must be similar enough to the subject property to be considered a competitive property. Comparable sales adjustments deemed excessive by the underwriter must be addressed.
- **New Construction Comparables**: Comparable sales used for new construction properties are subject to the following:
  - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.
  - If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, billboard signs, website, etc.).

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**Appraisals** (cont.)

- Additionally, the following applies to comparables for new construction:
  - One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. or public source (public source Maine/New Hampshire/Vermont only).
  - Two of the comparable sales must be from sources other than the subject property builder.
  - In the event there are no closed sales inside the new subject project/subdivision due to the subject property being one of the first to sell, the appraiser may use 2 pending sales in the subject property project/subdivision, in lieu of one closed sale. If the appraiser uses 2 pending sales in lieu of a closed sale, t**he appraiser must also use at least 3 closed comparable sales from projects/subdivisions outside of the subject property's project/subdivision.**

**NOTE:** The appraiser is always allowed to provide more than three comparable sales in order to support the property value.

- The appraisal must identify and address properties located within a declining market.
- Modular/Prefabricated homes: The appraiser must address the marketability of the property
- Homebridge requires properties to be, at minimum, in average condition. Additionally, the following applies:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing.
  - Any broken glass that is a health hazard must be removed and the opening closed.
- Properties that do not meet the "average condition" requirement may be eligible for an Escrow holdback. Holdback/repair escrows are subject to Homebridge approval. If approved, the appraiser must confirm the work completed will bring the property up to average condition. Refer to the Escrow Holdbacks topic for more details.
- Appraisal transfers are considered on a case-by-case basis subject to Homebridge management review and approval. If approved, a Desk Review obtained by the Homebridge Appraisal Review Dept. is required.
- A new appraisal will be required when the appraisal is dated more than 120 days from the Note date.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review.

**Appraisal Management Companies (AMC)**

The appraisal **must be** requested from the AMC assigned by Homebridge which is based on the state where the property is located. The chart below identifies the applicable AMC by property location.

| AMC | Subject Property Location |
|---|---|
| **Class Valuation** | Alabama, Alaska, Arkansas, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Mississippi, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin, Wyoming |
| **Fastapp Appraisal Management** | Connecticut, Delaware, Kansas, Louisiana, Maine, Maryland, Massachusetts, Missouri, Nebraska, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, Washington D.C. |
| **Golden State** | Arizona, California, Nevada (see **Important Note** below for exception)<br>**Important Note:**<br>Golden State **does not** support the following appraisal types:<br>• Fannie Mae Value Acceptance + Property Data, or<br>• Fannie Mae Hybrid<br>If one of the above appraisal options have been offered and accepted on the transaction **and** the property is located in AZ, CA, or NV**, the appraisal must be ordered from Class Valuation** |
| **Nationwide Appraisal Network** | Florida, Georgia, North Carolina, South Carolina |

To view the state map on the Homebridge website, click here: Broker Resources

**Appraisal – Property Inspection Waiver (PIW)**

If DU issues a Property Inspection Waiver (PIW) the following applies:

- The initial DU Findings indicate a PIW is eligible. If at any time prior to loan funding the PIW eligibility is removed from any subsequent DU Findings report an appraisal will be required.

  **NOTE:** The PIW option must be offered on the **final DU Findings report** and that Findings report must be retained in the loan file
- If an appraisal is obtained, the PIW is no longer eligible

**Eligible for the PIW Option**

The following are eligible for the PIW option:

- 1-unit properties, including PUDs and condominiums
- All occupancies (owner-occupied, second home, and investment (PIW ineligible for investment purchase transactions)
- Purchase and rate/term or cash-out refinance transactions
- Maximum LTV as follows:
  - **Purchase Transactions**:
    - Primary residence and second home: Maximum 80% LTV/CLTV
  - **Limited Cash-out (rate/term) Refinance Transactions**:
    - Primary residence and second home rate/term refi: Maximum 90% LTV/CLTV
    - Investment property: Maximum 75% LTV/CLTV
  - **Cash-out Refinance Transactions**
    - Primary residence cash-out refi: Maximum 70% LTV/CLTV
    - Second home and investment cash-out refi: Maximum 60% LTV/CLTV
- An "Approve/Eligible" recommendation **must** be received from DU

**Ineligible for the PIW Option**

The following are **ineligible** for a PIW **regardless** of DU Findings:

- Properties located in a disaster impacted area,
- 2-4 unit properties,
- Leaseholds,
- Loans where the value of the subject property provided to DU is ≥$1,000,000
- Properties with resale/deed restrictions
- Transactions where, by law, an appraisal is required,
- DU Refi Plus transactions (eligible for DURP property fieldwork waiver only),
- A transaction where an appraisal for the subject property has already been uploaded to the Fannie Mae portal,
- Texas Section 50(a)(6) transactions
- Purchase transactions involving an investment property
- Purchase transactions using a gift of equity
- Transactions where rental income from the subject property is used to qualify
- Manufactured home
- Construction-to-perm
- Transactions where an appraisal is required by the mortgage insurance provider

| | |
|---|---|
| **Assets** | Asset documentation per DU<br>• All funds used to close the transaction must be disclosed on the 1003 and input into DU.<br>• The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Evidence required:<br>- Two months most recent bank or financial statements, all pages.<br>**NOTE:** If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up and including the date the earnest money check cleared the bank.<br>• Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:<br>- The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation:<br>- Letter from the bank confirming borrower is an authorized signer, or<br>- Online documentation that confirms borrower is an authorized signer<br>NOTE: Use of business funds when the borrower does not own a significant percentage of the business will be at underwriter discretion (e.g. borrower has a 10% ownership interest and is using a significant amount of the business funds for down payment/closing costs).<br>- A cash flow analysis, based on 3 months' business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis:<br>- Must indicate that the average running balance in the account for the previous 3 months stayed the same or was better, and<br>- The amount of funds used for the transaction must not deplete the account i.e. the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal<br>• Stocks, Bonds and Mutual Funds<br>- Stocks, bonds and mutual funds (including retirement accounts) may be used at 100% of the asset value for the calculation of reserves.<br>- If used for down payment and/or closing costs, proof of liquidation is not required when the combined asset value is at least **20% more** than the funds needed for closing.<br>• Cash-on-hand is eligible for 1-unit properties only for down payment, funds to close and prepaid items subject to the following verification and documentation requirements:<br>- Borrower customarily pays cash for expenses and the amount of cash-on-hand is consistent with the borrower's payment practices, **and**<br>- Documentation that the funds for the down payment and closing costs are deposited in a financial institution or acceptable escrow account. The funds must be on deposit at the time of loan application, or at least a minimum of 30 days prior to loan closing, **and**<br>- A written statement, signed by the borrower(s), stating the source of the cash-on-hand and that the funds were **not** borrowed, **and**<br>- The credit report validates the borrower's limited or no use of credit and a limited or no relationship with a depository institution (e.g. bank, credit union, etc.)<br>**NOTE: Cash-on-hand cannot be used to satisfy the borrower's reserve requirement (if required)**<br>• Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement, issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated |

**Assets** (cont.)

- Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. The final CD is **not required** to be fully executed.

  NOTE: When the borrower's employer assumes responsibility for paying off the existing mortgage as part of a relocation plan, a copy of the executed buy-out agreement is required to document the source of funds. A copy of the sales contract or listing agreement is **not** considered an acceptable source of verification of proceeds from the sale.
- Unsecured borrowed funds, and unverified funds are ineligible sources for assets.
- Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation.
- Large unsourced deposits must be explained and verified.
- Requirements for documenting large deposits are as follows:
  - **Refinance transactions**: Large deposits are not required to be sourced and explained; however, at underwriter discretion, explanation and sourcing may be necessary as Fannie Mae requires any payment on borrowed funds be included in the DTI ratios.
  - **Purchase transactions**: If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any undocumented large deposit will be deducted from the amount of verified funds and the reduced asset amount will be used for qualification

  ***Examples:***

  1. The borrower has a monthly income of $4,000 and a bank account with a balance of $20,000. A deposit of $3,000 was made but $2,500 of the deposit is documented as the borrower's tax refund (sourced).

     In this example only the $500 is considered "unsourced" ($3000 total deposit minus $2500 tax refund) and is included in the large deposit calculation.

     The unsourced $500.00 is only 12.5% of the borrower's monthly income therefore it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire $20,000 balance in the borrower's bank account may be used for underwriting purposes.
  2. The same borrower has a deposit of $3,000 but only $500 is documented as the borrower's tax refund (sourced) leaving $2,500 as unsourced.

     In this example the unsourced $2,500 is 63% of the borrower's $4,000 monthly income which does meet the definition of a large deposit.

     The unsourced $2,500 must be deducted from the borrower's $20,000 bank account balance leaving $17,500 that may be used for underwriting purposes.
  3. The same borrower has 3 separate unsourced deposits of $1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than $2,000 (50% of $4,000) however at underwriter discretion sourcing/documentation may be required.
- Verification of assets from foreign sources:
  - Funds that a borrower (either a U.S. or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided all of the following requirements are met:
    - Documentation of the transfer of funds from the borrower's country of origin is provided, and
    - It can be established that the funds belonged to the borrower before the date of transfer, and
    - The source of all funds used for closing can be verified following the same requirements for U.S. citizens.

