



FANNIE MAE STANDARD

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. • AFR permits credit score used by DU eligibility assessment when there are multiple borrowers. <ul style="list-style-type: none"> ○ Reference SEL-2021-08 and Selling Guide B3-5.1.01
UW Method	Desktop Underwriter (DU)
AUS Recommendation	Approve/Eligible
Eligible Terms	Fully Amortizing Fixed Rate
	10, 15, 20, 25, 30 Year Fixed Rate
	High Balance
	15, 30 Year Fixed Rate
Eligible Transaction Types	<ul style="list-style-type: none"> • Purchase • Limited Cash Out Refinance • Cash Out Refinance <p>Reminder: AFR does not permit Cash Out Refinances in Texas</p>
Eligible Property Types	<ul style="list-style-type: none"> • 1-4 Unit Primary Residences • 1 Unit Second Homes • 1-4 Unit Investments • FNMA Approved Condos/PUDs <ul style="list-style-type: none"> ○ FNMA Approved Condos that meet the waiver of a project review • Multi-width Manufactured Housing (Investment Properties not permitted) • Single-width Manufactured Housing (Cash-out, Second homes and Investment Properties not permitted) • MH Advantage <p>Note: Single-width Manufactured home older than 10 years from the effective date of the appraisal must use Enact or National MI, if PMI is required. AFR must order the MI and be the lender.</p>
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"> • Hawaii <ul style="list-style-type: none"> ○ AFR does not operate in the state of Hawaii and does not permit loans with a subject property in Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions. • AFR requires the use of AFR's Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3rd party for document preparation and require 48 hours for both title review and to generate a closing package.
MI Companies	<ul style="list-style-type: none"> • Arch • MGIC • Enact • Essent Guaranty, Inc. • National MI • Radian
Tax Transcripts	Second Homes and Investment properties: <ul style="list-style-type: none"> • Tax transcripts are not required when all income used to decision a loan is made up exclusively of wage earner income reported on a W2 or fixed income reported on a 1099, unless AUS requires otherwise. • Tax Transcripts will be required for all other income types for the years used for qualification purposes.
Guidelines	https://www.fanniemae.com/singlefamily/originating-underwriting
Forms	See FORMS Section in the Resource Center

OVERLAYS

This information is provided for the use of mortgage professionals only and is not intended for distribution to consumers or other third parties. Guidelines, rates and fees are subject to change without notice. NMLS#2826. Corporate Headquarters – 8 Campus Drive, Suite 401, Parsippany, NJ 07054.



Revised
3/8/24



<p>Credit</p>	<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 inherited the property or is purchasing the property from the estate (i.e. HECM parties are deceased). • Non-U.S. Citizen Borrowers must have a valid Social Security Number (S.S.N.)
<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.) ○ Off Grid ○ Properties with commercial influence are subject to additional review <ul style="list-style-type: none"> ▪ Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law, is unacceptable. • Non-traditional heating methods (solar, wood burning stoves, etc.) without a heating back up source are not permitted. • 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 (SW) manufactured homes (MH):





	<ul style="list-style-type: none"> ○ May not include an accessory dwelling unit (ADU). ○ 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.
Assets	<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 • 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. <ul style="list-style-type: none"> ○ Income derived from a Marijuana dispensary (or similar) is acceptable, when: <ul style="list-style-type: none"> ▪ Not illegal under State or Local Law, ▪ The borrower is a W-2 or 1099 employee of the dispensary and does not have any ownership interest in the dispensary, and ▪ The subject property cannot be income producing from any purpose (such as the sale and distribution of Marijuana) that is not permitted under Federal 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) ○ 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 and follow revised General QM definition 1026.43(e)(s)(vi) effective March 1, 2021 and adhere to the limits on points and fees as defined in 1026.43(e)(3)(i). • 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)





	<ul style="list-style-type: none"> ○ 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 High LTV Refinance transaction, maximum DTI of 45% and minimum credit score of 620 ○ If RefiNow transaction, maximum DTI of 65% and minimum credit score of 620 • 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 and will comply with all state/county requirements pertaining to high cost and predatory mortgage loans. • 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. • 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>

