IMPAC Mortgage Corp. CORRESPONDENT

Fannie Mae Fixed Rate

This matrix is intended as an aid to help determine whether a property/loan qualifies for certain Fannie Mae offered programs. It is not intended as a replacement for Fannie Mae guidelines. Users are expected to know and comply with Fannie Mae's requirements.

*NOTE: This matrix includes overlays which may be **more restrictive** than Fannie Mae's requirements. A thorough reading of this matrix is recommended.*

Program Qualifications

- Eligible loans are conforming and high balance loans receiving a DU Version 9.3 or later Approve/Eligible.

Maximum Loan Amount

2017 Conforming Maximum Loan Amounts (available 12/10/16)		
Units	**Continental US**	**Alaska & Hawaii**
1	$424,100	$636,150
2	$543,000	$814,500
3	$656,350	$984,525
4	$815,650	$1,223,475

	2017 High Balance Loan Amounts (available 1/1/17)			
	Continental US		**Alaska and Hawaii**	
Units	**Minimum Loan**	**Maximum Loan**	**Minimum Loan**	**Maximum Loan**
1	$424,101	$636,150	$636,151	$954,225
2	$543,001	$814,500	$814,501	$1,221,750
3	$656,351	$984,525	$984,526	$1,476,775
4	$815,651	$1,223,475	$1,223,476	$1,835,200

Permanent High Cost area limits are the maximum potential loan limits for designated high-cost areas. Actual loan limits are established for each county (or equivalent) and the loan limits for specific high-cost areas may be lower. The original balance of a Mortgage must not exceed the maximum loan limit for the specific areas in which the Mortgage Premises is located. For specific loan limits for each high cost area, as released by the Federal Housing Finance Agency visit: http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx

Eligibility Matrix Loan Amount & LTV Limitations

- *Any references to LTV ratios include LTV, CLTV, and HCLTV ratios, unless otherwise noted.*
- *The Matrices may not include all eligibility criteria applicable to the subject transaction (e.g., maximum loan term).*
    - *Use Matrix 1 for Standard Eligibility Requirements for Conforming and High Balance Loan Amounts **Fannie Mae DU Approve/Eligible***
    - ***NOTE:** If the borrower is financing a second home or investment property and the borrower will have seven to ten financed properties, the mortgage loan must have a minimum representative credit score of 720*
    - *Refer to Fannie Mae Conforming Manufactured Home Fixed Rate matrix for specific program guidelines on Manufactured Homes*
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Matrix 1

Standard Eligibility Requirements Conforming and High Balance Loan Amounts Fannie Mae DU Approve/Eligible Only

Primary Residence, Second Home and Investment

Transaction Type [1, 2,3]	Occupancy	Units	Amortization and Property Restrictions	Maximum LTV/CLTV/HCLTV [2,4]	Credit Score[9]	Maximum Cash-Back
Purchase & Limited Cash-Out Refinance (LCOR)	Primary Residence	1 [3]	Fully amortizing	95/95/95% 97/97/97%[7,8]	620	Ineligible
		2	Fully amortizing	85/85/85%	620	Ineligible
		3 – 4	Fully amortizing	75/75/75%	620	Ineligible
	Second Home	1 [3]	Fully amortizing	90/90/90%	620 (720[9])	Ineligible
	Investment	1 [3]	Purchase – Fully amortizing	85/85/85%	620 (720[9])	Ineligible
			LCOR – Fully amortizing	75/75/75%	620 (720[9])	Ineligible
		2 – 4	Fully amortizing	75/75/75%	620 (720[9])	Ineligible
Cash-Out Refinance [5,6]	Primary Residence	1 [3,5]	Fully amortizing	80/80/80%	620	No limit
		2 – 4 [5]	Fully amortizing	75/75/75%	620	No limit
	Second Home	1 [3,5]	Fully amortizing	75/75/75%	620	No limit

					(720[9])	
	Investment	1 [3,5]	Fully amortizing	75/75/75%	620 (720[9])	No limit
		2 – 4[5]	Fully amortizing	70/70/70%	620 (720[9])	No limit

Footnotes

1. Borrower with one credit score or borrower without a credit score when borrowing with a scored borrower eligible on primary residence Purchase, Rate & Term 1 unit maximum 95% LTV minimum credit score 620. Refer to *Credit* for specifics. Conforming Limits only. Does not apply to High Balance loans.
2. See sections for *Assets* and *Underwriting* for multiple financed properties requirements
3. Florida condominiums are eligible per FNMA guidelines (see *Property Types*)
4. HCLTV (HELOC CLTV) = first lien balance + total HELOC amount (funded plus unfunded portion) ÷ the lesser of the appraised value or sales price (if applicable).
5. If the property was purchased within the prior six months, the borrower is ineligible for a cash-out refinance transaction unless the loan meets the delayed financing exception. Refer to the *Financing Types - Delayed Financing Exception* for eligibility requirements.
6. If property was listed for sale in the last 6 months the LTV ratios for a cash-out transaction are limited to 70% LTV (or maximum allowed if less than 70% LTV).
7. Impac allows the following FNMA flexibility (LTV ratios greater than 95% up to a maximum of 97%) for **non-HomeReady** purchase and rate/term transactions **only:**
    - Standard purchase transactions (non-HomeReady) if at least one borrower is a first-time home buyer, or
    - Standard limited cash-out refinances (non-HomeReady) of existing Fannie Mae owned mortgages.
    - **See *97% LTV Options* in *Eligibility Requirements* for further information**
8. LTV, CLTV, and HCLTV Ratios Greater than 95%: These transactions are **not** permitted for high-balance loans or loans with a non-occupant borrower.
9. ***If the borrower is financing a second home or investment property and the borrower will have seven to ten financed properties, the mortgage loan must have a minimum representative credit score of 720. All other standard eligibility policies apply.***

Product Description

- Fixed Rate 10, 15, 20 and 30 years
- Fully Amortizing
- HomeReady Program – See HomeReady sections in *Eligibility Requirements*

Product Codes

Conforming Loan Amounts

Years	Product Code
10 Year	CF10 Conv FRM10
15 Year	CF15 Conv FRM15
20 Year	CF20 Conv FRM20
30 Year	CF30 Conv FRM30
	HomeReady Program Codes
15 Year	CF15HR Conv FRM15 HomeReady
30 Year	CF30HR Conv FRM30 HomeReady

High Balance Loan Amounts

Years	Product Code
15 Year	CF15HB Conv FRM15 HiBal
30 Year	CF30HB Conv FRM30 HiBal
	HomeReady Program Codes
15 Year	CF15HRHB Conv FRM15 HomeReady HiBal
30 Year	CF30HRHB Conv FRM30 HomeReady HiBal

Eligibility Requirements

97% LTV Options (Standard FNMA, not HomeReady)	LTV, CLTV, and HCLTV Ratios Greater than 95%: These transactions are **not** permitted for high-balance loans or loans with a non-occupant borrower. For First-Time Home Buyers and Limited Cash-Out Refinance of Fannie Mae Loans (FNMA SEL-2014-15) Key Features (apply to all options) Desktop Underwriter (DU) underwriting required 1-unit principal residence (including condos and PUDs; manufactured housing is not eligible)

	Fixed-rate mortgage with maximum term of 30 years High-Balance Loans are not permitted Reserves (if required by DU) may be gifted Purchase Option for First-Time Home Buyers – Non-HomeReady First-time home buyer requirement – At least 1 borrower must be a first-time home buyer • Definition – At least one buyer must not have owned any residential property in the past three years. In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period. See FNMA Selling Guide for further information. Income Limits – No limit Minimum MI coverage – Not offered by Impac. Loan must have standard MI coverage (35%). Pre-purchase home-buyer education and counseling – Not required Post-purchase delinquency counseling – Not required LTV/CLTV/HCLTV Ratios • LTV – 95.01 to 97% • CLTV – 95.01 to 97% if the subordinate lien is not a Community Seconds loan; 105% if the subordinate lien is a Community Seconds loan (approved by Impac) • HCLTV – 95.01 to 97% Refinance Option (Limited Cash-Out) for an Existing Fannie Mae Loan The lender must document that the existing loan being refinanced is owned (or securitized) by Fannie Mae. Documentation may come from the lender's servicing system, the current servicer (if the lender is not the servicer), from Fannie Mae's Loan Lookup Tool (https://knowyouroptions.com/loanlookup) or any other source as confirmed by the lender. NOTE: Lenders must inform DU that Fannie Mae owns the existing mortgage by indicating "Fannie Mae" in the Owner of Existing Mortgage field on the online loan application. In the Desktop Originator® (DO®)/DU User Interface, this field is located on the Additional Data screen in the Full 1003. Because this indication will be used by DU to determine eligibility of the loan for delivery to Fannie Mae when the LTV, CLTV, or HCLTV exceed 95%; the lender will be required to document the loan being refinanced is currently owned by Fannie Mae. All other standard limited cash-out refinance policies apply.
Appraisal Requirements	Standard appraisal requirements apply, plus: • One-Unit Residential Appraisal Field Review Report (Form 2000) or a Two- to Four-Unit Residential Appraisal Field Review Report (Form 2000A), is required if: o The property is valued at $1,000,000 or more **and** the LTV, CLTV, or HCLTV ratio is greater than 75% (FNMA B5-1-01) • Form 1007 is required whenever rental income is used to qualify the borrower **Property Condition – Properties with a Condition Rating of C5 or C6 are not eligible.** Property Inspection Waiver is eligible per DU recommendation and FNMA guidelines. **See *Property Inspection Waiver* section for requirements and limitations.** Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier. Accessory Units (see *B4-1.3-05*) An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is a one-unit property with an accessory unit or a two-unit property will be based on characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit, and analyze any effect it has on the value or marketability of the subject property. See FNMA Selling Guide for additional requirements. Additions without Permits If the appraiser identifies an addition(s) that does not have the required permit, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the market value of the subject property. Mixed-Use Properties (See *B2-3-04, B4-1.4-07)*) Properties that have a business use in addition to their residential use, such as a property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office are eligible per the following:

	• Property must be a one-unit dwelling that the borrower occupies as a principal residence • The borrower must be both the owner and the operator of the business • The property must be primarily residential in nature • The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property. The appraisal for a mixed use property must: • Provide a detailed description of the mixed-use characteristics of the subject property; • Indicate that the mixed use of the property is a legal, permissible use of the property under the local zoning requirements; • Report any adverse impact on marketability and market resistance tot eh commercial use of the property; and • Report the market value of the property based on the residential characteristics, rather than of the business use or any special business-use modifications that were made.
Assets	Evaluated per DU and Fannie Mae guidelines with the following restrictions • Stand-alone VOD (Verification of Deposit) is ineligible. VOD must be accompanied by at least one monthly bank statement. Stocks, Bonds, and Mutual Funds (SEL-2015-07, B3-4.3-01) Fannie Mae is updating the policies related to the use of vested stocks, bonds, and mutual funds (including retirement accounts) when they are used for down payment, closing costs, and reserves. Instead of requiring a standard reduction in value, the policies have been simplified as follows: • One hundred percent (100%) of the value of the asset is allowed when determining available reserves. • If the lender documents that the value of the asset is at least 20% more than the funds needed for the borrower's down payment and closing costs, no documentation of liquidation is required. Otherwise, documentation of the borrower's actual receipt of funds realized from the sale or liquidation must be obtained. Note: Non-vested assets are not eligible for down payment, closing costs, or reserves. Bank statements used to verify assets (B3-4,2-01 and SEL 2015-06) When bank statements are used to verify assets, the bank statements must show account activity for a full two month period. It is not acceptable to use one monthly bank statement and compare the prior month ending balance and the current month ending balance. A full two months of account activity must be reviewed. Depository Accounts Funds held in a checking, savings, money market, certificate of deposit, or other depository account may be used for the down payment, closing costs, and financial reserves. Any indications of borrowed funds must be investigated. Unverified funds are not acceptable for the down payment, closing costs, or financial reserves. Third Party Asset Verification (B3-4.2-01) Direct verification by a third-party asset verification vendor may be used to document that a borrower has sufficient funds for closing, down payment, and/or financial reserves. These verifications are acceptable as long as: • The borrower provided proper authorizations for the lender to use the verification method, the verified information provided must conform with the information that would be provided on Form 1006, Form 1006(s), or on bank statements, • The date of the completed verification is in compliance with FNMA Selling Guide B1-1-03 *Allowable Age of Credit Documents and Federal Income Tax Returns,* • The lender has determined that the vendor maintains reasonable practices that ensure reliable and authorized verifications of deposit and asset information (FNMA A1-1-01), and the lender understands it will be held accountable for the integrity of the information obtained from this source. Business Assets Business assets may be an acceptable source of funds for the down payment, closing costs, and financial reserves when a borrower is self-employed and the individual federal income tax returns have been evaluated by the lender, including, if applicable, the business federal income tax returns for that particular business (non-Schedule C). The borrower must be listed as an owner of the account and the account must be verified in accordance with FNMA Selling Guide (B3-4.2-01 *Verification of Deposits and Assets*). The lender must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business. (See B3-3.2 *Self-Employment Income* for additional information on analysis of a self-employed borrower.) Bank Statements and Large Deposits (B3-4.2-02)

When bank statements (typically covering the most recent two months) are used, the lender must evaluate large deposits, which are defined as a **single deposit that exceeds 50% of the total monthly qualifying income** for the loan. Requirements for evaluating large deposits vary based on the transaction type, as shown in the table below.

Transaction Type	Evaluation Requirements
Refinance transactions	Documentation or explanation for large deposits is **not** required [by FNMA]; however, the lender remains responsible for ensuring that any borrowed funds, including any related liability, are considered.
Purchase transactions	If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs, or financial reserves), the lender must document that those funds are from an acceptable source. Occasionally, a borrower may not have all of the documentation required to confirm the source of ta deposit. In those instances, the lender must use reasonable judgment based on the available documentation as well as the borrower's debt-to-income ratio and overall income and credit profile. Examples of acceptable documentation include the borrower's written explanation, proof of ownership of an asset that was sold, or a copy of a wedding invitation to support receipt of gift funds. The lender must place in the loan file written documentation of the rationale for using the funds. Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (as defined above), and the lender must confirm that the remaining funds are sufficient for the down payment, closing costs, and financial reserves. When the lender uses a reduced asset amount, net of the unsourced amount of a large deposit, that reduced amount must be used for underwriting purposes (whether the mortgage loan is underwritten manually or through DU). **Note**: When a deposit has both sourced and unsourced portions, only the unsourced portion must be used to calculate whether or not it must be considered a large deposit.

Note: If the source of a large deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), the Social Security Administration, or IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, there is no need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the underwriter still has questions as to whether the funds may have been borrowed the underwriter reserves the right to obtain additional documentation.

Sales Proceeds Needed for Down Payment and Closing Costs (B3-4.3-10)
If the proceeds from the sale of a currently owned home are needed for the down payment and closing costs on the new house, the lender must verify the source of funds by obtaining a copy of the final Settlement Statement on the existing home before, or simultaneously with, the settlement on the new home, showing sufficient net cash proceeds to consummate the purchase of the new home.

Like-Kind Exchanges
Assets for the down payment from a "like-kind exchange," also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031.

Cash Value of Life Insurance (B3-4.3-19)
If an insurance company payout is used for the down payment or closing costs, lenders must document the borrower's receipt of the funds from the insurance company by obtaining either a copy of the check from the insurer or a copy of the payout statement issued by the insurer. It the cash-value of the life insurance is being used for reserves, the cash-value must be documented but does not need to be liquidated and received by the borrower.

Borrower Investment

- 80% or less LTV, CLTV, or HCLTV on 1-4 unit principal residence or second home:
  - A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
- Greater than 80% LTV, CLTV, or HCLTV on 1-unit principal residence:
  - A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift**. Be sure to check mortgage insurance guidelines which may include additional requirements such as minimum score and maximum debt-to-income (DTI) ratios.**
- Greater than 80% LTV, CLTV, or HCLTV on 2-4 unit principal residence and second home:
  - The borrower must make a 5% minimum borrower contribution from his or her own funds. (If the borrower receives a gift from a relative or domestic partner who has lived with the borrower

	for the last 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the minimum borrower contribution requirement as long as both individuals will use the home being purchased as their principal residence. **Be sure to check mortgage insurance guidelines.**) After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves
	• Investment property loans require entire down payment from borrower's own funds, gift ineligible.
	
	Seller / Interested Party Contributions (IPCs): Basis for the limit is LTV/CLTV ratio as follows:
	• Primary Residence and Second Homes
	    • 3% for LTV/CLTV > 90%
	    • 6% for LTV/CLTV > 75% ≤ 90%
	    • 9% for LTV/CLTV ≤ 75%
	• Investment Properties
	    • 2% at all LTV/CLTVs
	Gifts
	• Primary Residence and Second Homes
	    • Eligible provided the required Borrower investment is met
	    • Waive Borrower investment when gift funds reduce the LTV/CLTV to 80% or less
	• Investment Properties
	    • Gift ineligible
	
	Reserves
	• Additional reserves may be required by DU based on risk
	• Cash-Out Refis – The cash proceeds from a cash-out refinance transaction on the subject property may not be used to meet the reserve requirement. (Cash proceeds from a cash-out refinance of another property that is not the subject property are an acceptable source of reserves.)(B3-4.1-01)
	
	Primary Residence
	• 1 – 4 units – Per DU
	• Note: DU now requires a minimum of 6 months reserves for 2-4 unit principal residence transactions.
	Second Homes (all transaction types)
	• Per DU, typically 2 months PITIA
	Investment Properties (all transaction types)
	• Per DU, typically 6 months PITIA
	
	<u>Calculation of Reserves for Multiple Financed Properties (B3-4.1-01) (DU Version 10.0)</u>
	If the borrower owns other financed properties, additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:
	• 2% of the aggregate UPB if the borrower has one to four financed properties,
	• 4% of the aggregate UPB if the borrower has five to six financed properties, or
	• 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only).
	
	The aggregate UPB calculation does not include the mortgage and HELOCs that are on
	• The subject property,
	• The borrower's principal residence,
	• Properties that are sold or pending sale, and
	• Accounts that will be paid by closing (or omitted in DU on the online loan application).
	Note: DU will also include in the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the online loan application.
	
	See Fannie Mae Selling Guide for additional information (B3-4.1-01 Minimum Reserve Requirements, B2-2-03, Multiple Financed Properties for the Same Borrower)
	
	Refer to Section *Limitations on Other Real Estate Owned* for additional reserve requirements.
	Mortgage insurers reserve eligibility requirements may supersede those listed above.

