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Fannie Mae HomeStyle Conventional Matrix

HomeStyle Renovation – Desktop Underwriter® (DU®)				
TMS requires Correspondent Lenders to submit loans using the services of Land Gorilla- a third party renovation management company.				
Occupancy	**Transaction**	**Property Type**	**Maximum LTV/CLTV/HCLTV**	**Minimum Credit Score**
Owner Occupied	Purchase & Limited Cash-Out Refinance	1 Unit	97%	620
		2 Units	85%	
		3-4 Units	75%	
Second Home	Purchase & Limited Cash-Out Refinance	1 Unit	90%	
Investment Property	Purchase	1 Unit	85%	
	Limited Cash-Out Refinance	1 Unit	75%	

Manufactured Housing				
Occupancy	**Transaction**	**Property Type**	**Maximum LTV/CLTV/HCLTV**	**Minimum Credit Score**
Owner Occupied	Purchase & Limited Cash-Out Refinance	1 Unit	95%	620
Second Home	Purchase & Limited Cash-Out Refinance	1 Unit	90%	

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	Guidance
Loan Purpose	• Purchase. • Limited Cash Out Refinance.
Loan Type/Term	• Fixed Rate Mortgages, 15 & 30-year term.
Minimum Loan Amount	• $50,000 minimum loan amount on all products • $75,000 minimum loan amount on manufactured singlewide
Renovation Eligibility	• No restriction on the types of renovations. • All improvements should be permanently affixed to the real property, except for certain appliances installed with kitchen and utility room remodels
Cash to Borrower	• No Cash back to borrower is permitted
Subordinate Financing	• Purchase and Limited Cash-Out Loans with community seconds secured by borrowers' primary residence may be eligible up to 105% CLTV
Contractors	• Borrowers must choose their own contractor for the renovation. • Lender must review the borrowers chosen contractor to determine if they adequately qualify and are experienced for the work. The contractor profile report, form 1202, must be used. • Borrowers must have a construction contract with the contractor. • Plans and specifications must be prepared by a registered, licensed or certified general contractor, a renovation consultant or an architect. All work to be done must be fully described in the plans and specifications and must indicate when the different stages of renovation will be scheduled.
Self Help/ Do it Yourself Work	• Not Permitted.

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Renovations Costs, Payment & Contingency Reserves	• Lender may advance funds of up to 50% of the material costs any time after loan closing for purchase of necessary material for the project. • Renovation costs may include: o Labor and materials o Costs for permits, licenses, architect fees o Contingency reserve. o 10% contingency reserve is mandatory on 2-4-unit properties. Reserve can be increased to 15%, if needed. • Payment reserve of up to 6 months of PITIA is required if the subject property cannot be occupied during the renovation. The reserve amount can be financed into the loan. The reserves must be hold in a renovation escrow account and can only be applied to payments that come due during the period in which the property cannot be occupied.
Manufactured Homes	• Manufactured Homes are eligible for non-structural improvements up to the lesser of $50,000, or 50% of the "as-completed" appraised value. Manufactured Housing LTV ratio requirements will apply.
Ability to Repay and Qualified Mortgage Rules (ATR/QM)	• The ATR/QM rules requires you made a reasonable, good-faith determination before or when you consummate the mortgage loan that the borrower has a reasonable ability to repay the loan. The Money Source Inc. follows HUD and CFPB guidance in regards to QM. • Safe Harbor and Rebuttal Presumption to QM loans are considered for purchase review with no additional overlays. Correspondents are responsible for providing evidence of compliance with the ATR/QM rules.
Age of Documents	• For new and existing construction, credit documents must be no more than 120 days old on the date the Promissory Note is signed. • Preliminary Title Policies must be no more than 180 days old on the date the Promissory Note is signed.

