TMS THE MONEY SOURCE

# Fannie Mae Conventional Matrix

| Standard Eligibility | | | | |
|---|---|---|---|---|
| **Occupancy** | **Transaction** | **Property Type** | **Maximum LTV/CLTV/HCLTV** | **Minimum Credit Score** |
| **Owner Occupied Primary Residence** | Purchase & Limited Cash-Out Refinance | 1 Unit | 97% | 620 |
| | | 2 Units | 85%* | |
| | | 3-4 Units | 75%* | |
| | Cash-Out Refinance | 1 Unit | 80% | |
| | | 2 Units | 75% | |
| | | 3-4 Units | 75% | |
| **Second Home** | Purchase & Limited Cash-Out Refinance | 1 Unit | 90% | |
| | Cash-Out Refinance | 1 Unit | 75% | |
| **Investment Property** | Purchase | 1 Unit | 85% | |
| | | 2-4 Units | 75% | |
| | Limited Cash-Out Refinance | 1 Unit | 75% | |
| | | 2-4 Units | 75% | |
| | Cash-Out Refinance | 1 Unit | 75% | |
| | | 2-4 Units | 70% | |

| HomeReady® Mortgage | | | | |
|---|---|---|---|---|
| **Occupancy** | **Transaction** | **Property Type** | **Maximum LTV/CLTV/HCLTV** | **Minimum Credit Score** |
| **Owner Occupied Primary Residence** | Purchase | 1 Unit | 97% | 620 |
| | | 2 Units | 85%* | |
| | | 3-4 Units | 75%* | |
| | Limited Cash-Out Refinance | 1 Unit | 95% | |
| | | 2 Units | 85%* | |
| | | 3-4 Units | 75%* | |

***The maximum allowable LTV, CLTV, and HCLTV ratios for two- to four-unit, principal residence, purchase, and limited cash-out transactions are 95% for conforming loan amounts.

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# Fannie Mae Conventional Matrix

| Manufactured Housing | | | | |
|---|---|---|---|---|
| **Occupancy** | **Transaction** | **Property Type** | **Maximum LTV/CLTV/HCLTV** | **Minimum Credit Score** |
| **Owner Occupied Primary Residence** | Purchase & Limited Cash-Out Refinance | 1 Unit | 95% | 620 |
| | Cash-Out Refinance | 1 Unit | 65% | |
| **Second Home** | Purchase & Limited Cash-Out Refinance | 1 Unit | 90% | |

| RefiNow | |
|---|---|
| **Income Limit** | • The borrower(s) income must be less than or equal to 100% of the applicable AMI limit for the subject property's location.<br>• In determining whether a loan is eligible under the borrower income limits, sellers must consider the income from all borrowers who will sign the note, to the extent that the income is considered in evaluating creditworthiness for the new loan. |
| **Change in Borrowers** | • The refinanced loan must have identical borrowers on the new loan as the existing loan. One or more borrowers may only be removed if:<br>○ The remaining borrower(s) meet the payment history requirements and provides evidence that they have made at least the last 12 months of payments from their own funds, or<br>due to the death of a borrower (evidence of the deceased borrower's death must be documented in the loan file). |

# Fannie Mae Conventional Matrix

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| **Borrower Benefit** | • The refinanced loan must provide the following benefits to the borrower:<br>  ○ a reduction in interest rate of at least 50 basis points, and<br>  ○ a reduction in the monthly payment that includes principal, interest, and the mortgage insurance payment (if applicable). |
| **General Eligibility Requirements** | • Minimum 620 FICO score<br>• Prior loan being refinanced must be a conventional mortgage owned or securitized by Fannie Mae<br>• Refinance loan must be secured by a one-unit principal residence<br>• At least 12 months must have passed from the original Promissory Note date of the loan being refinanced to the new loan Promissory Note date.<br>• Refinance loan must be a limited cash-out with cash to borrower at closing less than or equal to $250<br>• Loans must be underwritten with DU.<br>• DU identifies if the loan casefile is eligible for RefiNow based on the property address, qualifying income, and other factors.<br>• May not be combined with HomeReady refinance transaction<br>• All eligible property types are acceptable<br>• For properties located in a PUD or Condo project, sellers must confirm the project is not a hotel, timeshare, or segmented ownership project. All other project review requirements are waived. |
| **Eligible Subordinate Financing** | • Existing subordinate financing<br>  ○ May not be satisfied with the proceeds of the new loan,<br>  ○ Can remain in place if it is resubordinated to the new loan, and<br>  ○ May be simultaneously refinanced with the existing first lien mortgage, provided that: o the unpaid principal balance (UPB) of the new subordinate lien is not more than the UPB of the subordinate lien being refinanced at the time of payoff, and o there is no increase in the monthly principal and interest payment on the subordinate lien.<br>• New subordinate financing is only permitted if it replaces existing subordinate financing. |
| **Property Valuation** | • Appraisal Waiver is acceptable<br>• If Appraisal was obtained for the transaction, $500 credit will be provided to the seller on the purchase advice.<br>  ○ Special Feature Code of 868 must be used when running DU<br>The Closing Disclosure (CD) must reflect the $500 credit to borrower |
| **Payment History** | • For the loan being refinanced, the borrower cannot have had<br>  ○ any 30-day mortgage delinquencies in the most recent six-month period, and |