Assumptions	**Ineligible**
Borrower Eligibility	Eligible • US Citizen • Permanent resident alien • Non-permanent resident alien (maximum 80% LTV/CLTV/HCLTV on 1-unit primary residence only; other restrictions apply) • Inter Vivos Revocable Trust (FNMA B2-2-05) • Note: A Power of Attorney is not allowed on properties held in a trust

	• When a loan is made to an inter vivos trust that is secured by a property other than an investment property that fits within the "business purpose" definition for an exempt loan under TILA, it will be treated as an ATR Covered loan (i.e., Points and Fees limitations apply) Ineligible • Foreign Nationals
Co-borrowers	DU Approve/Eligible • Ratios determined by DU • Non-occupant borrower eligible per DU (See restriction below) *Restriction: Non-occupant borrower is not allowed on loans where any borrower has only one score or no score, or on a primary residence refinance loan where the borrower is exercising the delayed financing exception.* Non-occupant borrowers are not allowed on loans with LTV/CLTV/HCLTV > 95%

Credit	DU Approve/Eligible findings only
	• Refer to *Loan Amount and LTV Limitations* for minimum credit score requirements
	• Housing (Mortgage/Rental) Payment History (PITIA) is inclusive of all liens regardless of position, as well as all occupancy types.
	  • Mortgage history evaluated by DU
	  • Mortgage/Rental Delinquencies – Loans are ineligible with one or more mortgage/rental delinquencies of 60, 90, 120, 150 days or greater reported within 12 months of the date of the credit report..
	
	Allowable Age of Credit Documents
	Credit documents include credit reports and employment, income, and asset documentation. For all mortgage loans (existing and new construction), the credit documents must be no more than four months old on the note date (B1-1-03). When consecutive documents are in the loan file, the most recent document is used to determine the age. For example, when two consecutive monthly bank statements are used to verify a depository account, the most recent bank statement must be dated within four months of the note date (B1-1-03).
	Per Fannie Mae, the "note date" is the date on the note itself at the top of the document. It may not necessarily be the date on which the note was signed.
	
	Disputed Credit Report Tradelines (B3-5.3-09)
	DU will issue the disputed tradeline message when a disputed tradeline is identified and that tradeline contains derogatory payment information (a 30-day or more delinquency) reported within two years prior to the credit report date. When DU issues this message, the message will list the disputed tradeline with a reported derogatory payment within the last two years, and state that the lender must confirm the accuracy and completeness of the information reported on the borrower's credit report for the disputed tradeline. If it is determined that the disputed tradeline information is accurate and complete, the lender must ensure the disputed tradelines are considered in the credit risk assessment by obtaining a new credit report with the tradeline no longer reported as disputed and resubmitting the loan casefile to DU. Impac does not allow manually underwriting the loan. (overlay).
	See B3-5.3-09 for scenario examples of when lender would not need to update credit report.
	
	If DU does not issue the disputed tradeline message, the lender is only required to ensure the payment for the tradeline, if any, is included in the debt-to-income ratio if the account belongs to the borrower.
	
	Credit Scores – Normally all borrowers must have at least two credit scores
	
	For Primary Residence purchase and rate/term financing flexibilities apply as follows.
	• One borrower on every loan must have a credit score except for High Balance loans.
	• On High Balance loans all borrowers on the loan must have at least one credit score.
	• Loans > 80% LTV with one or no score borrowers are subject to Mortgage Insurers requirements for eligibility.
	• Borrower with one credit score or borrower without a credit score (see below) eligible on primary residence Purchase, Rate & Term 1 unit maximum 95% LTV minimum credit score 620.
	  • **Borrower with one credit score is eligible as follows.**
	    • DU Approve/Eligible decision required
	    • Credit data is available from one repository and credit score is obtained from that repository
	    • A three in-file merged credit report was ordered
	
	  • **Borrower without a credit score is eligible if at least one other borrower has one credit score and all conditions are met as follows.**
	    • DU Approve/Eligible decision required
	    • Primary residence 1-unit only and all borrowers will occupy the property
	    • Transaction is purchase or limited cash-out refinance
	    • Borrower with traditional credit and a credit score is contributing more than 50% of the qualifying income

	• Self-employed income is ineligible to be used to qualify on the loan when any borrower on the transaction is without a credit score • Loan is not a High Balance loan Waiting Periods after Significant Derogatory Credit Events (B3-5.3-07) The waiting period commences on the completion, discharge or dismissal date (as applicable) of the derogatory credit event and ends on the disbursement date of the new loan. Impac follows standard FNMA Waiting Period Requirements. Reduced waiting periods due to "Extenuating Circumstances" are allowed on a case by case basis. DU uses the credit report date to measure whether or not the applicable waiting period has been met after a significant derogatory event. If DU determines that the waiting period has not been met based on the credit report used on the initial submission to DU, the lender may obtain an updated credit report and resubmit the loan casefile to DU after the required time has elapsed. Manual underwriting is not allowed by Impac (overlay). **Deed-in-Lieu of Foreclosure and Preforeclosure Sale Message Updates (DU Version 9.1 Update)** The waiting period requirements for borrowers who have had a previous deed-in-lieu of foreclosure or preforeclosure sale (aka "short sale") are being updated to now require a four-year waiting period; though a two-year waiting period will be permitted if the event was due to extenuating circumstances per FNMA guidelines. The loan-to-value restrictions previously tied to different waiting period timeframes are also being removed. **Charge-Off Policy Message Addition (DU Version 9.1 Update)** Mortgage accounts that have been subject to a charge-off (manner of payment = "9") will require a four-year waiting period after the charge-off occurred and prior to the disbursement date of the new loan. However, a two-year waiting period will be permitted if the event was due to extenuating circumstances per FNMA guidelines. Summary – All Waiting Period Requirements (*B3-5.3-07*) The following table summarizes the waiting period requirements for all significant derogatory credit events.

Derogatory Event	Waiting Period Requirements	Waiting Period with Extenuating Circumstances
Bankruptcy – Chapter 7 or 11	4 years	2 years
Bankruptcy – Chapter 13	• 2 years from discharge date • 4 years from dismissal date	• 2 years from discharge date • 2 years from dismissal date
Multiple Bankruptcy Filings	5 years if more than one filing within the past 7 years	3 years from the most recent discharge or dismissal date
Foreclosure[1]	7 years	3 years Additional requirements after 3 years up to 7 years: • 90% maximum LTV ratios[2] • Purchase, principal residence • Limited cash-out refinance, all occupancy types
Deed-in-Lieu of Foreclosure, Preforeclosure Sale, or Charge-Off of Mortgage Account	4 years	2 years

[1] When both a bankruptcy and foreclosure are disclosed on the loan application, or when both appear on the credit report, the lender may apply the bankruptcy waiting period if the lender obtains the appropriate documentation to verify that the mortgage loan in question was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied.

[2] References to LTV ratios include LTV, CLTV, and HCLTV ratios. The maximum LTV ratios permitted are the lesser of the LTV ratios in this table or the maximum LTV ratios for the transaction per the *Eligibility Matrix*.

Note: Check with mortgage insurance company guidelines, if applicable, since not all insurers follow the shorter waiting periods offered above.

Ineligible
- Manual Underwriting

Documentation	Document as determined by DU Findings, FNMA Selling Guide and Impac guidelines Impac will accept digitally signed documents per FNMA guidelines.

	Power of Attorney is not allowed on any of the following: • Properties held in trust • Cash Out refinance transactions A copy of the divorce decree is required when the loan file indicates income or liability due to divorce.
Escrow Waivers	Property tax and insurance escrows may be waived for LTV ≤ 80%. Individual state laws may supersede this requirement. **Escrow Accounts Required (FNMA B2-1.2-02 & 2-03):** Escrow accounts are required on all rate/term refinance transactions when real estate taxes are financed into the loan. Escrow accounts are required on all cash out refinance transactions when the new loan amount includes the financing of real estate taxes that are more than 60 days delinquent. The requirement may be superseded by state law to the extent certain states limit escrow requirements.

Financing Types	Purchase Mortgages
	
	Rate and Term Refinance/Limited Cash Out Refinance
	• Settlement Statement(s) required from any transaction within past 6 months. If previous transaction was a cash-out or if it combined a first and non-purchase money subordinate into a new first, loan to be coded cash out. If new transaction combines a first and non-purchase money subordinate into a new first loan, it is considered cash out.
	• Pay off of the existing first mortgage (including an existing HELOC in first-lien position)
	• Pay off of existing subordinate liens that were used in whole to acquire the subject property
	• Closing costs and prepaid items may be financed into loan amount
	• Cash out limited to the lesser of 2% of the principal amount of the new loan or $2000
	• Note: Per SEL 2016-02 FNMA has eliminated its Continuity of Obligation policy
	• Properties listed for sale (B2-1.2-02)
	  ○ The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan, and
	  ○ The borrowers must confirm their intent to occupy the subject property (for principal residence transactions)
	  ○ Disbursement Date is the date loan funds are disbursed for the subject mortgage. The disbursement date may occur on or after the note date.
	• Refinances to Buy Out An Owner's Interest
	  ○ A transaction that requires one owner to buy out the interest of another owner (for example, as a result of a divorce settlement or dissolution of a domestic partnership) is considered a limited cash-out refinance if the secured property was jointly owned for at least 12 months preceding the disbursement date of the new mortgage loan.
	    ▪ All parties must sign a written agreement that states the terms of the property transfer and the proposed disposition of the proceeds from the refinance transaction. Except in cases in recent inheritance, documentation must be provided to indicate joint ownership by all parties for at least 12 months preceding the disbursement date of the new mortgage loan.
	    ▪ Borrowers who acquire sole ownership of the property may not receive any of the proceeds from the refinancing.
	• Owner occupied properties located in Texas with new or existing Texas Section 50 (a)(6) loans are eligible.
	    ▪ If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is restricted to the Texas Home Equity Section 50(a)(6)
	    ▪ If the first mortgage is not a Texas Section 50(a)(6) loan and the second mortgage is a Texas Section 50(a)(6), the second lien may be subordinated and is considered a rate and term refinance. The second lien must be subordinate to the first mortgage and a subordination agreement must be executed. Borrower cannot receive any cash back from first mortgage transaction.
	    ▪ If a Texas Section 50(a)(6) second lien is being paid off, the loan is restricted to the Texas Home Equity Section 50(a)(6).
	    ▪ The title policy will reference the Texas Section 50(a)(6).
	