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Appraisals	• Determined by AUS Findings. Property Inspection Waivers (PIW), through DU, are acceptable with a $75.00 delivery fee. • High Balance Loans only: residential field review is required for properties valued at $1,000,000 or more and the LTV/CLTV/HCLTV is greater than 75%. ○ If the field review results in a different opinion of value than the appraisal, the lowest of the original appraised value, the field review, or the sales prices (for purchases) should be used to calculate the LTV ratios. **AVM/Appraisal Review Supporting Value** • Correspondent may provide an AVM, a fraud detection tool with AMV built in it, or Desk/Field review from any vendor to support the appraised value. In the event there are two valid appraisal reports in the file, we will use the lower of the two and no additional products will be required. If the AVM is over 10% variance, or the AUS; a Desk Review is required to support the value. AVMs are not required for new construction. **Collateral Underwriter** TMS requires Correspondents to submit the SSR on all Conventional files submitted for purchase review. All SSR quality and/or overvaluation flags with a risk score between 4.01 and 4.09 must have the appropriate steps taken to ensure the validity of the value on the appraisal. Proper documentation may include, but is not limited to, comments from the Underwriter, comments from the Appraiser, field review and/or desk review. Additional discretion may be required in evaluating the validity of flags generated by appraisals on new construction, as the most up to date mapping information may not be available for the system to accurately evaluate comparables. When the SSR CU risk score is 5 or greater and receives the message “there is a heightened risk of overvaluation,” the loan is ineligible for purchase review by TMS.
Assets	• Follow FNMA guidelines

AUS	• Desktop Underwriter® with "Approve/Eligible" Findings is required.
	• Manual UW is not permitted.
	• AUS must be run with appropriate special feature codes:
	    ○ When renovations are **not** completed at delivery to TMS, include SFC -215.
	    ○ When renovations **are** completed at delivery to TMS, include SFC -279.
	    ○ If community second is used, include SFC- 118.

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Borrower Eligibility	• U.S. citizens and Permanent resident aliens, with proof of lawful permanent residence • Non-permanent resident alien immigrants with proof of lawful permanent residence. ○ According to USCIS, deferred action does not equate to lawful permanent residency. • Borrowers may not be employed by the contractor/company doing the renovations on the subject loan. Borrowers may hold title individually, as joint tenants, as tenants in common, or inter vivos (except Texas Home Equity transactions). Titles held in the following are not eligible for purchase consideration: • Corporations • Partnerships • Real estate syndications • Irrevocable trusts are not eligible for purchase consideration

Credit	• At least one Borrower must have a minimum of one credit score to be eligible.
	• Current housing payment, applicable when the payment for the primary residence for any Borrower is not reported on credit (e.g., renting primary and the subject is a second home/non-owner-occupied):
	    ○ When the payment is not reported on the credit report, provide third-party verification of payment amount.
	    ○ If living rent free, a rent-free letter from landlord or person obligated on lease required.

Condominiums	• Must follow Fannie Mae published Condominium Eligibility Guidelines. See https://www.fanniemae.com/singlefamily/project-eligibility for more information. • HOA must provide written approval for renovation work. ○ Renovation work is limited to the interior of the unit. • Limited Review allowed in accordance with Fannie Mae Guidelines

Condominiums (continued)	• Limited Review for attached condominium units in established condominium projects not located in Florida:
	    ○ Owner-occupied up to 90%.
	    ○ Second homes up to 75%.
	    ○ Non-owner-occupied not eligible for purchase review
	• TMS will not allow any project for which the homeowners' association is named as a party to pending litigation, or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project.
	Note: Projects for which the lender determines that pending litigation involves minor matters are not considered

