



HomeReady® Mortgage Comparison with Fannie Mae Standard

This table compares HomeReady® mortgage features with Fannie Mae standard mortgage loans. For details, refer to *Selling Guide* section [B5-6](#), HomeReady Mortgage. Sample borrower payment scenarios for HomeReady and standard mortgages are shown on page 4. See also *Selling Guide* Announcement ([SEL-2016-06](#)), which details changes effective now and later in 2016.



Category	HomeReady	Fannie Mae Standard
Loan Purpose	Purchase and Limited cash-out refinance (LCOR)	Purchase, LCOR, and cash-out refi
Occupancy	1- to 4-unit Principal Residence	1- to 4-unit Principal Residence, 1-unit Second Homes, 1- to 4-unit Investment Properties
LTV Limits	<p>1-unit purchase and LCOR: 95% fixed-rate mortgage (FRM) ; 90% adjustable-rate mortgage (ARM); available in December 2016 – LCOR up to 97% LTV in DU only</p> <p>1-unit purchase: LTV >95–97% FRM ; DU Only; No first-time home-buyer (FTHB) requirement</p> <p>2- to 4-unit purchase and LCOR:</p> <p>2-unit – 85% FRM; 75% ARM</p> <p>3- to 4-unit – 75% FRM only (+ ARMs later in 2016)</p>	<p>1-unit purchase and LCOR (principal residence): 95% FRM; 90% ARM</p> <p>Purchase: LTV>95%-97% FRM; DU only. At least one borrower must be a first-time home buyer (FTHB).</p> <p>LCOR: LTV>95% to 97% FRM. DU only. Existing Fannie Mae loans only.</p> <p>2- to 4-unit purchase and LCOR (Principal Residence):</p> <p>2-unit – 85% FRM; 75% ARM</p> <p>3- to 4-unit – 75% FRM; 65% ARM</p>
Product	Up to 30-year FRM 5/1 (2/2/5 and 2/2/6 caps only), 7/1, and 10/1 ARMs	Up to 30-year FRM 3/1, 5/1 (2/2/5 and 5/2/5 caps), 7/1, and 10/1 ARMs
Borrower Income Limits	<ul style="list-style-type: none"> No income limits in low-income census tracts 100% of area median income (AMI) for all other properties 	No income limits
Ownership of Other Property and Non-Occupant Borrowers	<p>Borrower may own other residential property at time of closing</p> <p>Non-occupant borrowers are permitted (to max 95% LTV in DU; 90% LTV in manual)</p>	



Category	HomeReady	Fannie Mae Standard
Manufactured Housing (MH)	In accordance with standard MH guidelines (DU only, max 95% LTV, 7/1 and 10/1 ARMs only, no temporary buydowns), except limited to 1-unit principal residence transactions	DU-only, max 95% LTV, 7/1 and 10/1 ARMs only, no temporary buydowns, 1-unit principal residence and second home transactions
Renovation	HomeStyle® Renovation in accordance with standard HomeStyle Renovation guidelines (special lender approval, max 95% LTV/CLTV), except limited to principal residence transactions	Special lender approval, max 95% LTV, principal residence, second home and investment properties transactions
Buydowns	3-2-1 and 2-1 buydown structures permitted No buydowns permitted on 3-4-unit properties (but will be allowed in December 2016)	3-2-1 and 2-1 buydown structures permitted
Non-Borrower Household Income	Permitted as a compensating factor in DU to allow a debt-to-income ratio greater than 45% up to 50% (non-borrower income is not considered qualifying income)	Not permitted
Boarder Income	Permitted with documentation of at least 9 of the most recent 12 months (averaged over 12 months) up to 30% of qualifying income	Not permitted
Accessory Dwelling Units	For 1-unit property, rental income from an accessory unit can be considered in qualifying the borrower; documentation and calculation in accordance with existing rental income guidelines	No rental income from an accessory unit can be considered for qualifying
Homeownership Education	At least one borrower on each HomeReady purchase mortgage must do one of the following prior to the note date: <ul style="list-style-type: none"> complete the Framework homeownership education course (\$75 fee paid by the borrower to Framework); or receive pre-purchase housing advising from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed <i>Certificate of Completion of Pre-Purchase Housing Counseling</i> (Form 1017)); or complete a homeownership education course required by a Community Seconds® or down payment assistance program that is provided by a 	Homeownership education and counseling required for at least one borrower when all borrowers are relying solely on nontraditional credit to qualify



