

HomeReady® LMI Product Profile: Wholesale

Matrices

FICO/LTV Grid

Fixed Rate Max LTV ¹ /CLTV ² /HCLTV					
	Min FICO ⁴	Max DTI	1 Unit	2 Units	3-4 Units
Purchase	620	50%	97% ³	85%	75%

¹ Non-occupant co-borrower – max 95% CLTV.

² 105% CLTV is available for fixed rate loans with Community Seconds only. Other subordinate financing per the Selling Guide.

³ Maximum LTV/CLTV for High Balance loan amount and manufactured homes is 95%

⁴ Minimum FICO is 660 for manufactured homes

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Quick Links

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Section 1: Program Summary

1.1 Program Summary

Program Summary

This Program Guide serves as a comprehensive summary of NewRez’s HomeReady LMI product. Refer to Fannie Mae’s Selling Guide B5-6 for any information not specified in the Program Summary.

NewRez’s HomeReady and HomeReady Advantage LMI Mortgage is a conventional mortgage designed for low to moderate income First Time Homebuyers purchasing a primary residence. Properties must be located within designated counties and state and meet certain income limits based on FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income as determined by [FFIEC Geocoding System](#). The designated areas can be found in the [NewRez LMI Geographic Locations](#).

- SFC 900 required for all HomeReady loans
- In addition to SFC 900, one or more of the following SFCs may also be required:
 - HomeReady loans with a Community Seconds - 118,
 - HomeReady loans with financed mortgage insurance - 281

1.2 Underwriting

Underwriting

Loans must be underwritten through Fannie Mae (DU) and receive an Approve/Eligible decision. Manually Underwritten loans are prohibited. FNMA HomeReady Guidelines are available in B5-6-01.

If DU issues a warning for excessive DU runs, a written explanation must be provided by the originator.

Income: Borrowers monthly qualifying income may not exceed 80% of the FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income as determined by the location of the subject property being financed. FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income for the subject property’s location may be found by entering the property address in the [FFIEC Geocoding System](#) and selecting the “Census Demographic Data” button. 80% of the 2018 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income must be utilized.

Example: Maximum Median Income \$91,500 as determined by FFIEC. Maximum allowable income for qualifying $\$91,500 \times 80\% = \$73,200$

Census	Income	Population	Housing
Tract Income Level			Upper
Underserved or Distressed Tract			No
2017 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$91,500		
2017 Estimated Tract Median Family Income			\$128,283
2010 Tract Median Family Income			\$122,162
Tract Median Family Income %			140.20
Tract Population			10193
Tract Minority %			18.84
Tract Minority Population			1920
Owner-Occupied Units			3004
1- to 4- Family Units			3506

1.3 Ineligible Programs

Ineligible Programs

- MH Advantage
- Transactions where the loan originator is acting in another real estate related role with the following exceptions:

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	<ul style="list-style-type: none"> Loan officers who are appropriately licensed in the state of CA or FL who are acting as the buyer's agent. A copy of the FL Disclosure of Conflict of Interest or CA Dual Capacity Disclosure is required to be provided by the broker. 	
Section 2: Transaction Details		
2.1 Loan Limits		
Loan Limits	https://www.fanniemae.com/singlefamily/loan-limits	
2.2 Eligible Terms and Programs		
Eligible Terms & Programs	Loan Programs	
	Term	Product Name
	30 Year Fixed	HomeReady LMI Conforming Fixed 30 Yr
	30 Year Fixed LPMI	HomeReady LMI Conforming Fixed 30 Yr LPMI
	30 Year Fixed High Balance	HomeReady LMI Conforming Fixed 30 Yr High Balance
	30 Year Fixed High Balance LPMI	HomeReady LMI Conforming Fixed 30 Yr High Balance
2.3 Eligible Transactions		
Eligible Transactions	Purchase	
2.4 Refinances		
Refinances	Refinances are not permitted	
2.5 Texas 50(a)(6) loans		
Texas 50(a)(6) loans	Texas 50(a)(6) refinances are ineligible under this product type.	
2.6 Subordinate Financing		
Subordinate Financing	<ul style="list-style-type: none"> Permitted within the LTV/CLTV requirements shown in eligibility matrix. Approved Community Seconds eligible up to max 105% CLTV. Seller held seconds not eligible. 	
2.7 Manufactured Homes		
Manufactured Homes	<p>A Manufactured Home is a dwelling unit built on a permanent chassis and attached to a permanent foundation system. Refer to applicable agency's Selling Guide (FNMA or FHLMC) for any information not specified in this Product Profile.</p> <p>The manufactured home must be built in compliance with:</p> <ul style="list-style-type: none"> The Federal Manufactured Home Construction and Safety Standards that were established June 15, 1976, as amended and in force at the time the home is manufactured; and Additional requirements that appear in HUD regulations at 24 C.F.R. Part 3280. <p>Compliance with these standards will be evidenced by the presence of both a HUD Data Plate and the HUD Certification Label. If the original or alternative documentation cannot be obtained for both the Data Plate/Compliance Certificate and the HUD Certification Label, the loan is not eligible for delivery to Fannie Mae.</p> <p>The HUD Data Plate/Compliance Certificate is a paper document located on the interior of the subject property that contains, among other things, the manufacturer's name and trade/model number. In addition to the data required by Fannie Mae, the Data Plate includes pertinent information about the unit, including a list of factory-installed equipment. The HUD Certification Label, sometimes referred to as a HUD "seal" or "tag," is a metal plate located on the exterior of each section of the home. The Manufactured Home Appraisal Report (Form 1004C) must show evidence of both the HUD Data Plate/Compliance Certificate and the HUD Certification Label.</p> <p>As an alternative to the original HUD Certification Label, the lender may be able to obtain a verification letter with the same information contained on the HUD Certification Label from the</p>	

