Fannie Mae Manufactured Home Fixed Rate

This matrix is intended as an aid to help determine whether a property/loan qualifies for certain Fannie Mae offered programs. It is not intended as a replacement for Fannie Mae guidelines. Users are expected to know and comply with Fannie Mae's requirements.

NOTE: This matrix includes overlays which may be ***more restrictive*** *than Fannie Mae's requirements. A thorough reading of this matrix is recommended.*

Program Qualifications

- Purchase, Rate/Term or Cash Out refinance of a Manufactured Home. Eligible loans are conforming loans receiving a FNMA DU Approve/Eligible finding.
- Fannie Mae defines a "manufactured home" as any dwelling that is built on a permanent chassis and installed on a permanent foundation system. Manufactured homes must meet the federal Manufactured Home Construction and Safety Standards of June 15, 1976 (the HUD Code) as well as other guidelines per the Fannie Mae Selling Guide.

Maximum Loan Amount

2017 Conforming Maximum Loan Amounts (available 12/10/16)		
Units	**Continental US**	**Alaska & Hawaii**
1	$424,100	$636,150

Eligibility Matrix Loan Amount & LTV Limitations

Standard Eligibility Requirements Conforming Loan Amounts <= $424,100 Fannie Mae DU Approve/Eligible Only

Transaction Type	Occupancy	Units	Maximum LTV/CLTV/HCLTV	Credit Score	Maximum Cash-Back
Purchase & Limited Cash-Out Refinance	Primary Residence	1 Unit	FRM: 95%	620	Ineligible
	Second Home	1 Unit	FRM: 90%	620	Ineligible
Cash-Out Refinance	Primary Residence	1 Unit Term ≤ 20 years	FRM: 65%	620	No limit

Footnotes:
1. Cash-out is limited to 20 year term per FNMA.

Product Description

- Fixed Rate 10, 15, 20 and 30 years
- Fully Amortizing
- HomeReady Program - see *HomeReady* section in *Eligibility Requirements*

Product Codes

Standard Conforming Loan Amounts

Years	Product Code
10 Year	Fannie Mae 10 Year Fixed
15 Year	Fannie Mae 15 Year Fixed
20 Year	Fannie Mae 20 Year Fixed
30 Year	Fannie Mae 30 Year Fixed
	HomeReady Programs
15 Year	Fannie Mae 15YR Conf HomeReady
30 Year	Fannie Mae 30 Yr Conf HomeReady

Eligibility Requirements

Appraisal Requirements	Refer to FNMA Selling Guide B4-1.4-01 *Factory-Built Housing: Manufactured Housing* for appraisal requirements Appraisal must be completed using the Manufactured Home Appraisal Report Form 1004C. **Property Condition – Properties with a Condition Rating of C5 or C6 are not eligible.** Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier.

<table>
<tr><td></td><td>
Appraiser must use a minimum of two comparable sales of similar manufactured homes. (Three (3) comparable MFH sales are preferred.)
If the appraiser is unable to develop a reliable appraisal based on at least two comparable sales of similar manufactured homes, the mortgage is not eligible.
The appraiser may use either site-built housing or a different type of factory-built housing as the third comparable sale. When site-built housing or a different type of factory-built housing are used as the third comparable, the appraiser must:
Explain why site-built housing or a different type of factory-built housing is being used for the third comparable sale, and
Make (and support) appropriate adjustments in the appraisal report.
For purchase money mortgages, the lender must provide the appraiser with
a complete copy of the executed contract for sale of the manufactured home and land; or
a complete copy of the executed contract for both, if the manufactured home and land are purchased separately; and
a copy of the manufacturer’s invoice if the manufactured home is new.
The appraiser must analyze the contract(s) and the manufacturer’s invoice for new manufactured homes, and provide a summary in the appraisal report.
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The value conclusion cannot include any non-realty items such as insurance, warranties, furniture, etc.
The property site must be of a size, shape, and topography that is conforming and acceptable in the market area. The appraisal report also must indicate whether or not the site is compatible with the neighborhood. If the site has adverse conditions or is not typical for the neighborhood, the appraiser must comment.
As required by Fannie Mae a detailed and supported cost approach to value is required on all MFH appraisals. The sales comparison and cost approaches to value are complementary for the valuation of manufactured housing and must support the final value conclusion.
The following conditions render the manufactured home ineligible:
If the site or manufactured home is substantially non-conforming with the neighborhood
Creating comparable sales by combining vacant land sales with the contract purchase price of the home is prohibited. (This may be used as additional supporting documentation only.)
</td></tr>
<tr><td>Appraiser Qualification</td><td>Appraiser should be knowledgeable about the local manufactured home market and the unique construction process for manufactured homes, and have access to appropriate data sources in order to render an opinion of value for the manufactured home.</td></tr>
<tr><td>Assets</td><td>
Evaluated per DU and Fannie Mae guidelines with the following restrictions
Stand-alone VOD (Verification of Deposit) is ineligible. A full two months bank statements are required.
<u>Stocks, Bonds, and Mutual Funds (SEL-2015-07, B3-4.3-01)</u>
Fannie Mae is updating the policies related to the use of vested stocks, bonds, and mutual funds (including retirement accounts) when they are used for down payment, closing costs, and reserves. Instead of requiring a standard reduction in value, the policies have been simplified as follows:
One hundred percent (100%) of the value of the asset is allowed when determining available reserves.
If the underwriter documents that the value of the asset is at least 20% more than the funds needed for the borrower’s down payment and closing costs, no documentation of liquidation is required. Otherwise, documentation of the borrower’s actual receipt of funds realized from the sale or liquidation must be obtained.
Note: Non-vested assets are not eligible for down payment, closing costs, or reserves.
This update is effective immediately. DU will be updated the weekend of August 15, 2015.
<u>Bank statements used to verify assets (B3-4,2-01 and SEL 2015-06)</u>
When bank statements are used to verify assets, the bank statements must show account activity for a full two month period. It is not acceptable to use one monthly bank statement and compare the prior month ending balance and the current month ending balance. A full two months of <u>account activity</u> must be reviewed.
<u>Depository Accounts</u>
Funds held in a checking, savings, money market, certificate of deposit, or other depository account may be used for the down payment, closing costs, and financial reserves. Any indications of borrowed funds must be investigated. Unverified funds are not acceptable for the down payment, closing costs, or financial reserves.
</td></tr>
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<u>Asset Account Numbers (SEL 2017-04)</u>
Truncated or masked account numbers for bank and portfolio or investment accounts where at least the last four digits of the borrower's asset account are displayed are permissible on the loan application, in DU, and on asset documentation, including verification reports obtained through the DU validation service.

