



Fannie Mae HomeReady-HomeStyle

RESTRICTED-ELIGIBILITY PROGRAM

Contact your account executive regarding participation in Flagstar Bank's construction programs. Loans will close in Flagstar's name and table-fund.

Mortgage insurance providers may have additional restrictions not listed within this document. Please refer to each mortgage insurance company's website for complete eligibility details.

FIXED RATE CONFORMING

PRIMARY RESIDENCE – PURCHASE & RATE/TERM REFINANCE				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	97%	105%/97% ^{1,2}	620	DU – Approve/Eligible
2-Unit	85%	85%	620	
3 to 4-Unit	75%	75%	620	

FIXED RATE HIGH BALANCE

PRIMARY RESIDENCE - PURCHASE & RATE/TERM REFINANCE				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	95%	105%/95% ^{1,2,3}	620	DU – Approve/Eligible
2-Unit	85%	85%	620	
3 to 4-Unit	75%	75%	620	

1. The LTV/CLTV is limited to 95% on rate/term refinances of High Balance and loans with a non-occupant borrower.
2. Traditional subordinate financing is limited to 97% CLTV. Maximum CLTV allowed up to 105% for purchase transactions when using an approved community second program.
3. Refinances with an LTV greater than 95% existing loan must be owned or securitized by Fannie Mae.

PROGRAM SUMMARY

The HomeReady-HomeStyle product is offered by Fannie Mae to help meet the diverse needs of today's buyers. It is designed for creditworthy, low to moderate income borrowers, with expanded eligibility in designated low-income communities. The Renovation program allows borrowers to combine the purchase or refinance of a home with the costs to renovate or extensively remodel the property. At closing all funds for renovation will be escrowed in an interest earning account. After all renovation work is complete, any remaining funds in the renovation escrow account will be used to pay down the principal balance of the mortgage. Soft costs such as architectural services, engineering and permit fees may be financed. Full builder third-party contracts only.

PRODUCTS OFFERED

Product Name	Term
HomeReady-HomeStyle 30-Year Fixed	30 years
HomeReady-HomeStyle 20-Year Fixed	20 years



Fannie Mae HomeReady-HomeStyle

Product Name	Term
HomeReady-HomeStyle 15-Year Fixed	15 years
HomeReady-HomeStyle 10-Year Fixed	10 years
HomeReady-HomeStyle High Balance 30-Year Fixed	30 years
HomeReady-HomeStyle High Balance 20-Year Fixed	20 years
HomeReady-HomeStyle High Balance 15-Year Fixed	15 years
HomeReady-HomeStyle High Balance 10-Year Fixed	10 years

LOAN REGISTRATION

- Select HomeReady for the product question: 'Is an affordable housing loan requested?' See the Income Limits section below for additional registration instructions.
- Select Yes for the product question: *Is a Renovation Loan Requested?*

LOAN AMOUNTS

Refer to the HomeStyle Renovation Worksheet, [Fannie Mae Form #1035](#) to determine maximum loan amount and maximum funds for renovation.

MINIMUM

The minimum loan amount is \$50,000.

MAXIMUM

The maximum conforming loan limits for 1 to 4-unit properties, including high balance loan limits. Refer to *Fannie Mae High Balance, Doc. #5346* for a complete list of eligible high-cost areas.

Borrower may not receive cash back at closing in any amount (Fannie Mae standard limited cash-out refinance of 2% or \$2,000, whichever is less, is NOT PERMITTED for this product).

DRAW FEES

Refer to the [Construction & Renovation Lending](#) for fee requirements.

Loans in the following states require additional title updates at the time of each draw. Obtain the fee for additional title updates from the title company and include them in application disclosures and any subsequent disclosures. If you are unable to ascertain the cost of the additional title updates use \$175 per additional draw. If a borrower plans three draws you should be collecting \$175 for the final title update plus an additional title update fee for two draws based on the title company price quote.

