



Agent Learning Series

Affordable Lending Products

Presented by Lori Latham

June 27, 2024

An important note about the seminar content

While every effort has been made to ensure the reliability of the session content, Fannie Mae's *Selling* and *Servicing Guides* and their updates, including *Guide* Announcements and Release Notes, are the official statements of Fannie Mae's policies and procedures and control in the event of discrepancies between the information in this seminar and the *Guides*.



Agenda

Solutions to expand opportunities for homeownership

Overview of our affordable loan products

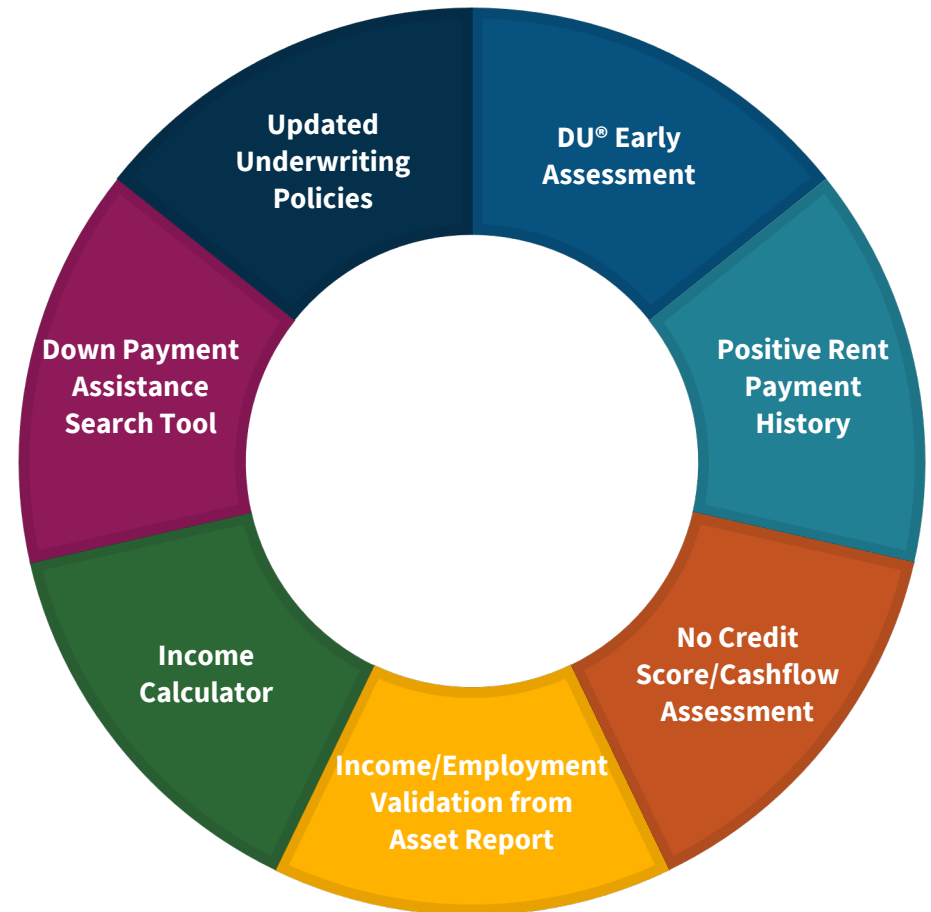
Q&A

Reach more borrowers with new solutions and policies that simplify the process and provide more certainty

Latest solutions to support lenders and responsibly expand opportunities for homeownership

Amidst rising interest rates, increased home prices, and limited supply of affordable housing, we are dedicated to reducing homeownership barriers.

Our journey toward a more equitable housing market has pushed us to help lenders reach more borrowers through innovations that simplify and create more certainty.



DU Early Assessment

Pre-qualify homebuyers with more certainty from DU

Now lenders can get an early assessment from DU during their pre-qualification process, with no impact to a consumer's credit score.