	ineligible projects, provided the lender concludes that the pending litigation has no impact on the safety, structural soundness, habitability, or functional use of the project. The following are defined to be minor matters: ○ non-monetary litigation involving neighbor disputes or rights of quiet enjoyment; ○ litigation for which the claimed amount is known, the insurance carrier has agreed to provide the defense, and the amount is covered by the association's insurance; • Please see Fannie Mae guidelines for condominium specific requirements in Florida.
Disaster Policy	• If an appraisal was completed on or prior to the incident period date(s) of the disaster, a reinspection completed on either Form 1004D or Form 2075 will be required. ○ If the appraisal was inspected after the disaster incident period date(s), the following will be required: • The reinspection must contain the following commentary/evidence: Property is free from damage and the disaster has no effect on value or marketability. • Appraiser must use current photos of the subject property and comparable sales. Photos from MLS or the Appraiser's database are not acceptable. • If an appraisal was not required due to a property inspection waiver or product type, Seller must resubmit to DU and maintain PIW eligibility. ○ If the PIW is no longer available by DU, a full appraisal is required. ○ If the property is still eligible for the PIW, a reinspection will be required. ○ Lender's Certification in lieu of reinspection is acceptable (see Lender's Certification in lieu of reinspection section in TMS's Seller's Manual) **Note:** Refer to TMS and FEMA websites for recent updates on disaster areas
Documentation	• Determined by AUS • IRS tax transcripts are required when qualifying with any of the following: 1) self-employed income; 2) commission income greater than 25% of the borrower's total earnings; 3) rental income documented on schedule E; 4) employed by a family owned business; 5) fixed income when the 1040s are used in lieu of alternative documentation • Tax transcripts are still required when the following is used to qualify; 1) non-taxable income, other than VA disability income, is grossed up; 2) Other income types such as auto allowance, capital gains/losses, dividend/interest, or farm income/loss; 3) Handwritten income documentation; 4) Loan files where there is

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	relationship between the Borrower and an interested party of the subject transaction such as Seller, or Loan Officer, or employee of a Mortgage Broker; or Seller has relationship to the Loan Officer
Employment & Income Verification	• For salaried employees, the verbal verification of employment must be completed within 10 business days prior to the Promissory Note date • For self-employed borrowers, the verbal verification of employment must be completed within 120 days prior to the Promissory Note date from; a CPA, internet listing, regulatory agency or the applicable licensing bureau. The lender must document the source of the information obtained. • For borrowers in the military, a military Leave and Earnings Statement dated within 30 days prior to the Promissory Note date is acceptable in lieu of a verbal verification of employment.
Employment & Income Verification (continued)	• Mortgage Credit Certificates (MCCs) enable an eligible first-time home buyer to obtain a mortgage secured by his or her principal residence and to claim a federal tax credit for a specified percentage (usually 20% to 25%) of the mortgage interest payments. • When calculating the Borrower's debt-to-income ratio, treat the maximum possible MCC income as an addition to the Borrower's income, rather than as a reduction to the amount of the Borrower's mortgage payment. Use the following calculation when determining the available income: [(Mortgage Amount) x (Note rate) x (MCC %)] ÷ 12 = Amount added to Borrower's monthly income. • For example, if a Borrower obtains a $100,000 mortgage that has a Note rate of 7.5% and he or she is eligible for a 20% credit under the MCC program, the amount that should be added to his or her monthly income would be $125 ($100,000 x 7.5% x 20% = $1500 ÷ 12 = $125). • The lender must obtain a copy of the MCC and the lender's documented calculation of the adjustment to the Borrower's income and include them in the mortgage loan file. • For refinance transactions, the lender may allow the MCC to remain in place as long as it obtains confirmation prior to loan closing from the MCC provider that the MCC remains in effect for the new mortgage loan. Copies of the MCC documents, including the reissue certification, must be maintained in the new mortgage loan file.

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Financing Concessions	• Financing concessions for primary residences and second homes must be within the following allowable percentages:
	    ○ 9% of value with LTV/CLTV ratios less than or equal to 75%.
	    ○ 6% of value with LTV/CLTV ratios greater than 75% up to and including 90%.
	    ○ 3% of value with LTV/CLTV ratios greater than 90%.
	• The maximum financing concession for investment properties is 2% of value regardless of the LTV ratio.
	• Value is the lesser of the sales price or appraised value.

