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**PROGRAM BASICS**

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**1. Program Basics****1.1. Overview**

- Designed for creditworthy, low-to-moderate income borrowers, with expanded eligibility for financing homes in designated low-income, minority and disaster impacted communities.
- Favorable pricing that's most competitive with credit scores  $\geq 680$  and LTV ratios above 80%.
- Rental and boarder income may be considered for qualifying.
- Reduced MI coverage requirements for LTVs above 90% (up to 97%)
- Borrower is not required to be a first-time buyer
- HomeStyle Renovation is ineligible.

**1.2. Product Codes**

Code	Description
CF30HR	30 Year HomeReady Fixed
CF30HRD	30 Year HomeReady Fixed Direct
CF20HR	20 Year HomeReady Fixed
CF15HR	15 Year HomeReady Fixed

**1.3. Eligible States**

[Eligible States Matrix](#)

**1.4. LTV Matrix**

[See LTV Matrix](#)

**1.5. Program Types**

- Purchase
- Rate/Term Refinance
- Home Style Renovation is ineligible.

**1.6. Eligible Properties**

- 1-4 Unit primary residence – Condo, PUD or Manufactured

**1.7. Escrow/Impound Rollover**

Allowed

**1.8. Interest Only**

Not Permitted

**1.9. Subordinate Financing**

Subordinate financing must meet the following guidelines:

**GENERAL INFORMATION**

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- Community Seconds must be on the MWF Approved list.
- The terms for the Community Seconds option, which allow, among other provisions, a maximum combined loan-to-value of 105%.

**1.10. Temporary Buy Downs**

Not Permitted

**1.11. Annual Mortgage Insurance****Fixed Rate Term < 20 Years and ARMS:**

- 80.01 - 85.00% - 6%
- 85.01 - 90.00% - 12%
- 90.01 - 95.00% - 25%
- 95.01 - 97.00% - 25%

**Fixed Rate Term > 20 Years and ARMS:**

- 80.01 - 85.00% - 12%
- 85.01 - 90.00% - 25%
- 90.01 - 95.00% - 25%
- 95.01 - 97.00% - 25% (Manufactured not permitted)

Note: DU rounds LTV up. MI Coverage will be based on the higher LTV.

**1.11.1. Acceptable MI Companies**

- [Radian](#)
- [MGIC](#)
- [Genworth](#)

Click on company name above for Rates and Guides.

MWF only utilizes approved MI Companies and approved MI forms/endorsements.

**2. General Information****2.1. Loan Submissions**

Loan submissions must contain the minimum submission requirements as published by policy. Any loans received that are incomplete may not be accepted and submitted to underwriting. A MWF associate will notify the loan originator or branch designate to advise of the missing documents. Once notified, the submitting broker or branch will have 24 hours from submission to cure the missing items. Documentation not received in the specified time frame will result in the file being rejected as a submission. Once all minimum submission requirements are received, the loan file may be resubmitted.

**BORROWER ELIGIBILITY**

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**3. Borrower Eligibility****3.1. Eligible Borrowers**

Eligible borrowers include natural persons with a valid social security number and one of the following Residency statuses as determined by the United States Citizenship and Immigration Services (USCIS):

- U.S. Citizen
- Permanent Resident Alien
- Non-Permanent Resident Alien
- Inter Vivos Revocable Trust Lending California

**3.2. Ineligible Borrowers**

- Borrowers without a valid, legitimate Social Security number.
- Non-Resident Alien or Foreign Nationals
- Borrowers with diplomatic immunity.
- Corporations, estates, life estates, limited or general partnerships, not-for-profit organizations, schools, churches, etc.

**3.3. Home Buyer Education**

- Required prior to note date for at least one borrower
- Must be provided through FRAMEWORK
- HUD-approved counseling agency dated anytime (unless certificate or an community seconds program specifies an expiration date) prior to the loan application date is acceptable.
- If borrower does not have online access, borrowers must call FRAMEWORK for a referral to another HBE provider.
- Homebuyer Education is not required on limited cash out (rate/term) refinances.
- If the borrower completes their homebuyer counseling prior to entering a sales contract, input Special Feature Code (SFC) 184.

**3.4. Minimum Borrower Contribution**

Minimum borrower contribution from the borrower's own funds.

