

# Product Guidelines

## CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



PURCHASE & RATE/TERM REFINANCE - FIXED RATE									
Occupancy		Max Loan Amount	Maximum LTV	Maximum CLTV	Min FICO	Max Ratios	Minimum Cash Investments	Mortgage/Rental History	Reserves
Primary	1 Unit	\$726,200	95%*	95%*	620	AUS Approved Eligible / Accept Eligible - Up to 50% Maximum DTI	Primary <80% LTV= None Primary >80% LTV = None Primary 2-4 Unit = 5%	Evaluated by AUS	Refer to minimum reserves section of the Conventional Guidelines for requirements
	2 Units	\$929,850	85%	85%	620				
	3 Units	\$1,123,900	75%***	75%***	620				
	4 Units	\$1,396,800	75%***	75%***	620				
2nd Homes	1 Unit	\$726,200	90%*	90%*	620	AUS Approved Eligible / Accept Eligible - Up to 50% Maximum DTI	Second <80% LTV = None Second >80% LTV = 5%	Evaluated by AUS	Refer to minimum reserves section of the Conventional Guidelines for requirements
Non-Owner	1 Unit	\$726,200	Purchase 85%*	Purchase 85%*	620*	AUS Approved Eligible / Accept Eligible - Up to 50% Maximum DTI	Entire down payment from borrower own funds**	Evaluated by AUS	Refer to minimum reserves section of the Conventional Guidelines for requirements
		\$726,200	Rate & Term 75%****	Rate & Term 75%****	620				
Non-Owner	2 Units	\$929,850	75%	75%	620				
Non-Owner	3 Units	\$1,123,900	75%	75%	620				
Non-Owner	4 Units	\$1,396,800	75%	75%	620				

\*Must follow MI Guidelines for particular state

\*\*Does not apply to Rate/Term Refinance

\*\*\*Run LPA for 80% LTV / \*\*\*\*Run LPA for 85% LTV

# Product Guidelines

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PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



CASH-OUT REFINANCE- FIXED RATE									
Occupancy		Max Loan Amount	Maximum LTV	Maximum CLTV	Min FICO	Max Ratios	Minimum Cash Investments	Mortgage/Rental History	Reserves
Primary	1 Unit	\$726,200	80%	80%	620	AUS Approved Eligible / Accept Eligible - Up to 50% Maximum DTI	NA	Evaluated by AUS	Refer to minimum reserves section of the Conventional Guidelines for requirements
Primary	2 Units	\$929,850	75%	75%	620				
Primary	3 Units	\$1,123,900	75%	75%	620				
Primary	4 Units	\$1,396,800	75%	75%	620				
2nd Homes	1 Unit	\$726,200	75%	75%	620	AUS Approved Eligible / Accept Eligible - Up to 50% Maximum DTI	NA	Evaluated by AUS	Refer to minimum reserves section of the Conventional Guidelines for requirements
Non-Owner	1 Unit	\$726,200	75%	75%	620	AUS Approved Eligible / Accept Eligible - Up to 50% Maximum DTI	NA	Evaluated by AUS	Refer to minimum reserve section of the Conventional Guidelines for requirements
Non-Owner	2 Units	\$929,850	70%	70%	620				
Non-Owner	3 Units	\$1,123,900	70%	70%	620				
Non-Owner	4 Units	\$1,396,800	70%	70%	620				

MANUFACTURED HOMES			
Occupancy	Loan Purpose	Max LTV/CLTV/HCLTV	
Primary	1 Unit	Purchase & Rate/Term Refinance	
Primary	1 Unit Max Term ≤ 20 Years	Cash-Out Refinance	
2 <sup>nd</sup> Homes	1 Unit	Purchase & Rate/Term Refinance	
Non-Owner	Not Permitted		

