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Fannie Mae Conventional Matrix

Standard Eligibility – Desktop Underwriter® (DU®) Version 9.3				
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%	

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High LTV Refinance				
Occupancy	**Transaction**	**Property Type**	**Minimum/Maximum LTV**	**Minimum Credit Score**
Owner Occupied Primary Residence	Limited Cash-Out Refinance	1 Unit	97.01%/Unlimited	620
		2 Units	85.01%/Unlimited	
		3-4 Units	75.01%/Unlimited	
Second Home	Limited Cash-Out Refinance	1 Unit	90.01%/Unlimited	
Investment Property	Limited Cash-Out Refinance	1-4 Units	75.01%/Unlimited	

New Loan Requirements	• New loan must have an application date on or after November 1, 2018.
	• At least 15 months must have elapsed from the note date of the existing loan to the note date of the new loan.
	• New loan amount is limited to;
	  ○ The payoff of the unpaid principal balance of the existing first lien.
	  ○ The financing of closing costs, prepaid items and points up to a total of $5,000.
	  ○ Cash back to the borrower may not exceed $250.
	• New loan must provide a benefit to the borrower in at least one of the following forms:
	  ○ Lower Principal and Interest payment.
	  ○ Lower interest rate.
	  ○ Shorter amortization term.
	  ○ Movement to a more stable term.			

Ineligible New Loans	• Texas Section 50 (a)(6) is not eligible for High LTV refinance program • Higher Priced Mortgage Loans are not eligible for High LTV refinance if the prior loan was not a conventional loan securitized and owned by Fannie Mae.			
Eligible Existing Loans	• First lien, conventional loan, owned and securitized by Fannie Mae. • Loans with Note date on or after October 1, 2017. • Modified loans with acceptable pay history. • No 30-day mortgage delinquencies in the most recent 6 months *and* • No more than one 30-day delinquency in months 7 through 12.			

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Ineligible Existing Loans	• Existing DU Refi or DU Refi Plus loans. • Loans subject to outstanding repurchase demands • Loans subject to recourse, repurchasing agreement, indemnifications or credit enhancements.
Mortgage Insurance Requirement	• Existing coverage must be carried over to the new loan. • Coverage must be in effect for the life of the new loan or until cancellation or termination as per FNMA guides.

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 (Term ≤ 20 years)	1 Unit	65%	
Second Home	Purchase & Limited Cash-Out Refinance	1 Unit	90%	

Guidance

Minimum Loan Amount	• $50,000 minimum loan amount on all products • $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.

Fannie Mae Conventional Matrix

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 four months old on the Promissory Note date. • Preliminary Title Policies must be no more than 180 days old on the date the Promissory Note is signed.
Appraisals	• Determined by AUS Findings. Property Inspection Waivers (PIW), through DU, are acceptable. **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 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. 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

Fannie Mae Conventional Matrix

AUS	• Desktop Underwriter® with "Approve/Eligible" Findings is required. • Manual UW is not permitted.
Borrower Eligibility	• U.S. citizens • Permanent resident aliens, with proof of lawful permanent residence • Non-permanent resident alien immigrants with proof of lawful permanent residence 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. • 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; • 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

Fannie Mae Conventional Matrix

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 (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 • 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 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
Ineligible Products	• Temporary buydowns are ineligible

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, Sellers must verify the existence of the borrower's business within 120 calendar days prior to the note date from;
	    ○ a third party, such as a CPA, regulatory agency or the applicable licensing bureau. The lender must document the source of the information obtained.
	    ○ by verifying a phone listing and address for the borrower's business using a telephone book, the Internet, or directory assistance.
	    ○ Sellers 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.

Fannie Mae Conventional Matrix

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. • 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.

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.

Fannie Mae Conventional Matrix

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 >95% LTV, at least one borrower must be a first-time home buyer.
	• Limited Cash-Out Refinance
	  ○ >95% LTV requires the lender to document the existing loan being refinanced is owned (or securitized) by Fannie Mae. Documentation may come from any of the following:
	    ▪ The Correspondent'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 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.
	  ○ Disburse cash out to the Borrower in an amount not to exceed 2% of the new mortgage or $2,000, whichever is less.
	
	• Cash-Out
	  ○ 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:
	    ○ 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).
	    ○ 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.
	    ○ 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.
	    ○ The delayed financing requirements are met:

	• 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). • The original purchase transaction was an arms-length transaction. • 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%. • 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. • The sources of funds for the purchase transaction are documented (such as, bank statements, personal loan documents, HELOC on another property). • All other cash-out refinance eligibility requirements are met, and cash-out pricing is applied. **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.

Fannie Mae Conventional Matrix

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 • Log Homes • Leaseholds • Low-rise and high-rise condominiums • Rural properties • Manufactured homes • Modular homes • PUDs
Ineligible Properties	• Mobile homes • Cooperatives • Condotels • Hotel condominiums • Timeshares • Mixed use • Dome homes • Historic properties • Working farms and ranches • Unimproved land

Fannie Mae Conventional Matrix

	• Property currently in litigation • Land Trust • Condition Rating of C5/C6 or a Quality Rating of Q6 • 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 • Second Home: 1 unit only • 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: • 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

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.

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	• 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.

Texas Cash-Out	Texas 50 (a)(6) refinance mortgages are eligible with TMS Seller Approval: • Owner-occupied, 1 unit only • Maximum 80% LTV/CLTV • 3% fee restriction in accordance with Texas Constitution • Full appraisal required • No new secondary financing • Loans must comply with Fannie Mae and Texas Constitution requirements • Power of Attorney allowed in accordance with Texas requirements
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