FNMA HomeReady® Fixed Rate & Adjustable Rate

See full Product Guide for complete information.

Revised 10-05-26

HomeReady® Mortgage – Conforming & High Balance		
Transaction Type	**Number of Units**	**Maximum LTV, CLTV, HCLTV[2,3,4]**
Principal Residence		
Purchase	1 Unit	FRM: 97%[1] ARM: 95%
Limited Cash Out Refinance	1 Unit	FRM: 97%[1] ARM: 95%
Purchase & Limited Cash Out	2 Units	FRM/ARM: 95%[3]
	3-4 Units	FRM/ARM: 95%[4]

[1] LTV/CLTV/HCLTV ratios greater than 95% up to a maximum of 97% permitted for conforming, 1-unit fixed rate transactions. Limited cashout refinance transactions require that the existing mortgage being refinanced is owned by Fannie Mae. All borrowers must occupy the property. At least one borrower on the loan must have a qualifying credit score. Maximum 95% LTV where no borrower has a qualifying credit score.

[2] Small Business Administration (SBA) loans secured by the subject property must be treated as subordinate financing and included in the calculation of the CLTV and HCLTV ratios.

[3] Maximum 85% for High Balance products

[4] Maximum 75% for High Balance products

- Some transactions may not be eligible for MI. Refer to the MI provider guidelines.
- Refer to agency loan limit matrix for maximum loan amounts at https://www.fanniemae.com/singlefamily/loan-limits or in the matrices section of the full product guide.

Amortization	• 10, 15, 20, 25, & 30 Year
	• 30 Year only for ARM transactions
	• Odd terms allowed down to 96 months. Capital Markets exceptions may be considered down to 85 months.
	• ARM Characteristics
	  ○ Index: SOFR
	  ○ Margin: 2.75%
	  ○ Floor: 2.75%
	  ○ CAP Structure:
	  ▪ 5/6 ARM: 2/1/5
	  ▪ 7/6 & 10/6 ARM: 5/1/5

Secondary Financing	• Maximum CLTV: ○ 95.01%-97% Conforming 1-Unit FRM transactions with subordinate financing

	• For refinance transactions, any eligible subordinate financing may remain in place; however, it must be resubordinated to the first mortgage and meet any CLTV/HCLTV limits. • **Community Seconds are not permitted.** • **Shared equity, shared appreciation, and properties subject to private transfer fees not permitted.**	

Temporary Buydown	• Available Plans: 3/2/1, 2/1, 1/1, 1/0
	• Fixed Rate, 30 year amortizations only; odd terms not permitted.
	• Purchase transactions only
	• Buydown subsidy must be funded by the Seller or Lender.
	  ○ When the source of the funds is from the Seller the interested party contribution limits apply.
	  ○ **A 3/2/1 Lender Funded option is not available.**
	• Primary Residence
	• Borrower(s) must qualify using the Note Rate (without consideration of the bought-down rate)
	• Buydown must be disclosed to the MI company and the Appraiser
	• Buydown agreement must be signed by all parties, including the borrower(s) and contributor(s).
	  ○ Must provide that the borrower is not relieved of the obligation to make the mortgage payments required by the terms of the mortgage note, if, for any reason, the buydown funds are not available.
	• Ineligible Transactions: **Manufactured Homes**, Texas 50 (a)(6) or 50(a)(4), Refinances, **Adjustable Rate Mortgages, Odd Term Amortizations, Borrower or Other Funded subsidies, Lender Paid Single Premium Mortgage Insurance.**	