	Ineligible for Rate and Term/ Limited Cash Out Refinance (B2-1.2-02)
	When the following conditions exist the loan is not eligible for limited cash out refinance:
	• No outstanding first lien on the subject property
	• Proceeds used to pay off a subordinate lien that was not use in its entirety to purchase the property
	• Borrower finances the payment of real estate taxes for the subject property in the loan amount, but does not establish an escrow account

	• Borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount
	• A short-term refinance mortgage loan that combines a first mortgage and a non-purchase-money subordinate mortgage into a new first mortgage or any refinance of that loan within six months.
	
	Cash-Out Refinance (B2-1.2-03)
	Cash-Out refinance transactions must meet the following requirements:
	• The transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have a mortgage lien against it.
	• The property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage loan except for the following:
	    o There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
	    o The delayed financing requirements are met. See *Delayed Financing Exception* below.
	• Note: Per SEL 2016-02 FNMA has eliminated its Continuity of Obligation policy
	• If the new loan amount includes the financing of real estate taxes that are more than 60 days delinquent an escrow (impound) account is <u>required</u>, unless requiring an escrow account is not permitted by applicable law or regulation. For example, if a particular state law does not allow a lender to require an escrow account under certain circumstances, the loan will still be eligible without an escrow account. (See *Escrow Waivers*)
	• Properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV/CLTV/HCLTV ratios (or less if mandated by the specific product, occupancy, or property type – for example, 65% for manufactured homes).
	    o NOTE: Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage.
	• Transactions in which a portion of the proceeds of the refinance is used to pay off the outstanding balance on an installment land contract, regardless of the date the installment land contract was executed are ineligible.
	• Owner occupied properties located in Texas with new or existing Texas Section 50 (a)(6) loans are eligible.
	        ▪ If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is restricted to the Texas Home Equity Section 50(a)(6).
	
	If the existing mortgage is a "restructured" mortgage", the subsequent refinance of this restructured mortgage MAY be eligible for a limited cash out or cash-out refinance with 24 month on time payment history on the restructured loan (see B2-1.4-02 for details)
	
	<u>Payoff or Paydown of Debt for Qualification</u> – See *Underwriting*
	
	<u>*Delayed Financing Exception* (FNMA B2-1.2-03)</u>
	Borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met:
	    o The original purchase transaction was an arms-length transaction
	    o For this refinance transaction the borrower(s) must meet Fannie Mae's and Impac's borrower eligibility requirements. The borrower(s) may have initially purchased the property as one of the following:
	        ▪ A natural person;
	        ▪ An eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust;
	        ▪ An eligible land trust when the borrower is the beneficiary of the land trust; or
	        ▪ An LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%
	    o The original purchase transaction is documented by a Settlement Statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed [or similar alternative] confirming the amount paid by the grantee to trustee may be substituted for a Settlement Statement if a Settlement Statement was not provided to the purchaser at time of sale.)
	    o The preliminary title search or report must confirm that there are no existing liens on the subject property
	    o The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property)
	    o If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the Settlement Statement for the refinance transaction must reflect that all cash-out proceeds be used to pay down, if applicable, the loan (unsecured or secured by an asset other than the

	subject property) used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. ▪ Note: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan • The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for the transaction based on the current appraised value) • All other cash-out refinance eligibility requirements are met and cash-out pricing is applied. • NOTE: Investor and second home borrowers with five to ten financed properties are ineligible for cash-out refinance transactions unless all of the delayed financing exceptions requirements listed above are met. Additional restrictions apply. (See FNMA B2-2-03) **Note: Per SEL 2016-02 FNMA has eliminated its Continuity of Obligation policy** **Construction-to-Permanent Financing** **(*See FNMA B5-3.1-02, Conversion of Construction-to-Permanent Financing: Single-Closing Transactions*)** Impac will purchase "single-closing" loans that meet FNMA "single-closing" parameters listed in the Selling Guide. Single-closing transactions are processed as purchases or limited cash-out refinances. All single-closing loans must meet the following criteria: • Correspondent loan is underwritten on a delegated basis • Construction must be completed • Terms of the construction loan have converted to permanent financing New York Consolidation, Extension & Modification Agreement (NY CEMA) For all Impac refinance products, property located in the state of New York may be structured as a Consolidation, Extension, and Modification Agreement (CEMA) transaction. The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided: • NY Consolidation, Extension and Modification Agreement (Form 3172) • Original Note(s) – Original documents signed by the borrower • Gap Note and Gap Mortgage, if applicable • Consolidated Note – Original documents signed by the borrower • Exhibit A – Listing of all Notes & Mortgages being consolidated, extended and modified • Exhibit B – Legal description of the subject property • Exhibit C – Copy of the consolidated Note • Exhibit D – Copy of the consolidated Mortgage Lost Note Affidavits are not an acceptable substitute for any of the required documents. If original documentation cannot be provided per above, then a CEMA is not allowed.
Geographic Locations/Restrictions	Eligible states are as follows: • **Correspondent:** All states (including DC) are eligible • **Note:** Texas Cash-out 50(a)(6) loans are eligible. o FNMA has issued a new Texas Home Equity Affidavit and Agreement (Form 3185) which has been updated to reflect new disclosure requirements under TILA and RESPA and removes references to the HUD-1 Settlement Statement. Lenders are required to use this form for mortgage loans with application dates on or after the effective date of TRID published by the CFPB. See *New York Consolidation, Extension & Modification Agreement (NY CEMA)* in *Financing Types* section above. Additional restrictions as follows: Hawaiian Lava-Flow Hazard Zones – The U.S. Geological Survey (USGS) categorizes the island of Hawaii into nine "lava zones" based on each zone's probability of exposure to lava flows caused by volcanic eruption. Properties in lava zones 1 and 2 are not eligible for loans funded or purchased by Impac Mortgage Corp. due to increased risk of property destruction from lava flows within these areas. The Hawaii Lava-Flow Hazard Zone Map can be accessed at: http://hvo.wr.usgs.gov/hazards/FAQ_LavaFlowHazardZone/ and http://pubs.usgs.gov/mf/1992/2193/ State specific regulatory requirements supersede all underwriting guidelines set forth by Impac.
High-Cost Mortgage Loans	Impac does not originate or purchase high-cost mortgage loans (12 CFR 1026.32)
HomePath Properties / FNMA REO	See *B5-4-08 Loans Secured by HomePath Properties* A HomePath property is a property that was owned and sold by Fannie Mae through a transaction resulting in the

<table>
<tr><td></td><td>disposition of its real estate owned (REO). When the property secured by the mortgage is a HomePath property, Fannie Mae will allow certain exceptions to standard Selling Guide eligibility policies as described below.

Interested Party Contributions
An exception to the maximum interested party contribution (IPC) limit for principal residences is permitted as follows:

<table><tr><th>Occupancy Type</th><th>LTV/CLTV Ratio</th><th>Maximum IPC</th></tr><tr><td>Principal Residence</td><td>Greater than 90%</td><td>6% (vs. standard FNMA 3%)</td></tr></table>Note: DU is not able to determine if the subject property is a sale of a HomePath property. DU will issue a message if the amount of the IPC appears to exceed the standard limits described in B3-4.1-02, Interested Party Contributions (IPCs). The underwriter must determine whether the subject transaction is a purchase of a HomePath property eligible for the higher IPC limit and document the loan file accordingly.

Certain Resale Restrictions
Loans subject to resale restrictions imposed by Fannie Mae as the seller of its REO property are eligible.

Special Feature Code (SFC) for HomePath Properties with an Eligible Exception
Loans must use SFC 679 for a loan secured by a HomePath property if the multiple financed property and/or the IPC exceptions above apply to the transaction. This code is in addition to any other special feature codes that may apply. SFC 679 is not required for a loan secured by a HomePath property that is subject solely to the resale restriction exception.</td></tr>
<tr><td>HomeReady
≤ 95%
LTV/CLTV/HCLTV</td><td>See FNMA Selling Guide Chapter B5-6 for complete guidelines.

The HomeReady mortgage is a conventional community lending mortgage that offers underwriting flexibilities to qualified borrowers who meet specific income criteria. The standard FNMA LTV/CLTV/HCLTV primary residence matrix for purchase and rate/term refinance is used

For HomeReady loans > 95% see next section HomeReady 95.01% to 97% LTV/CLTV/HCLTV

General Loan Eligibility
First Mortgage
Purchase Money or Limited Cash-out refinance
Principal residence – 1 to 4 units
1 unit properties, including manufactured housing*, and units in condos and PUDs
Existing structures and new construction
2-4 unit properties
*Note: The maximum LTV, CLTV, and HCLTV ratio for a one-unit HomeReady manufactured home is 95%

Subordinate Financing
Subordinate financing must comply with:
The terms for the Community Seconds option, which allow a maximum CLTV to 105% (see B5-5.1-01 through B5-5.1-03)
Subordinate financing is permitted in accordance with B2-1.1-04
Subordinate financing from a seller-held mortgage (i.e., seller carryback financing) is not permitted with HomeReady mortgages.

Borrower Income Limits
Lender must count the income from all of the borrowers who will sign the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.
Methodology for income eligibility is the same for HomeReady loans as the lender uses in reporting “Monthly Income” in data delivery (i.e., normal FNMA guidelines).

Total annual qualifying income may not exceed 100% of the Area Median Income (AMI) for the property’s location. There is no income limit for properties located in low-income census tracts, defined as those census tracts where the median tract income is no greater than 80% AMI. Lender must use AMIs published by Fannie Mae and/or found in Desktop Underwriter. AMIs from other sources (e.g., HUD) are not acceptable.

Note: For loan casefiles that are not underwritten as a HomeReady mortgage loan, DU will issue a message indicating that the loan may be eligible as a HomeReady loan if the total qualifying income entered in DU appears to be within the applicable AMI limit or the property is located within a low-income census tract.