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Version 4.4 – 01/01/23



### CONVENTIONAL Underwriting Guidelines Requirements (Loan MUST be submitted through AUS)

#### COLLATERAL

Appraisal	Transferred appraisals are permitted with proof the appraisals comply with Appraisal Independence Requirements (AIR). Re-use of an appraisal report is not permitted. HPML loans may require second appraisal. If the appraisal report is marked "subject-to" a final inspection 1004D will always be required, processor certifications will not be accepted in lieu of.
Second Appraisals	When a new appraisal is obtained, CMS must document the deficiencies that are the basis for ordering the new appraisal and select the most reliable appraisal. CMS must either document the resolution of the noted deficiencies in the original appraisal or detail the reasons for relying on a second opinion of market value.
Appraisal Updates	Permitted. Follow guidelines and acceptable extension dates. The appraisal may be no older than 240 days at closing with an appraisal update.
Appraisal Acknowledgment	Borrowers must acknowledge that they received all appraisal reports three (3) days prior to close.
Appraisal Waiver	Permitted. Follow FNMA Appraisal Waiver requirements. Not eligible for manufactured homes, 2-4 unit properties, TX Home Equity 50(a)(6) or 50(a)(6) Conversion, values of \$1M or greater, leaseholds, properties with resale restrictions, when satisfying construction financing, using rental income from the subject property to qualify, gifts of equity, or an appraisal has been obtained within 120 days of the note date.
Condo	<p>All condos must be warranted and must have completed warranty forms. Acceptable condo project approvals are PERS approval, Lender Full Review completed by Interisland, and Limited Review (DU).</p> <p><b><u>Not Eligible:</u></b></p> <p>Condotels, including projects that allow short-term rentals, vacation rentals, timeshares, or segmented ownership. Condo projects that have resort-type amenities such as restaurants, room service, maid service, central telephone or key systems, or share facilities with a hotel, Condo projects restricting owner's ability to occupy, Condo projects that do not contain full-sized kitchen appliances, Nonresidential use exceeding 25%, Pending litigation, Cooperative projects, Project with multi-dwelling units: A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit, Project with excessive commercial or non-residential space, Tenancy-in Common apartment project</p> <p><b><u>Limited Review:</u></b></p> <p>Primary Residence = LTV 90% or below                  Second Home = LTV 75% or below                  Investment Property = LTV 75% or below</p> <p><b><u>Full Review:</u></b></p> <p>All established projects not eligible for Limited Review. All manufactured housing projects require a Fannie Mae PERS Review or a Full Review. All new projects (see exceptions requiring PERS approval below).</p> <p><b><u>PERS Review</u></b></p> <p>The standard PERS submission MUST be used for the following project types: New or newly converted condo projects consisting of attached units in Florida, newly converted non-gut rehabilitation projects consisting of more than four attached units, and new condo projects consisting of manufactured homes.</p>