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	<p>Institute for Building Technology and Safety (IBTS). A duplicate HUD Data Plate/Compliance Certificate may be available from IBTS or by contacting the In-Plant Primary Inspection Agency (IPIA) or the manufacturer. (A list of IPIA offices is posted on HUD’s website.)</p> <ul style="list-style-type: none"> • The unit must not have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer’s lot as a new unit. • The manufactured home must be a one-unit dwelling unit that is legally classified as real property and taxed and titled as such. New construction and any homes that have not yet been taxed and titled as real property are not permitted. • The towing hitch, wheels, and axles must be removed. The dwelling must assume the characteristics of site-built housing. • The borrower must own the land on which the manufactured home is situated in fee simple • Unit must be double wide, at least 12 feet wide and have a minimum of 600 square feet of gross living area. • The manufactured home must be attached to a permanent foundation system in accordance with the manufacturer’s requirements for anchoring, support, stability, and maintenance. • The foundation system must be appropriate for the soil conditions for the site and meet local and state codes • The manufactured home must be permanently connected to a septic tank or sewage system, and to other utilities in accordance with local and state requirements • If the property is not situated on a publicly dedicated and maintained street, then it must be situated on a street that is community owned and maintained, or privately owned and maintained. • There must be adequate vehicular access and there must be an adequate and legally enforceable agreement for vehicular access and maintenance. • Manufactured homes that have been structural modified or have an addition are ineligible
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Section3: Borrower Eligibility

3.1 Borrower Eligibility

<p>Borrower Eligibility</p>	<ul style="list-style-type: none"> • The primary borrower(s) must be First Time Homebuyer(s) • Income for qualifying borrower(s) must not exceed 80% of the FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income limit as determined by FFIEC Geocoding System FFIEC Geocoding System • There can be no more than 4 borrowers per loan. • All borrowers must have valid and verifiable Social Security Numbers, as well as a valid driver’s license, state-issued ID or passport. Other forms of taxpayer identification are not allowed. • Non-occupant co-borrowers are permitted – Maximum 95% LTV/CLTV <p>Ineligible Borrowers:</p> <ul style="list-style-type: none"> • Borrowers with Deferred Action for Childhood (DACA) approval (EAD Category C33) • Borrowers with Diplomatic Immunity • Borrowers without a valid SSN (ITINs are not accepted) • Individuals Employed by NewRez Third Party Originators • Individuals on the LPD/GSA exclusionary lists • Limited Partnerships, Corporations and LLCs
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3.2 Occupancy

