



Fannie Mae HomeReady Product Profile

Overlays to Fannie Mae are Underlined.

Maximum LTV/TLTV and Credit Requirements		
Agency: Fannie Mae – DU Approval		
Owner-Occupied Only, Purchase, and Refinance Fixed Rate only		
Property Type	LTV, CLTV, HCLTV**	Min Credit Score
1 Unit	97*	580 with DU Approve
2 Unit	95	580 with DU Approve
3-4 Unit	95	580 with DU Approve
<i>*See Loan Purpose for requirements for loans with LTV/CLTV/HCLTVs>95%</i>		
<i>**Maximum CLTV is 105% with Community Second secondary financing</i>		
Loan Amount:	Minimum Loan amount of \$50,000	
	Maximum Loan Amount found at: www.fanniemae.com/singfamily/loan-limits	
Ability to Repay and Qualified Mortgage Rule		
<ul style="list-style-type: none">For loans subject to the ATR/GM rule, Windsor Mortgage Solutions will only purchase loans that comply with ATR/QM requirements.<ul style="list-style-type: none">Note: Investment properties for business purposes (borrower does not intend to be greater than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements and are subject to the applicable points and fees threshold.Correspondents are responsible for providing evidence of compliance with the ATR/QM rules.Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans.		
Age of Documents		
<ul style="list-style-type: none">For new and existing construction, credit documents must be no more than 4 months old on the date the note is signed, including credit reports and employment, income, and asset documents.Preliminary Title Policies must be no more than 90 days old on the date the note is signed.		
Appraisals		
<ul style="list-style-type: none">AUS Findings determine them. Property Inspection Waivers through Desktop Underwriter are acceptable.Suppose the appraiser identifies an addition(s) that does not have the required permit. In that case, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the subject property's market value.<u>Transferred Appraisals – Any transferred appraisal must have a Fannie Mae SSR score below 4, along with no "overvaluation" flag. Scores above 4 or containing an "overvaluation" flag require a new appraisal.</u>		
Properties With Unpermitted Secondary Kitchen May be eligible if:		
<ul style="list-style-type: none">It is common for the areaNo negative impact on marketabilityAppraiser comments on the quality of construction, any health/safety issues, any soundness issues, which must meet Fannie Mae requirements		

Accessory Units are Acceptable When Meeting Fannie Mae Requirements:

- **The accessory unit is permitted or complies with zoning when:**
 - The property is defined as a one-unit property.
 - There is only one accessory unit on the property; multiple units are not permitted.
 - The appraisal report demonstrates that the improvements are typical for the market by analyzing at least one comparable property with the same use.
 - The borrower qualifies for the Mortgage without considering any rental income from the accessory unit.
- **When the accessory unit is NOT permitted or DOES NOT comply with zoning:**
 - Windsor Mortgage Solution confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
 - The use conforms to the subject neighborhood and the market.
 - The property is appraised based on its current use.
 - The appraisal must report that the improvements represent a use that does not comply with zoning.
 - The appraisal report must demonstrate that the improvements are typical for the market by analyzing at least three comparable properties with the same non-compliant zoning use.

Recert of Values in Accordance with Fannie Mae Guidelines is Acceptable.

- See Fannie Mae Seller Guides section B4-1.3-05 for complete details.
- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms or hydroponic equipment, are ineligible.

Condominiums

- See B4-2 Project Standards in Fannie Mae's Seller Guide for complete details on condos.
- <https://www.fanniemae.com/singlefamily/project-eligibility>
- Fannie Mae to Fannie Mae rate and term refinances up to 80% LTV may be eligible for a waiver of the project eligibility review.
 - Documentation confirming refinanced loan was owned by Fannie Mae is required.
 - Condo Type V required.
 - See B4-2.1-02 Waiver of Project Review for additional information.
- Limited Review allowed in accordance with Fannie Mae Guidelines, including NOO up to 75% LTV/CLTV/HCLTV
- Projects in which the HOA is named as a party to pending litigation or for which the project sponsor or developer is named as a party to pending litigation related to the project's safety, structural soundness, habitability, or functional use are ineligible.
- Projects with pending litigation that involve minor matters with no impact on the safety, structural sound habitability, or functional use of the project, may be eligible if the litigation meets Fannie Mae's requirements matters. See Fannie Mae selling Guide Section B4-2.1-02 for details.
- Florida Condos are allowed in accordance with Fannie Mae's requirements.
- Lenders must provide all documentation used to verify the condo warranty type. Including but not limited
 - HOA questionnaire
 - Loan documentation with warranty type
 - Copies of applicable insurance policies
 - Any additional documentation as required by the warranty type

Credit

- All borrowers may have no credit score. Fannie Mae and DU requirements must be met.
- A maximum of one credit bureau may be frozen with a DU accept. If the credit must be un-frozen, borrowers must unfreeze all bureaus, and the DU rerun with the updated credit.
- Current Housing Payment, applicable when the payment for the primary residence for any borrower is not reported on credit (ex renting primary and the subject is 2nd/NOO):
 - When the payment is not reported on the credit report, provide third-party verification of the payment amount.
 - A rent-free letter from the landlord or person obligated on lease is required if living rent-free.

