Product Guidelines

PURCHASE									
Occupancy		Max Loan Amount	Maximum LTV	Maximum CLTV	Min FICO	Max Ratios	Minimum Cash Investments	Mortgage/Rental History	Reserves
Primary	1 Unit	$510,400	97%	97%	620	Determined by DU	Determined by DU	Evaluated by AUS	Determined by DU
LIMITED CASH OUT REFINANCE (Must be Existing FNMA Mortgage)									
Occupancy		Max Loan Amount	Maximum LTV	Maximum CLTV	Min FICO	Max Ratios	Minimum Cash Investments	Mortgage/Rental History	Reserves
Primary	1 Unit	$510,400	97%	97%	620	Determined by DU	Determined by DU	Evaluated by AUS	Determined by DU

CONVENTIONAL Underwriting Guidelines Requirements (Loan MUST be submitted through DU)

COLLATERAL	
Appraisal	Transferred appraisals are permitted with proof the appraisals comply with Appraisal Independence Requirements (AIR). Re-use of an appraisal report is not permitted. HPML loans may require second appraisal. If the appraisal report is marked "subject-to" a final inspection 1004D will always be required, processor certifications will not be accepted in lieu of.
Second Appraisals	When a new appraisal is obtained, CMS must document the deficiencies that are the basis for ordering the new appraisal and select the most reliable appraisal. UFF must either document the resolution of the noted deficiencies in the original appraisal or detail the reasons for relying on a second opinion of market value.
Appraisal Updates	Permitted. Follow guidelines and acceptable extension dates. The appraisal may be no older than 240 days at closing with an appraisal update.
Appraisal Acknowledgment	Borrowers must acknowledge that they received all appraisal reports three (3) days prior to close.
Appraisal Waiver	Permitted. Follow FNMA Appraisal Waiver requirements. Not eligible for manufactured homes, 2-4 unit properties, TX Home Equity 50(a)(6) or 50(a)(6) Conversion, values of $1M or greater, leaseholds, properties with resale restrictions, when satisfying construction financing, using rental income from the subject property to qualify, gifts of equity, or an appraisal has already been obtained.
Property Condition	Minor conditions and deferred maintenance are typically due to normal wear and tear from the aging process and the occupancy of the property. While such conditions generally do not rise to the level of a required repair, they must be reported. Examples of minor conditions and deferred maintenance include worn floor finishes or carpet, minor plumbing leaks, holes in window screens, or cracked window glass. Condition Ratings C1, C2, C3, C4, and C5 are eligible for delivery in “as is” condition. Properties with a Condition Rating of C6 are eligible for sale to Fannie Mae provided any deficiencies that impact the safety, soundness, or structural integrity of the property are repaired prior to delivery of the loan.

COLLATERAL, continued	
Property Types	One-Unit principal residence, including condos and planned unit developments (PUDs).
Condo	All condos must be warranted and must have completed warranty forms. Acceptable condo project approvals are PERS approval, Lender Full Review completed by InterIsland, and Limited Review (DU). **<u>Not Eligible:</u>** Condotels, including projects that allow short-term rentals, vacation rentals, timeshares, or segmented ownership. Condo projects that have resort-type amenities such as restaurants, room service, maid service, central telephone or key systems, or share facilities with a hotel, Condo projects restricting owner's ability to occupy, Condo projects that do not contain full-sized kitchen appliances, Nonresidential use exceeding 25%, Pending litigation, Cooperative projects, Project with multi-dwelling units: A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit, Project with excessive commercial or non-residential space, Tenancy-in Common apartment project **<u>Full Review:</u>** All established projects. All new projects (see exceptions requiring PERS approval below). **<u>PERS Review</u>** The standard PERS submission MUST be used for the following project types: New or newly converted condo projects consisting of attached units in Florida, Newly converted non-gut rehabilitation projects consisting of more than four attached units.
Ineligible Properties	Co-ops, On-frame modular construction, Manufactured homes, Boarding houses, Bed and Breakfast properties, properties that are not suitable for year-round occupancy regardless of location, Agricultural properties, such as farms or ranches, properties that are not readily accessible by roads that meet local standards, vacant land or land development properties, properties serviced by hauled water, properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations, State-approved medical marijuana producing properties, properties with more than one dwelling unit where one or more of the units (includes accessory dwelling units) is a manufactured home, properties with water sourced by a river, properties located on Tribal Lands which include section 184, Hawaiian properties in Lava Zones 1 and 2, properties located in the Department of Hawaiian Home Lands Leasehold (DHHL). See complete ineligible property list in Conventional FNMA guidelines.
Resale/Deed Restrictions	Fannie Mae will purchase mortgages that are subject to one or more of the following types of resale restrictions (although some restrictions are likely to occur only in combination with others): income limits, age-related requirements (senior communities must comply with applicable laws), purchasers must be employed by the subsidy provider, principal residence requirements, properties that are group homes or that are principally used to serve disabled residents, and resale price limits.