<p>Occupancy</p>	<p>Eligible occupancy types include:</p> <ul style="list-style-type: none"> • Owner Occupied (Primary residences) • The primary borrower(s) must be First Time Homebuyer(s) and may not own any additional real estate. When a non-occupant co-borrower is a borrower on the loan additional real estate owned by the co-borrower is permitted
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3.3 Homebuyer Education	
Homebuyer Education	<p>At least one borrower must complete homeownership education, when all occupying borrowers are first time homebuyers on purchase transactions.</p> <p>There are three options to meet the pre-purchase education requirements.</p> <ul style="list-style-type: none"> • Framework Homeownership LLC – borrower must provide the certificate of completion. Framework Homeownership Course • HUD-approved nonprofit housing counseling agency. A fully executed certificate of completion (form 1017) is required • Homeownership education course required by a Community Seconds or Down Payment Assistance Program by a HUD-approved agency. If the mortgage loan involves a Community Seconds or Down Payment Assistance Program and that program requires its own homeownership education course provided by a HUD-approved counseling agency, the borrower is not required to enroll in the Framework program.
3.4 Power of Attorney	
Power of Attorney	<p>The use of a Power of Attorney must be approved by NewRez’s Underwriting and Legal teams. Generally, a Power of Attorney may be used for closing in the following scenarios:</p> <p>Incapacitated Borrower - the borrower is incapacitated and therefore unable to sign documents due to disability, legal incapability, or he/she lacks the physical ability; Incapacitated borrowers must occupy the property as their primary residence; the underwriter must validate occupancy and review for red flags within the loan file; Example: verify the signer of the POA is not acting as a straw buyer or purchasing an investment property utilizing the incapacitated borrower’s credit.</p> <p>Military Personnel - the borrower is currently deployed or stationed overseas and is unable to sign documents or attend closing;</p> <p>Hardship Circumstance - the borrower is unable to attend closing because he/she is out of the state or country for an extended period of time, bedridden, in the hospital with a serious illness, or the borrower is incarcerated.</p> <p>POA will not be permitted for borrowers that are on vacation</p> <p>Government Contractor – the borrower is employed by the government and currently working overseas</p> <ul style="list-style-type: none"> • A letter from the borrower’s employer is required to verify overseas travel <p>Business Travel – permitted on Purchase transactions when the spouse has Power of Attorney for the traveling borrower.</p> <p>There are 4 acceptable types of power of attorney. The following persons may sign security instruments on a borrower’s behalf:</p> <p>Attorney-in-fact - he/she may sign the security instruments as long as NewRez obtains a copy of the POA. In some jurisdictions the POA must be recorded with the security instrument; in this case, NewRez must confirm the document has been recorded. The person acting as the attorney-in-fact must have a familial, personal or fiduciary relationship with the borrower and can’t have any type of financial interest in the transaction or be involved in the transaction in any capacity such as the closing agent / attorney, broker or realtor;</p> <p>Specific - this type of POA is specific to the mortgage transaction; therefore, the POA must specify the legal description, property address, and transaction type within the body of the document. It must be recorded at closing;</p> <p>Durable - traditionally a POA becomes ineffective upon the disability of the principal but the POA must remain valid even if the borrower becomes incapacitated or disabled prior to closing. In order for the POA to be acceptable it must contain the following language ‘This POA shall not terminate on the disability of the principal’ or ‘This POA is not affected by the subsequent disability of incapacity of the borrower’;</p>

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	<p>General Military - this type of POA is generally used in situations where a borrower or his/her spouse may be deployed or is on active duty.</p> <p>All loan files wishing to utilize a power of attorney require the following:</p> <ul style="list-style-type: none"> • A Letter of Explanation from the borrower advising why the loan is closing with a POA • Completed and Signed POA Form
3.5 Living Trust (Inter Vivos Revocable Trust)	
Living Trust (Inter Vivos Revocable Trust)	<p>A living trust is an eligible mortgage borrower if it meets the following requirements as well as State requirements. All trusts must be approved by NewRez legal prior to Loan Approval.</p> <p>To determine whether or not the Trust meets all the criteria required by State and investor standards, one of the following will be required:</p> <ul style="list-style-type: none"> • A copy of the trust document must be included in the file • Exception: California, where a current (less than 1 year old) trust certification completed by the borrower may be provide din lieu of the full trust document. If this certification is incomplete or contrary to title results, the full trust documentation may still be required.
3.6 Non-Arms Length Transactions	
Non-Arms Length Transactions	<p>Follow agency guidelines with the following exceptions:</p> <ul style="list-style-type: none"> • Regardless of loan program, short sale transactions and flips are not permitted • Transactions where the loan originator acts in another real-estate related role are prohibited.
3.7 At-Interest Transactions	
At-Interest Transactions	<p>Transactions where:</p> <ul style="list-style-type: none"> • Builder is acting as Realtor/Broker – permitted on primary residence only • Realtor/Broker is selling their own property – permitted on primary residence only • NewRez originator is acting in another real-estate related role (NewRez Originator cannot have another real estate related position on any loan, regardless of the loan program)
3.8 Maximum # of Financed Properties	
Maximum # of Financed Properties	<p>The primary borrower(s) must be First Time Homebuyer(s) and may not own any additional real estate. When a non-occupant co-borrower is a borrower on the loan additional real estate owned by the co-borrower is permitted in accordance with Fannie Mae requirements</p>
3.9 Multiple Mortgages to the Same Borrower	
Multiple Mortgages to Same Borrower	<p>Borrowers may not have ownership interest in any other residential properties at the time of close except as outlined in section 3.9 Maximum # of Financed Properties</p>
Section 4: Collateral	
4.1 Eligible Properties	
Eligible Properties	<ul style="list-style-type: none"> • All properties must be located in an eligible census tract appearing on the NewRez LMI Geographic Locations list • Attached/Detached SFRs • Attached/Detached PUDs • Low/Mid/High-Rise Condos and site Condos • 2-4 Unit SFRs • Manufactured Homes - additional details below <p>Mixed Use Properties: For mixed use properties, originators may follow FNMA guidelines with the exception that the square footage of commercial part of the property cannot exceed 25% of the total square footage</p> <p>Deed Restricted Properties:</p>