<u>Business Assets</u>
Business assets may be an acceptable source of funds for the down payment, closing costs, and financial reserves when a borrower is self-employed and the individual federal income tax returns have been evaluated by the underwriter, including, if applicable, the business federal income tax returns for that particular business (non-Schedule C). The borrower must be listed as an owner of the account and the account must be verified in accordance with FNMA Selling Guide (B3-4.2-01 *Verification of Deposits and Assets*). The underwriter must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business. (See B3-3.2 *Self-Employment Income* for additional information on analysis of a self-employed borrower.)

<u>Bank Statements and Large Deposits (B3-4.2-02)</u>
When bank statements (typically covering the most recent two months) are used, the underwriter must evaluate large deposits, which are defined as a **<u>single deposit that exceeds 50% of the total monthly qualifying income</u>** for the loan. Requirements for evaluating large deposits vary based on the transaction type, as shown in the table below.

Transaction Type	Evaluation Requirements
Refinance transactions	Documentation or explanation for large deposits is **not** required [by FNMA]; however, the underwriter remains responsible for ensuring that any borrowed funds, including any related liability, are considered.
Purchase transactions	If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs, or financial reserves), the underwriter must document that those funds are from an acceptable source. Occasionally, a borrower may not have all of the documentation required to confirm the source of ta deposit. In those instances, the underwriter must use reasonable judgment based on the available documentation as well as the borrower's debt-to-income ratio and overall income and credit profile. Examples of acceptable documentation include the borrower's written explanation, proof of ownership of an asset that was sold, or a copy of a wedding invitation to support receipt of gift funds. The underwriter must place in the loan file written documentation of the rationale for using the funds. Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (as defined above), and the underwriter must confirm that the remaining funds are sufficient for the down payment, closing costs, and financial reserves. When the underwriter uses a reduced asset amount, net of the unsourced amount of a large deposit, that reduced amount must be used for underwriting purposes (whether the mortgage loan is underwritten manually or through DU). **Note**: When a deposit has both sourced and unsourced portions, only the unsourced portion must be used to calculate whether or not it must be considered a large deposit.

Note: If the source of a large deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), the Social Security Administration, or IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, there is no need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the underwriter still has questions as to whether the funds may have been borrowed the underwriter reserves the right to obtain additional documentation.

<u>Sales Proceeds Needed for Down Payment and Closing Costs (B3-4.3-10)</u>
If the proceeds from the sale of a currently owned home are needed for the down payment and closing costs on the new house, the underwriter must verify the source of funds by obtaining a copy of the final HUD-1 Settlement Statement on the existing home before, or simultaneously with, the settlement on the new home, showing sufficient net cash proceeds to consummate the purchase of the new home.

<u>Cash Value of Life Insurance (B3-4.3-19)</u>
If an insurance company payout is used for the <u>down payment</u> or <u>closing costs</u>, lenders must document the borrower's receipt of the funds from the insurance company by obtaining either a copy of the check from the insurer or a copy of the payout statement issued by the insurer. It the cash-value of the life insurance is being used for <u>reserves</u>, the cash-value must be documented but does not need to be liquidated and received by the borrower.

	Borrower Investment
	• Primary Residence
	    o No minimum investment is required from borrower's own funds. All funds needed to complete the transaction can come from a gift.
	• Second Home
	    o 80% LTV or less: A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift
	    o Greater than 80% LTV: The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum contribution, gifts may be used to supplement the down payment, closing costs, and reserves.
	
	Seller / Interested Party Contributions (IPCs): Basis for the limit is LTV/CLTV ratio as follows:
	• Primary Residence and Second Homes (<= $424,100)
	    • 3% for LTV/CLTV > 90%
	    • 6% for LTV/CLTV 75.01% - 90%
	    • 9% for LTV/CLTV ≤ 75%
	Gifts
	• Primary and Second Home - Eligible
	
	Reserves
	• Additional reserves may be required by DU based on risk
	
	Primary Residence
	• No minimum PITIA reserves
	
	<u>Manual Reserve Calculations for Specific Transactions</u>
	In certain cases, DU is unable to determine the reserve requirements for the transaction, therefore lenders must perform a manual calculation of the required minimum reserves. To determine the total amount of assets to be verified for the transaction, lenders will be required to add the amount of Total Funds to be Verified (as specified in the DU Underwriting Findings report) to the minimum reserve requirements specified in the Fannie Mae Selling Guide for the following scenarios:
	• Principal residence transactions where the current principal residence is pending sale, converting to a second home, or converting to an investment property; and
	The total amount of assets to be verified, per the guidance above, must be reflected in the Asset section of the loan application.
	
	Note: Fannie Mae has <u>eliminated the requirements</u> specifically associated with the conversion of a principal residence to a second home or investment property (e.g., no need to document equity, provide lease agreement, copy of security deposit, bank statement with deposited security funds). This is effective immediately. DU will be updated the weekend of August 15, 2015 (SEL-2015-07)
	
	See Fannie Mae Selling Guide for additional information (B3-4.1-01 Minimum Reserve Requirements)

Assumptions	Ineligible

Borrower Eligibility	Eligible
	• US Citizen
	• Permanent resident alien
	• Inter Vivos Revocable Trust (FNMA B2-2-05)
	    • Note: A Power of Attorney is not allowed on properties held in a trust
	    • When a loan is made to an inter vivos trust that is secured by a property other than an investment property that fits within the "business purpose" definition for an exempt loan under TILA, it will be treated as an ATR Covered loan (i.e., Points and Fees limitations apply)
	Ineligible
	• Non-Permanent Resident Alien
	• Foreign Nationals

Co-borrowers	DU Approve/Eligible • Ratios determined by DU

Credit	DU Approve/Eligible findings only
	• Refer to *Loan Amount and LTV Limitations* for minimum credit score requirements
	• Housing (Mortgage/Rental) Payment History (PITIA) is inclusive of all liens regardless of position, as well as all occupancy types.
	    • Mortgage history evaluated by DU
	    • Mortgage/Rental Delinquencies – Loans are ineligible with one or more mortgage/rental

delinquencies of 60, 90, 120, 150 days or greater reported within 12 months of the date of the credit report.

Allowable Age of Credit Documents
Credit documents include credit reports and employment, income, and asset documentation. For all mortgage loans (existing and new construction), the credit documents must be no more than four months old on the date the note is signed. (SEL-2013-04). When consecutive documents are in the loan file, the most recent document is used to determine the age. For example, when two consecutive monthly bank statements are used to verify a depository account, the most recent bank statement must be dated within four months of the date the note is signed (SEL-2014-11).