# Fannie Mae Conventional Matrix

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| | ○ no more than one 30-day delinquency in months seven through 12. |
| **Ineligible Loans** | • Prior loans that were high LTV refinance, DU Refi Plus, or Refi Plus are ineligible<br>• Prior loan must not be subject recourse, repurchase agreement, indemnification, outstanding repurchase demand, or credit enhancement<br>• High balance loan amounts are not eligible<br>• Texas Section 50(a)(6) loan are ineligible<br>• Prior loan may not be subject to a temporary interest rate buydown |
| **Guidance** | |
| **Minimum Loan Amount** | • $50,000 minimum loan amount on all products<br>• $75,000 minimum loan amount on manufactured singlewide |
| **Community Seconds** | • Purchase and limited cash-out loans with Community Seconds secured by the borrowers' primary residence may be eligible up to 105% CLTV. |
| **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. TMS follows HUD and CFPB guidance in regards to QM.<br><br>Safe Harbor and Rebuttal Presumption to QM loans are considered for purchase review with no additional overlays.<br><br>Sellers 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 four months old on the Promissory Note date.<br>• Preliminary Title Policies must be no more than 180 days old on the date the Promissory Note is signed. |
| **Appraisals** | • Determined by AUS Findings.<br>• The use of value acceptance (appraisal waiver) is allowed when the final submission of the loan casefile to DU results in a value acceptance (appraisal waiver) offer.<br><br>Desktop Appraisal allowed only with an Approve/Eligible recommendation and a message from DU indicating the casefile is eligible for a desktop appraisal. All agency required desktop requirements must also be met.<br>**Collateral Underwriter**<br>TMS requires sellers to submit the SSR on all Conventional files submitted for purchase review. |

# Fannie Mae Conventional Matrix

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| | All SSR quality and/or overvaluation flags with a risk score between 4.01 and 5 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 the comparable.<br><br>Should Fannie Mae or Freddie Mac send a repurchase demand for unsupported collateral value the seller will be asked to repurchase the loan. |
| **Assets** | • Follow FNMA guidelines |
| **AUS** | • Desktop Underwriter® with "Approve/Eligible" Findings is required.<br>• Manual underwrites are not permitted. |
| **Borrower Eligibility** | • U.S. citizens<br>• Permanent resident aliens, with proof of lawful permanent residence<br>• Non-permanent resident alien immigrants with proof of lawful permanent residence<br><br>Borrowers may hold title individually, as joint tenants, as tenants in common, or inter vivos (except Texas Home Equity transactions).<br><br>Titles held in the following are not eligible for purchase consideration:<br>• Corporations<br>• Partnerships<br>• Real estate syndications<br>• Irrevocable trusts are not eligible for purchase consideration. |
| **Credit** | • At least one borrower must have a minimum of one credit score to be eligible.<br>• 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):<br>  ○ When the payment is not reported on the credit report, provide third-party verification of payment amount.<br>  ○ If living rent free, a rent-free letter from landlord or person obligated on lease required. |