<table>
<tr><td>Assumptions</td><td>Not allowed</td></tr>
<tr><td>AUS</td><td>DU “Approve/Eligible” Finding required. Manual underwriting is ineligible.</td></tr>
<tr><td>Available Markets</td><td>• All 50 states<br>• Guam, Puerto Rico and the Virgin Islands are ineligible.</td></tr>
<tr><td>Borrower Contribution</td><td>• ≤ 80% LTV: A minimum borrower contribution from the borrower’s own funds is not required<br>• > 80% LTV: The minimum borrower own funds contribution is determined by the number of units as detailed below:
<table>
<tr><th>Number of Units</th><th>Minimum Borrower Own Funds Contribution</th><th>Minimum Down Payment Requirement</th></tr>
<tr><td>1</td><td>None</td><td>3%</td></tr>
<tr><td>2</td><td>3%</td><td>15%</td></tr>
<tr><td>3-4</td><td>3%</td><td>25%</td></tr>
</table></td></tr>
<tr><td>Borrower Types</td><td>• Co-Borrower:<br>- An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt,<br>- Signs all loan documents,<br>- Income, assets and liabilities are used for loan qualification.<br>• Non-Occupant Co-Borrower (ineligible 95.01%-97% LTV):<br>- An individual, who applies with the applicant, takes title to the property and is liable for the debt but does not live in the property.<br>- Signs all loan documents<br>- The income, assets and liabilities of the non-occupant co-borrower on a primary residence transaction are considered in the DTI calculation.<br>- The income must also be considered when determining if the borrower meets the program income limits.<br>- Transactions with a non-occupant co-borrower are limited to a maximum 95% LTV/CLTV or the applicable maximum LTV for ARM transactions.<br>• Co-Signer:<br>- An individual who has no ownership interest in the property but is liable for the debt.<br>- The co-signer signs all loan documents except co-signer does not sign the Mortgage/Deed of Trust.<br>- Income, assets, and liabilities are used for qualification.<br>- Cannot have an interest in the transaction (seller, builder, real estate broker, etc.)<br>NOTE: If the co-signer will not be occupying the subject property maximum 95% LTV/CLTV or the applicable maximum LTV for ARM transactions<br>• Non-Borrowing/Non-Purchasing Spouse<br>- Generally has no ownership interest in the property and is not liable for the debt.<br>- In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law<br>NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin</td></tr>
</table>

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|---|---|
| **Borrowers – Eligible** | • Natural persons<br>• U.S. citizens<br>• Revocable inter vivos trust that meets FNMA guidelines<br>• **Non-U.S. Citizens**: **All loans delivered to Fannie Mae require Homebridge to rep and warrant the borrower is legally present in the U.S.** with the exception of **Deferred Action for Childhood Arrivals (DACA**) status borrowers, who are **eligible** subject to meeting the requirements in this topic. **L**awful permanent or lawful non-permanent resident aliens are eligible subject to the following:<br>- Borrower must have a valid social security number **or** individual taxpayer identification number (ITIN), **AND**<br>- Have a current, unexpired, EAD **or** other documentation showing immigration status is current/unexpired (e.g. Green Card, work visa, etc.), **AND**<br>- The borrower meets all other standard employment and income requirements required by DU<br>- If additional information is required to determine legal status, the Homebridge Underwriter will determine on a case-by-case basis the additional documentation requirements<br>- If a borrower is a non-permanent resident alien, Homebridge will determine visa eligibility. Refer to the Visa Eligibility for Non-Citizens (Non-Permanent Resident Aliens) document on the Homebridge website for visa eligibility and documentation requirements<br>• All borrowers are required to have a valid social security or Individual Taxpayer Identification Number (ITIN) and meet legal residency documentation requirements |
| **Borrowers – Ineligible** | • Foreign Nationals<br>• Borrowers with diplomatic immunity<br>• Borrowers without a social security number or a number that cannot be validated with the SSA<br>• Borrowers where no borrower on the loan have a credit score<br>• Borrowers previously convicted of mortgage fraud |

| | |
|---|---|
| **Construction to Perm** | The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence.<br>• Construction-to-permanent financing can be structured as a transaction with one or two separate closings; **however Homebridge will not provide the construction financing (a one closing transaction).** The borrower must hold title to the lot, which may have been previously acquired or be purchased as part of the transaction.<br>• All construction work, including any work that could entitle a party to file a mechanics' lien or materialmen's lien, must be completed and paid for, and all mechanics' liens, and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Homebridge. Homebridge will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to-perm mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Homebridge will retain a certificate of occupancy or an equivalent from the applicable government authority.<br>• Units in a condo project are not eligible for construction-to-permanent financing.<br>**Two-Closing Transactions**<br>- The first closing is to obtain the interim construction financing (and may include the purchase of the lot). **Construction financing is not eligible through Homebridge.**<br>- The second closing (aka "end" loan) is to obtain the permanent financing upon completion of the improvements **and is eligible** through Homebridge.<br>- A modification may not be used to update the original Note; a new Note must be completed and signed by the borrowers.<br>- The borrower is underwritten based on the terms of the permanent mortgage.<br>- Transactions are subject to the limited cash-out refinance maximum LTV/CLTV/HCLTV ratios, as applicable. |
| **Contingent Liabilities** | • **Business Debt**<br>- Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business.<br>- Business debt does **not** need to be considered as part of the borrower's individual recurring monthly debt when:<br>- The account does not have a history of delinquency, **and**<br>- Documentation is provided that the debt was paid from the borrower's business funds (e.g. 12 months cancelled business checks), **and**<br>- The cash-flow analysis of the business took payment of the obligation into consideration.<br>If documentation of payment from the business funds cannot be provided, or there is history of delinquency on the account the debt must be considered as part of the borrower's individual recurring debt obligation.<br>• **Co-Signed Debt - Mortgage**<br>- Co-signed mortgage debt is **not required** to be included in the borrower's DTI calculation if all of the following applies:<br>- Documentation is provided that the borrower is not primarily responsible for payment of the debt, and<br>- The credit report indicates no late payments on the account, and<br>- 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower).<br>- Co-signed mortgage debt must **be included** in the borrower's DTI calculation if:<br>- It cannot be properly documented that the primary party obligated on the loan is making the payments, **or**<br>- A 12 month pay history, by the primary party, cannot be established, **or**<br>- The credit report indicates there have been late payments on the debt, **or**<br>- Another party is making the payments but the borrower is the only party responsible for the debt.<br>Refer to the Credit – Installment/Revolving topic for non-mortgage debt paid by others |

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| **Conversion of Principal Residence or Pending Sale** | • **Pending Sale**:<br>- If the borrower is purchasing a new primary residence, and the current primary residence is pending sale but will not close prior to the new transaction, the borrower's PITIA payment on their current residence may be omitted when qualifying the borrower if **all** of the following are provided:<br>- A copy of the fully executed sales contract is provided, **and**<br>- Written verification provided by the closing attorney or escrow confirming all financing contingencies have been cleared.<br>• **Conversion to Second Home**:<br>- The borrower is qualified using the PITIA payments for both properties<br>- Reserves required in accordance to the Reserves - Multiple Financed Properties section of this guide<br>• **Conversion to Investment Property:**<br>- Must follow standard Income-Rental and Reserves – Multiple Financed Properties section of this guide |
| **Credit History** | • Trade line requirements per DU Findings.<br>• Authorized user trade lines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history. |
| **Credit - Installment/Revolving** | All debts will be run through DU to ensure accurate DU Findings.<br>• **Installment Debt**<br>- Installment debt is considered as a recurring monthly debt obligation and included in the borrower's long-term debt when there are more than 10 months' payments remaining.<br>- Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.<br>**NOTE**: Lease payments for automobiles must be considered a recurring monthly debt obligation and included in the DTI calculation regardless of the number of months remaining on the lease.<br>• **Revolving Debt**<br>- Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:<br>- If the monthly payment is not included on the credit report, the underwriter will use the greater of $10 or 5% of the outstanding balance to determine the monthly payment<br>- If the revolving account is to be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio.<br>- If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified.<br>- If the revolving account is to be paid off at closing, the payoff must be shown on the CD.<br>• **30 Day Charge Accounts**<br>- Open 30-day charge accounts require sufficient assets to pay off the debt in order to be excluded from the debt ratio.<br>• **Buy Now/Pay Later Accounts**<br>- Buy Now, Pay Later accounts offer short-term financing that allows consumers to pay over time on purchases, often interest-free for a period of time<br>- Companies offering Buy Now, Pay Later include, but are not limited to:<br>- Affirm,<br>- Klarna,<br>- Afterpay,<br>- Sezzle,<br>- Zip<br>- Additionally, many airlines, retail establishments, medical/dental providers offer Buy Now, Pay Later options.<br><br>(cont. on next page) |

**Credit - Installment/Revolving** (cont.)

- Buy Now, Pay Later accounts are subject to the following requirements:
  - If the debt is identified on any asset statement or is otherwise disclosed in the loan file but **not** on the credit report, the debt is treated the same as other debt. This includes:
    - Undisclosed debt
    - Deferred debt
    - Debt paid by others
    - Consideration of installment loans and revolving accounts to DTI
  - If the debt is **not excluded**, no additional documentation required and the debt is included in the DTI
  - If the debt is **excluded**, standard documentation is required to verify terms and conditions used to support the exclusion
  - A credit supplement is **not required** however it may be obtained to verify terms and conditions provided the creditor will provide the information

- **Debt Paid by Others – Non-Mortgage**
  - When the borrower is obligated on non-mortgage debt (e.g. installment loans, revolving, lease payments, student loans, etc.) but is **not** making the payment the debt may be excluded from the DTI calculation subject to the following:
    - The other party must be paying the **entire monthly payment** for a minimum of 12 months. The debt may **not** be excluded if the borrower is paying any portion of the monthly payment **or** the other party has not been making the entire payment for at least 12 months.
    - 12 months cancelled checks or bank statements from the party making the payments are required to document 12 months 0x30 pay history. If any delinquencies the payment **may not** be excluded.