Key information earlier in the mortgage process

After an early assessment submission to DU, lenders receive a DU Findings report with the conditional recommendation in Message 3087.

The Findings report also includes eligibility information, including the potential for:

- Value acceptance (appraisal waivers)
- HomeReady® eligibility
- Positive rent payment history eligibility*
- Validation of assets, income, and employment through the DU validation service* on a conditional basis

NOTE: To be eligible for delivery, the casefile must be re-submitted to DU with a standard tri-merge credit report.

**if verification reports are submitted during pre-qualification*



Positive Rent Payment History

Creating more opportunities for homeownership

Credit history is a key consideration when lenders evaluate a borrower, but fewer than 5% of renters have their rent payments reported on their credit report, putting many prospective first-time homebuyers at a disadvantage.



Positive rent payment history can help

Borrowers who have paid rent consistently can have lenders consider their payment history through Desktop Underwriter® (DU®) to help them qualify for a mortgage.

First-time homebuyers may increase the likelihood of a DU approval recommendation with consistent rent payments if they:



Are purchasing a primary residence



Have a credit score of at least 620



Are currently renting with at least a 12-month history of consistent rent payments of \$300+/month observable in bank accounts



Recent updates improved rent identification

In February 2024, DU released logic enhancements to improve the identification of rent history in 12-month asset reports by up to 20%, which means homeownership may be possible for more first-time homebuyers.

This recent enhancement was chosen as a 2024 HousingWire Tech100 Mortgage Winner.



Scan to learn more

5,600+

As of December 2023, loan applications benefitted from positive rent payment history

41%

Identified as Black or Latino/Hispanic



Enhancements for borrowers without credit scores

Enhancements available in Desktop Underwriter can increase access to credit and improve the underwriting process for loans where no borrower has a credit score.



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An approach to better position consumers to access credit

- Eligibility criteria for loans where no borrower has a credit score have been updated to reach more potential homebuyers
- DU conducts a cash flow assessment using bank statement data available in asset verification reports, to potentially enhance the DU risk assessment
- The underwriting process is simplified as the verification report may be used to satisfy the nontraditional credit history requirements for borrowers, as outlined in the *Selling Guide**

**Lender remains responsible for ensuring compliance with all other applicable documentation requirements.*



Income and Employment Validation using an Asset Verification Report

An enhancement to Desktop Underwriter® (DU®) validation service that leverages a single asset report to validate **assets, income, and employment**, while helping lenders qualify more borrowers through **positive rent and cashflow history analysis**.

It is an automated VOI/VOE/VOA solution that allows customers to choose from all approved asset data suppliers.



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Benefits you may see

Potential to provide very impactful income validation outcomes:

- Results are driven by associating deposit streams with borrower 1003 data, to return DU validation messages.
- ~**26%** of casefiles with asset reports achieve **income** validation with a 4-month close by window.*
- ~**53%** of casefiles with asset reports achieve **employment** validation with a 15-day close by window, alleviating the 10-day reverification of employment.*
- Single source is complementary with all other digital validation solutions (e.g., VOI/VOE solutions).

Expanding upon the benefits of the DU validation service:

- **Improved operational efficiency** at point-of-sale, underwriting, and processing to get to “clear to close” faster.
- **Cost savings** from one report validating multiple loan characteristics across multiple borrowers.**
- **Better borrower experience** by reducing the number of documents and tasks for borrowers, while increasing speed to approval.

**Results reflect aggregate performance for eligible casefiles submitted with Fannie Mae-approved reports. Data represents casefiles run from September 2023 through November 2023 and may include lenders engaged in select pilot offerings. Customer results may vary.*

***In a survey of pilot lenders, 50% saw some level of cost savings over their existing third-party report cost. Customer results may vary.*



Income Calculator

Increase certainty of loan quality for self-employed borrowers

Did you know? Self-employed borrowers represent ~10% of the US workforce and ~9% of Fannie Mae deliveries.