Pre-purchase Homeownership Education (B2-2-06)
Pre-purchase homeownership education is required for all HomeReady purchase mortgage loans.
One borrower on each HomeReady mortgage must meet the homeownership education requirement. (The requirement may be met by either an occupant or a non-occupant borrower). There are three ways to meet the requirement:</td></tr>
</table>

- Complete the Framework homeownership online course (the default option for HomeReady loans)
- For HomeReady loans delivered with a Community Second or down payment assistance, the borrower may satisfy the HomeReady requirements by meeting the homeownership education requirement of the down payment assistance program, as long as it is provided by a HUD-approved counseling agency
- While counseling or "homeownership advising" is not required for the HomeReady mortgage, borrowers may meet the HomeReady requirement if they complete counseling and have a Certificate of Completion of Pre-Purchase Housing Counseling (Form 1017) completed by the provider.

Pre-Purchase Housing Counseling
The completion of Pre-Purchase Housing Counseling may be considered a compensating factor that allows DU to approve a DTI ratio greater than 45% up to 50%. Lenders must indicate the completion of this **one-on-one counseling** via the Homebuyer Education Completion Indicator in DU. (See B2-2-06 for appropriate documentation) To be valid, this must occur prior to purchase contract.

Minimum Borrower Contribution for Purchase Transactions
A minimum borrower contribution from the borrower's own funds is not required if the loan has an LTV, CLTV, or HCLTV ratio of 80% or less.

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

Number of Units	Minimum Borrower Contribution	Minimum Down Payment Requirement[1]
One	None	3%[2]
Two	3%	15%
Three or Four	3%	25%

1. Refer to the Eligibility Matrix for additional details
2. A 3% down payment is permitted for certain purchase transactions

Non-Occupant Borrowers (up to 95% LTV)
Non-occupant borrowers are permitted on HomeReady mortgages.

- Not required to be a family member
- Income is included in determining Area Median Income (AMI) limits

Rental Income from the Subject Property
Rental income is an acceptable source of qualifying income in the following instances:

- One-unit principal residence with an accessory unit (See B4-1.3-05 for additional details related to acceptable accessory units)
- 2 – 4 unit principal residence properties
- Standard FNMA rental income documentation applies (B3-3.1-08)

Boarder Income
The rental payments that any borrower receives from one or more individuals who reside with the borrower (but who are not obligated on the mortgage debt and may or may not be related to the borrower) may be considered as acceptable stable income. This applies for a one-unit property in an amount up to 30% of the total gross income that is used to qualify the borrower for the mortgage if:

- The individual(s) has lived with (and paid rent to) the borrower for the last 12 months.
- The boarder can provide appropriate documentation to demonstrate a history of shared residency (such as a copy of a driver's license, bill, or bank statement that shows the boarder's address as being the same as the borrower's address)
- The boarder can demonstrate (such as with copies of cancelled checks) the payment of rental payments to the borrower for:
  - The last 12 months, or
  - At least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period.

Payment of rent by the boarder directly to a third party is not acceptable.

Non-Borrower Household Income
The existence of income from a non-borrower household member may be considered as a compensating factor that allows DU to approve a DTI ratio greater than 45% up to 50%. A "household member" is defined as any person who intends to live with the borrower in the subject property for a minimum of 12 months. An individual who is considered a non-borrower household member may **not** also be the contributor of rental income (2 – 4 unit properties), accessory unit income (1 unit properties), or boarder income on the subject transaction.

Income from the non-borrower household member is not added to the borrower's income for qualifying purposes. The existence of the income is used as a compensating factor that may allow a higher DTI ratio. Income must be input into DU as Non-Borrower Household Income in the Other Income section of DU. The following applies:

- The non-borrower household income must be documented per standard FNMA requirements based on the type of income reported
- The amount of the non-borrower household income must be **30% or more of the total qualifying income** used to underwrite the loan (less than 30% is not considered a compensating factor)
- The lender must obtain a written statement from the non-borrower that he or she intends to reside with the borrower in the subject property for a minimum of 12 months

Because non-borrower household income is not used for qualifying purposes, it is not considered when determining whether the mortgage loan meets the HomeReady income limit requirements.

An optional form*, HomeReady Non-Borrower Household Income Worksheet and Certification (Form 1019)*, may be used to assist lenders in documenting the non-borrower household income requirements.

Cash-on-Hand (1-unit properties only)
Cash-on-hand may be used as an acceptable source of funds for the borrower's down payment, funds for closing costs, and prepaid items. Cash-on-hand **may not** be used to fund the borrower's reserve requirements, if any. Cash-on-hand must be verified and documented as follows:

- The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practices
- The lender must verify that funds for the down payment and closing costs exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing
- The lender must obtain a written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed
- The borrower's credit report and other verifications should indicated limited or no use of credit and limited or no depository relationship between the borrower and a financial institution.

Mortgage Insurance Coverage Requirements for HomeReady mortgages				
	LTV Range			
Transaction Type	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%
Fixed Rate Term ≤ 20 years	6%	12%	25%*	25%*
Fixed Rate Term > 20 years and **all MFH loans**	12%	25%	25%*	25%*

* Reduced or lower cost MI (i.e., coverage below these stated amounts) is not eligible (Impac overlay)

Special Feature Codes (SFCs)
Special Feature Code (SFC) 900 must be delivered for all HomeReady mortgage loans.
In addition, one or more of the following codes may also be required:

- Loans with Community Seconds – 118
- Loans where at least one borrower completed pre-purchase housing counseling – 184

HomeReady – Impac overlays
The following are not allowed for HomeReady programs:
ARMs
Temporary buydowns
Manual underwriting
Non-traditional credit, including non-traditional credit required to support a DU decision
Custom MI
Construction conversion or renovation mortgages
Sweat equity
Unsecured loans from originating lender used as a source of funds

HomeReady Resource Links:
Fannie Mae HomeReady Originating and Underwriting Site:
www.fanniemae.com/homeready
https://www.fanniemae.com/singlefamily/homeready

HomeReady FAQs:
https://www.fanniemae.com/content/faq/homeready-faqs.pdf

HomeReady Income Eligibility Lookup Tool:
https://homeready-eligibility.fanniemae.com/homeready/

	HomeReady Income Eligibility Lookup Tool Tips: https://www.fanniemae.com/content/fact_sheet/homeready-income-eligibility-tool-tips.pdf Homeownership Education and Housing Counseling FAQs: https://www.fanniemae.com/content/faq/home-buyer-education-policies-faqs.pdf Framework Overview: https://www.fanniemae.com/content/fact_sheet/homeready-framework-overview.pdf https://www.knowyouroptions.com/framework Framework Homeownership Course: https://homeready.frameworkhomeownership.org/ Certificate of Completion of Pre-Purchase Housing Counseling (Form 1017): https://www.fanniemae.com/content/guide_form/1017.pdf HUD-approved counseling agencies: www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm HomeReady Non-Borrower Household Income Worksheet and Certification (Form 1019): https://www.fanniemae.com/content/guide_form/1019.pdf Fannie Mae Loan Lookup (does Fannie Mae own your loan?): https://www.knowyouroptions.com/loanlookup Community Seconds Checklist: https://www.fanniemae.com/content/fact_sheet/community-seconds-checklist.pdf
HomeReady 95.01% to 97% LTV/CLTV/HCLTV	See FNMA Selling Guide Chapter B5-6 for complete guidelines. If the LTV, CLTV, or HCLTV ratio **exceeds 95%** for a HomeReady transaction, the following requirements apply:

Criteria	Requirements
LTV, CLTV, or HCLTV Ratio	95.01 to 97.00% Note: The CLTV ratio can be up to 105% if the subordinate lien is a Community Seconds loan.
Loan Purpose	Purchase transactions or limited cash-out refinances only
Existing Loan	For limited cash-out refinances: The lender must document that the existing loan being refinanced is owned (or securitized) by Fannie Mae. Documentation may come from: • The lender's servicing system • The current servicer (if the lender is not the servicer), • Fannie Mae's Loan Lookup tool, or • Any other source as confirmed by the lender The lender must inform DU that Fannie Mae owns the existing mortgage using the Owner of Existing Mortgage field in the online loan application before submitting the loan to DU Note: This requirement does not apply if the CLTV exceeds 95% only due to a Community Seconds loan.
Loan Type	Fixed-rate loans with terms up to 30 years High-balance loans are not permitted
Property and Occupancy	One-unit principal residence. All borrowers must occupy the property. Manufactured Housing is not permitted.
Credit Score Requirements	At least one borrower on the loan must have a credit score.
Underwriting Method	DU only
Reserves	Reserves determined by DU
Other	All other standard purchase and limited cash-out refinance and HomeReady requirements apply.

Income	DU Approve/Eligible • 4506T must be processed prior to closing. Evaluated per DU and Fannie Mae guidelines with the following restrictions: • Stand-alone VOE (Verification of Employment) is ineligible. VOE must be accompanied by pay stub or pay stub and W-2. See FNMA B3-3.1-02 for VOE instructions for various fields.

- At minimum a paystub and W-2 is required

Self-Employed Income (SEL 2015-09 and B3-3.2 and B3-3.3)
Self-employed borrowers may use business income for qualification if:
- There is a documented history of receiving distributions, or
- There is no history of receiving distributions but certain other conditions are met, namely
    - The borrower has access to the business income and
    - The business must have adequate liquidity to support the withdrawal of earnings

Verification of Self-Employed Income
The lender may verify a self-employed borrower's employment and income by obtaining copies of signed federal income tax returns (individual and in some cases business returns) that were filed with the IRS for the past two years (with all schedules). For DU loan casefiles where two years of the most recent personal and two years of the most recent business returns are required, business tax returns do not have to be provided unless the business is a corporation, an S corporation, a limited liability company, or a partnership.

