

# HFA Preferred™

## Fact Sheet to be used by state and local Housing Finance Agencies

HFA Preferred is Fannie Mae’s affordable lending product available exclusively to participating Housing Finance Agencies (HFAs) to serve low- to moderate-income borrowers. Underwriting flexibilities and features include:

- Loan-to-value (LTV) ratio up to 97% with **no first-time home-buyer requirement**
- Borrower income limits **set by the HFA**
- Reduced mortgage insurance coverage for loans at or below 80% Area Median Income (AMI)

	Fannie Mae Requirements
Pricing Terms	LLPAs are waived for all HFA Preferred loans. Note: Certain MI coverage LLPAs may still apply.
Eligible Products	Fully-amortizing fixed-rate mortgages (FRMs) per the <i>Selling Guide</i> , with terms greater than 15 years up to a maximum of 30 years.
Eligible Occupancy	Owner-occupied principal residence
Eligible Purpose	Purchase; limited cash-out refinance
Desktop Underwriter® (DU®)	HFA Preferred is available through DU using the "Additional Data" screen; select "HFA Preferred." Loans with a DU recommendation of Approve/Eligible are eligible for DU’s Limited Waiver of representations and warranties. Qualifying ratios, reserves, and income requirements are determined by DU.
Maximum LTV/CLTV (DU)	<ul style="list-style-type: none"> <li>• <b>One unit:</b> 97% LTV / 105% CLTV*</li> <li>• <b>2–4 units:</b> 95% LTV / 105% CLTV*</li> <li>• <b>Manufactured Homes:</b> <ul style="list-style-type: none"> <li>○ MH Advantage® 97% LTV / 105% CLTV with Community Seconds.</li> <li>○ Standard MH max 95% LTV / 105% CLTV*</li> </ul> </li> </ul> <p>* See Subordinate Financing section below.</p>
Underwriting	<p>HFA may manually underwrite an HFA Preferred mortgage even if such mortgage was previously submitted to DU.</p> <p>Mortgages secured by manufactured homes must be underwritten by DU as required by the <i>Selling Guide</i>, however, Lender may disregard any DU message that the loan casefile is ineligible because the CLTV exceeds 95%.</p>
Manual Underwriting Criteria	Per the requirements of the <a href="#">Eligibility Matrix</a> and any other terms required in the <i>Selling Guide</i> , including borrowers with nontraditional credit.



Minimum Borrower Contribution	<ul style="list-style-type: none"> <li>• 1-unit homes: \$0</li> <li>• 2- to 4-unit homes: 3%</li> </ul>
Subordinate Financing	Community Seconds® only
Donated Gift and Grant Funds or Community Seconds	<p>Nonprofit organizations, public agencies and lenders are acceptable providers of donated gift and grant funds or Community Seconds® used to fund all or a part of the down payment, closing costs, or financial reserves in accordance with Selling Guide Sections Part <a href="#">B3-4.3-06</a> and <a href="#">B5-5.1-02</a>.</p> <p>Premium pricing cannot be used when sponsoring a gift or grant, however it can be used with a Community Seconds program.</p>
Eligible Property Types	All property types per standard <i>Selling Guide</i> requirements for HomeReady® mortgages.
Income Requirements	<p>The borrower's total qualifying income* must not exceed the greater of:</p> <ul style="list-style-type: none"> <li>• The limits required in the <i>Selling Guide</i> for HomeReady (section <a href="#">B5-6-02</a>, HomeReady Mortgage Loan and Borrower Eligibility); or</li> <li>• the limits established by the HFA</li> </ul> <p><i>*The qualifying income entered in DU or manual underwriting must come from all borrowers who will sign the note and must not exceed the applicable income limits. Per Selling Guide Section Borrower Income Limits and Calculations (<a href="#">B5-6-01</a>).</i></p>
Mortgage Insurance	<p>Reduced MI coverage shown below applies to loans at or below 80% AMI.</p> <ul style="list-style-type: none"> <li>• 18% for LTVs ratios &gt; 95% and &lt;= 97%</li> <li>• 16% for LTVs ratios &gt; 90% and &lt;= 95%</li> <li>• 12% for LTVs ratios &gt; 85% and &lt;= 90%</li> <li>• 6% for LTVs ratios &gt; 80% and &lt;= 85%</li> </ul> <p>Note : Standard MI pricing applies to loans above 80% AMI</p>
Interested Party Contributions	<p>Per the <i>Selling Guide</i>, standard requirements apply:</p> <ul style="list-style-type: none"> <li>• 3% max for LTV/CLTV greater than 90%</li> <li>• 6% max for LTV/CLTV less than or equal to 90%</li> </ul>
Homeownership Education and Housing Counseling	Per <i>Selling Guide</i> <a href="#">Part B2-2-06</a> , Homebuyer education is required when all borrower are first time homebuyers. <b>Lenders originating HFA Preferred loans must follow the HFA's established homebuyer education requirements.</b>
Landlord Education	Landlord education is required for purchase transactions secured by 2-4 unit properties when the LTV exceeds the LTV permitted under HomeReady ( <a href="#">Eligibility Matrix</a> ). Lenders originating HFA Preferred loans must follow the HFA's established landlord education requirements.



Special Feature Code (SFC)	<p>The following SFCs should be used to identify HFA Preferred loans originated for either the state HFA and/or local HFA programs:</p> <ul style="list-style-type: none"><li>• <b>SFC 781 for local HFA</b> Preferred originations</li><li>• <b>SFC 782 for state HFA</b> Preferred originations</li></ul> <p>When applicable, please refer to DU Findings messaging for additional SFCs to apply on HFA Preferred loans.</p>
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Any variance or nonstandard MBS contract may be amended or terminated with notice to the lender in accordance with the provisions of the *Selling Guide*. HFA Preferred products are variances to our [HomeReady](#) product; refer to the HomeReady sections of the *Selling Guide* (see section [B5-6](#)) when reviewing Fannie Mae’s eligibility and underwriting requirements.

**NOTE:** *In some cases, the master servicer(s) and/or mortgage insurance companies may have overlays to the program parameters outlined in this fact sheet.*