



FANNIE MAE FULLY AMORTIZING FIXED RATE AND HIGH BALANCE PROGRAM

PROGRAM SPECIFICATIONS		
Channels	<ul style="list-style-type: none"> • Broker • Correspondent <ul style="list-style-type: none"> ○ Table Funded ○ Non-Delegated (UW) ○ Delegated (UW) 	
FICO	<ul style="list-style-type: none"> • 620 minimum qualifying credit score for all qualifying Borrowers. • 680 minimum qualifying credit score for investment properties. 	
UW Method	Desktop Underwriter (DU)	
AUS Recommendation	Approve/Eligible	
Eligible Terms	Fully Amortizing Fixed Rate	High Balance
	10, 15, 20, 25, 30 Year Fixed Rate	15, 30 Year Fixed Rate
Eligible Transaction Types	<ul style="list-style-type: none"> • Purchase • Limited Cash Out Refinance • Cash Out Refinance • Renovation (See HomeStyle Matrix) <p>Reminder: AFR does not permit Cash Out Refinances in Texas</p>	
Eligible Property Types	<ul style="list-style-type: none"> • 1-2 Unit Primary Residences • 1 Unit Second Homes • 1-2 Unit Investments (Cash Out Refinance not permitted) • FNMA Approved Condos/PUDs • Multi-width Manufactured Housing (Investment Properties not permitted) • Single-width Manufactured Housing (Cash-out, Second homes and Investment Properties not permitted) <ul style="list-style-type: none"> ○ Manufacture date must be less than 10 years from the effective date of the appraisal • MH Advantage 	
Maximum LTV/CLTV/HCLTV	See FNMA Eligibility Matrix (08/07/18) https://www.fanniemae.com/content/eligibility_information/eligibility-matrix.pdf	
Homeownership Education	Framework , FNMA's Homeownership Education course is required for loans closed on or after December 7, 2019: <ul style="list-style-type: none"> • Purchase loans with LTV, CLTV, HCLTV > 95% and, • All occupying borrowers are first-time homebuyers, at least one borrower must complete the homeownership course. 	
Maximum DTI	Determined by DU	
Maximum Loan Amount	https://www.fanniemae.com/singlefamily/loan-limits	
Mortgage Insurance	<ul style="list-style-type: none"> • Standard Coverage Required • Borrower Paid Mortgage Insurance Required 	
Geographic Restrictions	<ul style="list-style-type: none"> • Alaska • Hawaii <ul style="list-style-type: none"> ○ AFR does not operate in the states of Alaska or Hawaii and does not permit loans with a subject property in Alaska or Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions. 	
MI Companies	<ul style="list-style-type: none"> • Arch • MGIC • Genworth • Essent Guaranty, Inc. • National MI • Radian 	
Guidelines	https://www.fanniemae.com/singlefamily/originating-underwriting	
Forms	See FORMS Section in the Resource Center	
Temporary COVID-19 guidance		
Reference Lender Letters:	<p>Age of Documents: Application dates on or after April 14, 2020 until further notice.</p> <ul style="list-style-type: none"> • 2020-03 • 2020-04 • 2020-06 <li style="background-color: yellow;">• 2021-03 <ul style="list-style-type: none"> • Income and asset documentation must be within 60 days of the Note date <ul style="list-style-type: none"> ○ Except assets that are reported on a quarterly basis • Employment and Income verifications from a 3rd party employment verification vendor and the use of a database must be no more than 60 days old as of the Note Date. 	





- [2021-04](#)
- [COVID-19 FAQ's](#)

Reminder: Income documented for military leave and earning statement (LES), Social Security, Retirement, long-term disability, mortgage credit certificates, public assistance, foster care, or royalty payments will continue to follow Fannie Mae Seller Guide pertaining to age of documents.

Mortgage History: Applications dates on or after **June 1, 2020 until further notice.**

In addition to the credit report, all borrowers who have existing mortgage obligations are required to provide additional documentation for each mortgage to ensure those obligations are current.