When two years of signed individual federal tax returns are provided, the lender may waive the requirement for business tax returns if:
- The borrower is using personal funds to pay the down payment and closing costs and satisfy applicable reserve requirements,
- The borrower has been self-employed in the same business for at least five years, and
- The borrower's individual tax returns show an increase in self-employment income of the past two years.

For certain loan casefiles DU will issue a message permitting only one year of personal and business tax returns, provided lenders document the income by:
- Obtaining signed individual and business federal income tax returns for the most recent year,
- Confirming the tax returns reflect at least 12 months of self-employment income, and
- Completing Fannie Mae's *Cash Flow Analysis* (Form 1084) or any other type of cash flow analysis form that applies the same principles.

Self-Employed History – Borrower must have been self-employed for a minimum of 24 months regardless of documentation requirements

Self-Employed – Personal Income Analysis
The lender must prepare a written evaluation of its analysis of a self-employed borrower's personal income, including the business income or loss, reported on the borrower's individual income tax returns. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower. This is not required when a borrower is qualfieid using only income that is not derived from self-employment and self-employment is a secondary and separate source of income (or loss). Lender may use Form 1084 or similar type of cash flow analysis.

Self-Employed – Business Income Analysis
When a borrower is relying upon self-employed income to qualify for a mortgage and the requirements that permit the lender to waive the business tax returns are **not** met, the lender must prepare a written evaluation of its analysis of the borrower's business income. The lender must evaluate the borrower's business through its knowledge of other businesses in the same industry to confirm the stability of the borrower's business income and estimate the potential for long-term earnings. The lender may use Fannie Mae's Comparative Income Analysis (Form 1088) or any other method trend analysis that enables it to determine a business's viability, as long as the method used fairly presents the viability of the business and results in a degree of accuracy and a conclusion that is comparable to that which would be reached by use of Form 1088 (See B3-3).

Verification of Income - Schedule K-1 (See B3-3.2.1-08)
For Schedule K-1 borrowers with less than 25% ownership of a partnership, an S corporateion, or an LLC:
- If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. The Schedule K-1 income may then be included in the borrower's cash flow.
- If the Schedule K-1 does not reflect a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then the lender must confirm **all of the following** to include the income in the borrower's cash flow:
    - The borrower has access to the income (e.g., partnership agreement or corporate resolution)
    - The business has adequate liquidity to support the withdrawal of earnings.
- If the borrower has a two-year history of receiving "guaranteed payments to the partner" from a partnership or an LLC, these payments can be added to the borrower's cash flow.

Rental Income (See *B3-3.1-08* for how to address rental income on business returns)
FNMA has updated and clarified the calculation of rental income received through a business.

	• Rental income received through a partnership or an S corporation may offset the PITIA on an investment property (when the borrower is personally obligated on the mortgage) by obtaining the borrower's business tax returns for the most recent year and evaluating IRS Form 8825 in a manner consistent with the evaluation of rental income reported on Schedule E of a borrower's personal tax returns; and
	• In order to include positive net rental income in qualifying such borrowers, the income received through a partnership or an S corporation must be evaluated per existing guidelines for business income received from a partnership or corporation.
	• FNMA has created three separate worksheets (as Microsoft Excel spreadsheets) for lenders to use to calculate rental income. **Form 1038 is available in two versions** – one version supports up to four investment properties, and the other version supports up to ten investment properties. The worksheets are recommended but not required:
	    o Rental Income Worksheet – Principal Residence, 2- to 4-unit Property (Form 1037) https://www.fanniemae.com/content/guide_form/1037.xlsx
	    o Rental Income Worksheet – Individual Rental Income from Investment Property(s) (**up to 4 properties) (Form 1038)** https://www.fanniemae.com/content/guide_form/1038.xlsx
	    o Rental Income Worksheet – Individual Rental Income from Investment Property(s) (**up to 10 properties) (Form 1038A)** https://www.fanniemae.com/content/guide_form/1038a.xlsx
	    o Rental Income Worksheet – Business Rental Income from Investment Property(s) (Form 1039) https://www.fanniemae.com/content/guide_form/1039.xlsx
	
	Social Security Income (B3-3.1-09)
	An SSA Award letter may be used to document the income if the borrower is receiving Social Security payments or if the borrower will begin receiving payments on or before the first payment date of the subject mortgage as confirmed by a recently issued award letter.
	
	Temporary Leave Income (see *B3-3.1-09 Other Sources of Income* for specific instructions)
	Temporary leave from work is generally short in duration and for reasons of maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the borrower's employer. Borrowers on temporary leave may or may not be paid during their absence from work.
	If a lender is made aware (through the employment or income verification process) that a borrower will be on temporary leave at the time of closing of the mortgage loan and that borrower's income is needed to qualify for the loan, the lender must determine allowable income and confirm employment per the FNMA Selling Guide.
	
	If the borrower **will** return to work as of the first mortgage payment date, the lender can consider the borrower's regular employment income in qualifying.
	If the borrower **will not** return to work as of the first mortgage payment date, the lender must use the lesser of the borrower's temporary leave income (if any) or regular employment income. If the borrower's temporary leave income is less than his or her regular employment income, the lender may supplement the temporary leave income with available liquid financial reserves.
	
	If the borrower is not currently on temporary leave, the lender must not ask if he or she intends to take leave in the future.
	
	Tip Income (SEL-2015-07)
	Tip income may be included in qualifying income if the lender can verify that the borrower has received the income for the last two years. Tip income can be verified using a Request for Verification of Employment (VOE, Form 1005 or Form 1005(s)), or recent paystubs and IRS W-2 forms.
	
	In some cases the full amount of the tip income earned by the borrower may not be reported by the employer on the Form 1005, paystub and W-2 form. However the borrower may report additional tip income to the IRS using Form 4137, Social Security and Medicare Tax on Unreported Tip Income, when filing his or her tax returns. Fannie Mae will allow this tip income to be used in qualifying if the lender obtains the most recent two years of federal income tax returns with Form 4137.
	
	Unreimbursed Employee Business Expenses (SEL-2015-07)
	The following changes and clarifications have been made to the *Selling Guide* related to unreimbursed employee business expenses.
	• For a borrower who is qualified using base pay, bonus, overtime, or commission income less than 25% of the borrower's annual employment income:
	    o Unreimbursed employee business expenses are not required to be analyzed or deducted from the borrower's qualifying income, or added to monthly liabilities. This applies regardless of whether unreimbursed employee business expenses are identified on tax returns (IRS Form 2106) or tax transcripts received from the IRS.
	    o Union dues and other voluntary deductions identified on the borrower's paystub do not need to be deducted from the borrower's income or treated as a liability.
	    o Tax returns are not required to document these sources of income.

<table>
<tr><td></td><td>

For borrowers earning <u>commission income that is 25% or more</u> of annual employment income, unreimbursed employee business expenses must be deducted from gross commission income regardless of the length of time that the borrower has filed that expense with the IRS.
The exception to this is if the expense is an actual automobile lease or loan payment. If borrowers report an automobile allowance as part of their monthly qualifying income, the lender must determine if the automobile expenses reported on IRS Form 2106 should be deducted from income or treated as a liability per the Selling Guide.

<u>Use of IRS W-2 Transcripts in Lieu of W-2s (SEL-2015-07)</u>
Fannie Mae will now permit an IRS “Wage and Income Transcript” (W-2 transcript) in lieu of the actual W-2 forms.
</td></tr>
<tr><td>Liabilities</td><td>
<u>Student Loans – Payment Calculation for Student Loans (B3-6-05)</u>
For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must include a monthly payment in the borrower’s recurring monthly debt obligation when qualifying the borrower. The lender must use one of the options below to determine the repayment amount:

1% of the outstanding balance; or
The actual documented payment that would fully amortize the loan(s) as documented in the credit report, in documentation obtained from the student loan lender, or in documentation supplied by the borrower;.
A calculated payment that will fully amortize the loan(s) based on the documented loan repayment terms; or
If the repayment terms are unknown, a calculated payment that will fully amortize the loan(s) based on the current prevailing student loan interest rate and the allowable repayment period shown in the table below.

The “current prevailing student loan interest rate” can be found at the U.S. Department of Education Federal Student Aid website: https://studentaid.ed.gov/sa/types/loans/interest-rates

The following table specifies the repayment period to be used when calculating a fully amortizing payment.
<table>
<tr><td>Calculating a Student Loan Repayment</td><td></td></tr>
<tr><td>Total outstanding balance of all student loans</td><td>Repayment Period</td></tr>
<tr><td>$1 - $7,499</td><td>10 years</td></tr>
<tr><td>$7,500 - $9,999</td><td>12 years</td></tr>
<tr><td>$10,000 - $19,999</td><td>15 years</td></tr>
<tr><td>$20,000 - $39,999</td><td>20 years</td></tr>
<tr><td>$40,000 - $59,000</td><td>25 years</td></tr>
<tr><td>$60,000 +</td><td>30 years</td></tr>
</table>
Note: The lender is responsible for determining that the payment on the credit report or other documents provided by the student loan lender or borrower are fully amortizing payments.

<u>Example: Calculating an Amortizing Payment</u>
Balance: $17,500
Repayment period: 15 years
Interest rate: 4.29%
Monthly Amortizing Payment: $132.00
</td></tr>
<tr><td>Limitations on Other Real Estate Owned</td><td>
The 10 financed property limit is cumulative for all borrowers. These limitations apply to the total number of properties financed, not to the number of mortgages on the property.

Multiple Loans to the Same Borrower

Maximum 20% concentration in any one project or subdivision
Impac will purchase loans on up to 8 financed properties for one borrower, including the subject property, or a total of $2 million in financing for one borrower, whichever is less.