Credit: Derogatory

Derogatory Event	Waiting Period Requirements
Bankruptcy – Chapter 7 or 11	<ul style="list-style-type: none"> • 4 years
Bankruptcy – Chapter 13	<ul style="list-style-type: none"> • 2 years from the discharge date • 4 years from the dismissal date
Multiple Bankruptcy Filings	<ul style="list-style-type: none"> • 5 years if more than one filing within the past 7 years
Foreclosure	<ul style="list-style-type: none"> • 7 years • 3 years with documented extenuating circumstances (see section below) are allowed subject to: <ul style="list-style-type: none"> • Up to the lesser of 90% LTV/CLTV per the eligibility matrix • Purchase of an OO, or • Rate and term of any occupancy • If a mortgage debt was discharged through bankruptcy, the bankruptcy waiting periods may be applied if the lender obtains the appropriate obligation was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied.
Deed-in-Lieu of Foreclosure	<ul style="list-style-type: none"> • 4 years
Pre-foreclosure Sale (Short Sale)	<ul style="list-style-type: none"> • 2 years with documented extenuating circumstances.
Mortgage Charge-off	See the Extenuating Circumstances section.
All transactions require a DU Approve/Eligible regardless of which time frame for the derogatory event is met, standard or extenuating circumstances.	
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Extenuating Circumstances

- Extenuating circumstances are nonrecurring events that are beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.
- If a borrower claims derogatory information results from extenuating circumstances, the lender must substantiate the claim. Examples of documentation that can be used to support extenuating circumstances include documents that confirm the event (such as a copy of a divorce decree, medical reports or bills, notice of job layoff, job severance papers, etc.) and documents that illustrate factors that contributed to the borrower's inability to resolve the problems that resulted from the event (such as a copy of insurance papers or claim settlements, property listing agreements, lease agreements, tax returns (covering the periods prior to, during, and after a loss of employment), etc.).
- The lender must obtain a letter from the borrower explaining the relevance of the documentation. The letter must support the claims of extenuating circumstances, confirm the nature of the event that led to the bankruptcy or foreclosure-related action, and illustrate the borrower had no reasonable options other than to default on their financial obligations.

Disaster Policy

- Windsor Mortgage Solutions may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster. See the Windsor Mortgage Solutions disaster policy in the Seller's Guide for complete details.

Documentation

- Determined by AUS
- Loan Beam income calculation is acceptable per Fannie Mae's guidelines.
- Income or assets derived from the production or sale of marijuana are ineligible for qualifying.
- **Day 1 Certainty**
 - Loans using Day 1 Certainty are acceptable.
 - Lenders must provide the third-party vendor report used in the DU validation process. Windsor Mortgage Solutions will compare the vendor reference number and date to the DU messages.
 - When the DU validation service validates all of a borrower's income, the lender is not required to obtain a signed IRS Form 4505-T or tax transcripts for that borrower.

Down Payment Assistance

- Down Payment Assistance is allowed if a government entity assists—evidence of the terms and provider.
- Employer assistance is acceptable in accordance with Fannie Mae guidelines.
- Loans with Community Seconds may be eligible for up to 105% CLTV. Follow Fannie Mae guidelines; the second must be from a government entity.