- Massachusetts
- Michigan
- Minnesota
- New Hampshire
- New Jersey
- New York
- Rhode Island
- Virginia
- West Virginia

For properties located in Illinois, the following title companies need to be used:

- First American Title
- Fidelity National Title
- Chicago Title
- Attorneys Title Guaranty

For a smoother draw process with your construction or renovation loans you may wish to use these companies in all eligible locations.

Construction Survey will be needed if the footprint of the home is changed and / or there is an additional structure to the home that is being added (i.e. pool, deck, garage, out building, etc.). Refer to *Construction & Renovation Surveys*, [Doc. #4211](#) for information about the construction survey fee that will be disclosed on the initial Loan Estimate. If the actual charge incurred by Flagstar is less than the amount collected, the difference will be refunded to the borrower within 30 days of conversion to the permanent phase.

EXTENSIONS OF RENOVATION PERIOD

Refer to the [Construction & Renovation Lending](#) for fee requirements.

CONSTRUCTION GUIDES

Executed borrower acknowledgement must be in the loan file. The construction guide and supporting documentation can be found in the Seller's Guide.

Borrower and contractor must also be supplied with the appropriate [State Statutory Form](#) package and [State Draw Requirement Letters](#). These can be found in the 3000 section of the Seller's Guide.

FILE SUBMISSION

BUILDER/PROJECT PACKAGE

Builder/project packages must be submitted to:

Granite Loan Management, LLC
10770 Briarwood Ave., Suite #280
Centennial, CO 80112
Phone number: (866) 380-9657
Fax number: (800) 919-8912
Email: customerservice@graniteriskmanagement.com

CREDIT PACKAGE

Credit packages must be submitted to Underwriting through paperless loan submission.

LOANS WITH AN LTV, CLTV, OR HCLTV 95.01 – 97%

All loans with an LTV, CLTV, or HCLTV between 95.01 – 97% must meet all of the following criteria:

- Purchase CLTV is restricted to 97% if subordinate lien is not an eligible community second loan. Eligible community second may have a CLTV up to 105%
- HCLTV is restricted to 97%
- Rate/term refinance CLTV is restricted to 97%.

- Subject loan must be a fixed-rate
- All borrowers must occupy the property, non-occupant co-borrowers are not eligible
- DU Approve/Eligible
- Reserves per DU
- For limited cash-out refinances, the lender must document that the existing loan being refinanced is owned (or securitized) by Fannie Mae. Using the look up tool located at knowyouroptions.com, a screenshot of the findings must be uploaded into the loan file.

ELIGIBLE BORROWERS

- All income-eligible occupant borrowers
- Non-occupant co-borrowers for loans with LTV, CLTV, or HCLTV less than or equal to 95%

ELIGIBLE PROPERTY TYPES

- 1 to 4-unit properties
- Fannie Mae-warrantable condominiums
- Planned Unit Development (PUD)
- Modular homes (constructed in sections off-site, but when installed at the site, takes on the characteristics of a site-built home)

INELIGIBLE PROPERTY TYPES

- Manufactured homes
- Cooperative properties

MINIMUM CREDIT SCORES

Please refer to eligibility grids above.

QUALIFYING RATE

The note rate is the qualifying rate.

QUALIFYING RATIOS

- Determined by Desktop Underwriter (DU)
- For DTIs above 45% and up to 50%, DU will no longer require certain additional compensating factors. If the DTI on a loan casefile exceeds the maximum allowable DTI of 50%, the loan casefile will receive an Ineligible recommendation. See the Underwriting section below.

APPRAISAL GUIDELINES

All appraisals must be ordered through Flagstar Loantrac from an approved Appraisal Management Company even if the customer has AIR Compliant status. Please refer to the [Construction and Renovation Guide](#).

The appraisal report must provide an “as completed” appraised value that estimates the value of the property after completion of the renovation work.

RENOVATION-RELATED COSTS

Renovation-related costs that may be considered as part of the total renovation costs include:

- Property inspection fees;
- Costs and fees for the title update;
- Architectural and engineering fees;
- Independent consultant fees;
- Costs for required permits;
- Other documented charges, such as fees for energy reports, appraisals, review of renovation plans, and fees charged for processing renovation draws; and
- Up to six months payments (pitia) if a principal residence property cannot be occupied during renovation.
 - The costs of the renovations will be based on the plans and specifications for the work and on the contractor’s bids for all of the work requested by the borrower. The renovation costs may include a contingency reserve, renovation-related costs, and an escrow for mortgage payments that come due during the renovation period, if the borrower is unable to occupy the property during the renovation.