# Product Guidelines

## CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



### COLLATERAL, continued

<p>Condo, continued</p>	<p><b><u>Florida Specific</u></b>  <b><u>Limited Review:</u></b>                      Primary Residence = LTV 75% or below                      Second Home = LTV 70% or below Must be an established project and FNMA warrantable, Must be arm's length transaction; no at-interest characteristics, Borrower does not live in immediate area or own property in immediate area (includes partial interest).                      Investment Property = LTV 70% or below  <b><u>Full Review:</u></b>                      Primary Residence = LTV 75.01% and above                      Second Home = LTV 70.01% and above                      Investment Property = LTV 70.01% and above                      Florida new construction, projects constructed within the previous 3 years and projects converted within the previous 3 years are not eligible regardless of LTV and review type.</p>
<p>Property Condition</p>	<p>Minor conditions and deferred maintenance are typically due to normal wear and tear from the aging process and the occupancy of the property. While such conditions generally do not rise to the level of a required repair, they must be reported. Examples of minor conditions and deferred maintenance include worn floor finishes or carpet, minor plumbing leaks, holes in window screens, or cracked window glass. Condition Ratings C1, C2, C3, C4, and C5 are eligible for delivery in "as is" condition. Properties with a Condition Rating of C6 are eligible for sale to Fannie Mae provided any deficiencies that impact the safety, soundness, or structural integrity of the property are repaired prior to delivery of the loan.</p>
<p>Ineligible Properties</p>	<p>Co-ops, On-frame modular construction, Single wide manufactured homes, Boarding houses, Bed and Breakfast properties, properties that are not suitable for year-round occupancy regardless of location, Agricultural properties, such as farms or ranches, properties that are not readily accessible by roads that meet local standards, vacant land or land development properties, properties serviced by hauled water, properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations, State-approved medical marijuana producing properties, properties with more than one dwelling unit where one or more of the units (includes accessory dwelling units) is a manufactured home, properties with water sourced by a river, properties located on Tribal Lands which include section 184, Hawaiian properties in Lava Zones 1 and 2, properties located in the Department of Hawaiian Home Lands Leasehold (DHHL). See complete ineligible property list in CMS Conventional FNMA guidelines.</p>
<p>Resale/Deed Restrictions</p>	<p>Fannie Mae will purchase mortgages that are subject to one or more of the following types of resale restrictions (although some restrictions are likely to occur only in combination with others): income limits, age-related requirements (senior communities must comply with applicable laws), purchasers must be employed by the subsidy provider, principal residence requirements, properties that are group homes or that are principally used to serve disabled residents, and resale price limits.                      CMS accepts age-restricted properties. Manufactured homes with age restrictions are not eligible unless they are located in a PERS-approved project. Refer to the guidelines for eligible transaction types, products, occupancy, and properties.</p>
<p>Maximum Number of Financed Properties</p>	<p>For second home and investment property transactions - FNMA is the Agency that allows for up to 10 properties (financed means the # of properties not the number of loans on it), FNMA requires a 720 FICO for this feature. DU cannot count the number of properties so the lender must apply the 720 FICO restriction manually to the file.</p>
<p>Private Transfer Fee</p>	<p>Not permitted.</p>

## Product Guidelines

### CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



#### COLLATERAL, continued

Subordinate Financing	New, Modified, and existing subordinate liens are permitted within the max CLTV tolerances noted in the Conventional matrix. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is also required. Seller Carry Back: If financing provided by the property seller is more than 2% below current standard rates for second mortgages, the subordinate financing must be considered a sales concession and the subordinate financing amount must be deducted from the sales price. (Run LPA if seller carry back rate is more than 2% below current standard rates for second mortgages)
Rent Loss Insurance	Not required

#### TYPES OF FINANCING

Rate & Term/ Limited Cash Out Refi	Limited cash-out refinance transactions must meet the following requirements: Final Closing Disclosures are required from any transaction within past 6 months. The current transaction is being used to pay off an existing first mortgage loan (including an existing HELOC in first-lien position) by obtaining a new first mortgage loan secured by the same property. Only subordinate liens used to purchase the property may be paid off and included in the new mortgage. Receiving cash back in an amount that is not more than the lesser of 2% of the new refinance loan amount or \$2,000. A short-term refinance mortgage loan that combines a first mortgage and a non-purchase-money subordinate mortgage into a new first mortgage or any refinance of that loan within six months is not eligible.
Listed for sale or purchase < 6 months	Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan.
Cash-Out Refinance	No continuity of obligation. The property must have been purchased (or acquired) by the borrower at least six (6) months prior to the disbursement date of the new mortgage loan. For a manufactured home, the borrower must have owned both the manufactured home and land for at least 12 months preceding the date of the loan application. There is no waiting period if CMS documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership). If the property was purchased within the prior six months, the borrower is ineligible for a cash-out transaction unless the loan meets the delayed financing exception. Follow AUS findings for Non-Owner Occupant(s).  Cash out refinance transactions for borrowers with a DTI ratio exceeding 45% must have at least six months of reserves. If there are not at least six months of reserves, the loan will receive an Ineligible recommendation.
Down Payment Assistance	Down Payment Assistance is permitted. Requests to review Down Payment Assistance Programs for use with CMS agency first mortgage programs may be submitted to <a href="mailto:DPAPrograms@Carringtonms.com">DPAPrograms@Carringtonms.com</a> .  All requests must include a completed <a href="#">Down Payment Assistance New Program Request Submission Form</a> along with the required exhibits.
Delayed Financing	Permitted on cash-out transactions for borrowers who purchased the subject property within the previous six months. Refer to the CMS Conventional FNMA guidelines for additional requirements.
Non-Arm's Length / Identity of Interest	Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property.  Fannie Mae allows non-arm's length transactions for the purchase of existing properties unless specifically forbidden for the particular scenario, such as delayed financing.  Fannie Mae will not purchase mortgage loans on newly constructed homes secured by a second home or investment property if the borrower has a relationship or business affiliation with the builder, developer, or seller of the property.