Employment & Income Verification

- For salaried employees, the verbal verification of employment must be completed within 10 business days prior to the note date.
- For self-employed borrowers, the verbal employment verification must be completed within 120 days before the note date.
- For borrowers in the military, a military Leave and Earnings Statement dating within 30 days prior to the note date is acceptable in lieu of verbal verification of employment.
- Mortgage Credit Certifications (MCCs) enable an eligible first-time home buyer to obtain a mortgage secured to their principal residence and to claim a federal tax credit for a specified percentage (usually 20% or 25%) of the mortgage interest payments.
 - When calculating the borrower's debt-to-income ratio, treat the maximum possible MCC income as an addition to the borrower's income rather than reducing the borrower's mortgage payment amount. Use the following calculation when determining the available income:
 - **$[(\text{Mortgage Amount}) \times (\text{Note Rate}) \times (\text{MCC \%})] / 12 = \text{Amount added to the borrower's monthly income.}$**
 - For example, if a borrower obtains a \$100,000 mortgage that has a note rate of 7.5% and they are eligible for 20% credit under the MCC program, the amount that should be added to their monthly income would be \$125 ($\$100,00 \times 7.5\% \times 20\% = \$1500 / 12 = \$125$).
- The lender must obtain a copy of the MCC and the lender's documented calculation of the adjustment to the borrower's income and include them in the mortgage loan file.
 - For refinance transactions, the lender may allow the MCC to remain in place as long as it obtains confirmation prior to loan closing from the MCC provider that the MCC remains in effect for the new mortgage loan. Copies of the MCC documents, including the reissue certification, must be maintained in the new mortgage loan file.
- Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) is an acceptable source of income. However, due to operational constraints, transactions involving HAPS paid directly to the Servicer are ineligible for purchase by Windsor Mortgage Solutions. Transactions with HAPs paid directly to the borrower remain eligible for purchase.

Employment Offers or Contracts

- Borrowers with employment beginning no more than 90 days after the note date are eligible when:
 - Purchase transaction, principal residence, one-unit property, the borrower is not employed by a family member or by an interested party to the transaction, and the borrower is qualified using only fixed based income.
 - Obtain and review the borrower's offer or contract for future employment. The employment offer or contract must:
 - Clearly identify the employer and the borrower, be signed by the employer, and be accepted and signed by the borrower
 - Clearly identify the terms of employment, including position, type, rate of pay, and start date, and be non-contingent.
 - Note: if conditions of employment exist, the lender must confirm prior to closing that all conditions of employment are satisfied by verbal or written documentation. This confirmation must be noted in the mortgage loan file.
- The start date for employment is no more than 30 days prior to the note date:
 - Employment offer or contract required; and
 - Verbal verification of employment that confirms active employment status
- The start date is no more than 90 days after the note date
 - Employment offer or contract only
- Document, in addition to the amount of reserves required by DU or for the transaction, one of the following:
 - Financial reserves sufficient to cover principal, interest, taxes, insurance, and association dues (PITIA) for the subject adequately for six months or
 - Financial reserves or current income sufficient to cover the monthly liabilities included in the debt-to-income ratio, including the PITIA for the subject property, for the number of months between the note date and the employment start date, plus one. For calculation purposes, consider any month's portion as a full month.
- Current income refers to income that is currently being received by the borrower (or co-borrower) and may or may not be used.
- Current income may be used in lieu of or in addition to financial reserves. For this purpose, the lender may use the amount of income.
- If the Current income is not being used for qualifying purposes; it can be documented by the lender using income documentation, such as a paystub, and no employment verification is required.

Escrow Holdbacks

- Follow FNMA guidelines regarding reason, type of improvements, time to complete, quality, disbursements, and post-closing documentation.
- Post funding stipend for 1004D conforming completion will be placed on loans where appraisal is "subject to" completion of improvements.
- Post-funding stop for a final title policy endorsement that ensures that priority of the first lien will be placed on loans where the appraisal is "subject to" completion of improvements.
- A copy of the escrow agreement will be required to show how the account will be managed and how funds will be disbursed.

Financing Concessions

- Financing concessions for primary residences or second homes must be within the following allowable percentages:
 - 9% of the value with LTV/CLTV ratios less than or equal to 75%
 - 6% of the value with LTV/CLTV ratios greater than 75% up to and including 90%
 - 3 % of the value with LTV/CLTV ratios greater than 90%
 - The maximum financing concession for investment properties is 2% of value regardless of the LTV ratio
- Value is the lesser of the sales price or appraised value

LTV/CLTV/HCLTV

Minimum Borrower Contribution Requirement from Borrower's Own Funds

80% or less	1-4 Unit Principal Residence	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.
Greater than 80%	1 Unit Principal Residence	A minimum borrower contribution from the borrower's own funds are not required.
	2-4 Unit Principal Residence	The borrower must make a 3% minimum borrower contribution from their own funds.

Gift Funds

Follow Fannie Mae's guidelines for gift funds. See B3-4.3-04 for additional details.

High Cost / High Priced

- Windsor Mortgage Solutions will not purchase High-Cost Loans.
- Higher-priced Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require:
 - Establish an escrow account for real estate tax(es) and insurance premium(s) on any transactions secured by a principal Residence.
 - Must meet all applicable state and/or federal compliance requirements.
 - A prohibition on ARM loans with an initial fixed-rate period of less than seven years (7/1 ARMs are eligible).