# Fannie Mae Conventional Matrix

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| **Loans in Forbearance** | • Borrowers who were in COVID-19 forbearance and continued to make their mortgage payments, are eligible to refinance or buy a new home. Payment history from the mortgage loan servicer is required to document that the borrower continued to make their full mortgage payments<br>• Borrowers who were in forbearance and stopped making full payments are eligible to refinance or buy a new home three months after their forbearance ends, and they have made three consecutive payments under their repayment plan, or payment deferral option, or loan modification |
| **Condominiums** | • Must follow Fannie Mae published Condominium Eligibility Guidelines. See https://www.fanniemae.com/singlefamily/project-eligibility for more information.<br>• Limited Review allowed in accordance with Fannie Mae Guidelines |
| **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.<br>  ○ If the appraisal was inspected after the disaster incident period date(s), the following will be required:<br>    ▪ The reinspection must contain the following commentary/evidence: Property is free from damage and the disaster has no effect on value or marketability.<br>• Appraiser must use current photos of the subject property and comparable sales. Photos from MLS or the Appraiser's database are not acceptable.<br>• If an appraisal was not required due to a property inspection waiver or product type, Seller must resubmit to DU and maintain PIW eligibility.<br>  ○ If the PIW is no longer available by DU, a full appraisal is required.<br>  ○ If the property is still eligible for the PIW, a reinspection will be required.<br>  ○ Lender's Certification in lieu of reinspection is acceptable (see Lender's Certification in lieu of reinspection section in TMS's Seller's Manual)<br><br>Note**:** Refer to TMS and FEMA websites for recent updates on disaster areas |

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# Fannie Mae Conventional Matrix

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| **Documentation** | • Determined by AUS<br>• 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 (except FNMA); 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<br>• Tax transcripts are still required when the following are 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 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 |
| **Eligible Products** | Agency Fixed Rate 10-, 15-, 20-, 25-, 30-year terms |
| **Employment & Income Verification** | • All loans must have employment and income documentation following DU and FNMA requirements in sections B3-3.1-01 through B3-3.5-02<br>• Third Party Vendor VOE in lieu of paystubs and W2 is only acceptable when DU receives Day 1 Certainty validation<br>• For salaried employees, the verbal verification of employment must be completed within 10 business days prior to the Promissory Note date<br>• For self-employed borrowers:<br>    ○ Sellers must verify the existence of the borrower's business within 120 calendar days prior to the Promissory Note date from;<br>        ▪ a third party, such as a CPA, regulatory agency, or the applicable licensing bureau. The seller must document the source of the information obtained.<br>        ▪ by verifying a phone listing and address for the borrower's business using a telephone book, the internet, or directory assistance.<br>        ▪ Sellers must document the source of the information obtained.<br>    ○ Sellers are required to verify borrower's self-employed business is open and operating within 10 days of the Promissory Note date.<br>• 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. |

# Fannie Mae Conventional Matrix

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| **Mortgage Credit Certificates** | • 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.<br>• 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.<br><br>For example, if a borrower obtains a $100,000 mortgage that has a Note rate of 7.5% and they are eligible for a 20% credit under the MCC program, the amount that should be added to their monthly income would be $125 ($100,000 x 7.5% x 20% = $1500 ÷ 12 = $125).<br><br>• The lender must obtain a copy of the MCC and the seller's documented calculation of the adjustment to the borrower's income and include them in the mortgage loan file.<br>• For refinance transactions, the seller 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. |
| **Financing Concessions** | • Financing concessions for primary residences and second homes must be within the following allowable percentages:<br>  ○ 9% of value with LTV/CLTV ratios less than or equal to 75%.<br>  ○ 6% of value with LTV/CLTV ratios greater than 75% up to and including 90%.<br>  ○ 3% of value with LTV/CLTV ratios greater than 90%.<br>• The maximum financing concession for investment properties is 2% of value regardless of the LTV ratio.<br>• Value is the lesser of the sales price or appraised value. |
| **High Cost/High Priced** | • High costs loans are ineligible for purchase review by TMS<br>• Higher Priced Mortgage Loans (HPML) are eligible for purchase review by TMS |
| **Loan Purpose** | • Purchase<br>  ○ For non-HomeReady purchase transactions with >95% LTV, at least one borrower must be a first-time home buyer.<br>• Limited Cash-Out Refinance |

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| | ○ >95% LTV requires the seller to document the existing loan being refinanced is owned (or securitized) by Fannie Mae. Documentation may come from any of the following:<br>▪ The seller's servicing system.<br>▪ The current servicer (if the seller is not the servicer).<br>▪ Fannie Mae's Loan Lookup tool, or<br>▪ Any other source as confirmed by the seller.<br>○ Proceeds can be used to pay off a first mortgage regardless of age.<br>○ Proceeds can be used to pay off any junior liens related to the purchase of the subject property.<br>○ Pay related closing costs and prepaid items.<br>○ Disburse cash out to the borrower in an amount not to exceed 2% of the new mortgage or $2,000, whichever is less.<br>• Cash-Out<br>○ For Cash-Out refinance transactions that are paying off an existing first mortgage, at least 12 months must have passed from the prior mortgage's note date to the new loan's note date.<br>○ 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:<br>○ 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).<br>○ If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six-month ownership requirement.<br>○ If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six-month ownership requirement if the borrower is the primary beneficiary of the trust.<br>○ The delayed financing requirements are met:<br>• 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 (subject to the maximum LTV/CLTV ratios for the transaction).<br>• The original purchase transaction was an arms-length transaction.<br>• The borrower(s) may have initially purchased the property as one of the following:<br>▪ a natural person |