Category	HomeReady	Fannie Mae Standard
	<p>HUD-approved agency, if the HomeReady loan involves a Community Seconds or down payment assistance program.</p> <p>Lenders may choose to provide a credit against closing costs for the \$75 Framework fee in accordance with <i>Selling Guide</i> section B3-4.1-02 (Lender Incentives for Borrowers).</p> <p>Homeownership education certificate must be retained in the mortgage file.</p> <p>Available in December 2016, when borrowers have received customized one-on-one assistance from HUD-approved nonprofit counseling agencies:</p> <ul style="list-style-type: none"> • if the HomeReady loan is delivered with Special Feature Code 184, the lender will receive a loan-level price adjustment credit of \$500; and • when the lender indicates in DU that the HUD-approved one-on-one assistance was completed, that information will be considered a compensating factor for those loan casefiles with debt-to-income ratios greater than 45% up to 50%. 	
<p>Pricing (see next page for sample borrower payment scenarios – HomeReady and standard)</p>	<p>Lender base guaranty fee</p> <p>Standard risk-based loan-level price adjustments (LLPAs):</p> <ul style="list-style-type: none"> • <i>waived</i> with an LTV above 80% <i>and</i> a representative credit score equal to or greater than 680; • for loans outside of these parameters, standard LLPAs apply (per the LLPA matrix) with a cap of 1.50%. <p>(The Minimum MI Coverage Option LLPA is not waived or considered toward the cap if that option is used.)</p>	<p>Lender base guaranty fee</p> <p>Standard risk-based LLPAs</p>



Sample Borrower Payment Scenarios (HomeReady and Standard)

97% LTV Comparison	HomeReady with Borrower-Paid Monthly MI (25%)		HomeReady, with ³ Single-Premium Lender-Paid MI		Standard, with Borrower-Paid Monthly MI		Standard, with ³ Single-Premium Lender-Paid MI	
Credit Score:	740	700	740	700	740	700	740	700
LTV	97%	97%	97%	97%	97%	97%	97%	97%
Loan Balance	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Total Loan Amount	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Monthly MI Rate (bps)	0.70%	0.98%			0.75%	1.15%		
Monthly MI Cost (\$)	\$ 117	\$ 163			\$ 125	\$ 192		
¹ Base Note Rate	3.625%	3.625%	3.625%	3.625%	3.625%	3.625%	3.625%	3.625%
LLPAs					0.750%	1.500%	0.750%	1.500%
Single Premium MI Rate			2.61%	4.72%			3.45%	5.13%
Note Rate with LLPAs or Single Premium	3.625%	3.625%	4.147%	4.569%	3.775%	3.925%	4.465%	4.951%
Principal & Interest	\$ 912	\$ 912	\$ 972	\$ 1,022	\$ 929	\$ 946	\$ 1,009	\$ 1,068
Total Monthly Payment	\$ 1,029	\$ 1,075	\$ 972	\$ 1,022	\$ 1,054	\$ 1,138	\$ 1,009	\$ 1,068
² Multiple		5		5		5		5

Notes

- Note rates based on observed market rates as of September 2016 and adjusted to cover applicable loan-level price adjustments.
- Multiple: Factor by which upfront price (LLPA) is converted into note rate.
- Single-premium lender-paid MI: Lender increases note rate to generate a premium coupon, using proceeds to buy the MI policy; these scenarios based on MGIC rate care April 4, 2016.