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	<p>All deed restricted properties must be reviewed and approved prior to loan approval and must adhere to FNMA requirements (B5-5.2)</p> <p>Manufactured Homes: (Refer to Section 2.7 for additional requirements)</p> <ul style="list-style-type: none"> • 1-unit single family detached or PUD detached • Doublewide only • Minimum 600 square feet of living space • Manufactured after June 15, 1976 • The following manufactured home types are not permitted <ul style="list-style-type: none"> ○ Condo ○ Mixed used ○ Leasehold of any kind ○ Deed restricted ○ Properties not taxed and titled as real property ○ Properties not permanently affixed to the foundation or have the towing hitch, wheels and axles ○ Properties less than 12 feet wide ○ Properties without HUD Data Please or HUD Certification label ○ Newly constructed manufactured homes not yet attached to the land, not yet constructed or not yet titled and taxed as real property ○ Hobby farms ○ Manufactured homes located in a mobile home park
4.2 Ineligible Properties	
<p>Ineligible Properties</p>	<ul style="list-style-type: none"> • Any property that does not appear in a location on the NewRez LMI Geographic Locations list • Condotels • Co-ops • Hobby Farms • Investment Properties • Manufactured Homes that are condo, leasehold or coop • Modular Homes Unique homes such as log homes will be reviewed on an exception basis with like comparables • Properties / land held in a life estate • Properties appraised with a property condition of C5 or worse • Properties encumbered with private transfer fee covenants (title, sales contract or final CD should be evaluated to confirm) • Properties which are subject to a right of redemption (permitted in retail) • Second Homes • Unique properties (geodesic domes, berms, earth homes, barndominiums, shouses)
4.3 Appraisals	
<p>Appraisals</p>	<p>All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR).</p> <ul style="list-style-type: none"> • The use of an exterior only appraisal or property inspection option is not allowed, regardless of DU Findings, full appraisal on all transactions • Appraisal must be completed by a Certified appraiser from a NewRez approved AMC • Copy of the appraiser’s license must be included in all funded loan files <p>Appraisal Waivers: The following properties may receive an Appraisal Waiver offer.</p> <ul style="list-style-type: none"> • Purchase loans receiving Approve/Eligible with Appraisal Waiver <ul style="list-style-type: none"> ○ One-unit properties, including condominiums

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	<ul style="list-style-type: none"> ○ Maximum 80% LTV/CLTV: ○ A property inspection fee waiver is not required ○ Appraisal Waivers are ineligible for the following transactions: <ul style="list-style-type: none"> ▪ Investment properties ▪ Second Homes ▪ Properties located in a disaster-impacted area ▪ Construction and construction-to-permanent loans ▪ Two- to four-unit properties ▪ Loan casefiles in which the value of the subject property provided to DU is \$1,000,000 or greater ▪ Texas 50(a)(6) loans ▪ Leasehold properties, community land trust homes, or other properties with resale restrictions ▪ DU loan casefiles that receive an ineligible recommendation ▪ Loans for which the mortgage insurance provider requires an appraisal ▪ Loans for which rental income from the subject property is used to qualify ○ If the Appraisal Waiver is offered an appraisal should not be ordered unless there is reason to believe the property’s current market value should be confirmed. For example, a property located in an area impacted by a recent disaster. ○ If an appraisal is obtained the appraised value must be used regardless of receiving an Appraisal Waiver eligible message. <p>Manufactured Homes</p> <ul style="list-style-type: none"> • All loan files require a full appraisal on form 1004C and include: <ul style="list-style-type: none"> ○ manufacturer's name, ○ trade or model number, ○ year of manufacture, ○ serial number, ○ Certification Label number(s) from either the HUD Data Plate or Certification Label(s), ○ type of foundation and utility connections, ○ detailed and supported cost approach, ○ Opinion of the market value of the site, and property's conformity to the neighborhood. • Appraisal must be completed by a Certified appraiser from an NewRez approved AMC • Transferred appraisals are not permitted • Copy of the appraiser’s licensee must be included in all funded loan files • Appraisal must contain a detailed and supported cost approach • The appraiser must indicate a value conclusion based solely on the real property as completed consisting of the <ul style="list-style-type: none"> ○ manufactured home, ○ site improvements, and ○ Land on which the home is situated. • The appraisal report must indicate whether or not the site is compatible with the neighborhood and must comment on the conformity of the manufactured home to other manufactured homes in the neighborhood. • The value conclusion cannot include any non-realty items including, but not limited to, insurance, warranties, and furniture.
<p>4.4 Disaster Areas</p>	
<p>Disaster Areas</p>	<p>Refer to the list of affected counties published by FEMA at the following link: https://www.fema.gov/disasters</p>

