

FANNIE MAE HOME READY			
PURCHASE AND RATE TERM REFINANCE			
Occupancy	Units	FICO	LTV/CLTV
Primary Residence	1	620	97
	2	620	85
	3-4	620	75

Product Guidelines	
AUS	<ul style="list-style-type: none"> Desktop Underwriter (DU) with 'Approve/Eligible' findings is required. <u>Manual Underwriting is not allowed.</u>
ATR/QM Rule	<ul style="list-style-type: none"> All loans must meet the Ability to Repay (ATR) and Qualified mortgage (QM) provisions of the Dodd-Frank Act.
Age of Documents	<ul style="list-style-type: none"> All credit documents must be dated within 120 days of the note date. Preliminary Title Policies must be no more than 180 days old on the date the note is signed.
Appraisal	<ul style="list-style-type: none"> Determined by DU Findings. Property Inspection Waivers (PIW), through DU, are acceptable. Appraisal Condition Rating of C5/C6 or a Quality Rating of Q6 is not permitted. Re-certification of value, in accordance with Fannie Mae guidelines, is acceptable. Appraisal transfers are permitted in accordance with the Fannie Mae guidelines.
Assets/Reserves	<ul style="list-style-type: none"> Asset documentation must comply with the requirements of DU findings and Fannie Mae guidelines. Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets. DU will determine the reserve requirements based on the overall risk assessment of the loan, the minimum reserve requirement that may be required for the transaction, and whether the borrower has multiple financed properties.
Borrower Eligibility	<ul style="list-style-type: none"> All borrowers must have a social security number. U.S. citizens Permanent Resident Alien Inter Vivos Revocable Trusts: Permitted; must meet all current Fannie Mae guidelines.