Documentation includes the following:

- Payment history provided by the servicer(s) for each existing mortgage,
- 3 Mortgage statements from the Borrower(s) or electronic mortgage history for each existing mortgage,
- Third-party verification service to confirm mortgage payment history,
- For mortgages being refinanced, reviewing the pay-off statement, or
- A verification of mortgage

Current is defined as the borrower has made all mortgage payments due by no later than the last business day of the month it was due.

Mortgage obligations include all mortgage loans, including co-signed mortgage loans and mortgage loans not related to the subject transaction.

COVID-19 Reinstatement and Loss Mitigation Eligibility is applicable until further notice:

Borrower(s) who are not current and has missed payments on any mortgage loans are eligible to refinance or buy a new home three months after their COVID-19 related forbearance ends if they have made three consecutive payments under the applicable repayment plan, payment deferral or loan modification and must meet the following requirements in the table below.

Existing Mortgages	Eligibility Requirements	Use of proceeds of mortgage being refinanced
Reinstated	Fully reinstated on or after the Application date but prior to the Note date, the funds used to reinstate must come from an eligible source of funds as outlined in Fannie Mae and Freddie Mac Seller Guidelines.	May not be used to reinstate the Mortgage being refinanced or any other Mortgage.
Repayment Plan	Borrower must either: <ul style="list-style-type: none"> • Have successfully completed the repayment plan, or • Be performing under the plan, has missed no payment and must have made at least three consecutive payments. 	May be used to pay off the remaining payments under the repayment plan.
Payment Deferral	<ul style="list-style-type: none"> • Borrower must have made at least three consecutive timely payments following the approval/effective date of the payment deferral agreement. 	May be used to pay off the remaining payments under the payment deferral.
Modification Trial period plan	<ul style="list-style-type: none"> • Borrower must have successfully completed the 3-month Trial Period Plan. 	May be used to pay off the modified mortgage.
Other loss mitigation plans	Borrower must either: <ul style="list-style-type: none"> • Have successfully completed the loss mitigation program, or • Be performing under the program and must be made at least 3 consecutive full monthly payments. 	May be used to pay off the remaining payments under the program.

Note: These temporary requirements do not apply to Fannie Mae High LTV refinance must meet the payment history requirements and all other requirements for the mortgage being refinanced as outlined in FNMA's Seller Guide.

Self-Employment Income Requirements effective for applications dates on or after June 11, 2020 until further notice.

Minimum Additional Documentation Requirements: A YTD profit and Loss (P&L) statement (audited





or unaudited) reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date. Must be no older than 60 days prior to the Note Date. (Refer to GSE announcement for complete details.)

- Audited YTD P&L statement; or
- Unaudited YTD P&L statement signed by the borrower and two months business depository account statements no older than the latest two months represented on the YTD P&L statement.
 - Applications dated on or after December 14, 2020 require the most recent three months business depository account statements represented on the YTD P&L statement.

Review YTD P&L Statements, Business Account Statements, and other Relevant Documentation: If the information (business revenue, expenses and net income) on the unaudited YTD P&L statement is not reasonably consistent with the revenue and expense cash flow on the business account statement, then additional documentation as outlined in the Agency announcements must be obtained to support the information and resolve the discrepancy. Otherwise, the income is not eligible for the use in qualifying.

Establishing Stable Monthly Income: Must complete a business income assessment by comparing the YTD net business income from the YTD P&L statement to historical business income calculated in accordance with the Agency announcements and GSE selling requirements.

- **Self-Employment Income Calculation:**
 - Income Not Changed or Increase: Use the historical business income calculated using the Agency cash flow analysis form or similar form.
 - Income Declining (Stable): Reduce the amount of the historical business income calculated using the cash flow analysis form to no more than the current level of stable business income from the YTD P&L statement, business account statements, and supplemental documentation, as applicable.
 - Income Declining (Not Stable): Not eligible for using in qualifying

Business Review and Analysis (Assessing the Impact of COVID-19):

- Establish that the Borrower's income is stable and likely to continue at the same level as used to qualify the borrower.
- Evaluate and document knowledge of the economic conditions related to the business.
- Documentation and analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the borrower.
- Must consider pandemic-related factors in accordance with the GSE announcements.