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	<p>NewRez will require recertification from the appraiser on all loans located in the affected Counties prior to closing. If the county is indicated as being in a declared disaster area, the policy must be adhered to</p> <ul style="list-style-type: none"> The Disasters are referenced with both an incident start date and an incident ending date. The property is considered potentially impacted for 120 days from the incident END date; If a full appraisal was obtained on the property prior to the declared disaster, the inspection must verify the property is sound and habitable and in the same condition as when it was appraised. Any of the following options are acceptable to satisfy this requirement: <ul style="list-style-type: none"> A 1004D Final Inspection or Appraisal Update signed by the original appraiser FNMA 2075 – Desktop Underwriter Property Inspection Report DAIR – Disaster Area Inspection Report Full appraisals obtained after the declaration need to indicate the property has not been impacted by the disaster; If the loan qualified for a non-standard appraisal (Property Valuation Update, Appraisal Waiver, 1075, 2055, 2075, 2095) and a Disaster has been declared prior to funding or purchase, a full appraisal with interior and exterior inspection dated after the incident period end date is required. The non-standard appraisal product is not permitted for 120 days after the disaster incident period end date; The NewRez branches will request the appropriate appraisal or inspection through the normal channels
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4.5 Geographic Restrictions

Geographic Restrictions	Loans must be located in a City and State that appears on the NewRez LMI Geographic Locations list. The NewRez LMI Geographic Eligibility List is updated quarterly
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Section 5: Income

5.1 Income

Income	<p>Income: Borrowers monthly qualifying income may not exceed 80% of the FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income as determined by the location of the subject property being financed. FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income for the subject property’s location may be found by entering the property address in the FFIEC Geocoding System and selecting the “Census Demographic Data” button. 80% of the 2018 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income must be utilized</p> <p>Qualifying income is determined as all eligible earned income borrowers on a loan application receive. Income eligibility is determined based on the type of income and the requirements outlined in this product profile and Fannie Mae’s selling guides</p> <p>Example: Maximum Median Income \$91,500 as determined by FFIEC. Maximum allowable income for qualifying $\\$91,500 \times 80\% = \\$73,200$</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Census</th> <th>Income</th> <th>Population</th> <th>Housing</th> </tr> </thead> <tbody> <tr> <td>Tract Income Level</td> <td></td> <td></td> <td>Upper</td> </tr> <tr> <td>Underserved or Distressed Tract</td> <td></td> <td></td> <td>No</td> </tr> <tr> <td>2017 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income</td> <td>\$91,500</td> <td></td> <td></td> </tr> <tr> <td>2017 Estimated Tract Median Family Income</td> <td></td> <td></td> <td>\$128,283</td> </tr> <tr> <td>2010 Tract Median Family Income</td> <td></td> <td></td> <td>\$122,162</td> </tr> <tr> <td>Tract Median Family Income %</td> <td></td> <td></td> <td>140.20</td> </tr> <tr> <td>Tract Population</td> <td></td> <td></td> <td>10193</td> </tr> <tr> <td>Tract Minority %</td> <td></td> <td></td> <td>18.84</td> </tr> <tr> <td>Tract Minority Population</td> <td></td> <td></td> <td>1920</td> </tr> <tr> <td>Owner-Occupied Units</td> <td></td> <td></td> <td>3004</td> </tr> <tr> <td>1- to 4- Family Units</td> <td></td> <td></td> <td>3506</td> </tr> </tbody> </table> <p>Program Specific Income Documentation</p>	Census	Income	Population	Housing	Tract Income Level			Upper	Underserved or Distressed Tract			No	2017 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$91,500			2017 Estimated Tract Median Family Income			\$128,283	2010 Tract Median Family Income			\$122,162	Tract Median Family Income %			140.20	Tract Population			10193	Tract Minority %			18.84	Tract Minority Population			1920	Owner-Occupied Units			3004	1- to 4- Family Units			3506
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Information is accurate as of the date of publishing and is subject to change without notice. The overlays outlined in this matrix apply to agency loans submitted to DU. In addition to applying these NewRez specific overlays. All loans submitted to DU must comply with the DU Findings and Fannie Mae requirements. This document should not be relied upon or treated as legal advice. Guidelines subject to change without notice; Printed copies may not be the most current version.

- **Accessory unit rental income** from a one-unit primary residence is permitted. Standard rental income documentation guidelines apply.

Income Documentation: Income documentation requirements are outlined below. Refer to Fannie Mae or Freddie Mac Selling Guides for any areas not addressed.

Wage Earners:

- Most recent paystub including all year-to-date earnings dated no earlier than 30 days prior to the initial loan application date and most recent one or two years' W-2 as required by DU/LPA (W-2 transcripts are permissible in lieu of W-2s); or
- Income validation obtained through DU Validation Service; or
- Written Verification of Employment obtained through a 3rd party vendor such as, but not limited to TALX (The Work Number) except when:
 - The borrower works for an interested party to the transaction (Paystub and W-2s required)
- Note: For 3rd party verifications, information must be current as of 35 days from the date of the verification

Self-Employed:

- Follow AUS tax return requirements.
 - In instances where DU/LPA allows for only 1-year tax returns on a self-employed borrower(s), the tax returns must be for the most recent tax year. A current year extension and the previous year's tax returns will not be accepted.
 - Documentation or evaluation is not required when a borrower or co-borrower is qualified using only income that is **not** derived from self-employment and self-employment is a secondary and separate source of income (or loss).