## Product Guidelines

### CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



#### TYPES OF FINANCING, continued

At Interest Transactions	Transactions where: Builder is acting as Realtor/Broker – permitted on primary residence only. Realtor/Broker is selling their own property – permitted on primary residence only. Loan originator is acting in another real-estate related role - not permitted. Loan Originator cannot have another real estate related position on any loan, regardless of the loan program.
Texas	<p>Cash out permitted on Non-Owner Occupied Properties only. Subject Property cannot be a Homestead. Borrower cannot transfer their homestead interest if they do not own another property as their principal residence.</p> <p>No Cash out permitted on Owner Occupied and Homestead Properties. If existing 1st &amp; 2nd to be paid are Texas Section 50(a) (6), all subsequent financing is considered cash out and is not eligible. This rule applies whether or not the borrower is getting cash back. If the 1st mortgage is not (never was) a Texas Section 50 (a)(6) loan and the 2nd mortgage is a Texas Section 50(a)(6), the 2nd lien must subordinate. Borrower cannot receive any cash back from 1st mortgage refinance - not even \$1. Transactions with subordinate financing subject to Section 50(a)(6) provisions are limited to max LTV/TLTV/CLTV of lesser of 80% or max program allowed.</p>
Texas Conversion (Refinance) Transactions	<p>To convert (refinance) a Texas 50(a)(6) loan to a Rate/Term loan the following are required:</p> <ul style="list-style-type: none"> <li>Existing Texas 50(a)(6) loan must be seasoned for at least 12 months at time of closing</li> <li>Borrower(s) must be provided a copy of Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan Under Section 50(f)(2) disclosure</li> <li>Borrower(s) must receive disclosure within 3 business days of application and 12 calendar days prior to consummation</li> <li>Maximum 80% LTV/CLTV</li> <li>No cash out permitted</li> </ul>
All Refinances	Must have Net Tangible Benefit to Borrower.
Property Flip	<p>Property flips less than 90 days are permitted. Underwriter must review for valid transaction, acceptable transfer/chain of title, and inflation of value or sales price is properly supported. Lenders must confirm and document in the mortgage file that the property seller in a purchase money transaction or the borrower in a refinance transaction is the owner of the subject property when an appraisal is required. Examples of acceptable documentation include, but are not limited to:</p> <ul style="list-style-type: none"> <li>the appraiser's analysis and conclusions in the appraisal report,</li> <li>a copy of a recorded deed, mortgage, or deed of trust,</li> <li>a recent property tax bill or tax assessment notice,</li> <li>a title report,</li> <li>a title commitment or binder, or</li> <li>a property sale history report.</li> </ul> <p>This documentation is especially important for transactions involving an assignment (or sale) of a contract for sale and back-to-back, simultaneous, double transaction closings, or double escrows to support the property acquisition, financing, and closing.</p>