      **NOTE:** The above **does not apply** if the party paying the debt is an interested party to the subject transaction

- **Student Loans in Repayment, Deferred, or Forbearance**

  All student loan payments, whether deferred, in forbearance, or in repayment must be included in the DTI calculation

  **Payment Included on Credit Report**:
  - If the payment is included on the credit report, the payment on the credit report will be used for qualifying (including income-driven payments)

    **NOTE**: If documentation is provided that indicates a different payment amount than what is on the credit report (i.e. the most recent student loan statement) the correct monthly payment amount may be used. The documentation supporting the correctly monthly payment must be retained in the loan file. A credit supplement may be obtained to reflect the correct monthly payment but is **not** required.

  **Payment Not Included on Credit Report**:
  - If the payment is not included on the credit report, or the credit report indicates $0, **one of the following two options must be used** to calculate the qualifying monthly payment:
    1. 1% of the outstanding loan balance (even if the amount is lower than the actual fully amortizing payment), **OR**
    2. A fully amortizing payment using the documented loan repayment terms

- **Student Loans – Income Based Repayment (IBR)**
  - A $0 payment may be used when:
    - It is listed as $0 on the credit report (a credit supplement that documents the $0 payment is acceptable), **OR**
    - A letter from student loan servicer is obtained stating the payment is $0

- **Child Support/Separate Maintenance Payments**

  Child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or other legal document must be included in the borrower's monthly debt obligations if they will continue for > 10 months. Voluntary payments are **not required** to be considered in the DTI calculation. A copy of the divorce decree, separation agreement, court order, etc. must be obtained and retained in the loan file

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| **Credit - Installment/Revolving** (cont.) | • **Alimony Payments**<br>Alimony payments that are required to be paid due to a divorce decree, separation agreement or other legal document may be treated using one of the two following options:<br>- The monthly payment may be deducted from the borrower's monthly qualifying income and the adjusted income figure is entered as the income amount in DU, **or**<br>- The monthly payment may be included in the borrower's DTI calculation<br>**NOTE:** If reducing the borrower's monthly income by the alimony payment, the amount of the alimony obligation is entered in DU as a negative amount under "Income Type" In the event the borrower also receives alimony income, this amount is combined with the amount of the alimony payment and entered as a net amount<br>- A copy of the divorce decree, separation agreement, court order, etc. must be obtained and retained in the loan file |
| **Credit Report/Scores** | • Credit score is per DU Findings<br>• **LTV > 95% requires at least one borrower on the loan must have a credit score** and that borrower must meet the minimum credit score requirement provided by DU.<br>• Homebridge will accept a credit report, in the broker's name, from any Fannie Mae acceptable credit vendor. The credit report **must contain trended credit data**.<br>• A tri-merged credit report is required for all borrowers.<br>• If a borrower does not have sufficient credit to establish a credit score a non-traditional credit profile must be established. A tri-merged credit report is required to confirm the borrower does not have a credit score. If a credit score cannot be provided the credit report must accurately reflect the borrower(s) personal information (social security number, current address, etc.)<br>• The representative credit score is determined as follows:<br>- If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.<br>- If there are two (2) valid scores, the lower of the two is used<br>- If there is one (1) valid score, that score is used<br>The representative score for the loan is the lowest representative score for all borrowers.<br>• The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 90 days, specifically **stating the name of the creditor(s)** and the result of the inquiry/inquiries (i.e. was new credit obtained or not). Examples of acceptable/unacceptable responses below:<br>- **Acceptable Response**: "The inquiry/inquiries by Bank of America, Wells Fargo, etc. did not result in additional credit"<br>- **Unacceptable Response**: "We did not obtain any additional credit as a result of the credit inquiry/inquiries listed on our credit report" (unacceptable since name of creditors **not** listed)<br>• The credit report cannot be older than 4 months at time of funding or the expiration date received from DU, whichever is less. |
| **Credit Report/Scores Non-Traditional Credit: One Borrower has a Credit Score** | Transactions involving a borrower(s) with traditional credit (has a credit score) and borrower(s) with non-traditional credit (no credit score) are eligible subject to the following:<br>• Primary residence 1-unit properties only and all borrowers will occupy the property, **and**<br>• Purchase and rate/term transactions, **and**<br>• Fixed rate only, **and**<br>• Conforming loan amounts only; no high balance, **and**<br>• An "Approve/Eligible" is received from DU, **and**<br>• The borrower **with traditional credit** must contribute **> 50%** of the qualifying income; non-traditional credit sources are **not required** for the other borrower(s) on the loan. Follow DU Findings for housing history requirements. Transaction must meet all other requirements detailed above |
| **Deed / Resale Restrictions** | Properties with age related restrictions (55+ communities) are eligible subject to Fannie Mae requirements. All other properties subject to deed/resale restrictions are ineligible |

**Derogatory Credit**

**Bankruptcy**

| Derogatory Event | Waiting Period | Extenuating Circumstances |
|---|---|---|
| Chapter 7 or 11 BK | • 4 years from discharge to the disbursement date of the new loan | • 2 years from discharge date<br>The maximum LTV is the lesser of 90% LTV or the maximum LTV allowed for the program |
| Chapter 13 BK | • 2 years from discharge date to the disbursement date of the new loan, **or**<br>• 4 years from dismissal date to the disbursement date of the new loan | • 2 years from dismissal<br>The maximum LTV is the lesser of 90% LTV or the maximum LTV allowed for the program |
| Multiple BK Filings* | • 5 years if more than one filing in the previous 7 years | • 3 years from discharge/dismissal |

* **NOTE**: Two or more borrowers with individual bankruptcies are not cumulative and are not considered multiple bankruptcies (e.g. the borrower has a bankruptcy and the co-borrower has a bankruptcy, FNMA does not consider this multiple BKs)

- Extenuating circumstances are considered isolated events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower's financial obligations (e.g. death of a borrower, layoff, serious illness, divorce, etc.)
  - Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g. copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.).
  - Additionally, a letter of explanation from the borrower explaining the relevance of the documentation is required.

  **NOTE:** An "Approve/Eligible" Finding is still required even when considering extenuating circumstances; manual underwriting is not allowed on Agency loans.
- If mortgage debt was fully discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was fully discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied.

**Consumer Credit Counseling**

Follow DU Findings

**Delinquent Child Support**

Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review.

**Garnishments**

All garnishments with more than ten (10) months remaining must be included in the borrower's DTI calculation as recurring debt. Garnishments are not required to be paid off.

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| **Derogatory Credit** (cont.) | **Collections/Charge-offs/Judgments**<br>The following applies to collection and charge-off accounts:<br>• Past-due accounts (that have not gone to collection) must be brought current.<br>• **One Unit Owner-Occupied Primary Residence**:<br>- The borrower is not required to pay off outstanding collections or charge-offs regardless of the amount.<br>• **Two-to-Four Unit Owner-Occupied Primary Residence**<br>- If the combined total of collections and charge-offs accounts is greater than $5,000, the accounts must be paid in full prior to or at closing<br>NOTE: At underwriter discretion payoff of collection/charge-off accounts may be required.<br>**Mortgage Charge-offs**<br>If the charge-off account was a mortgage a 4 year waiting period (2 years with extenuating circumstances) applies. Refer to the Deed-In-Lieu/Pre-Foreclosure topic for requirements<br>**Judgments**<br>Open judgments, garnishments and all outstanding liens appearing on the Public Records section of the credit report must be paid off prior to or at closing. Documentation of sufficient funds to satisfy these obligations must be obtained.<br>**Foreclosure**<br>A previous foreclosure is subject to the following:<br>• A 7 year waiting period, measured from completion date to the disbursement date of the new loan, is required<br>• A 3 year waiting period with documented extenuating circumstances*. The following also applies:<br>- Maximum LTV/CLTV is the lesser of 90% or the program maximum<br>- Borrower must be purchasing a primary residence, or<br>- A limited cash-out refinance is permitted on all property types subject to eligibility requirements.<br>• If mortgage debt was discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied.<br>**Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-off)**<br>A previous deed-in-lieu (short sale/short pay-off) is subject to the following:<br>• A 4 year waiting period, measured from event end date to new loan disbursement date is required.<br>• A 2 year waiting period is eligible with documented acceptable extenuating circumstances*.<br>NOTE: Disbursement date is defined as the date the loan funds are disbursed for the subject mortgage. The disbursement date may occur on or after the Note date.<br>*Extenuating Circumstances<br>An extenuating circumstance is defined by Fannie Mae as a non-recurring event that was beyond the borrower's control that resulted in a sudden, significant and prolonged significant reduction in income (e.g. job loss, divorce, serious illness, etc.) or a catastrophic increase in financial obligations (e.g. large medical bills).<br>An extenuating circumstance must be fully documented. Copies of any paperwork substantiating the event such as divorce decree, job layoff notice, severance papers, medical bills, etc. must be provided.<br>Additionally copies of any documents substantiating the borrower's inability to resolve the problems resulting from the event such as insurance claims, unemployment paperwork, listing agreements, tax returns (covering the period of the event; before, during and immediately after) etc., are required.<br>A letter of explanation from the borrower, explaining the event and documentation provided is also required. |