Disputed Credit Report Tradelines

- When DU identifies a disputed tradeline and that tradeline was not included in the credit risk assessment, the underwriter must obtain a new credit report with the tradeline no longer reported as disputed and resubmit the loan casefile to DU.
- If DU does not issue the disputed tradeline message, the underwriter is only required to ensure the payment for the tradeline, if any, is included in the total expense ratio if the account belongs to the borrower.

Credit Scores – All borrowers must have at least two credit scores

Waiting Periods after Significant Derogatory Credit Events (SEL-2013-04)
The waiting period commences on the completion, discharge or dismissal date (as applicable) of the derogatory credit event and ends on the credit report date for DU loan casefiles. LSM follows standard FNMA Waiting Period Requirements. Reduced waiting periods due to "Extenuating Circumstances" are allowed on a case by case basis.

DU uses the credit report date to measure whether or not the applicable waiting period has been met after a significant derogatory event. If DU determines that the waiting period has not been met based on the credit report used on the initial submission to DU, the underwriter may obtain an updated credit report and resubmit the loan casefile to DU after the required time has elapsed.

Deed-in-Lieu of Foreclosure and Preforeclosure Sale Message Updates (DU Version 9.1 August Update)
The following change applies to DU Version 9.1 loan casefiles submitted or resubmitted to DU on or after the weekend of August 16, 2014.
The waiting period requirements for borrowers who have had a previous deed-in-lieu of foreclosure or preforeclosure sale (aka "short sale") are being updated to now require a four-year waiting period; though a two-year waiting period will be permitted if the event was due to extenuating circumstances per FNMA guidelines. The loan-to-value restrictions previously tied to different waiting period timeframes are also being removed. This applies to loans with application dates on or after August 16, 2014.

Charge-Off Policy Message Addition (DU Version 9.1 August Update)
Mortgage accounts that have been subject to a charge-off (manner of payment = "9") will require a four-year waiting period after the charge-off occurred and prior to the disbursement date of the new loan. However, a two-year waiting period will be permitted if the event was due to extenuating circumstances per FNMA guidelines.

Summary – All Waiting Period Requirements (*B3-5.3-07*)
The following table summarizes the waiting period requirements for all significant derogatory credit events.

Derogatory Event	Waiting Period Requirements	Waiting Period with Extenuating Circumstances
Bankruptcy – Chapter 7 or 11	4 years	2 years
Bankruptcy – Chapter 13	• 2 years from discharge date • 4 years from dismissal date	• 2 years from discharge date • 2 years from dismissal date
Multiple Bankruptcy Filings	5 years if more than one filing within the past 7 years	3 years from the most recent discharge or dismissal date
Foreclosure[1]	7 years	3 years Additional requirements after 3 years up to 7 years: • 90% maximum LTV ratios[2] • Purchase, principal residence • Limited cash-out refinance, all occupancy types

	<table><tr><td>**Deed-in-Lieu of Foreclosure, Preforeclosure Sale, or Charge-Off of Mortgage Account**</td><td>4 years</td><td>2 years</td></tr></table>[1] When both a bankruptcy and foreclosure are disclosed on the loan application, or when both appear on the credit report, the underwriter may apply the bankruptcy waiting period if the underwriter obtains the appropriate documentation to verify that the mortgage loan in question was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied. [2] References to LTV ratios include LTV, CLTV, and HCLTV ratios. The maximum LTV ratios permitted are the lesser of the LTV ratios in this table or the maximum LTV ratios for the transaction per the *Eligibility Matrix*. Note: Check with mortgage insurance company guidelines, if applicable, since not all insurers follow the shorter waiting periods offered above. Ineligible • Manual Underwriting
Documentation	Document as determined by DU Findings, FNMA Selling Guide and LSM guidelines
Down Payment Assistance	Down Payment Assistance programs must be pre-approved through LSM. Minimum 640 score required.
Escrow Waivers	Property tax and insurance escrows may be waived for LTV ≤ 80%. Individual state laws may supersede this requirement. **Escrow Accounts Required (FNMA B2-1.2-02 & 2-03):** Escrow accounts are required on all rate/term refinance transactions when real estate taxes are financed into the loan. Escrow accounts are required on all cash out refinance transactions when the new loan amount includes the financing of real estate taxes that are more than 60 days delinquent. The requirement may be superseded by state law to the extent certain states limit escrow requirements.

Financing Types	**Purchase Mortgages**
	Purchase money transactions are those in which the mortgage proceeds are used to finance the purchase of the manufactured home or the manufactured home and land. The land may be previously owned by the borrower either free of any mortgage or subject to a mortgage that will be paid off with the proceeds of the new purchase money mortgage.
	
	Note: The borrower does not receive any cash back with a purchase money transaction
	
	New Manufactured Homes
	The LTV ratio (and CLTV/HCLTV ratio, if applicable) for a loan secured by a newly built manufactured home that is being attached to a permanent foundation system in connection with a purchase transaction will be based on the lower of:
	• The sales price of the manufactured home plus:
	    • The lowest sales price at which the land was sold during that 12 month period if the land was purchased in the 12 months preceding the loan application date; or
	    • The current appraised value of the land if the land was purchased more than 12 months preceding the loan application date
	• The “as completed” appraised value of the manufactured home and land.
	
	Existing Manufactured Homes
	The LTV ratio (and CLTV/HCLTV ratio, if applicable) for a loan secured by a manufactured home that already exists on its foundation will be based on the lowest of :
	• The sales price of the manufactured home and land;
	• The current appraised value of the manufactured home and land; or
	• If the manufactured home was built in the 12 months preceding the loan application date, the lowest price at which the home was previously sold during that 12-month period, plus the lower of
	    • The current appraised value of the land, or
	    • The lowest price at which the land was sold during that 12 month period (if there was such a sale).
	
	Rate and Term Refinance/Limited Cash Out Refinance
	A limited cash-out transaction involves the payoff of an existing mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered as separate liens). The maximum LTV ratio (and CLTV ratio, if applicable) for a limited cash-out refinance transaction for a loan secured by a manufactured home and land will be based on the lower of:

- The current appraised value of the manufactured home and land; or
- If the manufactured home was owned by the borrower for less than 12 months on the loan application date and:
    - If the home and land are secured by separate liens, the lowest price at which the home was previously sold during that 12-month period plus the lower of the current appraised value of the land, or the lowest sales price at which the land was sold during that 12-months period (if there was such a sale), or
    - If the home and land are secured by a single lien, the lowest price at which the home and land were previously sold during that 12-month period.

