



# HomeReady™ Mortgage

Help meet the diverse needs of today's buyers with HomeReady—Fannie Mae's enhanced affordable lending product

October 2015

# HomeReady Overview

Designed for creditworthy, low- to moderate-income borrowers, with expanded eligibility for financing homes in designated low-income, minority, and disaster-impacted communities.

HomeReady lets you lend with confidence while expanding access to credit and supporting sustainable homeownership.

- Simplicity and certainty for lenders
- Improved pricing and execution
- Product features designed to align with today's buyer demographics and support sustainable homeownership

*Fannie Mae's Economic and Strategic Research group reports a "demographic sea change" in the housing market, characterized by the rise of the Millennials, increased diversity, and a growing elderly population; and new household growth is being driven by traditionally underserved segments.*

# Lender Benefits:

## *Enhanced Simplicity and Certainty*

- **Underwrite with confidence.** Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>) offers a comprehensive credit risk assessment and eligibility determination, and automated identification of potentially HomeReady–eligible loans.
- **Improved and simplified pricing** is better than or equal to Fannie Mae standard loan pricing and supports a competitive borrower payment.
- **Standard risk-based pricing waived** for LTVs >80% with a credit score  $\geq 680$  (risk-based loan-level price adjustment cap of 1.50% applies for loans outside of these parameters).
- **Simplified execution.** Ability to commingle standard and HomeReady loans into MBS pools and whole loan commitments.

# Borrower Benefits:

## *Accessible and Sustainable Financing*

- **Low down payment.** Up to 97% financing for home purchase with many borrower flexibilities.
- **Flexible sources of funds** can be used for the down payment and closing costs with no minimum contribution required from the borrower's own funds (1-unit properties).
- **Conventional home financing** with cancellable monthly MI (per *Servicing Guide* policy); reduced MI coverage requirement above 90% LTV supports competitive borrower payment.
- **Homeownership education** helps buyers get ready to buy a home and be prepared for the responsibilities of homeownership. The required training offers an easy-to-use, online course provided by Framework.

# Income Eligibility

*Aligns with Fannie Mae's regulatory housing goals and may assist lenders in meeting applicable Community Reinvestment Act goals*

Borrower Income Eligibility	2015 Eligibility
<b>No income limit:</b> Properties in low-income census tracts	31% of census tracts
<b>100% of AMI:</b> Properties in high-minority census tracts and designated disaster areas	20% of census tracts
<b>80% of AMI:</b> All other properties	49% of all U.S. census tracts

AMI = area median income (AMI data source: FHFA)

# Product Features

- DU will automatically identify potentially eligible loans.
- Underwriting flexibilities include:
  - Offers an **innovative new feature that supports extended-family households** (will consider income from a non-borrower household member as a compensating factor in DU to allow for a DTI >45% to 50%).
  - Allows **non-occupant borrowers**, such as a parent.
  - Permits **rental income** from an accessory dwelling unit.
  - Allows **boarder income** (updated guidelines provide documentation flexibility).

## Product Features (continued)

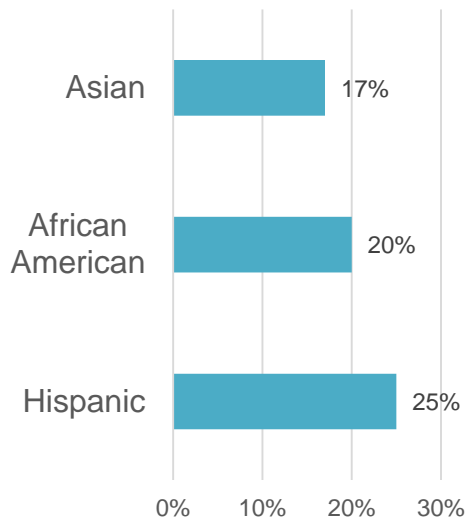
- **Financing up to 97% LTV** (DU is required for LTVs >95%). Borrower is not required to be a first-time buyer; purchase of one-unit principal residence (limited cash-out refi up to 95%).
- **Lower MI requirement than standard** (25% for LTVs >90% to 97%).
- Allows for **nontraditional credit**.
- **Gifts, grants, Community Seconds®**, and **cash-on-hand** permitted as a source of funds for down payment and closing costs.
- Supports **manufactured housing** up to 95% and **HomeStyle® Renovation (approved lenders)** to 95%.

# Non-Borrower Household Income Feature

Extended-family living arrangements are more common among underserved populations, including low- to moderate-income, minority, and immigrant households.



Percentage of EIHs by Race/Ethnicity



- These households often have lower incomes overall, compared with a broader population, and that may impact their access to credit – but many also are “extended-income households” or EIHs.
- HomeReady recognizes the growth of extended-family living arrangements by allowing the existence of non-borrower income to be considered.
- Review the non-borrower household income infographic or other HomeReady resources for details.



# Homeownership Education and Post-Purchase Support

**Comprehensive homeownership education.** Requires online course provided by Framework; and offers additional post-purchase support through the life of the loan to help ensure sustainable homeownership.

- Borrowers will invest 4–6 hours (average) of their time and a modest fee of \$75 (paid to Framework) to learn the fundamentals of buying and owning a home, take an online test, and receive a certificate of completion.
- Although one-on-one counseling is optional for HomeReady, Framework will offer borrowers a referral to a HUD-approved counseling agency for additional assistance. Borrowers also have the option to consult a counselor of their choice.
- To further promote sustainability, borrowers will have access to post-purchase homeownership support for the life of the loan through Framework's homeownership advisor service.

# HomeReady Resources

- Product matrix
- FAQs
- Fast Facts for Loan Officers
- *Homeownership for the Way We Live Today* (extended-income households infographic)
- Comparison of HomeReady with Fannie Mae standard product and MyCommunityMortgage<sup>®</sup> (being retired)
- Income eligibility lookup (by census tract) and state-by-state eligibility snapshot maps
- Homeownership education FAQs
- Training opportunities (coming soon)

*Bookmark the HomeReady web page:  
[www.FannieMae.com/singlefamily/HomeReady](http://www.FannieMae.com/singlefamily/HomeReady)*