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| **Derogatory Credit (cont.)** | **Disputed Accounts**<br>Disputed accounts are subject to DU Findings.<br>• When an "Approve/Eligible" is received **and** the DU message indicates **no further action** required no documentation is required<br>• When an "Approve/Eligible" is received **and** the DU message indicates the disputed account must be researched to determine if the account belongs to the borrower the underwriter must research and document their findings.<br>- If upon research the underwriter determines the account **does not** belong to the borrower **no further action required.** An updated credit report is **not required**<br>- If the underwriter determines the account **does** belong to the borrower the loan is **ineligible** as Fannie Mae requires a manual underwrite and Homebridge does not offer manual underwriting on conventional loans<br>**NOTE:** If any finding other than an "Approve/Eligible" is received the loan is also ineligible as Fannie Mae requires a manual underwrite<br>**Re-Established Credit Requirements**<br>After a foreclosure, bankruptcy, deed-in-lieu, or pre-foreclosure borrowers are required to have re-established good traditional credit.<br>Re-established credit is met if **all** of the following are met:<br>• The above detailed waiting periods and related additional requirements are met<br>• The loan receives an "Approve/Eligible" Finding from DU<br>• The borrower has established new traditional credit (non-traditional credit or "thin files" are **not** acceptable) |
| **Down Payment Assistance (Community Seconds)** | If using a Community Second, program must be currently approved by Homebridge. Refer to the Approved DPA/Community Seconds Program list located under Working With Us on the Homebridge website at www.Homebridgewholesale.com for eligible programs. All Fannie Mae Community Seconds requirements must be met. |
| **DTI** | DTI is determined by DU<br>**Court Ordered Assignment of Debt**<br>Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations; however the payment history for the debt prior to its assignment must be reviewed. |
| **Employment** | • A two year employment history is required for both wage earner and self-employed borrowers.<br>• Self-employed borrowers with 12-24 months history of self-employment may be eligible subject to Homebridge management review and the following:<br>- The most recent signed tax returns reflect the receipt of income at the same or greater level in a field that provides the same products or services as the current business or an occupation with similar responsibilities as the current business.<br>- The borrower's level of experience and the amount of business debt will be considered.<br>• A verbal verification of employment (VVOE) is required within 10 business days prior to the Note date for wage earner borrowers and within 120 calendar days prior to the Note date for self-employed borrowers.<br>• A military Leave and Earnings Statement, dated within 120 calendar days prior to the Note date, is acceptable for active duty military in lieu of a VVOE<br>• A current paystub with YTD income and most recent W-2s are required for wage earners.<br>• Self-employed borrowers require verification of the business by a third party source (e.g. CPA, **or** Federal Tax ID Certificate, **or** Business License, etc.). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business.<br>• Employment and income commencing after the Note date; the income from new employment may be considered when qualifying the borrower subject to:<br>- A copy of the signed employment offer/contract is provided which clearly identifies the employer, the borrower as the employee, the terms of employment, position, type and rate of pay and start date<br>- Homebridge management review and approval. |

<table>
<tr><td>Escrow Holdbacks</td><td>Homebridge offers the Home Fixer-Repair Escrow Option Program which allows escrow holdbacks subject to the following:<ul><li>Repairs cannot affect the safety or habitability of the property</li><li>Repair work is limited to a maximum of $5,000</li><li>An estimate from a licensed contractor or qualified professional is required, detailing all repairs</li><li>Homebridge will hold 1.5 times of the repair estimate. Borrower's using their own funds to establish the escrow holdback account must have sufficient documented assets to cover the down payment, closing costs and escrow holdback funds.</li><li>All repairs must be completed within 14 calendar days of closing and the final inspection must be completed within 72 hours of completion.</li></ul>NOTE: Properties that do not meet the "average condition" appraisal requirement may be eligible for an Escrow holdback. If an escrow holdback is approved, the appraiser must confirm the work completed will bring the property up to average condition.</td></tr>
<tr><td>Escrow/Impound Account</td><td><ul><li>> 80% LTV required unless prohibited by state law; CA loans ≥ 90%</li><li>≤ 80% LTV not required; refer to rate sheet for pricing adjustment</li></ul>Reminder: If flood insurance is required, escrow/impounds are required regardless of LTV; escrows cannot be waived</td></tr>
<tr><td>Financed Properties</td><td><ul><li>The borrower may own one additional financed property in addition to the subject for a maximum of 2 financed properties. Financed properties owned by a non-occupant borrower are not included in the 2 financed properties count.</li><li>Homebridge limits its exposure to a maximum of 4 loans per borrower.</li></ul></td></tr>
<tr><td>Gift Funds</td><td><ul><li>Gift funds, from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements, for both conforming and high balance loan amounts, as long as the borrower meets the minimum contribution requirements detailed below.</li></ul>
<table>
<tr><th>LTV/CLTV</th><th>Property Type</th><th>Minimum Contribution from Borrower Own Funds</th></tr>
<tr><td rowspan="2">≥ 80.01%<br>MI company guidelines apply</td><td>1-unit primary residence</td><td>A minimum contribution from borrower's own funds not required. All funds may be a gift.</td></tr>
<tr><td>2-4 units primary residence</td><td>3% borrower contribution required*. Gifts may be used after the borrower own funds contribution is met.</td></tr>
<tr><td>≤ 80%</td><td>1-4 unit primary residence</td><td>Not required. All funds may come from a gift.</td></tr>
</table>
*If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the previous 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the borrower contribution requirement as loan as both parties will occupy the subject property as their primary residence
<ul>
<li>Gift funds may be provided by any of the following:<ul><li>A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or</li><li>A fiancé or fiancée, or domestic partner.</li></ul></li>
<li>The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction (including borrower's parent who is the seller/buyer's agent and giving commission earned or other cash gift to the borrower for down payment)</li>
<li>The gift must be evidenced by a gift letter, signed by the donor and it must:<ul><li>Specify the dollar amount,</li><li>Be signed by the donor and the borrower,</li><li>Specify the date the funds were transferred,</li><li>Indicate the donor(s) name, address, phone number, and relationship to the borrower, and</li><li>Include a statement by the donor that no repayment of the gift funds is expected.</li></ul></li>
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(cont. on next page)</td></tr>
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| **Gift Funds (cont.)** | • The transfer of the gift funds must be documented. Acceptable documentation includes:<br>- Copy of the donor's cancelled check and the borrower's deposit slip<br>- Copy of the donor's withdrawal slip and the borrower's deposit slip<br>- Copy of the donor's check to the closing agent, or<br>- The settlement statement showing receipt of the donor's check.<br>• If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check. |
| **Gift of Equity** | • Allowed from an immediate family member only.<br>• Eligible on primary residence purchase transactions<br>• A gift letter must be provided (refer to gift funds above for gift letter requirements)<br>• The CD must indicate "gift of equity"<br>If the above requirements are met, the gift of equity is not subject to the interested party contribution requirements. |
| **Homeownership Education and Counseling** | Purchase transactions require **at least one borrower** on the loan to complete homeownership education **prior to the Note date when all occupying borrowers on the transaction are first time homebuyers**<br>**Homeownership Education**<br>• Homeownership education may be provided by any third-party provider. The provider's content must be aligned with one of the following:<br>- The National Industry Standards (NIS) for Homeownership Education and Counseling, **OR**<br>- HUD<br>**NOTE: Fannie** Mae offers HomeView, a certificate course for first time home buyers, which satisfies the education requirement<br>• The education may be in-person, via the internet, telephone, or a hybrid format<br>**NOTE:** In lieu of homeownership education the borrower may elect to complete housing counseling (see below for updated requirements)<br>• The Homebridge underwriter is responsible to confirm the course content is aligned with NIS or HUD standards<br>• A copy of the course completion certificate must be provided and will be retained in the loan file<br>**Homeownership Counseling**<br>• Housing counseling must be provided by a HUD-approved agency and meet HUD standards<br>- HUD-approved agencies include affiliated agencies participating in a HUD program through a HUD-approved intermediary or State Housing Finance Agency<br>- The below links are provided to assist in located a HUD-approved housing counseling agency<br>• Nationally HUD-Approved Housing Counseling Agencies<br>• Find a local housing counselor by zip code: Consumer Financial Protection Bureau<br>• Housing counseling, completed prior to loan closing, satisfies FNMA's homeownership education requirement.<br>- A copy of the certificate of counseling completion must be retained in the loan file<br>**Supplemental Consumer Information Form (FNMA/FHLMC Form 1103)**<br>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) |