COLLATERAL, continued	
Private Transfer Fee	Not permitted.
Subordinate Financing	New, Modified, and existing subordinate liens are permitted within the max CLTV tolerances noted in the Conventional matrix. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is also required. Seller Carry Back: If financing provided by the property seller is more than 2% below current standard rates for second mortgages, the subordinate financing must be considered a sales concession and the subordinate financing amount must be deducted from the sales price.

TYPES OF FINANCING	
Rate & Term / Limited Cash Out Refi	Limited cash-out refinance transactions must meet the following requirements: Final Closing Disclosures are required from any transaction within past 6 months. The current transaction is being used to pay off an existing first mortgage loan (including an existing HELOC in first-lien position) by obtaining a new first mortgage loan secured by the same property. Only subordinate liens used to purchase the property may be paid off and included in the new mortgage. Receiving cash back in an amount that is not more than the lesser of 2% of the new refinance loan amount or $2,000. 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 is not eligible.
Listed for sale or purchase < 6 months	Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject property with a signed letter of explanation.
Limited Cash-Out Refinance Transactions – 97% Option for Loans Owned or Securitized by Fannie Mae	Lender is responsible for verifying that the existing mortgage is currently owned or securitized by Fannie Mae. Documentation may come from: • The lender’s servicing system (if the lender is the servicer of the existing mortgage); or • The current servicer (if the lender is not the servicer); or • A printout from Fannie Mae’s Loan Lookup Tool, if a match is identified; or • Any other source as confirmed by the lender. Documentation should provide some validation that the loan is currently owned or securitized by Fannie Mae, such as the Fannie Mae loan number for the existing mortgage loan.

TYPES OF FINANCING, continued	
Cash-Out Refinance	Not permitted
Down Payment Assistance	Down Payment Assistance Programs are not permitted.
Delayed Financing	Not permitted
Non-Arm's Length / Identity of Interest	Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Fannie Mae allows non-arm's length transactions for the purchase of existing properties unless specifically forbidden for the particular scenario, such as delayed financing.
At Interest Transactions	Transactions where: Builder is acting as Realtor/Broker or Realtor/Broker is selling their own property – permitted on primary residence only. Loan originator is acting in another real-estate related role - not permitted. Loan Originator cannot have another real estate related position on any loan, regardless of the loan program.
Texas 50(a)(6)	Not permitted
All Refinances	Must have Net Tangible Benefit to Borrower.
Property Flip	Property flips less than 90 days are permitted. Underwriter must review for valid transaction, acceptable transfer/chain of title, and inflation of value or sales price is properly supported. Lenders must confirm and document in the mortgage file that the property seller in a purchase money transaction or the borrower in a refinance transaction is the owner of the subject property when an appraisal is required. Examples of acceptable documentation include, but are not limited to: • the appraiser's analysis and conclusions in the appraisal report, • a copy of a recorded deed, mortgage, or deed of trust, • a recent property tax bill or tax assessment notice, • a title report, • a title commitment or binder, or • a property sale history report. This documentation is especially important for transactions involving an assignment (or sale) of a contract for sale and back-to-back, simultaneous, double transaction closings, or double escrows to support the property acquisition, financing, and closing.