Eligible Properties	• 1-4 Units • Warrantable Condo, PUD, Townhouse	• HomePath properties (FNMA REO), *refer to full product guide for complete details* • Life Estates, *refer to the full product guide for complete details*
Ineligible Properties	• **Manufactured Housing*** • Non-warrantable Condo • Timeshare • Mixed Use • Mobile Home • **Cooperative** • Condo/PUD Hotel • Commercial Property • Working Farms	• **Properties with Resale Deed Restrictions** (other than Age Restricted) • Properties located in Lava Zones 1 & 2 • Properties that are listed for sale at the time of disbursement (when the transaction is a refinance) • Properties that have been assumed • **Land Trust and Community Land Trust** (including Illinois Land Trusts)
	**Manufactured homes available in all states, excluding New York and Virginia. Please see full product guidelines for details.*	
Occupancy	• Primary Residence ONLY ○ Military Owner Occupancy: military service may require a servicemember to be absent from their home for an extended period due to deployment (additional requirements apply see full product guide for details) • 1-4 Unit • Refer to maximum LTV/CLTV/HCLTV chart above • If subordinate financing exists, refer to Secondary Financing section. • The property must be owner occupied. • The occupying Borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date.	
Refinance Transactions	**Limited Cash Out Refinance Only** • At least one (1) borrower on the new loan must be an owner (on title) of the subject property at the time of initial application. Exceptions are permitted with documented evidence of: ○ Borrower acquired the property through an inheritance or was legally awarded the property (such	

	as through a divorce, separation, or dissolution of a domestic partnership); ○ Property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary of the trust; ○ Borrower on the new loan is currently financially obligated on the loan being paid off but not on the title. Ownership must be transferred to the borrower(s) at time of closing; or ○ Borrower is paying off an installment land contract that was executed more than 12 months prior to the date of the loan application. • The following are acceptable to be paid off with a limited cash out refinance transaction: ○ Modifying the interest rate and/or term for existing first lien mortgages; ○ Paying off the existing first mortgage, which may include additional amounts required to pay off the loan, such as prepayment penalties, a deferred balance resulting from completion of a prior loss mitigation solution, and late fees; ○ Paying off the construction loan and documented construction cost overruns for a two-closing construction-to-permanent loan; ○ Paying off an installment land contract that was executed more than 12 months prior to the date of the loan application. ○ Pay off subordinate liens used in whole to purchase the subject property. ▪ When the subordinate lien is a Community Seconds, payoff may include any required payment of the share of appreciation due to the Community Seconds provider under the terms of the shared appreciation agreement. • The terms of the shared appreciation agreement must be obtained to ensure acceptable use of the limited cash out refinance is being met. • Refer to Fannie Mae Selling Guide section, B.5-5.1-03 for complete details for Community Seconds, Shared Appreciation Transactions. ▪ If there is no share of appreciation due to the Community Seconds provider, it is not necessary to verify the subordinate lien for the purchase of the property was a Community Seconds loan; however, must document the second lien was used to purchase the property. ○ Financing the payment of closing costs, points and prepaid items. With the exceptions of real estate taxes that are more than 60 days delinquent, the borrower can include real estate taxes in the new loan amount provided: ▪ Real estate taxes must be paid in full through the transaction, and ▪ Payment for the taxes must be disbursed to the taxing authority through the closing transaction, with no funds used for the taxes disbursed to the borrower. ○ Receiving cash back in an amount that is the greater of 1% of the loan amount or $2,000. Borrower may also be refunded for the overpayment of fees and charges due to federal or state laws or regulations. Refunds such as these are not included in the maximum cash back limitation, provided that the settlement statement clearly identifies the refund, and the loan file includes documentation to support the amount and reason for refund. • A transaction is not eligible as a limited cash out refinance if the Borrower completed a cash out refinance transaction with a Note Date 30 days or less prior to the application date of a new refinance secured by the same property. • Properties listed for sale must be taken off the market on or before the disbursement date of the new mortgage loan. The borrower must provide: ○ Documentation that the property has been taken off the market. ○ A letter of explanation confirming their intent to continue to occupy the property. • Refer to Fannie Mae B2-1.3-02 for full details.
Underwriting	**Automated Underwriting** • All loans are required to be submitted to DU. **Manual underwriting is not permitted.** • Eligible DU recommendation: DU Approve/Eligible • Hourly, Salary and Commission Income Borrowers: A verbal VOE must be obtained within 10 business days prior to note date. ○ **The most recent available paystub or bank statement(s) are not permitted as an**

Underwriting, continued

- **Alternative Form of employment verification.**
  - **No verification may extend beyond 10 business days prior to note date.**
- Self-employed Borrowers: A verbal VOE must be obtained within **60 calendar days prior to note date.**

Ratios

- According to DU Findings
- DU must reflect all payments, regardless of the number of months remaining, except for installment loans with less than 10 months.
- Payment on installment debts secured by virtual currency must be included in the debt-to-income ratio calculation.
- BNPL (Buy Now Pay Later) debts identified on the borrower's asset statements, but not reported on the credit report, must be treated as undisclosed debt, and fully documented. Whether or not the payment is to be included in the DTI will be determined by the financing arrangement and the number of payments left. The financing agreement and/or a current statement reflecting the payment, balance and terms are required.
  - Refer to Credit Policy Announcement 26-02 for requirements and list of BNPL companies.