Proceeds of a limited cash-out refinance mortgage may be used to:

- Pay off the outstanding principal balance of an existing first lien mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered by separate first liens);
- Pay off the outstanding principal balance of an existing subordinate mortgage or lien secured by the manufactured home and/or land, but only if it was used to purchase the manufactured home and/or land;
- Finance closing costs (including prepaid expenses); and
- Provide cash back to the borrower in an amount not to exceed the lesser of 2% of the balance of the new refinance mortgage or $2,000.

Rate and Term Refinance/Limited Cash Out Refinance

- See *Student Loan Cash-out Refinance* for a cost-effective way to incorporate the payoff of student loan(s) into a refinance transaction.

Payoff or Paydown of Debt for Qualification – See *Underwriting*

Additional criteria:

- HUD-1 settlement statement(s) required from any transaction within past 6 months. If previous transaction was a cash-out or if it combined a first and non-purchase money subordinate into a new first, loan is ineligible for rate/term refinance
- Note: Per SEL 2016-02 FNMA has eliminated its Continuity of Obligation policy
- Properties listed for sale (B2-1.2-02)
    - 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, and
    - The borrowers must confirm their intent to occupy the subject property (for principal residence transactions)
    - Disbursement Date is the date loan funds are disbursed for the subject mortgage. The disbursement date may occur on or after the note date.

Cash-Out Refinance Transactions

A cash-out refinance:

- Involves the payoff of an existing first lien mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered by separate first liens); or
- Enables the property owner to obtain a mortgage on a property that does not already have a mortgage lien against it, and permits the borrower to take equity out of the property in the form of mortgage proceeds that may be used for any purpose.

To be eligible for a cash-out refinance, the borrower must have owned both the manufactured home and land for at least 12 months preceding the date of the loan application. (This is a FNMA requirement.)

The LTV/CLTV ratio for a cash-out refinance for a loan secured by a manufactured home and land will be based on the current appraised value of the manufactured home and land.

Texas Loans

- Owner occupied properties located in Texas with new or existing Texas Section 50 (a)(6) loans are eligible.
    - If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is restricted to the Texas Home Equity Section 50(a)(6)
    - If the first mortgage is not a Texas Section 50(a)(6) loan and the second mortgage is a Texas

	Section 50(a)(6), the second lien may be subordinated and is considered a rate and term refinance. The second lien must be subordinate to the first mortgage and a subordination agreement must be executed. Borrower cannot receive any cash back from first mortgage transaction. • If a Texas Section 50(a)(6) second lien is being paid off, the loan is restricted to the Texas Home Equity Section 50(a)(6). • The title policy will reference the Texas Section 50(a)(6).
Geographic Locations/Restrictions	Eligible states are as follows: • AZ, CA, CO, DC, FL, GA, IL, IN, KY, LA, MD, MA, MI, MN, NV, NJ, OK, OR, TX, UT, WA and WI. • **Note:** Texas Cash-out 50(a)(6) loans are eligible. State specific regulatory requirements supersede all underwriting guidelines set forth by LSM.
High-Cost Mortgage Loans	**LSM does not originate or purchase high-cost mortgage loans (12 CFR 1026.32)**
HomePath Properties / FNMA REO	See *B5-4-08 Loans Secured by HomePath Properties* A HomePath property is a property that was owned and sold by Fannie Mae through a transaction resulting in the disposition of its real estate owned (REO). When the property secured by the mortgage is a HomePath property, Fannie Mae will allow certain exceptions to standard Selling Guide eligibility policies as described below. Interested Party Contributions An exception to the maximum interested party contribution (IPC) limit for principal residences is permitted as follows: <table><tr><th>Occupancy Type</th><th>LTV/CLTV Ratio</th><th>Maximum IPC</th></tr><tr><td>Principal Residence</td><td>Greater than 90%</td><td>6% (vs. standard FNMA 3%)</td></tr></table>Note: DU is not able to determine if the subject property is a sale of a HomePath property. DU will issue a message if the amount of the IPC appears to exceed the standard limits described in *B3-4.1-02, Interested Party Contributions (IPCs).* The underwriter must determine whether the subject transaction is a purchase of a HomePath property eligible for the higher IPC limit and document the loan file accordingly. Certain Resale Restrictions Loans subject to resale restrictions imposed by Fannie Mae as the seller of its REO property are eligible. Special Feature Code (SFC) for HomePath Properties with an Eligible Exception Loans must use SFC 679 for a loan secured by a HomePath property if the IPC exception above applies to the transaction. This code is in addition to any other special feature codes that may apply. SFC 679 is not required for a loan secured by a HomePath property that is subject solely to the resale restriction exception. Note: HomePath properties with executed purchase contracts dated on or after October 7, 2014 may only use the above exceptions. There are no longer special LSM HomePath program codes for these HomePath loans. Use only the standard program codes within these guidelines.
HomeReady Program	See FNMA Selling Guide Chapter B5-6 for complete guidelines. The HomeReady mortgage is a conventional community lending mortgage that offers underwriting flexibilities to qualified borrowers who meet specific income criteria. The standard FNMA LTV/CLTV/HCLTV primary residence matrix for purchase and rate/term refinance for manufactured homes is used.

General Loan Eligibility
- First Mortgage
- Purchase Money or Limited Cash-out refinance
- Principal residence –
  - 1 unit manufactured home properties
  - Existing structures and new construction

*Note: The maximum LTV, CLTV, and HCLTV ratio for a one-unit HomeReady manufactured home is 95%

Subordinate Financing
Subordinate financing must comply with:
- The terms for the Community Seconds option (see B5-5.1-01 through B5-5.1-03)

NOTE: Community Seconds are allowed to maximum manufactured home CLTV only
- Subordinate financing is permitted in accordance with B2-1.1-04

Subordinate financing from a seller-held mortgage (i.e., seller carryback financing) is **not** permitted with HomeReady mortgages.

Borrower Income Limits
Underwriter must 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.
Methodology for income eligibility is the same for HomeReady loans as the underwriter uses in reporting "Monthly Income" in data delivery (i.e., normal FNMA guidelines).

Total annual qualifying income may not exceed 100% of the Area Median Income (AMI) for the property's location. There is no income limit for properties located in low-income census tracts, defined as those census tracts where the median tract income is no greater than 80% AMI. Underwriter must use AMIs published by Fannie Mae and/or found in Desktop Underwriter. AMIs from other sources (e.g., HUD) are not acceptable.