CREDIT	
Manual Underwrite	Not permitted. Must receive DU Approve/Eligible.
Disputed Tradelines	DU will issue the disputed tradeline message. 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 either obtaining a new credit report with the tradeline no longer reported as disputed and resubmitting the loan casefile to DU. If DU does not issue the disputed tradeline message, the lender is not required to: further investigate the disputed tradeline on the credit report, obtain an updated credit report (with the undisputed tradeline).
Bankruptcy	Chapter 13: Must be discharged > 2 years prior to application. BK discharge must be > 2 years seasoned. BK dismissal must be >4 years seasoned. Chapter 7: Must be discharged > 4 years prior to application. BK discharge must be > 4 years seasoned. BK dismissal must be > 4 years seasoned. Multiple Bankruptcy filings within past 7 years must be discharged/dismissed > 5 years. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible. Multiple BK filings - 5 years if more than one filing within the past 7 years ***Chapter 11 > 4 years prior to application***
Bankruptcy (with extenuating circumstances)	BK 7 or BK 11: A two-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the discharge or dismissal date of the bankruptcy action. BK 13: A two-year waiting period is permitted after a Chapter 13 dismissal, if extenuating circumstances can be documented. There are no exceptions permitted to the two-year waiting period after a Chapter 13 discharge. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible. Multiple BK filings – three (3) years from the most recent discharge or dismissal date.
Short Sale / Pre-Foreclosure / Deed in Lieu of Foreclosure	A four-year waiting period is required from the completion date of the deed-in-lieu of foreclosure, pre-foreclosure sale, or charge-off as reported on the credit report or other documents provided by the borrower. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
Short Sale / Pre-Foreclosure / Deed in Lieu of Foreclosure (with extenuating circumstances)	A two-year waiting period is permitted if extenuating circumstances can be documented. Note: Deeds-in-lieu and pre-foreclosure sales may not be accurately or consistently reported in the same manner by all creditors or credit reporting agencies. See Identification of Significant Derogatory Credit Events in the Credit Report above for additional information. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
Collections / Charge Offs	Refer to AUS stipulations
Judgments / Liens	Outstanding judgments and liens must be paid at or prior to loan closing. All state and IRS tax liens on the subject property and other properties are required to be paid whether or not they currently affect title. Documentation of the satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations must be obtained.

CREDIT, continued	
Federal Income Tax Installment Agreements	The monthly payment amount may be included as part of the borrower's monthly debt obligations (in lieu of requiring payment in full) if no Federal Tax Lien has been filed against the borrower. Refer Conventional FNMA guidelines for additional requirements.
Foreclosure	A seven-year waiting period is required, and is measured from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
Foreclosure (with extenuating circumstances)	A three-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the completion date of the foreclosure action. Additional requirements apply between three and seven years, which include: Maximum LTV, CLTV, or HCLTV ratios of the lesser of 90% or the maximum LTV, CLTV, or HCLTV ratios for the transaction per the Eligibility Matrix. The purchase of a principal residence is permitted. Limited cash-out refinances are permitted for all occupancy types pursuant to the eligibility requirements in effect at that time. Note: Cash-out refinances are not permitted until a seven-year waiting period has elapsed. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
Inaccurately Reported Foreclosure	Enter in DU: "Confirmed CR FC Incorrect" when the foreclosure on the credit report is reporting inaccurately
Minimum FICO	Refer to the Mortgage Insurance section for additional requirements.
Debts/Minimum Payment	If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the lender must use 5% of the outstanding balance as the borrower's recurring monthly debt obligation. For DU loan casefiles, if a revolving debt is provided on the loan application without a monthly payment amount, DU will use the greater of $10 or 5% of the outstanding balance as the monthly payment when calculating the total debt-to-income ratio.
Minimum Payment Student Loans	For all student loans, if a monthly student loan payment amount is provided on the credit report, use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, Determine the qualifying monthly payment using one of the options below. • If the borrower is on an income-driven payment plan, obtain student loan documentation to verify the actual monthly payment is $0 and then qualify the borrower with a $0 payment. • For deferred loans or loans in forbearance, calculate a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or a fully amortizing payment using the documented loan repayment terms.
30-day Charge Accounts	Open 30–day charge accounts require the balance to be paid in full every month. Fannie Mae does not require open 30–day charge accounts to be included in the debt-to-income ratio.
Mortgage History	Mortgage History evaluated by AUS.