Business Assets: Loan proceeds from the Small Business Administration (SBA) PPP or any other similar COVID-19 related loans or grants are not considered business assets for the purposes of eligible funds to qualify the borrower for the mortgage transaction, including, but not limited to, funds for down payment, closing costs and reserves.

Paycheck Protection Program (PPP) Business Loans: No payment, estimated or otherwise, need be included in the DTI at this time; however, once it is determined that any portion of the PPP loan must be repaid, follow GSE requirements for loans paid by a business.

Employment Re-Verifications and Continuity of income:

All loans in process where the traditional methods of verifying employment prior to closing is difficult to obtain and will remain in place with application dates on or before **April 30, 2021 or as noted below.**

- **10-day preclosing verification (application dates on or before April 30, 2021):** Must follow current seller guide section [B3-3.1-07](#)
 - An e-mail directly from the employer's work e-mail address that identifies the name and title of the verifier and the Borrower's name and current employment status, or
 - Year-to-date (YTD) paystub from the pay period that immediately precedes the Note Date, or
 - An asset account statement evidencing the payroll deposit from the pay period that immediately precedes the Note date.
- **Self-employment 10-day preclosing verification ensuring the business is currently operating (application dates on or after April 14, 2020 and until further notice):**
 - Evidence of current work (executed contracts or signed invoices that indicate



- the business is operating on the day the verification is completed);
- Evidence of current business receipts within 10 days of the note date (payment for services performed);
- Documented certification that the business is open and operating (through a phone call or other means); or
- Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

Income Disruption:

- If the employer is not open for business at the time of loan close, the loan is not eligible.
- If documentation evidences reduced hours and/or pay, follow standard Fannie Mae Seller Guide.

Leave: "Income while on temporary leave" must meet the requirements in the applicable Fannie Mae Seller Guide.

Rental Income used to Qualify:

Rental income used for qualifying purposes requires proof of 3 months receipt per property.

- Examples of acceptable documentation include, bank statements evidencing deposits.
- In cases where a gap in rental income is documented, AFR will require a letter of explanation from the borrower.

Borrower(s) purchasing a two-unit primary residence

- Unit not occupied by the borrower is currently rented:
 - Obtain a copy of the current lease and proof of the most recent 3 months receipt of payment from the current renter to the seller. Documentation options include:
 - Bank statements showing the receipt, or
 - Redacted portion of the statement showing deposits received, or
 - Electronic receipts (such as PayPal, Venmo, Zelle, Skrill, Mozido or similar), and
 - Seller must attest in writing that the tenant is current.
- Unit that is not occupied by the borrower is currently vacant:
 - Signed lease agreement and proof of security deposit
 - Follow all other Fannie Mae Seller guidelines

Borrower(s) purchasing a 1 to 2 - unit investment Property

- Units currently rented:
 - Obtain a copy of the current lease and proof of the most recent 3 months receipt of payment from the current renter to the seller. Documentation options include:
 - Bank statements showing the receipt, or
 - Redacted portion of the statement showing deposits received, or
 - Electronic receipts (such as PayPal, Venmo, Zelle, Skrill, Mozido or similar), and
 - Seller must attest in writing that the tenant is current.
- Unit is vacant:
 - Signed lease agreement and proof of security deposit
 - Follow all other Fannie Mae Seller guidelines.

Appraisals with application dates on or before May 31, 2021.