Amended Tax Returns- When tax returns are utilized for documenting income: (All Employment/Income Types):

- Tax returns amended within 90 days prior to the application date or at any time during the loan process with NewRez are not permitted.
- Tax returns amended greater than 90 days prior to the application date are permitted however, both the original and amended return must be examined for consistency with the previous filings to determine whether the use of the amended return is warranted. The following documentation will be required:
 - A letter of explanation from the borrower detailing the reason for re-filing;
 - Evidence of re-filing via tax transcript of amended return;
 - Payment of and evidence of the ability to pay any applicable tax

Borrowers starting New Employment After Note Date: Borrowers who are changing or starting new jobs are permitted to close prior to the start of employment according to Agency requirements.

Refer to Employment Offers or Contracts, Option 1 and Option 2, with the following requirements:

- For Option 1, the employment start date as shown on the employment offer or contract must be within 90 days of the Note date.
- For Option 2, Special Feature Code 707 is required.
- Corporate Relocation— See section 9.1 for additional documentation allowances or requirements

4506T & Tax Transcript Requirements

- A fully complete 4506T form must be **signed and dated** by each borrower for all loans and must include the number of years of income required

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	<ul style="list-style-type: none"> • The 4506T form must be processed and transcripts obtained in the following circumstances. • Wage Earners: <ul style="list-style-type: none"> ○ Handwritten paystubs are used as verification of income (W-2 transcripts acceptable unless other sources of income utilized) ○ There is a relationship between the parties (W-2 transcripts acceptable unless other sources of income utilized): <ul style="list-style-type: none"> ▪ Borrower and Seller are related ▪ Borrower/Seller/Loan Originator are related ▪ Borrower is employed by the Third-Party Originator Company ○ Any of the following are present (1040 transcripts required): <ul style="list-style-type: none"> ▪ Additional income for qualifying is derived from sources such as rental properties, dividend/interest or other income where tax returns is required; or ▪ Tax returns are used to document income; or ▪ At the underwriter’s discretion • Self-Employed: <ul style="list-style-type: none"> ○ For self-employed borrowers personal tax transcripts are required. Business tax transcripts must be obtained if income from the business does not flow through to the borrower’s personal tax returns or business income appearing on personal transcripts is not consistent with the income on the business tax returns <p>Borrower Provided Transcripts</p> <p>In certain cases, such as identification theft, transcripts will not be available directly from the IRS, and the borrower will need to obtain. Additional documentation will be required along with the transcripts:</p> <ul style="list-style-type: none"> • Follow the guidelines below when the IRS rejects an IRS Form 4506-T request as unable to process: <ul style="list-style-type: none"> ○ Evidence the IRS rejected the IRS Form 4506-T request, ○ A borrower-obtained Record of Account Transcript, in pdf format, for all applicable years missing from the www.irs.gov website, and ○ A signed IRS Form 4506-T for the year(s) impacted by the IRS rejection. • Follow the guidelines below when the IRS rejects an IRS Form 4506-T request for identity theft: <ul style="list-style-type: none"> ○ Proof identification theft was reported to and received by the IRS (IRS Form 14039) or ○ A copy of the notification from the IRS alerting the taxpayer to possible identification theft, and ○ Borrower obtained transcript, in pdf format, for all applicable years missing • In addition to the above, borrower provided transcripts may also be permitted with approval from an underwriting team lead or higher. Comments must be noted in Destiny for the reason borrower provided transcripts required.
5.2 Verification of Employment	
Verification of Employment	<p>Wage Earner: A verbal verification of employment dated within 10 business days of the note date is required for all non-self-employed borrowers. The verification of employment must include the phone number contacted to complete the verbal, which must be documented as associated with the business. In addition, the verification should be completed through the Human Resource Department of the employer, the owner of the company or direct supervisor for small businesses.</p> <p>Self-Employed Borrower:</p>