	<ul style="list-style-type: none"> • Non-Permanent Resident Aliens allowed with an acceptable Visa or evidence of a valid Employment Authorization Document (EAD). <ul style="list-style-type: none"> ○ Employment Authorization Document (EAD) <ul style="list-style-type: none"> ▪ A current (unexpired) EAD issued by USCIS may be provided in lieu of a visa. If the EAD will expire within one year, one of the following must be provided: <ul style="list-style-type: none"> • Documentation of one previous EAD renewal. • If there are no prior EAD renewals, documentation from the USCIS confirming the likelihood of renewal. ▪ All standards for determining stable monthly income, adequate credit history, and sufficient liquid assets must be applied in the same manner to each borrower including borrowers who are nonpermanent resident aliens. 												
Condominiums	<ul style="list-style-type: none"> • Must meet Fannie Mae Condominium Eligibility Guidelines. • Limited Review allowed in accordance with Fannie Mae Guidelines. • Must meet CenterState Bank Agency Condo Guidelines. 												
Credit	<ul style="list-style-type: none"> • Evaluated by DU. • See LTV/CLTV grid for minimum FICO scores. • A full tri-merge credit report is required for all borrowers on all transactions. • <u>Each borrower must generate a traditional credit score from at least one repository.</u> • <u>Non-traditional credit not allowed.</u> • Any debt not reported on the credit report must be documented as being repaid in a satisfactory manner. 												
Derogatory Credit	<ul style="list-style-type: none"> • All transactions require a DU Approve/Eligible regardless of which time frame for the derogatory event is met, standard or extenuating circumstances. <table border="1" data-bbox="520 854 1927 1227"> <thead> <tr> <th data-bbox="520 854 1171 886">Derogatory Event</th> <th data-bbox="1171 854 1927 886">DU Waiting Period</th> </tr> </thead> <tbody> <tr> <td data-bbox="520 886 1171 943">Bankruptcy – Chapter 7 or 11</td> <td data-bbox="1171 886 1927 943"> <ul style="list-style-type: none"> • 4 years </td> </tr> <tr> <td data-bbox="520 943 1171 1016">Bankruptcy – Chapter 13</td> <td data-bbox="1171 943 1927 1016"> <ul style="list-style-type: none"> • 2 years from discharge date • 4 years from dismissal date </td> </tr> <tr> <td data-bbox="520 1016 1171 1073">Multiple Bankruptcy Filings</td> <td data-bbox="1171 1016 1927 1073"> <ul style="list-style-type: none"> • 5 years if more than one filing within the past 7 years </td> </tr> <tr> <td data-bbox="520 1073 1171 1146">Foreclosure</td> <td data-bbox="1171 1073 1927 1146"> <ul style="list-style-type: none"> • 7 years • 3 years with documented extenuating circumstances </td> </tr> <tr> <td data-bbox="520 1146 1171 1227">Deed-in-Lieu of Foreclosure, Pre-foreclosure Sale (Short Sale), Mortgage Debt Charge off</td> <td data-bbox="1171 1146 1927 1227"> <ul style="list-style-type: none"> • 4 years • 2 years with documented extenuating circumstances </td> </tr> </tbody> </table>	Derogatory Event	DU Waiting Period	Bankruptcy – Chapter 7 or 11	<ul style="list-style-type: none"> • 4 years 	Bankruptcy – Chapter 13	<ul style="list-style-type: none"> • 2 years from discharge date • 4 years from dismissal date 	Multiple Bankruptcy Filings	<ul style="list-style-type: none"> • 5 years if more than one filing within the past 7 years 	Foreclosure	<ul style="list-style-type: none"> • 7 years • 3 years with documented extenuating circumstances 	Deed-in-Lieu of Foreclosure, Pre-foreclosure Sale (Short Sale), Mortgage Debt Charge off	<ul style="list-style-type: none"> • 4 years • 2 years with documented extenuating circumstances
Derogatory Event	DU Waiting Period												
Bankruptcy – Chapter 7 or 11	<ul style="list-style-type: none"> • 4 years 												
Bankruptcy – Chapter 13	<ul style="list-style-type: none"> • 2 years from discharge date • 4 years from dismissal date 												
Multiple Bankruptcy Filings	<ul style="list-style-type: none"> • 5 years if more than one filing within the past 7 years 												
Foreclosure	<ul style="list-style-type: none"> • 7 years • 3 years with documented extenuating circumstances 												
Deed-in-Lieu of Foreclosure, Pre-foreclosure Sale (Short Sale), Mortgage Debt Charge off	<ul style="list-style-type: none"> • 4 years • 2 years with documented extenuating circumstances 												
Documentation	<ul style="list-style-type: none"> • Determined by DU. • Loans using Day 1 Certainty are acceptable. 												

Down Payment Assistance	<ul style="list-style-type: none"> • <u>Down Payment Assistance is allowed as long as the assistance is provided by a government entity. Evidence of the terms and provider must be included in the loan file and must meet Fannie Mae requirements.</u> • Employer Assistance Homeownership (EAH) is acceptable in accordance with Fannie Mae guidelines. • Community Seconds and Mortgage Credit Certificates (MCCs) are not allowed.
Employment Income Verification	<ul style="list-style-type: none"> • For salaried employees, the verbal verification of employment must be completed within 10 business days prior to the note date. • For self-employed borrowers, the verbal verification of employment must be completed within 30 days prior to the note date. • For borrowers in the military, a military Leave and Earnings Statement dated within 30 days prior to the note date is acceptable in lieu of a verbal verification of employment.
Employment Offers or Contracts	<ul style="list-style-type: none"> • Borrowers with employment beginning after the note date are eligible when: <ul style="list-style-type: none"> ○ Purchase transaction, principal residence, one-unit property, the borrower is not employed by a family member or by an interested party to the transaction, and the borrower is qualified using only fixed based income. ○ Obtain and review the borrower's offer or contract for future employment. The employment offer or contract must: <ul style="list-style-type: none"> ▪ clearly identify the employer and the borrower, be signed by the employer, and be accepted and signed by the borrower; ▪ clearly identify the terms of employment, including position, type and rate of pay, and start date; and ▪ be non-contingent. If conditions of employment exist, the lender must confirm prior to closing that all conditions of employment are satisfied. ○ Start date for employment is within 90 days of note date. ○ Document, in addition to the amount of reserves required by DU or for the transaction, one of the following: <ul style="list-style-type: none"> ▪ Financial reserves sufficient to cover principal, interest, taxes, insurance, and association dues (PITIA) for the subject property for six months; or ▪ Financial reserves or current income sufficient to cover the monthly liabilities included in the debt-to-income ratio, including the PITIA for the subject property, for the number of months between the note date and the employment start date, plus one. For calculation purposes, consider any portion of a month as a full month. <ul style="list-style-type: none"> • Current income refers to income that is currently being received by the borrower (or coborrower), may or may not be used for qualifying, and may or may not continue after the borrower starts employment under the offer or contract. • Current income may be used in lieu of or in addition to financial reserves. For this purpose, the lender may use the amount of income the borrower is expected to receive between the note date and the employment start date. • If the current income is not being used for qualifying purposes, it can be documented by the lender using income documentation, such as a paystub, and no verification of employment is required.
Escrow Accounts	<ul style="list-style-type: none"> • Escrow accounts are required if LTV > 80%, except where prohibited by state law. • Flood insurance premiums paid by the borrower must be escrowed and cannot be waived regardless of LTV. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required.