Loan purpose	LTV Ratio	Occupancy	Ownership of loan being Refinanced	Permissible Appraisals (in order of preference)
Purchase (Excludes Renovation and Construction-to-Permanent)	Up to 97%	Principle residence	N/A	-Interior and Exterior -Desktop Appraisal -Exterior-only
	≤85%	Second home or investment		-Interior and Exterior -Desktop Appraisal





				-Exterior-only
	>85%	Second home		-Interior and Exterior
Limited cash-out Refi	Per Eligibility Matrix	All	*Look up tools: Fannie Mae Owned	-Interior and Exterior -Exterior-only
Cash-Out Refi			Not Fannie-Owned	-Interior and Exterior
			All	-Interior and Exterior

General Valuation and Appraisal guidance

General: Either a desktop appraisal or an exterior-only inspection appraisal may be used in lieu of the interior inspection appraisal.

- Not applicable for renovation, new construction or construction-to-permanent loans.
- Loans with mortgage insurance must confirm with the respective company to confirm coverage for mortgage using one of the temporary appraisal flexibilities.

Appraisal Waivers: When offered by AUS, appraisal waivers may be used.

- See respective Fannie Mae Seller Guide

Map Reference Field: For a desktop appraisal or an appraisal with an exterior-only inspection that is completed on a form for an interior and exterior inspection, the appraisal report must include, in the “Map Reference” field, “desktop” or “exterior”.

Scope of Work: Statements of Assumptions and Limited Conditions, and Appraiser’s Certifications with modified language must be used with desktop appraisal reports and exterior-only appraisal reports.

Virtual inspection for appraisals: AFR is allowing Virtual Inspection for either desktop or exterior appraisals as outlined in LL-2020-04. The vertical inspection is not a substitute for loan that require full interior and exterior inspections.

HomeStyle Renovation Loans: AFR will allow flexibilities for inspection requirements when requesting draws as outlined by Fannie Mae through April 30, 2021.

- **Reminder:** The initial appraisal is required to be a full interior and exterior appraisal. A final 1004D is required when work is completed.

1004D Alternative: (expires April 30, 2021) A letter signed by the borrower confirming that the work was completed is acceptable; and

- Further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documents.
- Not permitted for FNMA HomeStyle or Conventional One-Time Close

