

Fannie Mae HomeReady – Product Description

<p>PRODUCT DESCRIPTION</p>	<ul style="list-style-type: none"> ■ First lien, fully amortizing fixed rate, community lending mortgage that offers underwriting flexibilities to qualified borrowers who meet specific income and home ownership criteria. No borrower can have ownership interest in another property at time of closing. ■ 15, 20 or 30 year Fixed rate; LPMI for 30 year term only. ■ DU (AUS) must have a return of Approve/Eligible, with the Observations section of the findings listing “HomeReady”. 																								
<p>PRODUCT CODES</p>	<ul style="list-style-type: none"> ■ CF30-HR, CF30-HRLPMI, CF20-HR, CF15-HR 																								
<p>MAXIMUM LTV/CLTV/HCLTV</p>	<table border="1" data-bbox="609 527 1490 825"> <thead> <tr> <th colspan="3">Primary Residence</th> </tr> <tr> <th>Loan Purpose</th> <th>Property Type</th> <th>LTV/CLTV</th> </tr> </thead> <tbody> <tr> <td>Purchase</td> <td>1 Unit</td> <td>97/97</td> </tr> <tr> <td>Refi Limited Cash-Out</td> <td>1 Unit</td> <td>95/95</td> </tr> <tr> <td>Purchase / Refi</td> <td>2 Units</td> <td>85/85</td> </tr> <tr> <td>Limited Cash-Out</td> <td></td> <td></td> </tr> <tr> <td>Purchase / Refi</td> <td>3-4 Units</td> <td>75/75</td> </tr> <tr> <td>Limited Cash-Out</td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> ■ Occupancy Not Allowed <ul style="list-style-type: none"> • Second Home • Non Owner Occupied ■ LTV >95% <ul style="list-style-type: none"> • Requires at least one borrower to be a first-time home buyer and complete pre-purchase home-buyer education and counseling. • Three years’ tax returns will be required to prove no ownership interest 	Primary Residence			Loan Purpose	Property Type	LTV/CLTV	Purchase	1 Unit	97/97	Refi Limited Cash-Out	1 Unit	95/95	Purchase / Refi	2 Units	85/85	Limited Cash-Out			Purchase / Refi	3-4 Units	75/75	Limited Cash-Out		
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<p>INCOME RESTRICTIONS</p>	<ul style="list-style-type: none"> ■ Eligibility for a HomeReady loan compares the borrower’s income to the applicable area median income (AMI) for the property’s location. The AMI used to determine borrower income eligibility is provided to Fannie Mae by its regulator, the Federal Housing Finance Agency (FHFA). To determine Fannie Mae loan eligibility, lenders must refer to the AMIs on Fannie Mae’s website. https://www.fanniemae.com/s/components/amilookup/7f00b4b9-6ade-4b91-be19-0071f343b1b9?state= <ul style="list-style-type: none"> ■ To determine if a mortgage is eligible under the borrower’s income limits, count the income from all of the borrowers who will be listed on the Note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan. Use the same method to determine income eligibility for HomeReady as used in qualifying the borrower for DTI approval ■ Income may not exceed 80% of the annual HUD AMI for the property’s location, except for higher income limits allowed for certain high counties in low-income census tracts and high –minority census tracts, as well as designated disaster areas 																								

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MINIMUM LOAN AMOUNT	None
MAXIMUM LOAN AMOUNT	See Fannie Mae Loan Limits Page: https://www.fanniemae.com/singlefamily/loan-limits and Freddie Mac Loan Limits Page: http://www.freddie.mac.com/singlefamily/selbultn/limit.htm
ASSUMPTIONS	Not allowed
BOND PROGRAMS	Not allowed
BUYDOWNS	Not allowed
CREDIT SCORE OVERLAY	≥620 with AUS Approval required. Each borrower must have a minimum of one credit score.
DTI	Per DU Approve/Eligible
DOWN PAYMENT ASSISTANCE	Not allowed
ESCROW HOLDBACKS	Escrow Holdbacks must be completed prior to loan purchase, as evidenced by satisfactory final inspection
ESCROW WAIVER	<ul style="list-style-type: none"> ▪ Escrow waiver price adjustments for Conforming loans may vary according to loan terms and state. See the SRP Schedule for specific escrow waiver price adjustments. ▪ Escrow waivers for Conforming loans allowed for all states with LTV 80.00% or less (90.00% in California) if loan is not HPML. ▪ Escrow waiver allowed for Conforming loans for all states (except California) when LTV is >80.00 % up to 90.00 % if all items listed below are met: <ul style="list-style-type: none"> ▪ Loan is not HPML ▪ Maximum DTI 40% ▪ Minimum Credit Score 700 ▪ Minimum verified liquid assets after closing of \$100,000 ▪ Mortgage Insurance must be single premium (Lender or Borrower paid) ▪ No Bankruptcy, Foreclosure, Short Sale or Short Payoff dismissed, discharged or completed in last 3 years ▪ If waiving escrow for hazard insurance ONLY, no escrow waiver fee is charged. Select “No” for Waive Escrows in GEMS. ▪ If waiving escrow for taxes ONLY, or, if waiving escrows for BOTH hazard insurance and taxes, the full escrow waiver fee adjustment applies. Select “Yes” for Waive Escrows in GEMS. ▪ Escrow waiver for flood insurance is not allowed for properties requiring flood insurance, however, even if flood insurance is required to be escrowed, waiving hazard insurance and taxes for the property is allowed and fees are charged as applicable. ▪ Escrows for flood insurance will not be required for loans secured by property that is part of a condominium, cooperative, or other project development, if the property is covered by flood insurance provided by and paid for, as a common expense, by the condominium association, cooperative, homeowners association, or other applicable group.