Homeownership: Education and Counseling

- When all occupying borrowers are first-time homebuyers on a HomeReady purchase, then at least one borrower must do one of the following:
 - Complete the Framework homeownership education course prior to closing
 - <https://homeready.frameworkhomeownership.org/>
 - Complete a homeownership education course required by a Community Seconds or Down Payment Assistance Program provided by a HUD-approved agency before closing if the HomeReady loan involves a Community Seconds or down payment assistance program.
 - Receive housing advising from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed Certificate of Completion of Pre-purchase Housing Counseling (Form 1018)) before the borrower signs a purchase contract.
- A homeownership education certificate or Form 1017 must be retained in the mortgage file.

Income: Boarder

- The rental payments that any borrower receives from one or more individuals who reside with the borrower (who are not obligated on the mortgage debt and may or may not be related to the borrower) may be considered 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 showing the boarder's address as the same as the borrower's address).
 - The boarder can demonstrate (such as copies of canceled checks) the payment of rent payments to the borrower for the last 12 months.
 - At least 9 of the most recent 12 months, provided the rental income is averaged over 12 months.
- Payment of rent by the boarder directly to a third party is not acceptable.

Income: Limits

- Total annual qualifying income may not exceed 80% of area median income (AMI).
 - Does not include non-borrower household member income.
- Lenders must use AMIs used by Fannie Mae in DU or on FNMA's website.

Loan Purpose

Purchase

- 95% LTV requires at least one borrower to be a first-time home buyer, and at least one borrower must complete homebuyer education on a purchase transaction with LTV, CLTV, or HCLTV ratios >95% when all borrowers are first-time homebuyers.

Limited Cash-out/Rate & Term Refinance

- RT to buy out owner's interest: Written agreement must be legible and signed/dated prior to or at application. All other Fannie Mae requirements must be met.
- >95% LTV requires the lender to document the existing loan being refinanced is owned (or securitized) by Fannie Mae. Documentation may come from any of the following
 - The lender's servicing system
 - Fannie Mae's Loan Lookup tool
 - The current Servicer (if the lender's is not the Servicer)
 - Any other source confirmed by the lender
- Proceeds can be used to pay off a first mortgage regardless of age
- Proceeds can be used to pay off any junior liens related to the purchase of the subject property
- Pay related to closing costs and prepaid items
- Disburse cash out to the borrower in an amount not to exceed 2% of the new Mortgage or \$2,000, whichever is less.

Mortgage Insurance	
Acceptable MI Types:	Unacceptable MI Types:
<ul style="list-style-type: none"> • Borrower Paid Monthly • Borrower Paid Single Premium • Financed: Gross LTV cannot exceed Windsor Mortgage Solution's program maximum • Split Premium • Lender Paid Single Premium • Reduced Coverage • Enterprise Paid MI (EPMI) 	<ul style="list-style-type: none"> • <u>Lender Paid Monthly</u> • <u>Lender Paid Annual</u> • <u>Borrower Paid Annual</u> • <u>Any MI type not listed as acceptable</u>
Note for Delayed Financing	
<p><i>The preliminary title search or report must not reflect any existing liens on the subject property. If the source of funds that acquired the property was an unsecured loan or HELOC (secured by another property), the new HUD-1 must reflect that all cash-out proceeds be used to pay down, if applicable, the loan (unsecured or secured by an asset other than the subject property) used to purchase the new property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. Funds received as gifts and used to purchase the property may be reimbursed with proceeds of the new mortgage loan.</i></p>	
Occupancy	
<ul style="list-style-type: none"> • Primary residence – 1-4 units • Second Homes – 1-unit only <ul style="list-style-type: none"> ○ See the Documentation section for when borrowers do not own a primary residence. • Investment 1-4 unit and Primary Residence 2-4 unit properties: <ul style="list-style-type: none"> ○ When using rental income to qualify from a subject property, the borrower must own a principal residence or document a reasonable current housing expense. ○ See the Documentation section for when borrowers do not own a primary residence. 	
Property: Eligible Types	
<ul style="list-style-type: none"> • Single Family Detached Single Unit • Single Family Attached Single Unit • 2-4 Unit Attached/Detached • PUDs • Low-rise and High-rise Condominiums (must be Fannie Mae eligible) • Leaseholds • Rural Properties (in accordance with agency Guidelines, properties must be residential in nature) 	

Property: Ineligible Types

- Mobile Homes
- Working Farms and Ranches
- Cooperatives
- Unimproved Land
- Condotels
- Property currently in litigation
- Hotel Condominiums
- Land Trust
- Timeshares
- Conditional Rating C5/C6 or Quality Rating of Q6
- Turn-key investment properties. See the Property Turn-key Investments section for additional details.