Escrow Holdbacks	<ul style="list-style-type: none"> • Work must be non-structural in nature and be able to be completed within a week of closing. Roof replacement is not allowed. • Repair escrow may not exceed \$10,000 and is to be held by the title agent. • Contractor invoice estimating cost of repairs, start date and time frame of completion required prior to closing. Borrower will execute Escrow Agreement and 1.5x the cost of repairs will be held in escrow at closing. • Appraisal must be subject to repairs. • Lock must cover the repair period with maximum of one week after closing. • Final inspection showing completed work and final invoice from contractor required for disbursement of funds.
Financing Concessions	<ul style="list-style-type: none"> • Financing concessions for primary residences and second homes must be within the following allowable percentages: <ul style="list-style-type: none"> ○ 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%. • Value is the lesser of the sales price or appraised value DU.
High Cost	<ul style="list-style-type: none"> • Not Eligible
High Priced Mortgage Loans (HPML)	<ul style="list-style-type: none"> • Higher Priced Mortgage Loans (HPML) transactions are eligible when: <ul style="list-style-type: none"> ○ Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence. ○ Must meet all applicable state and/or federal compliance requirements. ○ DU Approve/Eligible ○ Minimum 620 FICO ○ All federal and/or state HPML or nonprime loan requirements are met.
Homeownership Education and Counseling	<ul style="list-style-type: none"> • For purchase transactions, at least one borrower on the HomeReady purchase mortgage must do one of the following: <ul style="list-style-type: none"> ○ Complete the Framework homeownership education course (\$75 fee paid by the borrower to Framework) prior to closing, https://homeready.frameworkhomeownership.org/; or ○ Complete a homeownership education course required by a Community Seconds or Down Payment Assistance Program that is provided by a HUD-approved agency prior to closing, if the HomeReady loan involves a Community Seconds loan or down payment assistance program; or ○ Receive housing counseling from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed Certificate of Completion of Housing Counseling (Form 1017)) prior to the borrower signing a purchase contract; or ○ Have already completed housing counseling (as evidenced by a completed Fannie Mae Form 1017). • Homeownership education certificate or Fannie Mae Form 1017 must be in the loan file.
Income Limits	<ul style="list-style-type: none"> • The income limit requirements for all HomeReady loans may not exceed 80% AMI for the property's location. This includes properties in low-income census tracts. • Borrower and non-occupant borrower income must meet any income limits for the property area. <ul style="list-style-type: none"> ○ Count the income from all of the borrowers who will sign the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.