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| | ▪ an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust.<br>▪ an eligible land trust when the borrower is the beneficiary of the land trust; or<br>▪ an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.<br>• The original purchase transaction is documented by the settlement statement (CD), 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 it was not provided to the purchaser at time of sale.<br>• The sources of funds for the purchase transaction are documented (such as, bank statements, personal loan documents, HELOC on another property).<br>• All other cash-out refinance eligibility requirements are met, and cash-out pricing is applied.<br><br>Note: The preliminary title search or report must not reflect any existing liens on the subject property. If the source of funds to acquire the property was an unsecured loan or HELOC (secured by another property), the new HUD-1 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 new 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. Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan. |

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# Fannie Mae Conventional Matrix

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| **Mortgage Insurance** | **Acceptable MI Types:**<br>• Borrower paid monthly<br>• Borrower paid single premium<br>• Lender paid single premium<br>• Financed: Gross LTV cannot exceed TMS program maximum<br><br>**Unacceptable MI Types:**<br>• Lender paid monthly<br>• Lender paid annual<br>• Borrower paid annual<br>• Reduced coverage<br>• Split premium |
| **Eligible Properties** | • Single Family Detached/Attached 1-4 unit<br>• Log Homes<br>• Leaseholds<br>• Low-rise and high-rise condominiums<br>• Rural properties<br>• Manufactured homes<br>• Modular homes<br>• PUDs |
| **Ineligible Properties** | • Mobile homes<br>• Cooperatives<br>• Condotels<br>• Hotel condominiums<br>• Timeshares<br>• Mixed use<br>• Dome homes<br>• Historic properties<br>• Working farms and ranches |

# Fannie Mae Conventional Matrix

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| | • Unimproved land<br>• Property currently in litigation<br>• Land Trust<br>• Condition Rating of C5/C6 or a Quality Rating of Q6<br>• No Hawaiian properties located in lava zones 1 or 2, as determined by the USGS |
| **1003** | • The Final URLA (1003) must be dated and reflect Loan Officer's NMLS number |
| **Occupancy** | • Primary residence: 1-4 units<br>• Second Home: 1 unit only<br>• Investment: 1-4 units |
| **Rental Income Calculation** | When the borrower has a history of owning rental property, net rental income or loss is calculated by:<br>• 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.<br>• 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.<br>• The full PITI for the rental property must be factored into the amount of the net rental income or loss.<br><br>When the borrower does not have a history of owning rental property, follow the Fannie Mae requirements.<br><br>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.<br><br>For additional details, refer to FNMA's requirement listed in section B3-3.1-08 |
| **Reserves** | • Follow AUS Findings and Fannie Mae guidelines |

# Fannie Mae Conventional Matrix

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| **Texas Cash-Out** | Texas 50 (a)(6) refinance mortgages are eligible with TMS Seller Approval:<br>• Owner-occupied, one unit only<br>• Maximum 80% LTV/CLTV<br>• 3% fee restriction in accordance with Texas Constitution<br>• Full appraisal required<br>• No new secondary financing<br>• Loans must comply with Fannie Mae and Texas Constitution requirements<br>• Power of Attorney allowed in accordance with Texas requirements |
| **Transaction Overlays** | • No assigned purchase contracts<br>• Non-resident aliens and foreign nationals are not eligible<br>  ○ No negative amortization or balloon payments on subordinate financing<br>• No ARMs or Affordable Housing loans are eligible for purchase review by TMS |

**Sellers shall deliver loans that were originated in accordance with the Fannie Mae Single Family Selling Guide unless otherwise noted in TMS's Seller's Manual.** TMS does not discriminate in any aspect of a credit transaction on the basis of sex, marital status, race, religion, national origin, age, income derived from public assistance, or the good faith exercise of rights under the Consumer Credit Protection Act.