# Product Guidelines

## CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



### CREDIT

Manual Underwrite	Not permitted. Must receive DU Approve/Eligible.
Disputed Tradelines	DU will issue the disputed tradeline message. If it is determined that the disputed tradeline information is accurate and complete, the lender must ensure the disputed tradelines are considered in the credit risk assessment by either obtaining a new credit report with the tradeline no longer reported as disputed and resubmitting the loan casefile to DU. If DU does not issue the disputed tradeline message, the lender is not required to: further investigate the disputed tradeline on the credit report, obtain an updated credit report (with the undisputed tradeline).
Bankruptcy	Chapter 13: Must be discharged > 2 years prior to application. BK discharge must be > 2 years seasoned. BK dismissal must be > 4 years seasoned. Chapter 7: Must be discharged > 4 years prior to application. BK discharge must be > 4 years seasoned. BK dismissal must be > 4 years seasoned. Multiple Bankruptcy filings within past 7 years must be discharged/dismissed > 5 years. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u> Multiple BK filings - 5 years if more than one filing within the past 7 years ***Chapter 11 > 4 years prior to application***
Bankruptcy (with extenuating circumstances)	BK7 or BK 11: A two-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the discharge or dismissal date of the bankruptcy action. BK13: A two-year waiting period is permitted after a Chapter 13 dismissal, if extenuating circumstances can be documented. There are no exceptions permitted to the two-year waiting period after a Chapter 13 discharge. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u> Multiple BK filings – three (3) years from the most recent discharge or dismissal date.
Short Sale / Pre-Foreclosure / Deed in Lieu of Foreclosure	A four-year waiting period is required from the completion date of the deed-in-lieu of foreclosure, pre-foreclosure sale, or charge-off as reported on the credit report or other documents provided by the borrower. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u>
Short Sale / Pre-Foreclosure / Deed in Lieu of Foreclosure (with extenuating circumstances)	A two-year waiting period is permitted if extenuating circumstances can be documented. Note: Deeds-in-lieu and pre-foreclosure sales may not be accurately or consistently reported in the same manner by all creditors or credit reporting agencies. See Identification of Significant Derogatory Credit Events in the Credit Report above for additional information. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u>
Collections/Charge Offs	Refer to AUS stipulations
Judgments/Liens	Outstanding judgments and liens must be paid at or prior to loan closing. All state and IRS tax liens on the subject property and other properties are required to be paid whether or not they currently affect title. Documentation of the satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations must be obtained.
Federal Income Tax Installment Agreements	The monthly payment amount may be included as part of the borrower’s monthly debt obligations (in lieu of requiring payment in full) if no Federal Tax Lien has been filed against the borrower. Refer to CMS Conventional FNMA guidelines for additional requirements.
Foreclosure	A seven-year waiting period is required, and is measured from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u>



## Product Guidelines

### CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



#### CREDIT, continued

Foreclosure (with extenuating circumstances)	<p>A three-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the completion date of the foreclosure action. Additional requirements apply between three and seven years, which include: Maximum LTV, CLTV, or HCLTV ratios of the lesser of 90% or the maximum LTV, CLTV, or HCLTV ratios for the transaction per the Eligibility Matrix.</p> <p>The purchase of a principal residence is permitted. Limited cash-out refinances are permitted for all occupancy types pursuant to the eligibility requirements in effect at that time.</p> <p>Note: The purchase of second homes or investment properties and cash-out refinances (any occupancy type) are not permitted until a seven-year waiting period has elapsed. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u></p>
Inaccurately Reported Foreclosure	Enter in DU: "Confirmed CR FC Incorrect" when the foreclosure on the credit report is reporting inaccurately
Minimum FICO	CMS requires a minimum of one (1) reported credit score for each borrower with a tri-merge credit report. Refer to the Mortgage Insurance section for additional requirements.
Debts/Minimum Payment	If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the lender must use 5% of the outstanding balance as the borrower's recurring monthly debt obligation. For DU loan casefiles, if a revolving debt is provided on the loan application without a monthly payment amount, DU will use the greater of \$10 or 5% of the outstanding balance as the monthly payment when calculating the total debt-to-income ratio.
Minimum Payment Student Loans	<p>For all student loans, if a monthly student loan payment amount is provided on the credit report, use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.</p> <p>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, Determine the qualifying monthly payment using one of the options below.</p> <ul style="list-style-type: none"> <li>• If the borrower is on an income-driven payment plan, obtain student loan documentation to verify the actual monthly payment is \$0 and then qualify the borrower with a \$0 payment.</li> <li>• For deferred loans or loans in forbearance, calculate a payment equal to 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.</li> </ul>
30-day Charge Accounts	Open 30-day charge accounts require the balance to be paid in full every month. Fannie Mae does not require open 30-day charge accounts to be included in the debt-to-income ratio.
Mortgage History	Mortgage History evaluated by AUS.