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| **Income** | Income documentation is determined by DU however, at underwriter discretion, additional documentation may be required.<br>• **Wage Earner Borrowers**:<br>- At minimum, a current paystub with YTD earnings and the most recent W-2 is required.<br>• **Self-Employed Borrowers - Tax Return Requirements:**<br>- Copy of the most recent 2-years signed federal individual and business tax returns with all schedules. If DU requires business returns business tax transcripts will be required.<br>- The requirement for business tax returns **may be waived** if:<br>- The borrower is using personal funds for down payment and closing costs and to satisfy applicable reserve requirements<br>- The borrower has been self-employed in the same business for a minimum of 5 years<br>- The borrower's individual tax returns show an increase in self-employment income over the past 2-years.<br>• Copies of the most recent 1 year of personal and business tax returns are eligible **only when DU Findings allow**. The following is required:<br>- Signed individual and business federal tax returns for the most recent year that **reflect a minimum of 12 months self-employment income**<br>Example: If 2014 tax returns used for qualification, documentation must be provided the borrower's business was in existence **on or before** 12/31/13 to meet the full 12 months self-employment requirement.<br>• **Self-Employed Co-Borrowers**:<br>- When income from a self-employed co-borrower is **not used** for qualifying purposes, the self-employed co-borrower's income (or loss) is **not** required to be documented<br>- If the borrower is personally obligated on any business debt that debt must be included in the borrower's DTI calculation.<br>• **Self-Employed - Profit and Loss Statements**<br>• A year-to-date Profit & Loss (P&L) statement and balance sheet are required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower (borrower prepared is acceptable)<br>NOTE: A balance sheet is **not** required for Schedule C borrowers<br>• Additionally, if the income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax returns obtained from the IRS are required<br>• **Self-Employed Income or Loss from a Sole Proprietorship Reported on Schedule C**<br>- Schedule C will be reviewed to determine whether the income reported is recurring or non-recurring<br>- Non-recurring income must be **deducted** in the cash-flow analysis, including any exclusion for meals and entertainment expenses reported on Schedule C<br>- Recurring items claimed by the borrower on Schedule C must be added back to the cash-flow analysis. The following recurring items must be added back:<br>- Depreciation,<br>- Depletion,<br>- Business use of home,<br>- Amortization, and<br>- Casualty losses |

**Income (cont.)**

- **Borrowers Employed by Family Members**
  - Two (2) years' tax returns required to support the income
  - Borrower's current income documentation (based on DU "Approve/Eligible" Findings) can be used to qualify the loan as long as the two (2) years tax returns evidence the following:
    - Borrowers do **not** have any ownership interest in the business, **and**
    - Any significant increase or decrease noted in the borrower's tax returns is satisfactorily explained
- **Length of Self Employment**
  - Refer to the Employment topic for length of self-employment requirements.

**Other sources of income:**

DU determines the documentation, verification and continuation requirements for other sources of income

- **Rental Income**: Refer to the Income - Rental topic for requirements when using rental income for qualifying
- **Contract for Future Employment: Income** from a job that the borrower is scheduled to start is eligible subject the following:
  - Transaction must be a 1-unit, owner-occupied purchase
  - The borrower must be scheduled to begin employment within 90 days from Note date
  - The borrower cannot be employed by a family member or any interested party to the transaction
  - The borrower will be qualified upon fixed based income
  - A copy of the offer/contract for employment, signed by the employer and the borrower, is required and must include the following
    - The employer's name,
    - The borrower's name,
    - The terms of employment, including position, type and rate of pay, and the borrower's start date which must be within 90 days of the Note date,
    - The employment cannot have any contingencies. If any conditions to the employment exist they must be cleared prior to loan closing, **and**
    - Financial reserves in addition to those required by DU sufficient to cover PITIA payments for the subject property for 6 months **or** current income sufficient to cover the monthly liabilities included in the DTI ratio, including the PITIA for the subject property for the number of months between the Note date and the employment start date, **plus** one month.
- **Unreimbursed Employee Expenses**
  - Unreimbursed expenses only need to be considered when the borrower's **commission income** is 25% or more of income
  - Union dues and other voluntary deductions identified on the borrower's paystub **do not** need to be deducted from the borrower's income
- **Social Security Income**: Social security income (retirement, disability supplemental security income) is an eligible source of income subject to the following:
  - Documentation requirements are determined on the type of benefit and whether the benefits received are from the borrower's own account or from another person's account (e.g. borrower eligible for benefits from a spouse, ex-spouse, dependent parents, etc.)

| Type of Benefit | Benefit Borrower's Own Account | Benefit from Another Person's Account |
|---|---|---|
| **Retirement** | • SSA Award Letter, **OR**<br>• Proof of current receipt<br>No continuance documentation required | • SSA Award Letter, and<br>• Proof of current receipt, and<br>• Minimum 3 year continuance required |
| **Disability** | | |
| **Survivor** | N/A | |
| **Supplemental Security Income (SSI)** | • SSA Award Letter, and<br>• Proof of current receipt | N/A |

**Income (cont.)**

- **Boarder Income: Rental** payments received by the borrower from one or more individuals who reside with the borrower, but who are **not** obligated on the mortgage **and** do **not** have an ownership interest in the property, may be considered as acceptable, stable income. The boarder is **not required** to be related to the borrower. Boarder income is eligible on purchase and rate/term transactions.
- Boarder income is subject to the following:
  - 1- unit properties only,
  - The amount of boarder income is limited to 30% of the total gross income that is used to qualify the borrower,
  - The individual(s) must have lived with the borrower for a minimum of 12 months (in a property other than subject if purchase or subject property if refinance) Documentation must be provided to demonstrate the boarder lives with the borrower (e.g. copy of driver's license, bill or bank statement indicating the same address as the borrower).
  - The borrower must have received rent payments for the previous 12 months directly from the boarder. **Rent payments made to a third party are ineligible**. Documentation of rent payments, such as copies of cancelled checks, is required.

    **NOTE:** If 12 months of payments cannot be documented, a minimum of 9 months of the most recent 12 months documentation is eligible however the **rental income must be averaged over 12 months** when the borrower cannot document rent received for a full 12 months

**Example 1**

| **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** |
| **With Rental Income from Boarder:** | $375 per month (documented 12 months) |
| **Eligibility:** | **Eligible**<br>$6,000 (borrower income) + $375 (rental income from boarder documented 12 months) = $6,375. $2820 divided by $6375. = 44.24% DTI |

**Example 2**

| **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** |
| **With Rental Income from Boarder:** | $375 per month (documented 10 months) $375 multiplied by 10 = $3750 divided by 12 months = $312.50 per month |
| **Eligibility:** | **Eligible**<br>$6,000 (borrower income) + $312.50 (rental income from boarder averaged) = $6,312.50. $2820 divided by $6312.50 = 44.67% DTI |

**Income – Rental**

The following guidance applies to a 1-unit primary residence property with an accessory unit and 2-4 unit primary residence properties.

- Rental income may be used to qualify the borrower if it can be established that the income is likely to continue. Based on the information provided, the underwriter will determine the rental income that will be used to qualify the borrower.

### Documenting Rental Income

***Rental Income on Schedule E***

- If the borrower has a history of renting a property, rental income is reported on Schedule E of the borrower's personal tax return and may be used for qualification.
- The gross monthly rent must be documented even if the borrower is not using any rental income from the subject property to qualify.

***Rental Income from Subject Property***

- Rental income generated from the **subject** property requires the appraiser to provide:
  - Single-Family Comparable Rent Schedule (FNMA Form 1007*) used for 1-unit property, **or**
  - Small Residential Income Property Appraisal Report (FNMA Form 1025) for 2-4 unit properties.

  **NOTE:** Form 1007 is only required when rental income is being used for qualification.

| Documenting Rental Income from Subject Property | | |
|---|---|---|
| **Borrower has History of Receiving Rental Income from the Subject Property** | **Transaction Type** | **Documentation Required** |
| Yes | Refinance | Form 1007 **or** Form 1025, as applicable, **and**<br>• Borrower's most recent year signed federal income tax returns, including Schedule E, **or**<br>• Copies of current lease agreement(s) if borrower can document qualifying exception Refer to the Partial Rental History or No Rental History topic for qualifying exceptions. |
| No | Purchase | Form 1007 or Form 1025 as applicable and copies of the current lease agreement(s)<br>If the property is not currently rented, lease agreement(s) not applicable and the market rent determined on form 1007 or Form 1025.<br>If there is a lease/leases that are being transferred to the borrower the underwriter must review to ensure there are no provisions that could affect Homebridge's first lien position |
| No | Refinance | Form 1007 or Form 1025 as applicable and copies of the current lease agreement(s) |

* Fannie Mae will accept Form 1007 to document rent on a property with an accessory unit on the HomeReady program if the borrower does not have a lease agreement to document rental income. The following applies:
  - An explanation from the appraiser that the estimated market rent is for the rental of an accessory unit on a 1-unit primary residence property, and
  - The appraiser must indicate that the information reported on Form 1007 is specific to the accessory unit

**Income – Rental**

***Rental Income from Investment Property***

- Rental income generated from **other** investment property currently owned by the borrower (e.g. SFR, units or commercial property) the borrower must provide personal tax returns and all related schedules. The underwriter must document the monthly gross (and net) rental income from Schedule E.
- If the borrower acquired the property subsequent to filing a tax return a copy of the signed, lease agreement and a copy of the receipt and deposit of the security deposit from the tenant into the borrower' s bank account is required if the underwriter can document a qualifying exception. Refer to the Partial Rental History or No Rental History topic on the following page for qualifying exceptions.