Fannie Mae HomeReady – Product Description (cont.)

INELIGIBLE PROPERTY TYPE OVERLAYS	Overlay Matrix
INTEREST CREDIT AT CLOSING	Cannot exceed 7 calendar days and must be used to reduce closing costs (e.g., cannot result in cash back to the borrower at closing.)
ITIN OVERLAY	All borrowers must have a valid social security number; ITINs are not allowed.
LIMIT ON NUMBER OF LOANS SERVICED BY GATEWAY	<p>Maximum of 4 loans serviced by Gateway per Borrower / Household.</p> <p>Borrower/household may have a maximum of 10 financed properties with Gateway Mortgage Group subject to:</p> <p>All financed properties held individually or jointly, or in an LLC or partnership must be counted in the borrower(s) total number of properties, regardless of the borrower’s ownership percentage in the LLC or partnership, and regardless who is obligated on the financing.</p> <p>Aggregate \$2,000,000 in total Gateway Mortgage Group loan amounts.</p> <p>Minimum of 2 years’ landlord experience documented on validated United States Federal tax return(s).</p> <p>For Fannie Mae Product – Refer to Fannie Mae Selling Guide, B2-2-03</p> <p>For Freddie Mac Product – Refer to Freddie Mac Selling Guide, Chapter 22.22.1.</p>
MORTGAGE INSURANCE	<p>Although the AUS findings may indicate otherwise, Fannie Mae requires Reduced Mortgage Insurance coverage. Ensure that the proper, required coverage is obtained from the Mortgage Insurance Provider chosen</p> <p>Eligible Mortgage Insurers are Arch/United Guaranty Mortgage Insurance Co., Essent Guaranty, Genworth, MGIC, National MI, and Radian.</p> <p>Acceptable MI types:</p> <ul style="list-style-type: none"> • Borrower Paid Monthly Premium • Borrower Paid Single Premium • Lender Paid Single Premium • Borrower Paid Split Premium • Borrower Paid Annual Premium <p>Unacceptable MI types:</p> <ul style="list-style-type: none"> • Lender Paid Monthly Premium • Lender Paid Split Premium • Lender Paid Annual Premium <p>Single premium financed MI permitted, subject to:</p> <ul style="list-style-type: none"> • LPMI permitted per Agency Guidelines. Loan must be locked using the applicable LPMI product code. • Minimum or Reduced MI requiring a loan level price adjustment is not allowed, regardless of AUS findings.

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NON-ARM'S LENGTH AND CONFLICT OF INTEREST	<p>Non-arms length and Conflict of Interest transactions are transactions in which there is a relationship or business affiliation between the borrower, seller, and/or lender.</p> <ul style="list-style-type: none"> • Non-arms length transactions require full documentation including 2 years federal tax returns and Fannie 1004. • Not allowed if new construction and the borrower is the builder or affiliated with or related to the builder/developer. • Satisfactory VOM's required on all liens on subject property confirming the transaction is not a bailout.
PRINCIPAL CURTAILMENT AT CLOSING	<p>For all loans other than "No Cash-out" or "Limited Cash-out" refinances (excluding Texas Home Equity Refinances), a curtailment to refund the overpayment of fees or charges paid by the borrower may not exceed lesser of 2% of the loan amount or \$500 (\$250 max on DU Refi Plus), in accordance with applicable regulatory guidelines, and must be clearly reflected as a Principal Curtailment on the HUD-1or Closing Disclosure.</p>
UNDERWRITING	<p>DU Approve/Eligible If DO is used, findings must be released to Gateway.</p> <p>Manual Underwriting not allowed.</p> <p>If the Client elects to use third-party contract underwriting, a copy of the applicable individual contract underwriter's NMLS license must be provided unless the applicable state does not require such licensing. The Client remains solely and unequivocally responsible for all representations and warranties regardless of Client's election to use a contract underwriter.</p>

Each loan must fully comply with all terms of Fannie Mae guideline requirements unless otherwise specifically noted above. Clients with access to AllRegs can access the entire Fannie Mae Seller Guide. For your added convenience, specific Fannie Mae guidelines may also be accessed from their website using the following links:

Fannie Mae Seller Guide

<https://www.fanniemae.com/content/guide/selling/index.html>