## Product Guidelines

### CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



#### CREDIT, continued

Long Term Debts	<p>Revolving charge accounts and unsecured lines of credit are open-ended and should be treated as long-term debts and must be considered part of the borrower's recurring monthly debt obligations. The monthly payment on every revolving and open-end account with a balance must be included in ratio calculation.</p> <p>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</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> <p>FNMA will allow an IRS repayment plan that is documented and accepted. Plan cannot be in delinquent status and there is no minimum to the number of payments made.</p>
Court Ordered Debt	<p>If the obligation to make payments on a debt has been assigned to another person by court order, such as a divorce decree, and transfer of ownership of any related property has taken place, the payment may be excluded from long-term debt. The following documents are required: copy of the court order; and for mortgage debt, a copy of the recorded documents transferring ownership of the property (e.g.: Quit Claim Deed). If a transfer of ownership has not taken place, late payments associated with the loan repayment of the debt owing on the property should be taken into account when reviewing the Borrower's credit profile.</p>
Non-Occupant Co-borrowers and Blended Ratios	<p>For DU loan casefiles, if the income of a guarantor, co-signer, or co-borrower is used for qualifying purposes, and that guarantor, co-signer, or co-borrower will not occupy the subject property, the maximum LTV, CLTV, and HCLTV ratio may not exceed 95%. The DTI ratio is calculated using the income and liabilities of all borrowers; there is no separate DTI ratio requirement for the occupant borrower.</p>
Business Debt	<p>If the Borrower is personally liable for a business debt, whether the debt is reflected on the Borrower's personal credit report or not, the Borrower is personally liable and the debt must be included in the debt-to-income ratios. If the Borrower can provide twelve (12) months' proof of payment/canceled checks drawn against a business account, this debt need not be included in the debt-to-income ratio.</p>
Debts Paid by Others	<p>Debts Paid by Others – must have evidence of 12 months of payments by another party, additionally:</p> <ul style="list-style-type: none"> <li>• Non-mortgage debts – the other party does not have to be obligated on the loan and cannot be a party to the subject transaction, e.g. Seller, realtor.</li> <li>• Mortgage debts – the other party must be obligated on the note, the loan must be paid as agreed for previous 12 months, rental income from the excluded property cannot be used to qualify, and the financed property must be included in the financed property count.</li> </ul>