CREDIT, continued	
Long Term Debts	Revolving charge accounts and unsecured lines of credit are open-ended and should be treated as long-term debts and must be considered part of the borrower's recurring monthly debt obligations. The monthly payment on every revolving and open-end account with a balance must be included in ratio calculation. 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. FNMA will allow an IRS repayment plan that is documented and accepted. Plan cannot be in delinquent status and there is no minimum to the number of payments made.
Court Ordered Debt	If the obligation to make payments on a debt has been assigned to another person by court order, such as a divorce decree, and transfer of ownership of any related property has taken place, the payment may be excluded from long-term debt. The following documents are required: copy of the court order; and for mortgage debt, a copy of the recorded documents transferring ownership of the property (e.g.: Quit Claim Deed). If a transfer of ownership has not taken place, late payments associated with the loan repayment of the debt owing on the property should be taken into account when reviewing the Borrower's credit profile.
Non-Occupant Co-borrowers and Blended Ratios	For DU loan casefiles, if the income of a guarantor, co-signer, or co-borrower is used for qualifying purposes, and that guarantor, co-signer, or co-borrower will not occupy the subject property, the maximum LTV, CLTV, and HCLTV ratio may not exceed 95%. The DTI ratio is calculated using the income and liabilities of all borrowers; there is no separate DTI ratio requirement for the occupant borrower.
Business Debt	If the Borrower is personally liable for a business debt, whether the debt is reflected on the Borrower's personal credit report or not, the Borrower is personally liable and the debt must be included in the debt-to-income ratios. If the Borrower can provide twelve (12) months' proof of payment/canceled checks drawn against a business account, this debt need not be included in the debt-to-income ratio.
Debts Paid by Others	Debts Paid by Others – must have evidence of 12 months of payments by another party, additionally: • Non-mortgage debts – the other party does not have to be obligated on the loan and cannot be a party to the subject transaction, e.g. Seller, realtor. • Mortgage debts – the other party must be obligated on the note, the loan must be paid as agreed for previous 12 months, rental income from the excluded property cannot be used to qualify, and the financed property must be included in the financed property count.

INCOME/ASSETS	
Income Limits	No income-limit requirements.
Unacceptable Types of Income	Income based on trailing spouse income; Draw income; VA education benefits; Illegal income; Taxable income not listed on tax returns, any income that cannot be documented and/or verified; Passive income from partnerships and S corporations; Income that is not stable; and Grants.
Future Income	Permitted - borrower must provide a contract or employment offer prior to documents and a 30 day pay stub prior to funding.
Residual Income	Residual Income is required on HPML loans only.
Non-Taxable Income	Must verify and document source of income is non-taxable. Documentation includes award letters, policy agreements, account statements or any other documents that address the non-taxable status of the income. All disclosed, non-taxable income must be grossed-up even if not being used for qualification.
Rental Income from Other Real Estate Owned	Document Per AUS requirements. Can use 24-month average from Schedule E for calculation. The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the DTI ratio.
Tax Return Transcripts/W2 transcripts	When federal income tax information is used to document income for qualifying purposes, the lender may obtain transcripts of the applicable federal income tax documents directly from the IRS (or designee) by using IRS Form 4506-T. For example, the lender may obtain Tax Return Transcripts for Form 1040, 1040A or 1040EZ or Wage and Income Transcripts for W2s, 1098s, and 1099s. However, in certain instances, copies of the actual returns, schedules, or forms are needed because the tax return transcripts will not provide the detail required to qualify the borrower. For example, the lender must obtain copies of Schedules B through F, Schedule K-1, Form 2106, or business returns.
Income from Departure Residence	When the borrower owns mortgaged real estate, the status of the property determines how the existing property's PITIA must be considered in qualifying for the new mortgage transaction. If the mortgaged property owned by the borrower is a current principal residence converting to investment use, the borrower must be qualified in accordance with, but not limited to the following: • Lease Agreements. When current lease agreements are used, the lender must calculate the rental income by multiplying the gross rent(s) by 75%. The remaining 25% of the gross rent will be absorbed by vacancy losses and ongoing maintenance expenses. • DU will determine the reserve requirements based on the overall risk assessment of the loan, the minimum reserve requirement that may be required for the transaction, and whether the borrower has multiple financed properties. • If the mortgage loan being delivered to Fannie Mae is secured by the borrower’s principal residence, there are no limitations on the number of other properties that the borrower will have financed.