Primary Residence
Borrower may have an unlimited number of financed properties with multiple different lenders.
Second Homes & Investment Properties

Borrower may own or be obligated on up to 10 financed property, including borrower’s primary residence
Subject Property – Second Home - Per DU (typically 2 months PITIA) if subject property is a second home
Subject Property – Investment - Per DU (typically 6 months PITIA) if subject property is investment property
Other Financed Properties
See sections for Assets and Underwriting

New multiple loans must be underwritten simultaneously

Mortgage insurers reserve eligibility requirements may supersede those listed above.
</td></tr>
<tr><td>Loan Amount</td><td>Minimum Conforming Loan Amount: $35,000</td></tr>
<tr><td>Mortgage Insurance</td><td>When less than two (2) scores per borrower are used, the MI price may be substantially higher than</td></tr>
</table>

normal. The pricing is based on the lowest credit score received. Confirm the pricing with an MI representative in the early stage of the loan transaction.

The following supersedes all other guidelines for > 80% LTV with MI availability

- All loans must be submitted to DU Approval/Eligible
- Reserve requirement by mortgage insurers prevail

Impac's approved MI companies are as follows.

- Arch MI
- Essent Guaranty, Inc.
- Genworth
- MGIC
- National MI
- Radian
- United Guaranty (UG)

Eligible MI certificate are as follows:

- Borrower Paid Mortgage Insurance (BPMI) paid monthly and must be ordered as non-refundable, constant renewal, deferred payment (initial premium is paid with the first monthly loan payment)
- Borrower Paid Single Premium MI paid by borrower
- Lender Paid Single Premium MI
  - Premiums for all lender-paid MI plans must be shown on the HUD as being paid to the MI company by Lender

Include calculation and rate factor used to determine MI premium disclosed to the borrower on the initial loan application. Including the MI rate card with the factor identified to ensure the appropriate MI partner is chosen.

Special LTV calculations for New York properties (B7-1-01)
Mortgage loans with application dates on or after November 1, 2015, must comply with FNMA requirements in calculating "value" for required mortgage insurance and MI coverage on properties in New York.

- The appraised value is used to calculate the LTV ratio to determine **whether mortgage insurance is required** for non-co-op properties, and
- The lesser of the appraised value or sales price is used to calculate the LTV ratio to determine the **level of mortgage insurance coverage** that is required.

Ineligible MI

- Financed MI
- Borrower Paid Single Premium paid by other than borrower
- Split Premium – upfront portion paid by borrower or seller of the property
- Prepaid Mortgage Insurance
- Lender Paid Monthly
- Lender Paid Annual
- Borrower Paid Annual
- Lender paid pool coverage (referred to as GSE pool insurance)
- Investor – paid pool coverage
- Loans covered by recourse and/or indemnification agreements
- Secondary market coverage agreements

Coverage requirements for fixed rate > 20 years, all ARMs, and all Manufactured Homes

Coverage	LTV
12%	80.01% - 85%
25%	85.01% - 90%
30%	90.01% - 95%
35%	95.01% - 97%

Coverage requirements for fixed rate ≤ to 20 years

Coverage	LTV
6%	80.01% - 85%
12%	85.01% - 90%
25%	90.01% - 95%
35%	95.01% - 97%

Reduced MI coverage amounts provided by agency and AUS decisions are ineligible.

NOTE: Certain states have a tax surcharge assessed for Mortgage Insurance. The states requiring the inclusion of a surcharge are as follows.

	• Florida • Kentucky • West Virginia Ensure the MI premium also includes the additional surcharge. **Some MI companies include the additional charge in the MI premium and others do not. Ensure you have identified which is the premium amount and which is the tax amount and for the MI monthly premium to be escrowed, ensure the total of the two is used for the monthly payment.**

Occupancy	Primary Residence
	• Includes parents or legal guardian wanting to provide housing for their physically handicapped or developmentally disabled adult child
	  ○ If the child is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the parent or legal guardian is considered the owner/occupant.
	• Includes children wanting to provide housing for parents
	  ○ If the parent is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the child is considered the owner/occupant.
	• See *Underwriting* for additional information
	Second Homes
	Investment Properties

Prepayment Penalty	None
Program Restrictions	Community Land Trusts – Mortgage loans secured by a leasehold estate on property owned by a community land trust are **<u>ineligible</u>**. Property Assessed Clean Energy (PACE) – Mortgages secured by properties with an outstanding Property Assessed Clean Energy (PACE) or PACE-like obligation (e.g., Home Energy Renovation Opportunity (HERO) loan) are **<u>ineligible</u>**.
Property Inspection Waiver (PIW)	**NOTE: Property Inspection Waiver (PIW) restricted as follows:** • **Not eligible in Kansas – requires full appraisal** • **Not eligible for Texas 50(a)(6) loan - requires full appraisal** The Property Inspection Waiver (PIW) is a fieldwork recommendation that results in an offer to waive the appraisal for certain lower risk transactions. If a lender chooses to not exercise the PIW offer, the lender must obtain at least the minimum level of fieldwork recommended by DU. Loan casefiles that are eligible for PIW will receive two fieldwork messages: • One message indicating the availability of the PIW ; and • A second message indicating the fieldwork required if the lender chooses not to exercise the PIW The following transactions are currently **<u>eligible</u>** for consideration for a PIW: • One-unit properties; • Purchase money and limited cash-out refinance transactions; • Primary residences, second homes, and investment properties; PIW will not be offered on LTVs/CLTVs greater than 80% The following transactions are **<u>not eligible</u>** for a PIW: Cash-Out refinances, condominiums, leasehold properties, cooperative units, manufactured homes, construction-permanent transactions, construction transactions, high-balance mortgage loans, two- to four-unit properties, and DU loan casefiles that receive an Ineligible recommendation. <u>Special Feature Code</u> When exercising a PIW, the lender is required to include the casefile ID and Special Feature Code (SFC) 801. <u>PIW Fee</u> There is a $75 fee associated with exercising the PIW. The PIW fee is a secondary market charge and may **<u>not</u>** be indicated on the settlement statement as a **<u>fee payable to Fannie Mae</u>**. A lender may exercise the PIW only when a PIW recommendation exists on the **<u>final</u>** submission to DU. <u>Resubmitting loan files that receive a PIW</u> A lender will need to resubmit a loan casefile to DU to ensure salability to Fannie Mae when key data elements of the transaction have changed such as the property address, occupancy, transaction type, loan amount, CLTV, and FICO, or the loan has not closed within four months of receiving a PIW offer. • Upon resubmission of the loan data, the loan casefile may or may not receive a PIW recommendation. It is important to input correct data into the system as early as possible to avoid surprises.

	<u>Situations where appraisal is needed even when PIW recommendation is offered</u> There are certain situations in which a lender needs to obtain an appraisal, even though a PIW was offered on the loan casefile. Some examples include: • When the lender has reason to believe that fieldwork is warranted based on subsequent events such as a hurricane or other natural disaster • A purchase transaction where the borrower is purchasing an REO property, or the last transaction on the subject property was a foreclosure • When the lender is required by law to obtain an appraisal. o Note: Certain states require an appraisal for mortgage loans. DU does not screen for state requirements. Broker/Lender must be aware of state requirements for appraisal. When a lender obtains an appraisal **<u>for any reason (including state law requirement)</u>** and also receives a PIW offer, the PIW may **<u>not</u>** be exercised and the loan cannot be delivered with Special Feature Code 801. <u>"Not Listed for Sale" affidavit</u> Fannie Mae requires lenders to confirm that the subject property is not currently listed for sale. The lender typically relies on the appraiser to provide this information. If an appraisal is not obtained, the lender may obtain a signed affidavit from the borrower at the time of the loan application disclosing how long the borrower has owned the property, and stating that the property is not currently listed for sale.

Property Types	Eligible property types
	• 1-4 units
	• Modular Pre-Cut/Panelized Housing
	• PUDs
	  o PUDs (attached and detached) do not need to be reviewed against FNMA ineligible project characteristics list (*SEL 2015-09* and *FNMA B4-2.1-02*)
	• <u>Leasehold Estates (See *FNMA B2-3-03* and *B4-1.4-05*) for complete requirements, including:</u>
	  o The term of the leasehold estate must run for at least five years beyond the maturity date of the mortgage, unless fee simple title will vest at an earlier date in the borrower or a homeowners' association.
	  o The lease must provide that in addition to the obligation to pay lease rents, the borrower will pay taxes, insurance, and homeowners' association dues (if applicable), related to the land in addition to those he or she is paying on the improvements.
	• Attached Condos – Fannie Mae approved projects (1028/PERS Approval) (https://www.efanniemae.com/sf/refmaterials/approvedprojects/index.jsp) or Limited Review
	See FNMA Selling Guide B4-2.2-01, Limited Review Process
	See Limited Review tables below.
	• Detached Condos – Fannie Mae approved projects or Limited Review only. See FNMA Selling Guide B4-2.2-01, Limited Review Process, and B4-2.1-01, General Information on Project Standards.
	  o There are no <u>LTV ratio</u> or <u>occupancy</u> restrictions for Limited Review eligibility for detached condo units (in new or established projects, including detached unit in a condo project that includes a mixture of attached and detached units)
	• **<u>Full Review conducted with the use of Condo Project Manager (CPM)</u> – In addition to the above condo approval methods, Impac allows Fannie Mae's Condo Project Manager (CPM) full review approvals. See your Account Executive for details.**
	• Manufactured Homes – See Impac's Fannie Mae Fixed Rate Manufactured Home matrix for specifics
	