## Product Guidelines

### CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



#### INCOME/ASSETS

Unacceptable Types of Income	Income based on trailing spouse income; Draw income; VA education benefits; Illegal income; Taxable income not listed on tax returns, any income that cannot be documented and/or verified; Passive income from partnerships and S corporations; Income that is not stable; and Grants.
Future Income	Permitted - borrower must provide a contract or employment offer prior to documents and a 30 day pay stub prior to funding.
Non-Taxable Income	Must verify and document source of income is non-taxable. Documentation includes award letters, policy agreements, account statements or any other documents that address the non-taxable status of the income. All disclosed, non-taxable income must be grossed-up even if not being used for qualification.
Rental Income from Other Real Estate Owned	Most recent signed federal income tax return required. Can use 12-month average from Schedule E for calculation. The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the DTI ratio.
Tax Return Transcripts/W2 transcripts	When federal income tax information is used to document income for qualifying purposes, the lender may obtain transcripts of the applicable federal income tax documents directly from the IRS (or designee) by using IRS Form 4506-C. For example, the lender may obtain Tax Return Transcripts for Form 1040, 1040A or 1040EZ or Wage and Income Transcripts for W2s, 1098s, and 1099s. However, in certain instances, copies of the actual returns, schedules, or forms are needed because the tax return transcripts will not provide the detail required to qualify the borrower. For example, the lender must obtain copies of Schedules B through F, Schedule K-1, Form 2106, or business returns.
Income from Departure Residence	<p>When the borrower owns mortgaged real estate, the status of the property determines how the existing property's PITIA must be considered in qualifying for the new mortgage transaction.</p> <p>If the mortgaged property owned by the borrower is a current principal residence converting to investment use, the borrower must be qualified in accordance with, but not limited to the following:</p> <ul style="list-style-type: none"> <li>• Lease Agreements. When current lease agreements are used, the lender must calculate the rental income by multiplying the gross rent(s) by 75%. The remaining 25% of the gross rent will be absorbed by vacancy losses and ongoing maintenance expenses.</li> <li>• 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.</li> <li>• If the mortgage loan being delivered to Fannie Mae is secured by the borrower's principal residence, there are no limitations on the number of other properties that the borrower will have financed.</li> <li>• If the mortgage is secured by a second home or an investment property, the multiple financed properties policy applies.</li> </ul>
Gift Equity	A gift or a gift of equity from a related person that does not have to be repaid is an eligible source of borrower funds for a primary residence or second home, but is not eligible source of borrower funds for an investment property. For 2-4 unit primary AND second home transactions, if a gift from a related person is used for a mortgage with a LTV greater than 80%, the gift is permitted source of borrower funds only if the borrower has made a down payment of at least 5% from borrower personal funds.

## Product Guidelines

### CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



<b>INCOME/ASSETS, continued</b>	
Minimum Down Payment	Primary <80% LTV= None Primary >80% LTV = None Primary 2-4 Unit = 5% Second <80% LTV = None Second >80% LTV = 5% Investment = entire down payment
Gifts	Follow FNMA Guidance: 1-Unit Primary Residences (including High Balance): no minimum borrower contribution is required, 2-4 Units, 2nd Homes: LTV's >80% require the borrower have a minimum 5% of their own funds in the transaction, Gifts are not permitted on Investment Properties. Gifts are not permitted on Non-Owner Properties. A gift can be provided by a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner. The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction. If DU requires reserves, it can be gifted after the minimum borrower contribution is met.
Verification of Deposits	Not permitted as standalone documentation – must be accompanied by computer printout or other statements directly from the banking institution.
Large Deposits	Purchase Money Transactions Only: Deposits >50% of the borrower's qualifying monthly income are considered large deposits and must be sourced.
Business Assets	Business Assets are allowed for down payment; however, the borrower must be the 100% owner of the Business. The effect on borrower's business must be established by the underwriter.
Custodial Accounts for Minors	These accounts are not an allowable asset for down payment, closing costs or reserves. Accounts that are in a minors name where the borrower is only the custodian of the funds are not eligible to be used for a transaction in closing costs, reserves or down payment.
<b>GENERAL</b>	
Debt Ratios	Per AUS findings, must receive Approve/Eligible.
Age of Documents	Must be <120 days old at time of closing. Appraisal must be <120 days old.
Loan Terms Available	10, 15, 20, & 30 Year Fixed
Alaska/Hawaii Loan Amounts	Alaska and Hawaii loans follow conventional conforming loan amounts.
Borrower Eligibility	Permanent and Non-Permanent Resident Aliens allowed with supporting documentation. Foreign Nationals or borrowers with Diplomatic Immunity are not permitted. Loans with title or interest held in various forms/legal entities such as Life Estates, Non-Revocable Trusts, Guardianships, LLC's, Corporations or Partnerships are not eligible.