***Partial Rental History or No Rental History***

- Borrowers with partial rental history or no rental history (e.g. purchase transaction, refinance when property acquired subsequent to filing the most recent tax return, major renovation to the property so rental income was interrupted, previous primary residence converted into investment property) including the subject and other rental property are subject to the following.
  - If it can be documented, per the requirements outlined in the table below, that the rental property was not in service the previous tax year, or was in service only a portion of the previous tax year, the qualifying rental income may be determined by:
    - Using Schedule E income and expenses, and annualizing the income (or loss) calculation, **or**
    - Using the fully executed lease agreement(s) to determine the gross rental income to be used in the net rental income (or loss) calculation.

| If: | Then: |
|---|---|
| The property was acquired during or subsequent to the most recent tax filing year | The underwriter must confirm the purchase date using the CD and:<br>• If acquired during the year, the Fair Rental Days fields on the Schedule E must confirm a partial year rental income and expenses (as applicable).<br>NOTE: If acquired after the last tax filing year, Schedule E will not reflect rental income/expenses for the property. |
| The rental property was out of service for an extended period | • Schedule E will reflect the costs for renovation/ rehab expenses. Additional documentation may be required to support the reno expenses and support the amount of time the property was out of service.<br>• The Fair Rental Days fields on Schedule E will confirm the number of days that the rental unit was in service, which must support the unit being out of service for all or a portion of the year. |
| The property is the borrower's current residence being converted to an investment property | • A fully executed lease agreement must be provided along with a copy of the security deposit from the tenant and borrower's bank statement showing deposited security funds. |

**Income – Rental** (cont.)

## Calculating Monthly Qualifying Rental Income or Loss

***Schedule E***

- When using Schedule E to calculate qualifying rental income the following is added back to the borrower's cash flow:
  - Listed depreciation,
  - Interest, HOA dues,
  - Taxes,
  - Insurance expenses, and
  - Non-recurring property expenses (if documentation provided)
- Properties in service for the entire year, average the rental income over 12 months
- Properties in service less than a full year, average the rental income over the number of months the property was rented (as indicated on Schedule E).

***Lease Agreements***

- When using current lease agreements, calculate the rental income by multiplying the gross rent(s) by 75%.

## Treatment of the Rental Income or Loss

The treatment of rental income/loss varies depending on the occupancy as detailed below:

***Property that is the Borrower's Principal Residence***

- The monthly qualifying rental income is added to the borrower's total monthly income. The income is not netted against the PITIA of the property.
- The full amount of the PITIA payment is included in the borrower's total monthly obligations when calculating DTI.

***Property that is not the Borrower's Principal Residence***

- If the monthly qualifying rental income minus the full PITIA is positive, it is added to the borrower's total monthly income
- If the monthly qualifying rental income minus the full PITIA is negative, the net rental loss must be added to the borrower's total monthly obligations.
- The full PITIA for the rental property is factored into the amount of the net rental income/loss so it **should not** be included in the borrower's monthly obligation
- The full monthly payment for the borrower's primary residence (full PITIA or the monthly rent) should be included in the borrower's monthly obligation.

***Rental Property Reported through a Partnership or S Corp***

If the borrower is personally obligated on a mortgage debt (as reported on the credit report) and gross rents and related expenses are reported through a partnership or S corp., the business tax returns may be used to offset the PITIA payment subject to the following:

- Obtain the borrower's business tax returns, including form 8825 for the most recent year
- Evaluate the properties listed as follows:
  - From the total gross rents, subtract total expenses. Add back insurance, mortgage interest, taxes and HOA dues (if applicable), depreciation, and non-recurring property expenses (if documented),
  - Divide by the number of months the property was in service,
  - Subtract the entire PITIA (proposed for subject property or actual for real estate owned) to determine the property cash flow.
- If the resulting net cash-flow is **positive**, the PITIA may be excluded from the borrower's monthly obligation when calculating DTI,
- If the resulting cash flow is **negative** (the rental income does not fully offset the PITIA payment on the property) the negative amount must be included in the borrower's monthly obligations when calculating DTI.

NOTE: When including positive net rental income received through a partnership/S corp. in the borrower's monthly qualifying income, the requirements for using partnership/S. corp. income to qualify the borrower must be met.

DU applies the term "subject net cash flow" to net rental income from the subject property and the term "net rental income" to rental income from properties other than the subject property.

<table>
<tr><td>Inspections</td><td>
<ul>
<li>Septic inspections are only required when the appraiser indicates there is evidence the septic system be failing.</li>
<li>Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.</li>
<li>Well inspections are only required when state or local regulations require, or if there is indication the well may be contaminated.</li>
</ul>
</td></tr>
<tr><td>Interested Party Contributions</td><td>
Interested party contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:
<ul>
<li>Seller,</li>
<li>Builder/developer,</li>
<li>Real estate agent,</li>
<li>Broker, or</li>
<li>Any affiliate of the above who will benefit from the sale of the property and/or at the highest possible sales price.</li>
</ul>
IPCs can be either financing concessions or sales concessions and include:
<ul>
<li>Funds paid directly from the interested party to the borrower</li>
<li>Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower,</li>
<li>Funds that flow to the transactions on the borrower’s behalf from an interested party, (includes third party organization and nonprofit agency),</li>
<li>Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction.</li>
</ul>
Interested party contributions are limited as follows:
<table>
<tr><th>Occupancy Type</th><th>LTV/CLTV</th><th>Maximum Allowable Contribution</th></tr>
<tr><td rowspan="3">Primary Residence</td><td>> 90%</td><td>3%</td></tr>
<tr><td>75.01% - 90%</td><td>6%</td></tr>
<tr><td>75% or less</td><td>9%</td></tr>
</table>
<ul>
<li>IPCs cannot be used to make the borrower’s down payment, reserve requirements or to meet the minimum borrower contribution requirement.</li>
<li>Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing concessions that exceed the limits above must be deducted from the sales price when calculating the LTV/CLTV ratios.</li>
<li>Financing concessions are subject to the IPC limits noted above. Financing concessions include:
<ul>
<li>Financial contributions from an interested party that benefits the borrower in the financing transaction,</li>
<li>Payments or credits related to acquiring the property, and</li>
<li>Payments or credits for financing term, including prepaids.</li>
</ul>
Financing concessions generally include origination fee, discount points, commitment fee, appraisal cost, transfer taxes, attorney’s fees, title insurance premiums, etc. They may also include prepaid items such as interest charges (no more than 30 days), real estate taxes covering any period after the settlement date, hazard insurance premiums (≤ 14 months), HOA dues (≤ 12 months), mortgage insurance premiums and escrow accruals for borrower paid MI.
<br>NOTE: Fees and/or closing costs paid by the seller that are considered common and customary are not subject to IPC limits e.g. owner’s title and transfer tax.</li>
<li>Undisclosed IPCs are ineligible (i.e. borrower paid closing costs moved to the seller side of the HUD)</li>
</ul>
</td></tr>
</table>

<table>
<tr><td>LDP/GSA</td><td>LDP / GSA<br>All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System.<ul><li>Borrower(s) and Borrower(s) AKA name (if applicable)</li><li>Seller(s),</li><li>Real Estate Listing and Selling Agent(s),</li><li>Appraiser,</li><li>Appraisal Company (not the AMC)</li><li>Broker</li><li>Loan Officer, Loan Officer Assistant</li><li>Loan Processor,</li><li>Underwriter,</li><li>Closing/Settlement Agent,</li><li>Title/Settlement Company, and</li></ul>Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.</td></tr>
<tr><td>Manufactured Home</td><td>Refer to the Fannie Mae Conforming and High Balance guidelines located on the Homebridge website at www.HomebridgeWholesale.com on the Products and Guidelines page for manufactured housing requirements.</td></tr>
<tr><td>Mortgage Insurance</td><td><ul><li>Loans with > 80% LTV, mortgage insurance is required and are subject to MI guidelines. The more restrictive of Homebridge or MI company guidelines apply.</li><li>Eligible MI products:<ul><li>Borrower paid mortgage insurance (BPMI). Monthly or single premiums are eligible.</li><li>Lender paid mortgage insurance (LPMI). Single premium only</li></ul></li><li>Eligible MI options:<ul><li>Financed MI eligible for BPMI single premium (1-unit only)</li><li>Non-refundable</li><li>Refundable (eligible with BPMI single premium only)</li><li>Renewal type, as applicable<ul><li>Level/constant</li><li>Declining/amortized</li></ul></li></ul></li><li>Homebridge approved MI companies are:<ul><li>Arch (Arch does not allow the use of cash-on-hand for HomeReady loans)</li><li>Essent</li><li>Enact</li><li>MGIC</li><li>National MI</li><li>Radian</li></ul></li><li>Non-traditional credit with DU "Approve/Eligible"<ul><li>Mortgage insurance must be obtained from one of the following MI providers:<ul><li>Essent,</li><li>Enact, or</li><li>Radian</li></ul></li></ul></li><li>Mortgage insurance coverage is determined by LTV and loan term as detailed below.</li></ul>
<table>
<tr><th colspan="4">Required MI Coverage</th></tr>
<tr><th rowspan="2">Loan Term</th><th colspan="3">LTV</th></tr>
<tr><th>80.01-85%</th><th>85.01 - 90%</th><th>90.01%-97%*</th></tr>
<tr><td>25/30 year</td><td>12%</td><td>25%</td><td>25%</td></tr>
<tr><td>10/15/20 year</td><td>6%</td><td>12%</td><td>25%</td></tr>
</table>
* > 95% - see 95.01%-97% LTV topic for restrictions</td></tr>
</table>