The maximum cost for renovations are described in the following table:

Transaction Type	The cost of renovations must not exceed
Purchase	75% of the lesser of <ul style="list-style-type: none"> • The sum of the purchase price of the property plus renovation costs, or • The “as completed” appraised value of the property.
Refinance	75% of the “as completed” appraised value of the property.

ALLOWABLE IMPROVEMENTS

There are no required improvements or restrictions on the types of renovations allowed, nor is there a minimum dollar amount for renovations.

Generally, improvements should be permanently affixed to the real property (either dwelling or land), with the exception of certain appliances installed with kitchen and utility room remodels. The borrower may use HomeStyle Renovation to purchase appliances as part of an overall remodeling project that includes substantial changes or upgrades to the rooms in which the appliances are placed.

HomeStyle Renovation may be used to complete the final work on a newly built home when the home is at least 90% complete. The remaining improvements must be related to completing non-structural items the original builder was unable to finish. Such work may include installation of buyer-selected items such as flooring, cabinets, kitchen appliances, fixtures, and trim.

HomeStyle Renovation may be used to construct various outdoor buildings and structures when allowed by local zoning regulations. These buildings or structures must be in compliance with any applicable building codes for the local area. Examples of acceptable structures include, but are not limited to, accessory units, garages, recreation rooms, and swimming pools.

HomeStyle Renovation may not be used for complete tear-down and reconstruction of the dwelling.

UNDERWRITING

All loans must meet the parameters as set out in *Flagstar Bank's Residential Underwriting Guidelines*.

- For purchase transactions at least one borrower must complete the Framework Homeownership Education course. Please see the Homeownership Education section below. Homeownership Education is not required for rate/term refinance transactions.
- Loans must be submitted to DU and receive an *Approve/Eligible* response.
- All loans must meet minimum credit score requirements and standard credit eligibility guidelines. Manual underwriting, thin file, or non-traditional credit profiles are not eligible.
- Minimum borrower contribution requirements for purchase loans
 - There is not a required minimum borrower contribution from the borrower's own funds if the loan has an LTV, CLTV, or HCLTV ratio of 80% or less.
 - If the LTV, CLTV, or HCLTV ratio is greater than 80%, the minimum required borrower contribution from the borrower's own funds is dependent on the number of units, except as noted in the table below:

Number of Units	Minimum Borrower Contribution	Down Payment Requirement
One	None	3% ⁴
Two	3%	15%
Three or Four	3%	25%

4. 3% down payment is permitted for certain transactions. See Loans with an LTV, CLTV, or HCLTV 95.01 – 97% section.

INCOME AND INCOME LIMITS

In determining whether a mortgage is eligible under the borrower income limits, the lender must count the income from all of the borrowers who will be listed on the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.

- No income limits in low-income census tracts
- 100% of AMI in other census tracts
- In order to obtain the proper income limit an 11 digit Federal Information Processing Standard (FIPS) code must be determined. The FIPS is comprised of the state code, county code, and census tract. Once the FIPS is determined the income limits can be confirmed.
 - For pre-registration FIPS determination go to:
 - The [HomeReady](#) page on the Fannie Mae website
 - Select the Income Eligibility Lookup Tool under the *Income Eligibility* section
- Loans registered in Loantrac with a standardized address, Loantrac will display the FIPS number, the corresponding Area Median Income, and the corresponding income percentage limits.
 - If the FIPS and income limits are not displaying in the Affordable Housing screen, verify the property address and select standardized when prompted.
- When DU is able to standardize the address, a message will be issued specifying the census tract used to determine the income limit to be applied to the loan.
- FIPS census tract must be compared to appraisal.
- In the event the address cannot be standardized:

- Determine the census tract via FFIEC link above
- Document file with screenshot
- Verify census tract with appraisal
- In the event a census tract number must be entered prior to the submission of the loan to underwriting, send an email underwritingsupport@flagstar.com with the following:
 - Census Tract Entry in the subject line
 - Seller ID#
 - Loan Number
 - Borrower Name
 - State Code, County Code, and Census Tract for the subject property
 - Underwriting Support enters Census Tract without a period (e.g. 2140.00 = 214000)
 - Underwriting Support ensures loan limits are displayed in the Affordable Housing screen prior to closing ticket
- Non-borrower household income is not required to be included for income limitation purposes
- Income other than the following listed below to be documented per standard Fannie Mae guidelines and/or DU
 - Boarder Income:
 - From a related or non-related party may be included for 1-unit properties as qualifying income up to an amount of 30% of the total qualifying income if the relative or non-relative has lived with (and paid rent to) the borrower for the last 12 months
 - The boarder must provide appropriate documentation to demonstrate a history of shared residency (such as a copy of a driver's license, bill, or bank statement that shows the boarder's address as being the same as the borrower's address)
 - Document the payment of rent for borrower for;
 - The last 12 months (through cancelled check, etc.)
 - At least 9 months of the most recent 12 months provided the rental income is averaged over a 12-month period.
 - Rental Income from a 1-unit property with an accessory unit can be considered in qualifying the borrower; documentations and calculation in accordance with existing rental income guidelines
 - Income from a non-borrower household occupant is permitted. This income is not considered qualifying income and is not included in the DTI calculation. Non-borrower household income is entered in the Affordable Housing Selection of Loantrac
 - Non-borrower household income must be documented in accordance with standard guidelines based on income type
 - There must be a signed statement of the intent for non-borrower to reside with the borrower for a minimum of 12 months (or continue to reside with the borrower for rate/term refinance transactions.) See [Fannie Mae 1019 HomeReady Non-Borrower Income Worksheet](#)
 - The non-borrower's income must be at least 30% of the total monthly qualifying income being used by the borrower
 - If income of more than one non-borrower is used, together they must be at least 30% of the total monthly qualifying income being used by the borrower. All contributors must provide income documentation as indicated above and execute [Fannie Mae 1019 HomeReady Non-Borrower Income Worksheet](#).

- Boarder Income and non-borrower household income from the same person cannot be used.

ASSETS

- Document reserves/asset requirements per standard Fannie Mae guidelines and/or DU
- Source of funds:
 - Borrower must contribute to the transaction from his or her own funds (if required) the minimum amount listed in the Underwriting section towards down payment, closing costs, and/or prepaid expenses. Other funds required for the transaction may be obtained from any combination of the following sources:
 - Gifts per Flagstar [Conventional Underwriting Guidelines](#)
 - Eligible grants, see Flagstar [Gift/Grant Programs, Doc. #5935](#).
 - Community Seconds, see Flagstar [Community Seconds Programs, Doc. #5932](#)
 - Net proceeds from a loan against the cash value or from the surrender of a life insurance policy
 - Cash-on-hand may be an acceptable source of funds for down payment, closing costs, and prepaids in the following circumstances:
 - Not used towards reserve requirements
 - The following must be verified and documented:
 - The borrower customarily uses cash for expenses and that its usage and reasonableness, as well as the amount of funds saved is consistent with the borrower's previous payment practices
 - The lender must verify that funds for the down payment and closing costs exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing
 - Borrower to provide written statement that discloses the source of funds and states that the funds have not been borrowed
 - The borrower's credit report and other verifications should indicate limited or no use of credit and limited or no depository relationship between the borrower and a financial institution
 - Data must be entered correctly prior to submitting loan to DU:
 - You must enter the amount of cash on hand as Cash on Hand in the Assets section of the online loan application
 - DU will use the Cash on Hand amount to calculate the available funds to close. However, cash-on-hand funds will not be used to calculate reserves. As an example, if a borrower needs \$2,000 to close and the amount of cash-on-hand is \$3,000, DU would count the cash-on-hand as sufficient funds to close; however, DU would not apply the remaining \$1,000 toward reserves
 - DU will return a message specific to the use of cash-on-hand

INTERESTED PARTY CONTRIBUTIONS

Interested party contributions include funds contributed by the property seller (directly or indirectly), builder, real estate agent/broker, or any other party with an interest in the real estate transaction. The mortgage lender may also be considered an interested party if it has an ownership relationship with the property seller or one of the other interested parties such as the builder or real estate broker/agent.