# Product Guidelines

## CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



### GENERAL, continued

Escrows / Escrow Holdbacks	Escrows: Tax and Insurance escrows are required on all loans greater than 80.00% loan to value (subject to state law); escrow waivers are allowed subject to a demonstrated ability by the borrower to manage lump sum tax and insurance payments. Effective on loans closed on or after January 1, 2016 that require flood insurance: the premiums related to the flood insurance must be escrowed - escrows for these premiums may not 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 Waiver Eligibility	Property tax and/or insurance escrows may be waived with the following criteria:		
	<b>Primary Residence</b> All states excluding CA and NM: less than or equal to (<=) 80% LTV California: less than or equal to (<=) 90% LTV New Mexico: less than (<) 80% LTV	<b>Second Home</b> All states excluding CA: less than or equal to (<=) 80% LTV California: less than or equal to (<=) 90% LTV	<b>Investment Property</b> All states excluding CA: less than or equal to (<=) 80% LTV California: less than or equal to (<=) 90% LTV
Ineligible Programs	Refi Plus, Homestyle/Homepath Renovations, HomeStyle Energy, Temp Buydown, Adjustable Rate and Interest Only Loan Programs.		
Short Payoffs	Ineligible. FNMA will NOT accept a refinance transaction where the loan CMS is paying off was a Short Payoff.		
Mortgage Insurance	Mortgage Insurance from an approved provider is required on all loans over 80.00% loan to value. Regardless of AUS findings standard MI coverage is required. Mortgage insurance premiums may be paid monthly, annually, as a single premium or a combination of these. Monthly MI premiums may be refundable or non-refundable. Two FICO scores required per MI provider guidelines. MI provider Credit Score guidelines prevail when MI coverage is required. CMS requires full files to be sent to one of our approved Mortgage Insurance providers to obtain the mortgage insurance certificate.		
Lender Paid Mortgage Insurance (LPMI)	CMS allows lender-purchased mortgage insurance (LPMI) coverage. <ul style="list-style-type: none"> <li>• MI certificate must be obtained prior to clear to close.</li> <li>• Full credit file needs to be submitted to MI Company.</li> <li>• Lender Paid Disclosure Form must be provided to the borrower.</li> <li>• CMS must deliver the loan with Special Feature Code (SFC) 019.</li> <li>• Lump-sum (single) premium plan that provides coverage for the life-of-the loan is required</li> <li>• Mortgage insurance coverage must remain in effect until the mortgage is paid in full</li> <li>• Program Codes: C30FLPMI, H30FLPMI</li> </ul>		

# Product Guidelines

## CONVENTIONAL CONFORMING FIXED PROGRAM

PROGRAM CODES: C30F, C20F, C15F, C10F

Version 4.4 – 01/01/23



### GENERAL, continued

Mortgage Insurance Coverage Requirements

The table below provides the mortgage insurance coverage requirements for first-lien mortgages.  
CMS requires standard coverage for the transaction type.

LTV Range				
Transaction Type	80.01 – 85.00%	85.01-90.00%	90.01-95.00%	95.01-97.00%
<b>All property types other the standard manufactured homes</b>				
<b>Fixed-rate, term ≤ 20 years</b>	6%	12%	25%	35%
<b>Fixed-rate, term &gt; 20 years</b>	12%	25%	30%	35%
<b>Standard manufactured homes</b>				
<b>Fixed-rate, any term</b>	12%	25%	30%	Not Applicable

### RUN LPA

Primary Purchase/Rate & Term Refinance

3 & 4 Units at 80% LTV

Non-Owner Rate & Term Refinance

1 Unit at 85% LTV

Seller Carry Back Financing

If the seller carry back rate is more than 2% below current standard rates for second mortgages.

Student Loans

For deferred loans or loans in forbearance, calculate a payment equal to 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.