Deferred Installment Debt (Student Loans)

- For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the monthly payment must be included in the borrower's recurring monthly debt obligation when qualifying the borrower.

Qualifying Rate

- FRM: Note rate
- 5/6 SOFR ARM: The greater of the fully indexed rate or the note rate plus 2.00%
- 7/6 & 10/6 SOFR ARM: Note rate
  - **7/6 and 10/6 SOFR ARM loans that are higher-priced mortgage loans (HPML) are not permitted.**
  - State based restrictions apply to the following states and must be qualified at the greater of the Note Rate or Fully Indexed Rate.
    - Illinois, Maryland (purchase only), Massachusetts, Minnesota, New Mexico, Pennsylvania.

Credit Profile

- **Minimum risk score of 620 unless a higher score is required** for a DU Approve/Eligible recommendation
- Transactions where no borrower has a credit score may be eligible (see full underwriting guidelines for additional requirements)

Underwriting, continued

Minimum Borrower Contribution for Purchase Transactions

- Fannie Mae does not require a minimum borrower contribution from the borrower's own funds when the LTV, CLTV or HCLTV is < 80%.
- If the LTV, CLTV or HCLTV is > 80%, the minimum required borrower contribution from the borrower's own funds is dependent on the number of units, as follows:

Number of Units	Minimum Contribution	Minimum Down Payment[a]
One[b]	None	3%[c]
Two to Four	3%	5%

	[a] Refer to LTV/CLTV/HCLTV Matrix above. [b] A minimum 5% down payment is required with no minimum borrower contribution if sweat equity is being used toward the down payment for one-unit HomeReady purchase transactions. Refer to the Sweat Equity section in the full product guidelines for additional borrower contribution requirements. [c] A 3% down payment is permitted for certain purchase transactions. Refer to Fannie Seller Guide Section B5-6-02. **Borrower Income Limits and Calculations** • In determining whether a mortgage is eligible under the borrower income limits, FMC must count the income from all of the borrowers who will be listed on the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage. • To determine eligibility for a HomeReady mortgage loan the borrower's income is compared to the applicable area median income (AMI) for the property's location, including properties in low-income census tracts.
Appraisal Requirements	Desktop Underwriter will indicate if an appraisal is required and provide eligible appraisals or property data collection types for the loan. For an overview of the Fannie Mae appraisal reports and property data collection types, refer to Seller Guide Section B4-1 in the link to the Uniform Appraisal Dataset (UAD) 3.6 Policy Supplement. • The Findings Report may indicate one of the following options to allow a loan to be originated without a traditional appraisal. Refer to the product guide for complete eligibility requirements. ○ Hybrid, Value Acceptance + Property Report, or Value Acceptance (appraisal waiver).
Homeownership Education	Pre-purchase homeownership education is required for at least one borrower on all purchase transactions when all occupying borrowers are first-time homebuyers, regardless of the LTV ratio OR if all borrowers on the loan are relying solely on nontraditional credit to qualify. The homeownership education must be completed through one of the following two options: 1. Homebuyer Education, such as Fannie Mae HomeView™ 2. HUD-approved nonprofit counseling agency
MI Coverage Requirements	

	80.01-85.00%	85.01-90.00%	90.01-95.00%	95.01-97.00%
Standard Coverage, Term ≤ 20 Years	6%	12%	25%	25%
Standard Coverage, Term > 20 Years, ARMs; and Manufactured Homes*	12%	25%	25%	25%

This document is not all encompassing. It is a summary reference tool to be utilized in conjunction with agency guidelines and applicable FMC credit and compliance policies. Where this document is silent, refer to agency guidelines.

All bolded and highlighted items are Freedom Mortgage overlays.

Pricing and product guidelines are subject to change and may be discontinued at any time.

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