INCOME/ASSETS, continued	
Minimum Down Payment	None
Gift Equity	A gift or a gift of equity from a related person that does not have to be repaid is an eligible source of borrower funds.
Gifts	Follow FNMA Guidance: Standard minimum borrower contribution requirements apply. A gift can be provided by a relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner. The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction. If DU requires reserves, it can be gifted.
Verification of Deposits	Not permitted as standalone documentation – must be accompanied by computer printout or other statements directly from the banking institution.
Large Deposits	Purchase Money Transactions Only: Deposits >50% of the borrower's qualifying monthly income are considered large deposits and must be sourced.
Business Assets	Business Assets are allowed for down payment; however, the borrower must be the 100% owner of the Business. The effect on borrower's business must be established by the underwriter.
Custodial Accounts for Minors	These accounts are not an allowable asset for down payment, closing costs or reserves. Accounts that are in a minors name where the borrower is only the custodian of the funds are not eligible to be used for a transaction in closing costs, reserves or down payment.
GENERAL	
Debt Ratios	Per AUS findings, must receive Approve/Eligible.
Age of Documents	Must be <120 days old at time of closing.
Loan Terms Available	30 Year Fixed
Borrower Eligibility	Permanent and Non-Permanent Resident Aliens allowed with supporting documentation. Foreign Nationals or borrowers with Diplomatic Immunity are not permitted. Refer to the Conventional FNMA guidelines for additional requirements. Loans with title or interest held in various forms/legal entities such as Life Estates, Non-Revocable Trusts, Guardianships, LLC's, Corporations or Partnerships are not eligible.
First-Time Homebuyer	At least one borrower must be a first-time homebuyer.

GENERAL, continued	
Homebuyer Education and Counseling	At least one borrower must complete the Framework Homeownership education course and counseling for purchase transactions with LTV, CLTV, or HCLTV ratios greater than 95% when all borrowers are first-time homebuyers.
Escrows	Tax and Insurance escrows are required on all loans greater than 80.00% loan to value (subject to state law); escrow waivers are allowed subject to a demonstrated ability by the borrower to manage lump sum tax and insurance payments. Effective on loans closed on or after January 1, 2016 that require flood insurance: the premiums related to the flood insurance must be escrowed - escrows for these premiums may not be waived, regardless of LTV. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required.
Escrow Holdbacks	Not permitted
Escrow Waiver Eligibility	Property tax and/or insurance escrows may be waived with the following criteria: All states excluding CA and NM: less than or equal to (<=) 80% LTV California: less than or equal to (<=) 90% LTV
Ineligible Programs	Refi Plus, Homestyle/Homepath Renovations, HomeStyle Energy, Temp Buydown, High-Balance, Adjustable Rate and Interest Only Loan Programs.
Short Payoffs	Ineligible. FNMA will NOT accept a refinance transaction where the loan CMS is paying off was a Short Payoff.
Mortgage Insurance	Standard MI coverage is required. Reduced MI coverage is not allowed. Mortgage insurance premiums may be paid monthly, annually, as a single premium or a combination of these. Monthly MI premiums may be refundable or non-refundable. Single premiums must be refundable. Two FICO scores required per MI provider guidelines. MI provider Credit Score guidelines prevail when MI coverage is required.
Lender Paid Mortgage Insurance (LPMI)	UFF allows lender-purchased mortgage insurance (LPMI) coverage. • MI certificate must be obtained prior to clear to close. • Full credit file needs to be submitted to MI Company. • Lender Paid Disclosure Form must be provided to the borrower. • UFF must deliver the loan with Special Feature Code (SFC) 019. • Lump-sum (single) premium plan that provides coverage for the life-of-the loan is required • Mortgage insurance coverage must remain in effect until the mortgage is paid in full