- Interested party contributions may be used exclusively to cover closing costs and prepaid expenses that exceed the borrower's minimum contribution requirement

INTERESTED PARTY CONTRIBUTION LIMITS			
CLTV	Up to 75%	75.01-90%	90.01-97%
Primary Residences	Maximum 9%	Maximum 6%	Maximum 3%

HOMEOWNERSHIP EDUCATION

At least one borrower must complete online pre-purchase Homeownership Education from Framework Homeownership LLC prior to loan closing for purchase transactions.

Fannie Mae applies the following definitions of homeownership education and housing counseling:

- Homeownership Education:** Education is an established curriculum and instructional goals, provided in a group or classroom setting or via other formats, that covers such homeownership topics as the home-buying process, how to maintain a home, budgeting and the importance of good credit. Participants in homeownership education must also receive a referral to or information about locating HUD-approved counseling agencies for additional assistance.
- Housing Counseling:** Counselor-to-client assistance that addresses unique financial circumstances and housing issues, and focuses on overcoming specific obstacles to achieve housing goals such as repairing credit, locating cash for a down payment, recognizing predatory lending practices, understanding fair lending or fair housing requirements, avoiding foreclosure or resolving a financial crisis.

A copy of the certificate of completion for homeownership education must be retained in the mortgage loan file. See [Know Your Options](#), or [Framework – Preparing for Homeownership](#) for more information. Both pages are found on the Fannie Mae HomeReady website.

Cost of course is \$75 and is paid directly to Framework and typically takes four to six hours to complete. It meets the requirements of the HUD Housing Counseling Program and the curriculum guidelines of the National Industry Standards for homebuyer Education and Counseling. Also acceptable is Framework Fannie Mae's HomePath Ready Buyer program.

For borrowers where online education may not be appropriate due to disability, lack of Internet access or other issues may indicate that a borrower is better served through other methods such as in-person classroom education, telephone conference call, etc. can call Framework at 855-659-2267 to be referred to a HUD approved counseling agency that can meet their needs.

For HomeReady loan applications dated on or before September 30, 2016, if a borrower has completed homeownership education from a HUD-approved counseling agency within six months of the loan application date, that education will meet the HomeReady requirements.

Borrowers may receive homeownership education from a Community Second or Down Payment Assistance Program (DPAP) provider as long as the provider is a HUD-approved counseling agency and the first mortgage loan involves a Community Second or DPAP.

Borrowers may also meet the homeownership education requirement by obtaining customized one-on-one assistance from a HUD-approved nonprofit counseling agency. The assistance must meet HUD standards and cover the content detailed on the Certificate of Pre-purchase Housing Counseling (Fannie Mae Form 1017), which must be signed by the borrower and the HUD counselor and retained in the loan file.

SUBORDINATE FINANCING

Refer to the *Subordinate Financing* section of the [Conventional Underwriting Guidelines](#) for details. The use of financing obtained from the property seller is not allowed.

Eligible Community Seconds subsidized subordinate financing (up to 105% CLTV). Community Seconds may be eligible from a state, local or municipal authority or agency, a 501(c)(3) nonprofit corporation, a tax-exempt religious organization or the borrower's employer. Flagstar Bank must review all Community Second programs for eligibility. An official written description of the program (from the agency providing the funds), the loan documents used in connection with the financing (i.e. the Note, Mortgage/Deed of Trust, etc.), and any other written descriptive material must be submitted with the loan file. Subordinate financing program review generally requires three to five business days for approval.

TEMPORARY BUYDOWNS

Not eligible.