| | |
|---|---|
| **Mortgage Insurance – New York** | New York state statute supersedes Fannie Mae standard requirements for calculating the LTV used for determining the need for mortgage insurance and the following applies:<br>**Calculating the LTV to Determine if MI Required**<br>• The **appraised value is always used** to calculate the LTV ratio to determine whether or not mortgage insurance is required. If MI required determine coverage as outlined below.<br>**Determining the Required Amount of MI Coverage**<br>• If mortgage insurance is required the **lesser of** the **appraised value or the sales price** is used to calculate the LTV ratio that determines the amount/percentage of mortgage insurance coverage required (see Required MI Coverage chart above for coverage amounts by LTV/Loan Term) |
| **Mortgage/Rental History** | • Per DU Findings, however, the mortgage /rental rating cannot have any ≥ 60 day lates in the previous 12 months.<br>**NOTES:** If DU allows any delinquencies a satisfactory explanation of the delinquency is required and is subject to underwriter review and acceptance<br>Timeshares are **not** considered mortgage debt by Fannie Mae and are not subject to mortgage history requirements. Fannie Mae considers timeshares to be installment debt.<br>• The credit report must reflect the most recent 12 months activity.<br>• Mortgage must be current for the month closing.<br>• Copies of rent checks are required to document rental payment history subject to DU Findings. In lieu of rent checks, at the underwriter's discretion the following may be acceptable:<br>- A direct verification of rent (VOR) provided by a professional management company, or<br>- Copies of money orders<br>**Forbearance Plan Policy**<br>The policy below applies to the subject property and to any other real estate mortgage loan where the borrower is in a forbearance plan,<br>**Subject Property Lien (Loan being Refinanced) and is Current**<br>• If the borrower is current **and** has not missed a payment, the loan is **eligible**<br>**Other REO OR Subordinating Second Lien and is Current**<br>• The loan is eligible if the borrower is current **and** has never missed a payment, **and**<br>• Written evidence, **provided directly from the servicer**, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan required.<br>NOTE: Documentation must be obtained for loans in a forbearance plan **and** for loans where borrower inquired about forbearance and the servicer flags the inquiry<br>**Subject Property, Subordinating Second Lien, AND Other REO NOT Current/Missed Payment AND Loan is Brought Current (Reinstatement)**<br>• If the borrower has brought the loan current (aka reinstatement), **using their own funds**, the loan is eligible subject to:<br>- The funds used to bring the loan current must be the borrower's **own funds and** must be **sourced and seasoned, and**<br>- The borrower **cannot** have entered into a forbearance repayment plan or loan modification agreement, **and**<br>- Proceeds from a refinance cannot be used to bring the loan current or, if cash-out, to reinstate the mortgage on other REO, **and**<br>- The payoff cannot include any deferred or missed payments<br>- **Other REO or Subordinating Second ONLY**: Written evidence must be provided **directly from the servicer** confirming that the forbearance plan has been with withdrawn or otherwise close out/canceled prior to closing of our new Homebridge loan<br>**Subject Property AND Other REO NOT Current/Missed Payment AND Borrower in Forbearance Repayment Plan, Loan Modification, Payment Deferral, or Other Loss Mitigation Solution**<br>• The following applies to loans in a repayment plan, had a loan modification, payment deferral or any other loss mitigation solution.<br>- The loan is eligible if the borrower has made three (3) on-time payments per the applicable agreement<br>- When the above requirement is met for the existing mortgage being refinanced, the new loan amount may include the full amount required to satisfy the existing mortgage<br>NOTE: The borrower is only required to have made the three (3) consecutive payments; completion of the applicable plan is not required |

| | |
|---|---|
| **Non-Arm's Length or Identity of Interest Transactions** | • A non-arm's length transaction is a purchase transaction where the is a relationship or business affiliation between the buyer and seller of the property<br>• Non-arm's length transactions are eligible for re-sale properties on all occupancy types.<br>• When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-arm's length transactions on new construction properties are ineligible if the property is a second home or investment.<br>• An identity of interest transaction involves parties who are not related and do not have close personal ties, however they have a strong interest in the transaction. Identity of interest transactions are eligible on owner-occupied transactions, however additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion. |
| **Occupancy** | Owner-occupied only |
| **Power of Attorney** | A Power of Attorney (POA) is allowed on a case-by-case basis subject to all of the following:<br>• Must be specific to the transaction<br>• Must include the borrower name, property address and loan amount<br>• The POA must be fully executed and notarized<br>• The borrower must sign the application and disclosures<br>• Homebridge to review and approve prior to loan closing<br>• The POA must be recorded along with the mortgage. |
| **Prepayment Penalty** | Not permitted |
| **Products** | • **Fixed Rate Only**: 10, 15, 20, 25, and 30 year terms eligible<br>**Temporary Buydown**<br>• A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 temporary buydown feature eligible on purchase transactions; refer to the Temporary Buydowns topic for complete eligibility requirements |
| **Properties – Eligible** | • Single family residences<br>• 2-4 units<br>• PUDs (attached/detached)<br>• Condominium (attached/detached), Fannie Mae warrantable. Refer to the Properties – Eligible Condominiums topic in the **Fannie Mae Conforming and High Balance – Loan Applications Dated On or After June 1, 2026** guidelines posted on the Products and Guidelines page on the Homebridge website for condominium requirements based on loan application date<br>**NOTE:** New attached condo projects are **not eligible**<br>• Modular/prefabricated properties 1-unit only. Factory built but **not** built on a permanent chassis; built on site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.<br>• Multi-wide (double/triple) manufactured home that is a minimum of 20 feet wide. 1-unit owner-occupied primary residence (excluding manufactured homes on leasehold estates; manufactured homes on leasehold estates are **ineligible**.<br>• Leaseholds meeting Fannie Mae guidelines. The lease must extend a minimum of five (5) years beyond the mortgage maturity. |

| | |
|---|---|
| **Properties – Eligible Condominiums** | • Project review must be completed within 180 days prior to the Note date.<br>• Projects with Fannie Mae PERS approval or projects with a project acceptance certification through CPM are eligible if documentation of the PERS or CPM acceptance is provided.<br>• **Loan Applications Dated Prior To August 3, 2026 ONLY:** Fannie Mae Limited Reviews are eligible for established projects subject to Fannie Mae guidelines. When a Limited Review is performed, the following LTV restrictions (**all states except Florida**) apply:<br>- Owner occupied maximum LTV 90%<br>• Projects where the HOA (or developer if not turned over to the HOA) is a party to litigation, arbitration, mediation or other dispute are only eligible in the following circumstances:<br>- The litigation amount is known, the insurance company has committed to providing defense, and the litigation amount is covered by the insurance policy, or<br>- The litigation/arbitration involves non-monetary neighbor disputes regarding the rights of enjoyment, or<br>- The HOA is the plaintiff in the litigation but it can be determined that the matter is minor in nature with insignificant impact to the financial status of the condo project.<br>• **Loan Applications Dated Prior To August 3, 2026 ONLY: Florida Specific**<br>- New condo projects require PERS approval<br>- Established Project Review is eligible for established projects<br>- Limited Review for established condo project eligible as follows:<br>- Maximum 75%/90% LTV/CLTV for owner-occupied<br>**NOTE:** Refer to the Properties – Eligible Condominiums topic in the **Fannie Mae Conforming and High Balance – Loan Applications Dated On or After June 1, 2026** guidelines posted on the Products and Guidelines page on the Homebridge website for condominium requirements based on loan application date |
| **Properties – Eligible: Florida Condominium Projects** | **Florida condominium projects that are 3 or more stories high are subject to the following requirements:**<br>• If the condo building is 30 years or older, **OR**<br>• The condo building is 25 years or older **AND** the building is within 3 miles of the coastline, **THEN:**<br>- Evidence the building has completed the inspections required under Florida Senate Bill 4D (SB-4D), **AND**<br>- Evidence the HOA has completed the required structural integrity reserve study, and the budget contains sufficient reserves. The HOA fee must be consistent with the budget<br>**NOTES**:<br>1. If the project has **not** had the required inspections, it is **ineligible**<br>2. If an inspection was completed but revealed substantial structural deterioration and/or unsafe/dangerous conditions exist, evidence the required repairs have been completed **must be provided** or the project is **ineligible**<br>**REMINDER:** This requirement **does not** apply if the condo building is only 1 or 2 stories high |