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	For Self Employed borrowers, the existence of the borrower’s business must be validated within 120 calendar days of the note. This can be accomplished through a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, AND by verifying a phone listing and address for the borrower’s business using a telephone book, the internet, or directory assistance.
5.3 Alimony and Child Support Income	
Alimony and Child Support	<p>Document that alimony or child support will continue to be paid for at least three years after the date of the mortgage application, as verified by one of the following:</p> <ul style="list-style-type: none"> • A copy of a divorce decree or separation agreement (if the divorce is not final) that indicates payment of alimony or child support and states the amount of the award and the period of time over which it will be received. • Any other type of written legal agreement or court decree describing the payment terms for the alimony or child support. • Document receipt of six months <p>Exception: Three months receipt of alimony or child support may be eligible with the below requirements.</p> <ul style="list-style-type: none"> • DTI 40% • Minimum reserves of six months • Special Feature Code 764 is required • Note: AUS messaging for number of months receipt required for alimony or child support may be disregarded
5.4 Ineligible Income Sources	
Ineligible Income Sources	<ul style="list-style-type: none"> • Sweat equity • Boarder income
Section 6: Credit	
6.1 Credit	
Credit	<ul style="list-style-type: none"> • A tri-merge credit report is required. Each Borrower must have a valid and usable score from at least two of the following three agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these three agencies are acceptable. • Non-Traditional/Alt Credit is not permitted. • Manual underwriting is not permitted. • All credit inquiries within 90 days of the credit report are required to be addressed by the customer – see Credit Attestation Policy • Follow DU findings as to any debt that should be paid
6.2 Qualifying Ratios	
Qualifying Ratios	<p>Qualifying Interest Rate is the Note Rate</p> <p>Maximum DTI: 50%</p> <p>Transactions resulting in significant payment shock should always be considered by the underwriter. The borrower’s income must clearly support the borrower’s ability to make the higher monthly payment. It is always at the underwriter’s discretion to require additional verification of assets or a larger down payment as a compensating factor for a loan with high payment shock.</p>
Section 7: Assets	
7.1 Assets	
Assets	Assets must be verified as required by DU. Written Verifications of Deposit (VOD) are not acceptable. Only system generated Verifications of Deposit from the financial institution are acceptable.

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	Business Assets are allowed for down payment; however, the borrower must be the majority owner of the business. Business assets may not be used for reserves. Cash-on-hand is not an acceptable source of assets										
7.2 Minimum Borrower Contribution											
Minimum Borrower Contribution	<table border="1"> <thead> <tr> <th>Number of Units</th> <th>Min Borrower Contribution</th> </tr> </thead> <tbody> <tr> <td>1 unit</td> <td>None</td> </tr> <tr> <td>2-4 units</td> <td>3%</td> </tr> </tbody> </table>	Number of Units	Min Borrower Contribution	1 unit	None	2-4 units	3%				
	Number of Units	Min Borrower Contribution									
	1 unit	None									
2-4 units	3%										
7.3 Cash Reserves											
Cash Reserves	Follow DU findings.										
7.4 Gifts											
Gifts	Follow FNMA Guidance; minimum borrower contribution must be met before other acceptable sources of funds are permitted <ul style="list-style-type: none"> Noted exception: borrowers must contribute a minimum of 5% of their own funds when the loan is secured by a manufactured home 										
7.5 Seller/Interested Party Contributions											
Seller/Interested Party Contributions	<table border="1"> <thead> <tr> <th>Occupancy Type</th> <th>LTV/CLTV</th> <th>Maximum IPC</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Principal residence</td> <td>Greater than 90%</td> <td>3%</td> </tr> <tr> <td>75.01% – 90%</td> <td>6%</td> </tr> <tr> <td>75% or less</td> <td>9%</td> </tr> </tbody> </table>	Occupancy Type	LTV/CLTV	Maximum IPC	Principal residence	Greater than 90%	3%	75.01% – 90%	6%	75% or less	9%
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	Principal residence	Greater than 90%	3%								
		75.01% – 90%	6%								
75% or less		9%									
7.6 Community Seconds											
Community Seconds	Community Seconds must meet FNMA's requirements as defined in Section B5 of the FNMA Seller's Guide and be approved by NewRez prior to close; maximum LTV and other requirements shown above										
7.7 Ineligible Assets											
Ineligible Assets	<ul style="list-style-type: none"> Sweat Equity Cash on hand UTMA/Custodial Accounts for minors (cannot be used by account custodian) 										
Section 8: Procedures											
8.1 Age of Documentation											
Age of Documents	Follow agency guidelines										
8.2 Electronic Signatures											
Electronic Signatures	NewRez will accept electronic signatures on third party documents in accordance with Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Transactions Act (UETA), as applicable.										
	The electronic signature and date must be clearly visible when viewed electronically and in a paper copy of the electronically signed document.										
	Electronic signatures are not permitted for any final documents including but not limited to the Note, Mortgage, final 1003, etc.										
8.3 Escrows											
Escrows	Escrows may be waived when the borrower's LTV is less than 80% and <ul style="list-style-type: none"> the borrower is not a first-time homebuyer <ul style="list-style-type: none"> FTHBs will be considered on a case-by-case basis with a demonstrated ability to 										