Note: For loan casefiles that are not underwritten as a HomeReady mortgage loan, DU will issue a message indicating that the loan may be eligible as a HomeReady loan if the total qualifying income entered in DU appears to be within the applicable AMI limit or the property is located within a low-income census tract.

Pre-purchase Homeownership Education (B2-2-06)
Pre-purchase homeownership education is **required** for all HomeReady purchase mortgage loans.
One borrower on each HomeReady mortgage must meet the homeownership education requirement. (The requirement may be met by either an occupant or a non-occupant borrower). There are three ways to meet the requirement:
- Complete the Framework homeownership online course (the default option for HomeReady loans)
- For HomeReady loans delivered with a Community Second or down payment assistance, the borrower may satisfy the HomeReady requirements by meeting the homeownership education requirement of the down payment assistance program, as long as it is provided by a HUD-approved counseling agency
- While counseling or "homeownership advising" is not required for the HomeReady mortgage, borrowers may meet the HomeReady requirement if they complete counseling and have a Certificate of Completion of Pre-Purchase Housing Counseling (Form 1017) completed by the provider.

Pre-Purchase Housing Counseling
The completion of Pre-Purchase Housing Counseling may be considered a compensating factor that allows DU to approve a DTI ratio greater than 45% up to 50%. Lenders must indicate the completion of this **one-on-one counseling** via the Homebuyer Education Completion Indicator in DU. (See B2-2-06 for appropriate documentation) To be valid, this must occur prior to purchase contract.

Minimum Borrower Contribution for Purchase Transactions
A minimum borrower contribution from the borrower's own funds is not required 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, as noted in the table below.

Number of Units	Minimum Borrower Contribution	Minimum Down Payment Requirement
One	None	5%

Non-Occupant Borrowers (up to 95% LTV)
Non-occupant borrowers are permitted on HomeReady mortgages.
- Not required to be a family member
- Income is included in determining Area Median Income (AMI) limits

<u>Rental Income from the Subject Property</u>
Not allowed for manufactured homes (LSM overlay)

<u>Boarder Income</u>
The rental payments that any borrower receives from one or more individuals who reside with the borrower (but who are not obligated on the mortgage debt and may or may not be related to the borrower) may be considered as acceptable stable income. This applies for a one-unit property in an amount up to 30% of the total gross income that is used to qualify the borrower for the mortgage if:

- 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)
- The boarder can demonstrate (such as with copies of cancelled 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.

<u>Non-Borrower Household Income</u>
The existence of income from a non-borrower household member may be considered as a compensating factor that allows DU to approve a DTI ratio greater than 45% up to 50%. A "household member" is defined as any person who intends to live with the borrower in the subject property for a minimum of 12 months. An individual who is considered a non-borrower household member may **<u>not</u>** also be the contributor of <u>rental income</u> (2 – 4 unit properties), <u>accessory unit income</u> (1 unit properties), or <u>boarder income</u> on the subject transaction.

Income from the non-borrower household member is not added to the borrower's income for qualifying purposes. The <u>existence</u> of the income is used as a <u>compensating factor</u> that may allow a higher DTI ratio. Income must be input into DU as <u>Non-Borrower Household Income</u> in the <u>Other Income</u> section of DU. The following applies:

- The non-borrower household income must be documented per standard FNMA requirements based on the type of income reported
- The amount of the non-borrower household income must be **<u>30% or more of the total qualifying income</u>** used to underwrite the loan (less than 30% is not considered a compensating factor)
- The underwriter must obtain a written statement from the non-borrower that he or she intends to reside with the borrower in the subject property for a minimum of 12 months

Because non-borrower household income is not used for qualifying purposes, it is <u>not considered</u> when determining whether the mortgage loan meets the HomeReady income limit requirements.

An optional form*, HomeReady Non-Borrower Household Income Worksheet and Certification (Form 1019)*, may be used to assist lenders in documenting the non-borrower household income requirements.

<u>Cash-on-Hand (1-unit properties only)</u>
Cash-on-hand may be used as an acceptable source of funds for the borrower's down payment, funds for closing costs, and prepaid items. Cash-on-hand **<u>may not</u>** be used to fund the borrower's reserve requirements, if any. Cash-on-hand must be verified and documented as follows:

- The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practices
- The underwriter 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
- The underwriter must obtain a written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed
- The borrower's credit report and other verifications should indicated limited or no use of credit and limited or no depository relationship between the borrower and a financial institution.

Mortgage Insurance Coverage Requirements for HomeReady mortgages				
	LTV Range			
Transaction Type	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%
All MFH loans	12%*	25%*	25%*	N/A for MFH

* Reduced or lower cost MI (i.e., coverage below these stated amounts) is not eligible (LSM overlay)

<u>Special Feature Codes (SFCs)</u>
Special Feature Code (SFC) 900 must be delivered for all HomeReady mortgage loans.
In addition, one or more of the following codes may also be required:

- Loans with Community Seconds – 118

	• Loans where at least one borrower completed pre-purchase housing counseling – 184 HomeReady – LSM overlays The following are not allowed for HomeReady programs: ARMs Temporary buydowns Manual underwriting Non-traditional credit, including non-traditional credit required to support a DU decision Custom MI Construction conversion or renovation mortgages Sweat equity Unsecured loans from originating lender used as a source of funds **HomeReady Resource Links:** Fannie Mae HomeReady Originating and Underwriting Site: www.fanniemae.com/homeready https://www.fanniemae.com/singlefamily/homeready HomeReady FAQs: https://www.fanniemae.com/content/faq/homeready-faqs.pdf HomeReady Income Eligibility Lookup Tool: https://homeready-eligibility.fanniemae.com/homeready/ HomeReady Income Eligibility Lookup Tool Tips: https://www.fanniemae.com/content/fact_sheet/homeready-income-eligibility-tool-tips.pdf Homeownership Education and Housing Counseling FAQs: https://www.fanniemae.com/content/faq/home-buyer-education-policies-faqs.pdf Framework Overview: https://www.fanniemae.com/content/fact_sheet/homeready-framework-overview.pdf https://www.knowyouroptions.com/framework Framework Homeownership Course: https://homeready.frameworkhomeownership.org/ Certificate of Completion of Pre-Purchase Housing Counseling (Form 1017): https://www.fanniemae.com/content/guide_form/1017.pdf HUD-approved counseling agencies: www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm HomeReady Non-Borrower Household Income Worksheet and Certification (Form 1019): https://www.fanniemae.com/content/guide_form/1019.pdf Fannie Mae Loan Lookup (does Fannie Mae own your loan?): https://www.knowyouroptions.com/loanlookup Community Seconds Checklist: https://www.fanniemae.com/content/fact_sheet/community-seconds-checklist.pdf
Income	DU Approve/Eligible • 4506T must be processed prior to closing. Evaluated per DU and Fannie Mae guidelines with the following restrictions: • Stand-alone VOE (Verification of Employment) is ineligible. VOE must be accompanied by pay stub or pay stub and W-2 • At minimum a paystub and W-2 is required Self-Employed History – Borrower must have been self-employed for a minimum of 24 months regardless of documentation requirements The following employment and income documentation requirements will be issued with DU Version 9.0:

Income Type	DU Documentation
Base Pay (salary or hourly	Paystub + W-2 covering most recent year

Bonus, Overtime, and Commission < 25%	Paystub +W-2s covering most recent two-year period
Commission ≥ 25%	Paystub, W-2s, and personal tax returns covering most recent two-year period
Self-Employment	Personal and business ta returns covering most recent two-year period
Second Job, not self-employed	Paystub + W-2s covering most recent two-ye r period
Second Job, self-employed	Personal and business tax returns covering most recent two-year period

Alimony and Child Support Documentation Requirements
A minimum of six months of documented receipt of income will be required for alimony and child support income for all DU Version 9.0 loan case files.

Rental Income (See *B3-3.1-08* for how to address rental income on business returns)
FNMA has updated and clarified the calculation of rental income received through a business.

- Rental income received through a partnership or an S corporation may offset the PITIA on an investment property (when the borrower is personally obligated on the mortgage) by obtaining the borrower's business tax returns for the most recent year and evaluating IRS Form 8825 in a manner consistent with the evaluation of rental income reported on Schedule E of a borrower's personal tax returns; and
- In order to include positive net rental income in qualifying such borrowers, the income received through a partnership or an S corporation must be evaluated per existing guidelines for business income received from a partnership or corporation.
- The above changes must be implemented no later than December 1, 2014
- FNMA has created three separate worksheets (as Microsoft Excel spreadsheets) for lenders to use to calculate rental income. **Form 1038 is available in two versions** – one version supports up to four investment properties, and the other version supports up to ten investment properties. The worksheets are recommended but not required:
  - Rental Income Worksheet – Principal Residence, 2- to 4-unit Property (Form 1037) https://www.fanniemae.com/content/guide_form/1037.xlsx
  - Rental Income Worksheet – Individual Rental Income from Investment Property(s) (**up to 4 properties) (Form 1038)** https://www.fanniemae.com/content/guide_form/1038.xlsx
  - Rental Income Worksheet – Individual Rental Income from Investment Property(s) (**up to 10 properties) (Form 1038A)** https://www.fanniemae.com/content/guide_form/1038a.xlsx
  - Rental Income Worksheet – Business Rental Income from Investment Property(s) (Form 1039) https://www.fanniemae.com/content/guide_form/1039.xlsx

Temporary Leave Income (see *B3-3.1-09 Other Sources of Income* for specific instructions)
Temporary leave from work is generally short in duration and for reasons of maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the borrower's employer. Borrowers on temporary leave may or may not be paid during their absence from work.
If a underwriter is made aware (through the employment or income verification process) that a borrower will be on temporary leave at the time of closing of the mortgage loan and that borrower's income is needed to qualify for the loan, the underwriter must determine allowable income and confirm employment per the FNMA Selling Guide.

If the borrower **will** return to work as of the first mortgage payment date, the underwriter can consider the borrower's regular employment income in qualifying.

If the borrower **will not** return to work as of the first mortgage payment date, the underwriter must use the lesser of the borrower's temporary leave income (if any) or regular employment income. If the borrower's temporary leave income is less than his or her regular employment income, the underwriter may supplement the temporary leave income with available liquid financial reserves.

If the borrower is not currently on temporary leave, the underwriter must not ask if he or she intends to take leave in the future.

Tip Income (SEL-2015-07)
Tip income may be included in qualifying income if the underwriter can verify that the borrower has received the income for the last two years. Tip income can be verified using a Request for Verification of Employment (VOE, Form 1005 or Form 1005(s)), or recent paystubs and IRS W-2 forms.

In some cases the full amount of the tip income earned by the borrower may not be reported by the employer on the Form 1005, paystub and W-2 form. However the borrower may report additional tip income to the IRS using

	Form 4137, Social Security and Medicare Tax on Unreported Tip Income, when filing his or her tax returns. Fannie Mae will allow this tip income to be used in qualifying if the underwriter obtains the most recent two years of federal income tax returns with Form 4137.
	
	Unreimbursed Employee Business Expenses (SEL-2015-07)
	The following changes and clarifications have been made to the *Selling Guide* related to unreimbursed employee business expenses.
	• For a borrower who is qualified using base pay, bonus, overtime, or commission income less than 25% of the borrower's annual employment income:
	  ○ Unreimbursed employee business expenses are not required to be analyzed or deducted from the borrower's qualifying income, or added to monthly liabilities. This applies regardless of whether unreimbursed employee business expenses are identified on tax returns (IRS Form 2106) or tax transcripts received from the IRS.
	  ○ Union dues and other voluntary deductions identified on the borrower's paystub do not need to be deducted from the borrower's income or treated as a liability.
	  ○ Tax returns are not required to document these sources of income.
	• For borrowers earning commission income that is 25% or more of annual employment income, unreimbursed employee business expenses must be deducted from gross commission income regardless of the length of time that the borrower has filed that expense with the IRS.
	  ○ The exception to this is if the expense is an actual automobile lease or loan payment. If borrowers report an automobile allowance as part of their monthly qualifying income, the underwriter must determine if the automobile expenses reported on IRS Form 2106 should be deducted from income or treated as a liability per the *Selling Guide*.
	