	<u>Note:</u> Florida condominiums are allowed in accordance with FNMA guidelines (See FNMA Selling Guide B4-2.2-04 *Geographic Specific Condominium Project Considerations*)
	• PERS review is required for **<u>new and newly converted</u>** condo projects consisting of <u>attached</u> units located in Florida. The following project review methods may <u>not</u> be used to review these types of projects in Florida:
	  o Limited Review, or
	  o Full Review (with or without CPM)
	• <u>Attached</u> units in <u>established</u> condo projects **<u>in Florida</u>** are <u>restricted</u> to the following maximum LTV, CLTV, and HCLTV ratios when using <u>Limited Review</u>:
	
	Occupancy/Property Type — **Maximum LTV, CLTV, and HCLTV Ratios**
	Principal Residence — 75/90/90%
	Second Home — 70/75/75%
	Investor — Ineligible for Limited Review
	
	<u>Attached</u> units in <u>established</u> condo projects **<u>outside of Florida</u>**, including 2- to 4- unit condo projects, allow the following LTV, CLTV, and HCLTV ratios when using <u>Limited Review</u>:

<table>
<tr><td></td><td>
<table>
<tr><th>Occupancy/Property Type</th><th>Maximum LTV, CLTV, and HCLTV Ratios</th></tr>
<tr><td>Principal Residence</td><td>90%</td></tr>
<tr><td>Second Home</td><td>75%</td></tr>
<tr><td>Investor</td><td>Ineligible for Limited Review</td></tr>
</table>

Ineligible

Vacant land or land development properties
Properties that are not readily accessible by roads that meet local standards
Properties that are not suitable for year-round occupancy regardless of location
Agricultural properties, such as farms, ranches or orchards
On-frame modular construction
Condo hotels or co-op hotels
Co-op share loans
Boarding houses or bed and breakfast properties
Properties encumbered with private transfer fee covenants (per Regulation 12 C.F.R. Part 1228)
Properties with greater than 25 acres
Uniquely designed properties such as dome homes, log cabins, earth berms, and underground homes

</td></tr>
<tr><td>Qualifying Rate and Ratios</td><td>Qualifying Rate
Fixed Rate - Qualify at note rate. See Eligibility Matrix Loan Amount & LTV Limitations for minimum credit score
Ratios
DU Approve Eligible loans – Ratios evaluated by DU with a limit of 55%
Ineligible
Manual Underwrite
</td></tr>
<tr><td>Secondary Financing</td><td>Secondary financing is eligible and requirements are as follows.
<table>
<tr><th>Refi includes 1st lien payoff</th><th>Underwrite transaction as</th><th>Comments</th></tr>
<tr><td>Payoff of purchase money 2nd no cash out</td><td>Limited cash-out refi</td><td>N/A</td></tr>
<tr><td>Payoff of non-purchase money 2nd, regardless of cash out being taken</td><td>Cash-out refinance</td><td>N/A.</td></tr>
<tr><td>Payoff of 1st lien seasoned a minimum of 6 months, with subordinate financing being resubordinated and left in place, regardless if the subordinate financing was used to purchase the property and the cash out does not exceed the limited cash-out refi transaction</td><td>Limited cash-out refinance</td><td>Subordinate financing must be factored into risk assessment based on CLTV, HCLTV, and DTI ratio.
Subordinate lien must be resubordinated.</td></tr>
<tr><td>Refinance of a cash-out a transaction within the last 6 months</td><td>Cash-out-transaction</td><td>N/A</td></tr>
</table>
NOTE: Subordinate financing left in place will not affect the type of refinance transaction used.

<u>Community Seconds are allowed with Impac approval (subject to additional restrictions)</u>
DU will continue to allow CLTV ratios of 105% when the subordinate financing is a Community Seconds mortgage.

Community Seconds are only allowed for Principal Residences. For 2-4 unit primary residence the borrower must make a 5% minimum contribution from borrower’s own funds. After the minimum borrower contribution has been met, a community second can be used to supplement the down payment and closing costs. (See B5-5.1-02)

See <u>FNMA B2-1.1-04 Subordinate Financing</u> for acceptable and unacceptable subordinate financing types.
</td></tr>
<tr><td>Special Feature Codes</td><td>Refer to the DU Findings to identify the applicable Special Feature code number.</td></tr>
<tr><td>Temporary Buydown</td><td>Ineligible</td></tr>
<tr><td>Underwriting</td><td>DU Approve/Eligible
4506T must be processed prior to closing.
<u>Limits on the Number of Financed Properties</u>
If the mortgage is secured by the borrower’s principal residence, there are no limitations on the number of other properties that the borrower will have financed. If the mortgage is secured by a second home or an investment property, the multiple financed properties policy applies.
The financed property limit

Applies to the number of one- to four-unit residential properties where the borrower is personally obligated on the mortgage(s);
Applies to the total number of properties financed, not tot eh number of mortgages on the property or the number of mortgages sold to Fannie Mae;
Includes the borrower’s principal residence if titis financed; and
Is cumulative for all borrowers (though jointly financed properties are only counted once).

The following property types are not subject to these limitations, even if the borrower is personally obligated on a
</td></tr>
</table>

	mortgage on the property: • Commercial real estate, • Multifamily property consisting of more than four units, • Ownership in a timeshare, • Ownership of a vacant lot (residential or commercial), or • Ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home). <u>Applying the Multiple Financed Property Policy to DU Loan Casefiles (effective with DU Version 10.0)</u> If the borrower is financing a second home or investment property, the maximum number of financed properties the borrower can have is ten. If the borrower will have one to six financed properties, Fannie Mae's standard eligibility policies apply (e.g., LTV ratios and minimum credit scores). If the borrower will have seven to ten financed properties, the mortgage loan must have a minimum representative credit score of 720; all other standard eligibility policies apply. <u>DU will determine the number of financed properties for the loan casefile based on the following approach:</u> • If the number of financed properties field is completed, DU will use that as the number of financed properties. The lender must complete this field with the number of financed one-to four-unit residential properties (including the subject transaction) for which the borrower(s) are personally obligated. • If the number of financed properties field is not provided, DU will use the number of residential properties in the Real Estate Owned (REO) section that include a mortgage payment, or that are associated with a mortgage or HELOC in the liabilities section of the loan application, as the number of financed properties. • If the number of financed properties field and the REO information was not provided, DU will use the number of mortgages and HELOCs disclosed in the liabilities section of the loan application as the number of financed properties. • When none of the information above is provided on the loan application, DU will use the number of mortgages and HELOCs disclosed on the credit report as the number of financed properties. Note: In order to account for the subject property, DU will add "1" to the number of financed properties on purchase and construction transactions when the REO section, number of mortgages on the application, or number of mortgages on the credit report are used as the number of financed properties. <u>Payoff or Paydown of Debt for Qualification (*B3-6-07 and SEL-2015-06)*</u> Payoff or paydown of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis. The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification. Generally • Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt. • If a revolving account balance is to be paid off at or prior to closing, a monthly payment on the current outstanding balance does not need to be included in the borrower's long-term debt, i.e., not included in the debt-to-income (DTI) ratio. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio. DU currently issues a message that revolving debts must be included in the total expense payment if the account is not being closed. Lenders may disregard this message until it is removed in a DU release later in 2015. **<u>Adult children purchasing a primary residence for elderly parents</u>** • Elderly parents must be unable to work or not have sufficient income to qualify for a mortgage on their own. The adult child must provide a letter of explanation outlining the intent to purchase a home for elderly parents who are financially limited • The parent(s) will occupy the subject property as their primary residence • The adult child may already own his or her own primary residence and there is no distance requirement on where the primary residence is located • Property must be underwritten and priced as a primary residence (1-unit only) • The subject property must be submitted to DU as the primary residence and the borrower's current primary residence will be listed as other real estate owned • The parent(s) and adult child can both apply for the loan, but the <u>child</u> is the primary source of qualification. The parent is not required to be on the loan. • Title must be in the borrower(s) name, but the elderly parent(s) may also be on the title **<u>Parents purchasing a primary residence for a disabled son or daughter</u>** • Disabled adult child must be unable to work or not have sufficient income to qualify for a mortgage on his or her own. The parent(s) must provide a letter of explanation outlining the intent to purchase a home for their physically handicapped or developmentally disabled adult child who is financially limited • Disabled adult child will occupy the subject property as his or her primary residence • Parent(s) may already own their own primary residence and there is no distance requirement on where the primary residence is located • Property must be underwritten and priced as a primary residence (1-unit only)

	• The subject property must be submitted to DU as the primary residence and the borrower's current primary residence will be listed as other real estate owned • The parent(s) and disabled adult child can both apply for the loan, but the parent(s) are the primary source of qualification. The disabled adult child is not required to be on the loan • Title must be in the borrower(s) name, but the disabled adult child may also be on the title Property Flipping When the Seller of the property has been on title less than 90 days extra diligence must be taken with the transaction. Underwriter in its sole discretion reserves the right to condition for additional information and collateral support to include desk review, field review, or additional appraisal in order to support value. There is not a specific FNMA requirement. Other underwriting flexibilities: • First-time Home Buyer is allowed • Foreign Income is allowed per FNMA guidelines(B3-3.1-09) • Corporate Relocation Plans (fully documented per FNMA) are allowed – When the borrower's employer assumes responsibility for paying off the existing mortgage in connection with a corporate relocation plan, the lender must obtain a copy of the executed buyout agreement to document the source of funds. A copy of sales contract or a listing agreement is not an acceptable source of verification of proceeds from the sale. (Note: Restricted Relocation Mortgages which are mortgages made under express agreement between employer and lender are not allowed.) Inspection Documents Underwriter may request a copy of any inspection where repairs or remediation (monetary or other) are specified in a purchase contract, regardless of whether repairs have been completed. Ineligible • Manual underwriting • Note: There is never an exception for High Balance loans. High Balance loans must always be underwritten with DU per FNMA guidelines (B5-1-01).

# # #