<p>Income Types – Unique to HomeReady</p>	<ul style="list-style-type: none"> • Accessory Unit Income <ul style="list-style-type: none"> ○ Rental income from a 1-unit subject property accessory dwelling unit is allowed. <ul style="list-style-type: none"> ▪ Fannie Mae does not require that the accessory unit comply with zoning requirements, however, the appraisal report must meet specific requirements, <i>HomeReady FAQ, B4-1.3-05</i>. ○ Purchase Transactions: If the borrower cannot provide a lease, a Fannie Mae Single-Family Comparable Rent Schedule, Form 1007 is acceptable. ○ Accessory unit rental income is calculated in accordance with <i>B3-3.1-08, Rental Income</i>. • Boarder Income <ul style="list-style-type: none"> ○ If there are one or more individuals residing with the borrower (relatives or non-relatives and who are not obligated on the mortgage) who will continue to reside with the borrower in subject property, boarder rental income may be considered as acceptable stable income in an amount up to 30% of total gross qualifying income. <ul style="list-style-type: none"> ▪ The boarder is not obligated on the mortgage loan and does not have an ownership interest in the property (Effective for DU casefiles submitted or resubmitted on or after the weekend of July 20, 2019); ▪ The individual(s) has lived with (and paid rent to) the borrower for the last 12 months; ▪ The boarder can 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); and ▪ The boarder can demonstrate (such as copies of canceled checks) the payment of rental payments to the borrower for - the last 12 months, or at least 9 of the most recent 12 months provided the rental income is averaged over a 12–month period. ▪ Payment of rent by the boarder directly to a third party is not acceptable.
<p>Maximum Loan Amount</p>	<ul style="list-style-type: none"> • Current Guidance is available at: https://www.fanniemae.com/singlefamily/loan-limits
<p>Minimum Loan Amount</p>	<ul style="list-style-type: none"> • \$50,000
<p>Mortgage Insurance</p>	<ul style="list-style-type: none"> • Standard Coverage Required • Eligible MI Types (subject to Fannie Mae guidelines): <ul style="list-style-type: none"> ○ Borrower Paid Monthly ○ Lender Paid Single Premium ○ Borrower Paid Single Premium ○ Financed MI – The gross LTV cannot exceed CSM’s program maximum. ○ Enterprise Paid MI (EPMI) • <u>Reduced MI is not permitted</u>
<p>Number of Financed Properties</p>	<ul style="list-style-type: none"> • The occupant borrower may not have more than two (2) financed properties, <i>B5-6-03, HomeReady Mortgage Underwriting Methods and Requirements</i>. • Financed properties owned by a non-occupant co-borrower that are owned separately from the borrower are excluded from the number of financed properties calculation, <i>B2-2-03 Multiple Financed Properties for the Same Borrower</i>.
<p>Power of Attorney</p>	<ul style="list-style-type: none"> • Power of Attorney must be approved by CenterState prior to closing.

Property, Eligible Types	<ul style="list-style-type: none"> • Single Family Detached • Single Family Attached • 2–4 Unit Attached/Detached • PUDs • Condominiums (must be Fannie Mae eligible) • Leaseholds • Rural Properties (in accordance with agency Guidelines, properties must be residential in nature)
Property, Ineligible Types	<ul style="list-style-type: none"> • <u>Mobile Homes</u> • <u>Cooperatives</u> • <u>Condotels</u> • Hotel Condominiums • Timeshares • Working Farms and Ranches • <u>Manufactured homes. This includes on-frame modular homes built on a permanent chassis.</u> • Unimproved Land • Property currently in litigation • Land Trust
Ratios	<ul style="list-style-type: none"> • Determined by DU.
Recently Listed Properties	<ul style="list-style-type: none"> • The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject property.
Tax Transcripts	<ul style="list-style-type: none"> • A 4506-T is required for each borrower whose income (regardless of income source) is used to qualify. • <u>Tax transcripts are required for all self-employed borrowers whose income is used to qualify. If only non-self-employed income is used to qualify, transcripts are not required.</u> • <u>If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing “No record of return filed” is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.</u> • Mortgage Loans and/or Borrowers that do not require income documentation under the applicable Loan Program do not require IRS transcripts.