	Use of IRS W-2 Transcripts in Lieu of W-2s (SEL-2015-07)
	Fannie Mae will now permit an IRS "Wage and Income Transcript" (W-2 transcript) in lieu of the actual W-2 forms

Liabilities	Student Loans – Payment Calculation for Student Loans (B3-6-05) (SEL 2017-04) For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the underwriter must include a monthly payment in the borrower's recurring monthly debt obligation when qualifying the borrower. If a monthly payment is provided on the credit report, the underwriter may use that amount as the monthly payment for qualifying purposes. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment (which may be the case for deferred loans or loans in forbearance), the underwriter must calculate a qualifying monthly payment using one of the options below: • 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or • A fully amortizing payment using the documented loan repayment terms DU will be updated at a later date. Lenders may disregard DU messaging that references prior guidelines. Debts Paid by Others (SEL 2017-04) Non-mortgage debts such as installment loans, student loans, and other monthly debts may be excluded from the debt-to-income ratio as follows: • Obtain documentation that a non-mortgage debt has been satisfactorily paid by another party for the past 12 months, This policy applies regardless o whether the other party is obligated on the debt • This policy does **not** apply if the "other party" is an interested party to the subject transaction (such as the seller or realtor)
Limitations on Other Real Estate Owned	Multiple Loans to the Same Borrower • Maximum 20% concentration in any one project or subdivision • LSM will provide financing for up to 8 financed properties for one borrower, including the subject property, or a total of $2 million in financing for one borrower, whichever is less. Primary Residence • Borrower may have up to ten financed properties with multiple different lenders, including subject. New multiple loans must be underwritten simultaneously
Loan Amount	Minimum Conforming Loan Amount: $75,000
Manufactured Home Property Requirements	(Be sure to review *Special Legal / Closing Provisions* section of these guidelines) Any dwelling unit built on a permanent chassis and attached to a permanent foundation system is a manufactured home for purposes of Fannie Mae's guidelines.

	The borrower must own the land on which the manufactured home is situated in fee simple. The manufactured home must be a one-unit dwelling unit that is legally classified as real property. Mortgages secured by manufactured homes located on leasehold estates are not eligible. The towing hitch, wheels, and axles must be removed The dwelling must assume the same characteristics of site-built housing The MFH must have sufficient square footage and room dimensions to be acceptable to purchasers in the subject market area The MFH must be at least 12 feet wide and have a minimum of 600 square feet of gross living area. The MFH must have been built in compliance with Federal Manufactured Home Construction and Safety Standards that were established June 15, 1976 as amended and in force at the time the home is manufactured, and additional requirements that appear in HUD regulations at 24 C.F.R. Part 3280 as evidenced by: • HUD Data Plate/Compliance Certificate – A paper document located on the interior of the subject property that contains, among other things, the manufacturer's name and trade/model number. In addition to the data required by Fannie Mae, the data plate includes pertinent information about the unit including a list of factory-installed equipment; and • HUD Certification Label (sometimes referred to as a HUD "seal" or "tag") – A metal plate located on the exterior of each section of the home The appraisal form 1004C must indicate evidence of both the HUD Data Place/Compliance Certificate and the HUD Certification Label As an alternative to the original HUD Certification Label, the underwriter may be able to obtain a verification letter with the same information contained on the HUD Certification Label from the Institute for Building Technology and Safety (IBTS). A duplicate HUD Data Plate/Compliance Certificate may be available from IBTS or by contacting the In-Plant Primary Inspection Agency (IPIA) or the manufacturer. A list of IPIA offices is posted on HUD's website: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/mhs/mhsid IBTS: http://www.ibts.org/services/services-in-the-public-good/cert-label-verification.html The MFH must be attached to a permanent foundation system in accordance with the manufacturer's requirements for anchoring, support, stability, and maintenance. The foundation system must be appropriate for the soil conditions for the site and meet local and state codes. The MFH must be permanently connected to a septic tank or sewage system per local and state requirements. The MFH must be permanently connected to all necessary utilities (water, electricity, gas service, etc.) If the property is not situated on a publicly dedicated and maintained street then it must be situated on a street that is community owned and maintained, or privately owned and maintained. There must be adequate vehicular access and there must be an adequate and legally enforceable agreement for vehicular access and maintenance. See B4-1.3-04 *Site Section of the Appraisal Report* for contents of agreement and recording requirements. The MFH must not have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer's lot as a new unit. Manufactured homes that have an addition or have had a structural modification are eligible under certain conditions. If the state in which the property is located requires inspection by a state agency to approve modifications to the property, then the underwriter is required to confirm that the property has met the requirement. However, if the state does not have this requirement, then the property must be inspected by a licensed professional engineer who can certify that the addition or structural changes were completed in accordance with the HUD Manufactured Home Construction Safety Standards. **In all cases, the satisfactory inspection report must be retained in the mortgage loan file.** Manufactured Housing on this program is subject to the following restrictions: • Primary and Second home only, no investment property • Multi-width property only – no single wide • No High Balance loans • Fixed Rate only, no ARMs • No Manufactured Homes in Condo or Co-op Projects • MFH may not have been re-sited • No MFH on leased land • Built after June 15, 1976 as evidenced by HUD labels • Permanently affixed to foundation
Mortgage Insurance	Per *SEL-2014-08*, loans that require primary mortgage insurance and have a loan application date on or after October 1, 2014, must be insured under one of the Fannie Mae-approved Mortgage Insurance Forms. The following supersedes all other guidelines for > 80% LTV with MI availability • All loans must be submitted to DU and receive Approval/Eligible

	• Any higher reserve requirement by mortgage insurers will prevail
	
	LSM's approved MI companies are as follows.
	• Essent Guaranty, Inc.
	• Genworth
	• MGIC
	• National MI
	• Radian
	• United Guaranty (UG)
	
	Eligible MI certificate are as follows:
	• Borrower Paid Mortgage Insurance (BPMI) paid monthly and must be ordered as non-refundable, constant renewal, deferred payment (initial premium is paid with the first monthly loan payment)
	• Lender Paid Single Premium MI
	    • Premiums for all lender-paid MI plans must be shown on the HUD as being paid to the MI company by Lender
	
	Include calculation and rate factor used to determine MI premium disclosed to the borrower on the initial loan application. Including the MI rate card with the factor identified to ensure the appropriate MI partner is chosen.
	
	Ineligible MI
	• Financed MI
	• Single Premium paid by borrower or seller of the property
	• Split Premium – upfront portion paid by borrower or seller of the property
	• Prepaid Mortgage Insurance
	• Lender Paid Monthly
	• Lender Paid Annual
	• Borrower Paid Annual
	• Lender paid pool coverage (referred to as GSE pool insurance)
	• Investor – paid pool coverage
	• Loans covered by recourse and/or indemnification agreements
	• Secondary market coverage agreements
	
	Coverage requirements for ALL Manufactured Homes regardless of term (B7-1-02) :
	Coverage – **LTV**
	12% – 80.01% - 85%
	25% – 85.01% - 90%
	30% – 90.01% - 95%
	
	Reduced MI coverage amounts provided by agency and AUS decisions are ineligible.
	