| | |
|---|---|
| **Properties – Ineligible** | • Non-warrantable condominiums<br>• New or newly converted condominium projects in Florida without a PERS approval<br>• New attached condominium projects<br>• Condominiums < 450 square feet<br>• Cooperative projects<br>• Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)<br>• Unique properties<br>• Properties in Hawaii located in lava zones 1 or 2.<br>• Agricultural-type properties, farms, orchards, ranches<br>• Properties zoned for agricultural use<br>• Rural property > 10 acres<br>• Commercial property |
| **Property Acquired at Auction** | If the subject property is purchased at auction, the combination of the buyer's premium and the winning bid may be used to calculate the final sales price. The lesser of the final sales price or appraised value is used to determine the LTV/CLTV<br>**NOTE**: The amount of the buyer's premium should be common and customary for a typical auction transaction. |
| **Property Flips** | Eligible subject to underwriter review.<br>• Property flips are subject to:<br>- Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion.<br>- Borrower must have excellent credit history, employment history, savings pattern, etc. |
| **Property with an Accessory Unit** | **Legal Accessory Unit**<br>Eligible on 1- unit single family properties only provided the following requirements are met:<br>• The appraisal must indicate the improvements are typical for the market, **and**<br>• A minimum of one (1) comparable sale with the same use is required, **and**<br>• The appraiser must describe the unit and analyze any effect the accessory unit has on the value or marketability of the subject property, **and**<br>• The unit includes a fully functioning kitchen and bathroom, **and**<br>• There is only one (1) accessory unit; multiple accessory units are ineligible<br>**NOTE: Rental income from the accessory unit may be used for qualifying the borrower** (purchase and rate/term refinance transactions)<br>**Illegal Accessory Unit**<br>If it is determined that the accessory unit does not comply with zoning the property is eligible subject to the following additional conditions:<br>• The use conforms to the subject neighborhood and market, **and**<br>• The property is appraised based upon its current use, **and**<br>• The appraisal must indicate that the improvements represent a use that does not comply with zoning, **and**<br>• The appraisal must indicate that the improvements are typical for the market through an analysis of at least three (3) comparable properties that have the same illegal use, **and**<br>• The accessory unit cannot jeopardize any future hazard insurance claim that could be filed against the property, **and**<br>• There is only one (1) accessory unit; multiple accessory units are ineligible<br>**NOTE: Rental income from the accessory unit may be used for qualifying the borrower** (purchase and rate/term refinance transactions)<br>**Requirements for Documenting Rental Income**<br>A lease agreement or a Single Family Comparable Rent Schedule (Fannie Mae Form 1007) to document rental income is required. Income generated from an accessory unit will be eligible subject to standard rental income guidelines. Refer to the Income - Rental topic for requirements. |
| **Property with an Addition without Permits** | If the appraiser identifies an addition that does not have the required permits the following is required:<br>• The appraiser must comment on the quality and appearance of the work, **and**<br>• The impact the addition might have, if any, on the market value of the subject property. |

| | |
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| **Property with an Illegal Conversion** | Properties with an illegal conversion (e.g. garage converted to office/bedroom, screened in porch converted to laundry room, etc.) are eligible subject to the "Property with an Addition Without Permits" topic requirements **unless** the illegal conversion includes the amenities to make it a self-contained living space (e.g. a garage converted to a living space that includes a bathroom **and** kitchen). In cases where the illegal conversion would be considered an accessory unit (living space, bathroom **and** kitchen) the conversion is subject to the guidelines under the "Illegal Accessory Unit" topic above. |
| **Property with Solar Panels** | • Properties with solar panels that are owned by the borrower are eligible without additional requirements.<br>• Properties with solar panels that are not owned by the borrower (i.e. leased from or owned by a third party under a power purchase agreement or other similar arrangement, whether applicable to the original agreement or as subsequently amended) are subject to Homebridge management prior approval and all of the following:<br>- The solar panels cannot be included in the appraised value,<br>- The property must maintain access to an alternate source of electric power that meets community standards.<br>- **The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation, unless the lease is structured to:**<br>- Provide delivery of a specific amount of energy at a fixed payment during a given period, and<br>- Has a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.<br>- **Payments under power purchase agreements where the payment is calculated solely based on the energy produced and used may be excluded from the DTI ratio.**<br>- The lease or a power purchase agreement must indicate that:<br>- Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home); **and**<br>- The owner of the solar panels **agrees not to be named loss payee** (or named insured) on the property owner's property insurance policy covering the residential structure the panels are attached to **or** verification that the owner of the solar panels **is not named loss payee** (or named insured) on the property owner's property insurance policy; **and**<br>- In the event of foreclosure, Homebridge as the lender has the discretion to either:<br>- Terminate the lease/agreement and require the third-party owner to remove the equipment;<br>- Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third-party; or<br>- Enter into a new lease/agreement with the third-party, under terms no less favorable than the prior owner.<br>- Title exceptions due to the solar panels (e.g. easement) are acceptable provided the interest is not superior to Homebridge.<br>- Additionally, title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to Homebridge |

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| **Refinance Transactions** | • Properties that were listed for sale in the previous 12 months must be taken off the market prior to the disbursement date and borrowers must provide written confirmation of their intent to occupy the property.<br>**Financing Real Estate Taxes –** the following applies when real estate taxes are financed:<br>• **Limited Cash-out Refinance: A** loan is **ineligible** as a limited cash-out refinance and must be considered a cash-out transaction when:<br>- The borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account unless requiring an escrow account is not permitted under applicable state law or regulation<br>**NOTE:** As a reminder, CA loans do not require an escrow/impound account unless the LTV is ≥ 90%; CA loans eligible 80% to 89.99% LTV without an escrow account.<br>- The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount. |
| **Reserves** | • Reserve requirements per DU<br>NOTE: Fannie Mae's additional reserve requirements that apply when a borrower has additional financed properties **do not** apply to HomeReady loans<br>**Acceptable Sources of Reserves**:<br>• Checking/savings accounts,<br>• Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts<br>• Vested amount in retirement accounts, and<br>• Cash value of a vested life insurance policy<br>**Unacceptable Sources of Reserves**<br>• Cash-on-hand<br>• Interested party contributions,<br>• Personal unsecured loans,<br>• Stock options and non-vested restricted stock<br>• Stock held in an unlisted corporation,<br>• Funds that have not been vested,<br>• Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination, or death. |
| **Seller Contributions** | Refer to the Interested Party Contributions topic for seller contribution limits |
| **Subordinate Financing** | • Eligible subject to the CLTV limits on the matrix located on pages 1 and 2. Max CLTV is 105% for a fixed rate owner-occupied property with a Community Second.<br>• If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the HCLTV.<br>• Subordinate financing from a seller-held mortgage is ineligible on HomeReady<br>• Unacceptable subordinate financing terms include:<br>- Mortgages with negative amortization (with the exception of employer subordinate financing that has deferred payments)<br>- Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new fist mortgage<br>- Subordinate financing that has a prepayment penalty<br>• If using a Community Second, program must be currently approved by Homebridge. Refer to the Approved DPA/Community Program list located under Working With Us on the Homebridge website at www.Homebridgewholesale.com for eligible programs. All Fannie Mae Community Seconds requirements must be met.<br>• The CA HERO program is ineligible subordinate financing |

**Temporary Buydowns**

Temporary buydowns allow the borrower to lower their monthly mortgage payment for a limited time through a temporary buydown of the initial interest rate

The temporary buydown feature is subject to the following:

- Fixed rate purchase transactions **only**
- 1-4 unit primary residence and 1-unit second home; investment and manufactured homes **ineligible**
- **Seller funded buydowns only**
- Interested party contribution limits apply
- Buydowns are qualified at the Note rate
- A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 buydown available
- Buydown funds are deposited into an escrow account and the Servicer will disburse funds from the escrow account each month to make the full mortgage payment

**Example of a 2/1 Buydown**

- Initial Note Rate: 5%
- First Year: Interest rate is 3% (2% lower than initial)
- Second Year: Interest rate is 4% (1% lower than initial)
- Third Year: The initial Note rate of 5% is in place for the remainder of the loan term

**Example of a 3/2/1 Buydown**

- Initial Note Rate: 5%
- First Year: Interest rate is 2% (3% lower than initial)
- Second Year: Interest rate is 3% (2% lower than initial)
- Third Year: Interest rate is 4% (1% lower than initial
- Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

**Example of a 1/1/1 Buydown:**

The Interest rate is 1% below the Note rate for the first 3-years of the loan

- Initial Note Rate: 5%
- First Year: Interest rate is 4% (1% lower than initial)
- Second Year: Interest rate is 4% (1% lower than initial)
- Third Year: Interest rate is 4% (1% lower than initial
- Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

| Eligible Transactions Quick Reference Guide | |
|---|---|
| **Transaction Types** | **Eligible** |
| Fixed rate | Yes |
| Primary residence (1-4 units) | Yes |
| Purchase transactions | Yes |
| Refinance transactions | No |
| Manufactured | No |
| Texas Equity | No |

**Transactions – Eligible**

- Purchase
- Limited cash-out refinance (rate/term)

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| **Transactions – Ineligible** | • Any transaction without a DU "Approval/Eligible" Finding<br>• Manual underwrites<br>• High balance transactions with an LTV > 95%<br>• Transactions with a non-occupant co-borrower with an LTV > 95%<br>• Manufactured home with an LTV > 95%<br>• Interest-only<br>• Texas Section 50(a)(6)<br>• Transactions involving sweat equity<br>• Refinance transactions where the property was listed for sale at time of loan disbursement.<br>• Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after Feb. 8, 2011 and the fee collected does not directly benefit the property<br>• Transaction with CA HERO program subordinate financing<br>• Transaction with seller-held subordinate financing |