TEXAS REFINANCE LOANS

All refinance loans in Texas will be evaluated against the criteria outlined in our [Conventional Underwriting Guidelines](#), Texas Refinances section to determine if the loan must be originated under the requirements of Section 50(a)(6) of the Texas Constitution. Refer to *Texas Homestead 50(a)(6) Refinance - Correspondent, Doc. #5906*, or *Texas Homestead 50(a)(6) Refinance - Broker, Doc. #5907*, for eligibility, documentation/disclosure, and title/closing requirements.

SPECIAL FEATURE CODES

This loan program requires that certain special feature codes be attached to each loan file by the underwriter.

- All HomeReady: SFC 900
- HomeStyle Renovation mortgage: SFC 215
- HomeReady High Balance: SFC 808
- Community Second (if applicable): SFC 118
- Other SFC as applicable

PROPERTY VALUATION

PURCHASE

Loan amount is based on LTV derived from the lesser of:

- The as-is purchase price, renovation costs, contingency costs (if financed), eligible soft costs, interest reserve
- The as-completed value of the home

RATE/TERM REFINANCE

LTV is subject to appraised value. Loan amount not to exceed 100% of costs (total of liens on property, plus costs of improvements and closing costs). Existing subordinate financing may be included in the new loan amount if the funds were used to acquire the property. Cash-out is not eligible.

MORTGAGE INSURANCE

Mortgage insurance providers may have additional restrictions not listed within this document. Due to rapid changes within the industry, please refer to each mortgage insurance company's website for complete details. Refer to MI Company Parameter Matrix to assist you with keeping up with these changes. However, this document is to be used as a reference only.

MGIC, Genworth, Essent & Radian may provide the required mortgage insurance coverage under all HomeReady-HomeStyle products. Reduced MI coverage is not eligible.

PURCHASE

Mortgage insurance requirements are based on the LTV calculated using the after-improved value of the property or the cost base whichever is less.

REFINANCE

Divide the new loan amount by the after-improved value amount. If the resulting LTV is over 80.0%, mortgage insurance is required.

COMMUNITY SECONDS

All mortgages with a Community Second require 35% MI coverage.

Loans above 80% LTV require mortgage insurance coverage according to the following guidelines:

LTV	30-Year Fixed	10, 15 and 20-Year Fixed
95.01 – 97%	25%	25%
90.01 – 95%		
85.01 – 90%	12%	12%
80.01 – 85%		6%

NEW YORK PROPERTIES

See [Conventional Underwriting Guidelines](#).

For Single Financed Mortgage Insurance (SFMI) and Lender Paid Mortgage Insurance (LPMI) eligibility see *Single Financed Mortgage Insurance – Lender Paid Mortgage Insurance*, [Doc. #5010](#).

STATE ELIGIBILITY

Contact your Account Executive regarding participation in Flagstar Bank’s construction programs.

State	Restriction
Alaska	Not eligible
New York	Refer to New York Properties section for calculation requirements
US Virgin Islands	Not eligible

PREPAYMENT PENALTY

There is no prepayment penalty.



CLOSING DOCUMENTATION

Closing documentation for all Fannie Mae HomeStyle Renovation loans must be ordered through Flagstar's Closing Services by submitting a Closing Services Request in Loantrac. Please see *Flagstar Closing Services User Guide, Doc. #2206*, for more information or contact the Closing Department via email at closings@flagstar.com or via phone at (866) 945-9872.

- Maximum draw request to contractor at closing is capped at 10% of the total renovation budget. No further draws can occur after closing until closing package has been received and post-closed by Flagstar Bank (usually 10 business days).
- Loans close in Flagstar's name with Flagstar funds. Disclosure Statements must be generated from Loantrac.

ALL LOANS

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Standard title commitment with all applicable endorsements

IF APPLICABLE

- Fannie Mae/Freddie Mac multi-state Condo Rider, Form# 3140
- Fannie Mae/Freddie Mac multi-state PUD Rider, Form# 3150
- Fannie Mae/Freddie Mac multi-state 1-4 Family Rider, Form# 3170 (for 2 to 4-unit primary residences and all investment property mortgages)