Number of Units	Min Borrower Contribution
1	None
Manufactured	5%
2-4 Units – LTV ≤ 80%	None
2-4 Units – LTV > 80%	3%

**OCCUPANCY**

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**3.5. Non-Occupant Co-Borrower**

Allowed with the following restrictions:

- Max LTV 95% with DU Approval
- Max DTI per DU (50% for manufactured homes, regardless of AUS approval)
- Income considered for qualifying is subject to income limits

**4. Occupancy****4.1. Primary Residence**

A principal residence, also referred to as an owner occupied primary residence, is 1-to-4 family property that is the borrower's primary residence. At least one of the borrowers must occupy and hold title to the property, and also must execute the Note and Deed of Trust.

**4.2. Maximum number of properties financed**

Subject property must be owner occupied. Maximum limit of two financed properties, including the subject property. Financed properties owned by a non-occupant borrower do not have to be included. The additional reserves required for multiple financed properties are not applicable to HomeReady loans.

**5. Credit****5.1. Credit Score Requirements**

All loans require a credit score to be established for each borrower. The three major Credit Repositories ("Agencies") offer a product that scores each consumer's credit history using the Fair Isaac model. Trademark names include the Experian "Fair Isaac Credit Score" (FICO), Trans Union "Emperica Score" and Equifax "Beacon Score". All are acceptable and are referred to as the "Credit Score."

**5.2. Minimum Credit Scores**

[See LTV Matrix](#)

**5.3. Manual Underwrites**

Manual Underwriting Not Allowed

**6. Income / Employment**

Must follow DU Findings.

**6.1. Maximum DTI**

Determined by AUS (50% for manufactured homes, regardless of AUS approval).

**INCOME / EMPLOYMENT**

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**6.2. Income Limits**

Eligibility for HomeReady compares the borrower's income to the applicable area median income (AMI) for the property's location. Include the income from all of the borrowers who will be listed on the loan.

- The income used to qualify the Borrower converted to an annual basis must not exceed 80% of the Area Median Income.
- [Income Limit Lookup Tool](#)

**6.3. Boarder and Accessory Income**

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 copies of canceled checks) the payment of rental payments to the borrower for:
  - the last 12 months, or
  - at least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period.
  - Boarder income is not eligible for 2-4 Units
- Boarder may not be obligated on the mortgage loan and not have an ownership interest in the property

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**Note:** Payment of rent by the boarder directly to a third party is not acceptable.

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**6.4. Sweat Equity**

Sweat equity not allowed

**6.5. Accessory Dwelling Income**

An accessory unit is a separate dwelling (as identified by the appraisal) with a kitchen and bathroom.

- Follow standard FNMA rental income guidelines.
- Form 1007 or Form 1025, as applicable, and copies of the current lease agreement(s) will be required.

**ASSETS**

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**7. Assets****7.1. Acceptable Sources of Funds**

- Personal Gifts
- Gifts or Grants from a qualified entity
- Community Seconds
- Cash on Hand for 1-unit properties only and •can only be used for down payment and closing costs. Cannot be used for reserves. Cash on hand is allowed subject to the following
  - The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practices.
  - The lender must verify that funds for the down payment and closing costs exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing.
  - The lender 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 indicate limited or no use of credit and limited or no depository relationship between the borrower and a financial institution.

**7.2. Downpayment Assistance**

- Allowed, see specific Down payment Program for guidelines
- Manufactured Homes: Down payment assistance not allowed unless borrower has met the minimum cash investment for required 5% down payment.

**7.3. Interested Party Contributions**

Contribution Limits		
Property Type	LTV/ CLTV	Maximum Contribution
Primary Residence	> 90%	3%
	75.01-90.00%	6%

**7.4. Required Reserves**[See LTV Matrix](#)



**ASSETS**

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**7.5. Appraisal Condition Rating C5 or C6**

Subject properties with an overall condition rating of C5 or C6 are not acceptable, unless all issues that caused the property to be rated with a C5 or C6 condition rating are cured prior to the closing of the transaction. In such cases, the appraisal must be completed "subject to" and the reported condition rating must reflect the hypothetical condition that the repairs or alterations have been completed.