OVERLAYS

Credit	<ul style="list-style-type: none"> • 1 credit score required for all qualifying borrowers. Use the middle score if 3 credit scores or the lower of the two if 2 credit scores. Lowest representative score from all borrowers will be used for qualification purposes. • Non-traditional / alternative credit is not permitted with the exception of Correspondent Delegated UW transactions that have a DU Approve/Eligible recommendation • AFR does not permit manual underwriting, EA-I, EA-II or EA-III/Eligible Recommendations, Approve/Ineligible Recommendation, Refer with Caution Recommendations, or Out of Scope Recommendations • AFR will permit a private VOR only if 12 months cancelled checks are provided to support documentation. • AFR requires credit committee exceptions any loan with significant derogatory credit that does not meet the Fannie Mae base waiting period requirements (Note: Any loan with an extenuating circumstance). • Refinancing of a Reverse Mortgage (HECM) is not permitted unless: <ul style="list-style-type: none"> ○ The forward mortgage transaction is paying off a current Reverse Mortgage (HECM) when the applicant was not a party to the HECM and has either
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	<p>inherited the property or is purchasing the property from the estate (i.e. HECM parties are deceased).</p>
<p>Property</p>	<p>The following property types are not permitted</p> <ul style="list-style-type: none"> ○ Co-ops ○ Non-Warrantable Condominiums ○ Mixed-use properties ○ Manufactured Housing that has been moved and/or traded ○ Properties with Environmental Hazards ○ Unique Housing Types (earth houses, geodesic homes, log homes, etc.) ○ Properties with commercial influence are subject to additional review ○ Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law, is unacceptable. <ul style="list-style-type: none"> • AFR requires a disaster report completed by a licensed appraiser on all properties on all transactions in a Presidentially Declared Disaster Area with individual assistance. If the loan is closed, AFR may require this report up to 60 days after the date of the disaster declaration. If the loan has not already closed and funded, AFR will not close or fund until the inspection report is completed to AFR’s satisfaction. In all cases, the inspection must be dated after the affected incident period. The disaster report must comply with applicable GSE guidelines. On a case-by-case basis AFR may allow a loan to close and fund if the incident period was declared more than 14 days prior to the scheduled closing date. Originators are responsible for determining potential impact to a property located in an area where a disaster is occurring or has occurred. This is regardless of whether a property was included in the area covered by the declaration. If an originator has reason to believe that a property might have been damaged in a disaster the originator must work with AFR to ensure that the property is free from damage. Please note, that due to the nature of natural disasters AFR may amend this policy and add additional restrictions at any time without notice. • Mortgage Loans with Energy Improvement Features on Existing Properties are currently not permitted • Bridge/Swing Loans are not permitted • Postponed Improvements are not permitted • AFR will not submit for PERS Condo Project Reviews • AFR requires HO-6 polices to have coverage in the amount of 20% of the appraised value • AFR does not permit the use of a plat mat in lieu of a survey if a survey is required • AFR requires a 48 hour turn time for title review and to generate closing packages for properties in the state of Louisiana and Texas. AFR requires the use of MRG for all Texas loans. See the AFR Wholesale website for more guidance. • Property must not be currently listed for sale. AFR will require proof that the property is no longer listed for sale prior to the application date. • Any loan with a resale restriction must be reviewed by the AFR Title Review Department. • AFR requires that when a manufactured home has an addition or a structural modification and is not located in a state with an agency responsible for inspecting these modification, then the property must be inspected by a licensed professional engineer and the engineer must certify that the addition or structural change was completed in accordance with the HUD Manufactured Home Construction Safety Standards. • AFR will not permit properties with more than 100 acres • If the utilities are off at the time of the inspection, the Appraiser must ask to have them turned on and complete all requirements under Mechanical Components. However, if it is not feasible to have the utilities turned on, then a pressure test and electrical test is required and must be completed by an appropriately licensed professional. • Single-width manufactured homes: <ul style="list-style-type: none"> ○ May not include an accessory dwelling unit (ADU). ○ Manufacture date of 10 years or less measured from the effective date of the appraisal. ○ One of the comparable properties must be a closed sale of another Single-width MH. If the appraiser is unable to find a comparable closed sale of another single-width property, an additional comparable “under contract” sale or active listing may be used.
<p>Assets</p>	<ul style="list-style-type: none"> • All loans that have a purchase money grant/silent (or soft) second must get an approval from the AFR Title Review Department prior to underwriting approval/AFR purchase