High Cost / High Priced	• High costs loans are ineligible for purchase by TMS • Higher Priced Mortgage Loans (HPML) are eligible for purchase review by TMS

Loan Purpose	• Purchase
	    ○ For non-HomeReady purchase transactions with LTV greater than 95%, at least one borrower must be a first-time home buyer.
	• Limited Cash-Out Refinance
	    ○ Sellers are required to document the existing loan being refinanced is owned or securitized by Fannie Mae when LTV is greater than 95%. Documentation may be any of the following:
	        ▪ The Correspondent's servicing system.
	        ▪ The current servicer if the seller is not the servicer.
	        ▪ Fannie Mae's Loan Lookup tool, or
	        ▪ Any other source as confirmed by the Seller.
	    ○ Proceeds can be used to pay off a first mortgage regardless of age.
	    ○ Proceeds can be used to pay off any junior liens related to the purchase of the subject property.
	    ○ Pay related closing costs and prepaid items.

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Mortgage Insurance	**Acceptable MI Types:** • Borrower paid monthly • Borrower paid single premium • Lender paid single premium • Financed: Gross LTV cannot exceed TMS program maximum **Unacceptable MI Types:** • Lender paid monthly • Lender paid annual • Borrower paid annual • Reduced coverage • Split premium •
Eligible Properties	• Single Family Detached/Attached 1-4 unit • Leaseholds • Low-rise and high-rise condominiums • Rural properties, must be residential in nature. • Manufactured homes • Modular homes • PUDs

Ineligible Properties	• Tear downs • Mobile homes • Cooperatives • Condotels • Hotel condominiums • Timeshares • Mixed use • Log and dome homes • Historic properties • Working farms and ranches • Unimproved land • Property currently in litigation • Land Trust • Condition Rating of C5/C6 or a Quality Rating of Q6 • Homes purchased using HomeStyle Financing • No Hawaiian properties located in lava zones 1 or 2, as determined by the USGS
Rental Income Calculation	When the Borrower has a history of owning rental property, net rental income or loss is calculated by: • The lesser of the gross rent (minus a 25% expense factor) or the market rent established by the Appraiser for properties not reflected on the Borrower's tax returns. • When the property is reflected on the Borrower's tax returns, analyze the Borrower's cash flow and calculate the net rental income (or loss), making sure that depreciation or any interest, taxes, or insurance expenses were added back in the Borrower's cash flow analysis. • The full PITI for the rental property must be factored into the amount of the net rental income or loss. When the Borrower does not have a history of owning rental property, follow the Fannie Mae requirements. **Note**: For DU loan casefiles, the term "subject net cash flow" applies to net rental income from the subject property, and the term "net rental income" applies to rental income from properties other than the subject property. For additional details, refer to FNMA's requirement listed in section B3-3.1-08

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Reserves	• Primary Residence: Follow AUS findings
	• Second Homes: Follow AUS findings; however, if the borrower owns additional financed second homes or investment properties, provide:
	    ○ two months for each additional second home or investment when the borrower owns 1-4 total (including subject) financed properties
	    ○ six months for each additional second home or investment when the borrower owns 5-10 (including subject) total financed properties
	    ○ Required in addition to DU required reserves.
	• Investment: Follow AUS findings. However, if the Borrower owns additional financed second homes or investment properties, provide:
	    ○ two months for each additional second home or investment when Borrower owns 1-4 (including subject) total financed properties
	    ○ six months for each additional second home or investment when Borrower owns 5-10 total (including subject) financed properties
	• Required in addition to DU required reserves.

Transaction Overlays	• No assigned purchase contracts • Non-resident aliens & foreign nationals are not eligible • No negative amortization or balloon payments on subordinate financing • No ARMs or Affordable Housing loans are eligible for purchase review by TMS • No interest rate buydowns