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	<p>save (reserves) and strong residual income.</p> <ul style="list-style-type: none"> the borrower does not exhibit recent signs of delinquency <p>In all states, except CA, no exceptions are permitted if the LTV is > 80% (see waiver eligibility grid below).</p> <p>If flood insurance is required based on the properties flood zone, escrows for flood insurance are required and cannot be waived.</p>																				
<p>8.4 Escrow Waiver Grid</p>																					
<p>Escrow Waiver Grid</p>	<table border="1" data-bbox="678 527 1235 684"> <tr> <th colspan="2" data-bbox="678 527 1235 569">Escrow Waiver Eligibility</th> </tr> <tr> <td data-bbox="678 569 748 604"></td> <td data-bbox="748 569 1235 604">All states excluding CA and NM: ≤ 80% LTV</td> </tr> <tr> <td data-bbox="678 604 748 640"></td> <td data-bbox="748 604 1235 640">California: < 90% LTV</td> </tr> <tr> <td data-bbox="678 640 748 684"></td> <td data-bbox="748 640 1235 684">New Mexico: < 80% LTV</td> </tr> </table>	Escrow Waiver Eligibility			All states excluding CA and NM: ≤ 80% LTV		California: < 90% LTV		New Mexico: < 80% LTV												
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<p>8.5 Excluded Parties- LDP/GSA Searches</p>																					
<p>Excluded Parties- LDP/GSA Searches</p>	<p>Agency, FHA and VA loans require confirmation that companies or individuals involved in the origination or underwriting of a mortgage transaction are not on the Freddie Mac Exclusionary List, General Services Administration (GSA) excluded party list or the HUD Limited Denial Participation (LDP). Regardless of the reason for the party being excluded, any party to the transaction included on either list will result in the loan being ineligible for delivery. All name variations found throughout the loan file must be run when performing the searches. The search must be run on the following parties in the transaction:</p> <ul style="list-style-type: none"> Borrowers Seller Builder Listing Agent & Listing Company Selling Agent & Selling Company Title Agent Title Company Closing Attorney Appraiser and Appraisal Company 																				
<p>8.6 Interest Credit</p>																					
<p>Interest Credit</p>	<p>Permitted on Conventional purchases; must fund by the 5th day</p>																				
<p>8.7 Mortgage Insurance</p>																					
<p>Mortgage Insurance</p>	<p>Approved MI Companies: Essent, Genworth, MGIC, Radian, Arch and United Guaranty</p> <table border="1" data-bbox="418 1476 1398 1608"> <thead> <tr> <th colspan="5" data-bbox="418 1476 1398 1514">Mortgage Insurance Coverage</th> </tr> <tr> <th data-bbox="418 1514 748 1549">Transaction Type/Term</th> <th data-bbox="748 1514 911 1549">80.01 - 85.00%</th> <th data-bbox="911 1514 1073 1549">85.01 - 90.00%</th> <th data-bbox="1073 1514 1235 1549">90.01 - 95.00%</th> <th data-bbox="1235 1514 1398 1549">95.01 -97.00%</th> </tr> </thead> <tbody> <tr> <td data-bbox="418 1549 748 1577">Fixed Rate, ≤ 20 years</td> <td data-bbox="748 1549 911 1577">6%</td> <td data-bbox="911 1549 1073 1577">12%</td> <td data-bbox="1073 1549 1235 1577">25%</td> <td data-bbox="1235 1549 1398 1577">25%</td> </tr> <tr> <td data-bbox="418 1577 748 1608">Fixed Rate & ARMs, > 20 years</td> <td data-bbox="748 1577 911 1608">12%</td> <td data-bbox="911 1577 1073 1608">25%</td> <td data-bbox="1073 1577 1235 1608">25%</td> <td data-bbox="1235 1577 1398 1608">25%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Borrower paid MI may be financed up to the maximum LTV for the transaction. Lender paid MI permitted. 	Mortgage Insurance Coverage					Transaction Type/Term	80.01 - 85.00%	85.01 - 90.00%	90.01 - 95.00%	95.01 -97.00%	Fixed Rate, ≤ 20 years	6%	12%	25%	25%	Fixed Rate & ARMs, > 20 years	12%	25%	25%	25%
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Fixed Rate & ARMs, > 20 years	12%	25%	25%	25%																	
<p>8.8 Title Insurance</p>																					
<p>Title Insurance</p>	<p>The title policy must be in the lender's name and/or its assigns. Title must be vested in the borrower's name, in the name of an eligible inter vivos trust (if permitted per program guides), or, in the case of a purchase, be currently vested in the seller's name with a requirement for a deed to be recorded transferring title to our borrower's name at closing.</p>																				

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	<p>The insured amount of the policy must be at least for the gross loan amount and the policy must be dated within 45 days of closing. A minimum of a twelve-month title chain must be provided on each policy. The chain of title will be reviewed for flips, unacceptable exceptions to clear title, unacceptable private transfer fees or any other adverse title impediment as part of the underwriting process.</p> <p>Manufactured Housing: ALTA Endorsement 7, 7.1, or 7.2 or any other endorsement required in the applicable jurisdiction for manufactured homes to be treated as real property must be included in the file.</p> <p>A summary reference to existing state conversion can be located in the NewRez MH State Conversion Statutes Reference Document.</p>
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Section 9: References

9.1 References

References	<ul style="list-style-type: none"> Fannie Mae Guidelines (PDF version) Fannie Mae Guidelines (AllRegs version) FNMA HomeReady Guidelines FNMA Eligibility Matrix Limited Denial of Participation (LDP) List General Services Administration (GSA) Exclusionary List
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Section 10: Version Control

4.2 Ineligible Properties	Added Barndominiums and Shouses as ineligible unique properties	February 24, 2020
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