	<ul style="list-style-type: none"> • Trade equity is not permitted • Anticipated Savings is not permitted • Sweat Equity is not permitted • Bridge/Swing loans not permitted • Payment Abatements are not permitted • Pooled Savings not permitted • Interest Rate buydowns not permitted • AFR does not offer lender incentives • Employer Assistance not permitted • Interest Rate buydowns not permitted • Cash on Hand not permitted (permitted in the FNMA HomeReady Program only)
Income	<ul style="list-style-type: none"> • AFR does not permit amended tax returns if they are dated 90 days of application date. All amended tax returns must be more than 90 days of the application date and acknowledged (stamped and signed by the IRS or with the transcripts) • Employer Assistance is not permitted • AFR does not permit voluntary agreements for child support, maintenance and alimony. • Marijuana income is unacceptable income regardless of state law.
Programs	<ul style="list-style-type: none"> • AFR permits CEMA transactions on NY properties <ul style="list-style-type: none"> ○ No prior CEMA's allowed. ○ AFR requires an approved closing attorney in NY to conduct all NY settlements. You or the borrower may choose from the list below: <ul style="list-style-type: none"> ▪ Richard H. Lovell, Esq. - (Closing all transactions, including CEMA) ▪ Jared Kaplan, Esq. - (Closing all transactions, including CEMA) • AFR does not participate in the following Programs: <ul style="list-style-type: none"> ○ Refi Plus (HARP) ○ Native Conventional Lending Initiative (NACLI) ○ Property Assessed Clean Energy Loans (PACE) ○ Construction Products (Construction-to-permanent loans) ○ Adjustable Rate Mortgages (ARMs) ○ Second Mortgages
Ownership Types	<p>The following are ineligible for submitting/delivery to AFR:</p> <ul style="list-style-type: none"> • Life Estates • Blind Trusts • Irrevocable Trusts • 1031 Exchanges (Like-Kind Exchanges) • LLCs, Corporations and Partnerships • Community Land Trusts • Massachusetts Resale Restrictions
Compliance	<ul style="list-style-type: none"> • AFR's Net Tangible Benefit Policy/Recoupment Policy <ul style="list-style-type: none"> ○ See AFR Resource Center for AFR Policy/State Requirements/Forms ○ When a state has a more restrictive recoupment policy, this policy must be met • AFR does not close and/or purchase any New York loan that is a subprime home loan. All NY Loans must be tested the time the commitment is prepared. <ul style="list-style-type: none"> ○ If the APR at the time of commitment cannot be determined AFR will not proceed with or purchase a Correspondent loan (Table Funded, Non-Delegated or Delegated). • Any loan that is classified as a Rebuttable Presumption must have all HPML provisions applied <u>and</u> must meet Residual Income requirements. AFR follows FHA Residual Income requirements for Rebuttable Presumption transactions. Note: The residual income requirements are not applicable on Correspondent Delegated UW transactions. • Any loan that is classified as a Higher-Priced Mortgage Loan (HPML) must have <u>all</u> HPML provisions applied. AFR follows all Regulation Z requirements for Higher-Priced Mortgage Loans. <ul style="list-style-type: none"> ○ Loans must have an ability to repay (loan must be a full income/credit qualifying transaction) ○ Loan must have an established escrow account (with the exception of Condos and PUDs where the consumer must participate in a governing association that is required to purchase a master policy insuring all dwellings) – see the TILA HPML Escrow Rule for more guidance ○ Loan cannot have a prepayment penalty (AFR does not permit prepayment penalties) ○ If DU Refi Plus transaction, maximum DTI of 45% and minimum credit score of 620





	<ul style="list-style-type: none"> • File remains subject to all Qualified Mortgage (“QM”) and Ability-to-Repay (“ATR”) underwriting guidelines, including Points and Fees thresholds through consummation. AFR will not originate, close, fund, or purchase any loan that is not legally deemed as a QM. • All loans must provide evidence of the borrower’s compliance of QM/ATR with a compliance report. Note: Delegated UW Correspondents must provide a compliance report evidencing compliance. • All loans must provide evidence of the borrower’s ability to repay with a fully completed/executed Ability to Repay Worksheet. Note: Delegated UW Correspondents must provide a fully completed/executed Ability to Repay Worksheet showing evidence the borrower meets the ability to repay requirements. • AFR will not originate loans as a high cost or predatory mortgage loan • AFR will comply in all respects with CFPB’s Rule on TILA-RESPA Integrated Disclosures (“TRID”). AFR will not originate, close, fund, or purchase any loan that does not adhere to the Rule.
<p>Miscellaneous</p>	<ul style="list-style-type: none"> • Temporary Interest Rate Buy downs are not permitted. • Gap Letters for Title are not permitted. • Prepayment penalties are not permitted. • Lender-Purchased Mortgage Insurance (LPMI) not permitted for Brokered, Table Funded or Correspondent Non-Delegated transactions. • Correspondent Delegated (CDE) transactions: <ul style="list-style-type: none"> ○ Lender-Purchased Mortgage Insurance (LPMI) with monthly or annual premium paid options are not permitted. ○ LPMI with single premium “Lump-sum” are permitted but evidence of insurance activation and payment of all premiums must be provided prior to AFR purchasing the loan. • AFR requires all Correspondent Delegated (CDE) transactions to be purchased within 90 days of the Note date.
<p>Disclaimer</p>	<p>All overlays herein are subject to change by AFR without notice. Where AFR is silent, the UW must follow all guidelines outlined in the Fannie Mae Single Family Selling Guide.</p>