Property Flipping Policy (Properties resold within 180 days of purchase)

- Properties involving a re-sale that occurred within the last 180 days, a non-arms length relationship between the buyer and seller, and an increase in value are prohibited. The time frame is established by the seller's date of acquisition as the date of settlement on the seller's purchase of that property and the execution of a sales contract to another party.
- Lenders must pay particular attention and institute extra due diligence for those loans in which the appraised value is believed to be excessive or where the property's value has experienced significant appreciation in a short time since the prior sale. Windsor Mortgage Solutions believes that one of the best ways lenders can reduce the risk associated with excessive values and/or rapid appreciation is by receiving accurate appraisals from knowledgeable, experienced appraisers.
- Windsor Mortgage Solutions recommends an additional value product to support the subject's appraised value in instances greater than 20% appreciation.

Property: Maximum Number of Financed Properties

- The loan must comply with Fannie Mae's limited number of financed properties.
- Fannie Mae has imposed minimum credit score reserve requirements. Refer to the Fannie Mae Seller Guide, section B2-2-03 for details.

Property: Turn-key Investments

- Purchase or refinance transactions involving turn-key investment or other similar arrangements are not eligible for purchase by Windsor Mortgage Solutions. Characteristics of a Turn-key property include but are not limited to:
 - The property seller is an LLC (or other entity) that purchases distressed properties and re sells to borrowers at a non-distressed valuation.
 - Property seller or a related entity agrees to manage the property on behalf of the buyer, including marketing, tenant screening, rent collection, maintenance, etc.
 - The buyer frequently lives out of the area from the subject property.

Ratios

The Maximum DTI is 50% with a DU Approve/Eligible

Recently Listed Properties

- The subject property must not be currently listed for sale. IT must be taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject principal residence transactions).
- If the property was listed in the prior 30 days to the application date, the Early Pay-off (EPO) provision will be extended to 1 year.

Rental Income Calculation

- When the borrower has a history of owning rental property, net rental income or loss is calculated by:
 - The lesser of the gross rent (minus a 25% expense factor) or the market rent established by the appraiser for properties not reflected on the borrower's tax returns.
 - When the property is reflected on the borrower's tax returns, analyze the borrower's cash flow and calculate the new rental income (or loss), ensuring that depreciation or any interest, taxes, or insurance expenses were added to the borrower's cash flow analysis.
 - The full PITI for the rental property must be factored into the net rental income or loss amount.
 - When the borrower does not have a history of owning rental property, follow the Fannie Mae requirements.

Reserves

- 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.
- If the borrower owns other financed properties, additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed property's reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:
 - 2% of the aggregate UPB if the borrower has one to four financed properties
 - 4% of the aggregate UPB if the borrower has five to six financed properties
 - 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only)
- The aggregate UPB calculation does not include the mortgages and HELOCs on the subject property, the borrower's principal residence, sold or pending sale properties, and accounts that will be paid by closing (or committed in DU on the online loan application).
- Note: DU will also include open mortgages and HELOCs in the UPB calculation on the credit report that is disclosed online.

Seasoning

Please refer to the Windsor Mortgage Solutions Seasoned Loan Policy in the Windsor Mortgage Solutions Seller Guide for requirements and loan-level price adjustments.

State Restrictions

- Illinois Land Trust Vestings are not eligible for loan sale to Windsor
- Texas 50 (a)(6) refinance mortgages are eligible with Windsor Mortgage Solutions Seller Approval:
 - Fixed Rate and 5/1, 7/1 & 10/1 ARMs
 - Owner-Occupied, 1 unit only
 - Maximum 80% LTV/CLTV
 - 2% fee restrictions in accordance with Texas Constitution
 - Full appraisal required
 - No new secondary financing
 - Power of Attorney allowed in accordance with requirements
 - Loans must comply with Fannie Mae and Texas Constitution requirements

Tax Transcripts

- Tax transcripts for the most recent year are required for all self-employed borrowers whose income is used to qualify. If only nonself-employed income is used to qualify, transcripts are not required.
- When tax transcripts are provided, they must support the income used to qualify.
- A properly executed 4506-T is required for all transactions except:
- The loan file contains tax transcripts or
- When all of a borrower's income is validated by the DU validation service (FNMA only).
- If tax transcripts are not available (due to a recent filing for the current year), a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgment receipt (such as IRS stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.

Windsor does not discriminate in any aspect of a credit transaction based on sex, gender identity or expression, sexual orientation, marital status, familial status, race, color, ethnicity, religion, national origin, age, handicap or disability status, income derived from public assistance, military status or the good faith exercise of rights under the Consumer Credit Protection Act.