	NOTE: Certain states have a tax surcharge assessed for Mortgage Insurance. The states requiring the inclusion of a surcharge are as follows.
	    • Florida
	    • Kentucky
	    • West Virginia
	Ensure the MI premium also includes the additional surcharge. **Some MI companies include the additional charge in the MI premium and others do not. Ensure you have identified which is the premium amount and which is the tax amount and for the MI monthly premium to be escrowed, ensure the total of the two is used for the monthly payment.**

Occupancy	Primary Residence Second Home NOTE: Investment properties are ineligible
Prepayment Penalty	None
Program Restrictions	Property Assessed Clean Energy (PACE) – Mortgages secured by properties with an outstanding Property Assessed Clean Energy (PACE) or PACE-like obligation (e.g., Home Energy Renovation Opportunity (HERO) loan) are **ineligible**.

Property Types	Eligible
	• 1 unit Manufactured House with minimum requirements as follows.
	    • Multiple-width manufactured homes
	    • Minimum 12 feet wide and 600 square feet of gross living area

	Ineligible • Single-width manufactured homes • Homes located on leasehold estates • Manufactured homes located in mobile home parks • Investment properties • Manufactured homes located in a condo or co-op project • Properties encumbered with private transfer fee covenants (per Regulation 12 C.F.R. Part 1228) • Properties with greater than 25 acres
Qualifying Rate & Ratios	*Fixed Rate Qualifying Rate* • Fixed Rate - Qualify at note rate. See *Eligibility Matrix Loan Amount & LTV Limitations* for minimum credit score Ratios • DU Approve Eligible loans – Ratios evaluated by DU
References	FNMA Selling Guide References: B2-3-02 *Special Property Eligibility and Underwriting Consideration: Factory Built Housing*; B4-1.4-01 *Factory-Built Housing: Manufactured Housing* B5-2 *Manufactured Housing* IBTS: http://www.ibts.org/services/services-in-the-public-good/cert-label-verification.html HUD IPIA offices: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/mhs/mhsid
Secondary Financing	Allowed per FNMA guidelines Down Payment Assistance must be pre-approved by LSM Mortgage. Minimum 640 score required. **NOTE: Community Seconds are allowed to maximum manufactured home CLTV only**
Special Feature Codes	Refer to the DU Findings to identify the applicable Special Feature code number. Special Feature Code 235 is used for loans secured by manufactured homes.
Special Legal / Closing Provisions	• The mortgage loan must be secured by both the manufactured home and the land on which it is situated, and both the manufactured home and the land must be legally classified as real property under applicable state law. • The purchase, conveyance, and financing (or refinancing) of the land and the manufactured home must be evidenced and secured by a single valid and enforceable note and first lien mortgage, deed of trust or security deed that is recorded in the land records, in states where applicable state law clearly provides for such a single lien. • Loans in which there is a chattel lien on the home plus a real property lien on the land are unacceptable. • Evidence of surrender of certificate of title or that no certificate was issued. • Confirm property is legally classified as real property, on a permanent foundation, and owner owns both land and MFH • ALTA Endorsement 7, 7.1, or 7.2 or any other endorsement required for manufacture homes to be treated as real property • Deed of Trust (or other security instrument) must include a comprehensive description of the manufactured home and the land in the property description section or on a separate attached rider. The description must include the serial or VIN number for each unit/section; make, model, size, and any other information required by applicable law to definitively identify the manufactured home. • Affidavit of Affixture – Borrower and Lender must sign and notarize an affidavit acknowledging their mutual intent that the manufactured home be a permanent part of the real property securing the mortgage. Affidavit must be recorded simultaneously with security instrument and must be retained in the loan file. • Closing Protection Letter – Lenders must obtain an insured closing protection letter for each mortgage loan that is secured by a manufactured home, if available. If an insured closing protection letter is not available, then the lender must include a note in the file documenting its unavailability. • If state law requires a Uniform Commercial Code (UCC) filing in order to perfect a security interest in a manufactured home, the lender must make such filing in any and all appropriate locations. • Limited Power of Attorney pertaining to title issues and foreclosure must be signed with closing documents
Student Loan Cash-out Refinance	(B2-1.2-03) (SEL 2017-04) This feature allows the borrower to pay off student loan debt using existing home equity. The loan level price adjustment that applies to cash-out refinance transactions is waived when all requirements are met. This feature combines elements of both a cash-out refinance and a rate/term refinance.

Student Loan Cash-out Refinance Features		
Student Loans	• At least one student loan must be paid off. Loan	New Policy

Eligible for Payoff	proceeds must be paid directly to the student loan servicer at closing. • Only student loans for which the borrower is personally obligated can be paid through the transaction. • Student loan debt must be paid in full with the proceeds—partial payments of student loan debt are not permitted.	
Eligibility	Standard cash-out refinance LTV, CLTV, and HCLTV ratios apply	Aligns with c/o refi
Underwriting Method	DU only	New policy
Maximum Cash Back	Lesser of 2% or $2k (over and above the student loan payoff)	Aligns with r/t refi
Mortgage Payoff	1st mortgage and purchase money seconds	Aligns with r/t refi
Other Requirements	• Property cannot be listed for sale at time of disbursement • Payoff of taxes ineligible unless escrow account is established • Payoff of delinquent taxes ineligible	Aligns with r/t refi

Lenders must deliver Special Feature Code (SFC) 841, *Student Loan Cash-Out Refinance*.

Temporary Buydown

Ineligible

Underwriting

Mortgages secured by manufacture homes must be underwritten through DU (DU Approve/Eligible only, no exceptions). **Manual underwriting is not allowed**.

Property must be correctly identified in DU as manufactured housing, not SFR.

See *Manufactured Home Property Requirements* for review of MFH property guidelines.

Payoff or Paydown of Debt for Qualification (*B3-6-07 and SEL-2015-06)*

Payoff or paydown of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis. The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification. Generally

- Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt.
- If a revolving account balance is to be paid off at or prior to closing, a monthly payment on the current outstanding balance does not need to be included in the borrower's long-term debt, i.e., not included in the debt-to-income (DTI) ratio. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.

DU currently issues a message that revolving debts must be included in the total expense payment if the account is not being closed. Lenders may disregard this message until it is removed in a DU release later in 2015.

Property Flips are not allowed. Seller must have owned property a minimum of 90 days from title to contract date.

Inspection Documents

Underwriter may request a copy of any inspection where repairs or remediation (monetary or other) are specified in a purchase contract, regardless of whether repairs have been completed.