With this new tool, you can maximize a borrower's income and easily determine qualifying monthly income before submitting the loan casefile to DU.



We offer a clear way to determine qualifying monthly income

The Income Calculator offers lenders the ability to calculate income that is both efficient and accurate.



Lower DTI & better pricing

Utilizes allowable add-backs not found in 4506-C tax return transcript data which may result in higher qualifying income.



Increases certainty of loan quality

Offers relief from enforcement of representation & warranties on income calculation.

Use Income Calculator via a free, manual **web interface** (coming soon) or by using an automated solution by a **technology service provider**.



Scan to
learn more



Fannie Mae has partnered with DownPaymentResource.com to make it easier for borrowers to find down payment and closing cost assistance

Down payments and closing costs are some of the biggest barriers to homeownership for borrowers purchasing a home. Finding funding for those expenses may be a challenge for borrowers, but it doesn't have to be.

DownPaymentResource.com provides a searchable database of DPA programs for borrowers.

Find Down Payment Help

Down payment money is out there.
We'll help you find it.

Matched Programs
—
[View Programs](#)

Where are you looking to buy?

In a county, city or neighborhood At a specific property address

Single-Family or Multi-Family Home?

Single Family Duplex Triplex Quadruplex

Estimated purchase price
\$

We found **26** programs for **Upper Marlboro, MD (Town in Prince George's County)**

[Search Again](#)

Down Payment Programs

Max Amount	Program Name	
Up to \$25,650 (6% of Total Loan Amount)	MD Dept of Housing and Community Development - Maryland SmartBuy 3.0 Down Payment and Closing Cost Assistance	Learn More
Up to \$21,375 (5% of Total Loan Amount)	MD Dept of Housing and Community Development - Maryland Mortgage Program 1st Time Advantage 5% Loan	Learn More
Up to \$21,375 (5% of Total Loan Amount)	MD Dept of Housing and Community Development - Maryland Mortgage Program 1st Time Advantage 5% Loan - Targeted	Learn More
Up to \$20,000 (15% of Purchase Price)	MD Dept of Housing and Community Development - Maryland SmartBuy 3.0	Learn More
Up to \$20,000 (15% of Purchase Price)	MD Dept of Housing and Community Development - Maryland SmartBuy 3.0 - Targeted	Learn More



Recent updates to our underwriting policies



Increase in the maximum allowable LTV, CLTV, and HCLTV ratios of multi-unit residences

Increasing LTV ratios for loans on 2-4-unit principal residences which we believe can help lenders reduce down payment costs and helps create more affordable housing opportunities for renters.



Removal of the number of borrowers in DU's risk assessment

DU removed the number of borrowers on a loan as part of the risk assessment. This is intended to help increase mortgage access for a growing number of single heads of households.



More options to meet verification of employment requirements

Lenders are now able to use a borrower-provided paystub or bank statement to satisfy the verification of employment requirement. With these alternatives, lenders may be able to increase operational efficiency.



Gross-up of nontaxable income

Lenders may treat 15% of Social Security income and the full amount of qualifying child support income as nontaxable income without having to provide documentation evidencing the nontaxable status. This nontaxable income may then be grossed up and added to qualifying income.



Affordable Lending Summary

DU Early Assessment

- With an early assessment, lenders can pre-qualify borrowers with no impact to a consumer's credit score

Income Calculator

- Maximize and easily determine a borrower's income before submitting to DU

Positive Rent Payment History

- Consider consistent rent payment data when looking to qualify first-time homebuyers for mortgages

Income and Employment Validation Using an Asset Report

- Leverage a single asset report to validate assets, income, and employment that also includes positive rent and cashflow history analysis

Enhancements for Borrowers without Credit Scores

- Increasing homeownership opportunities and simplify the underwriting process for loans where no borrower has a credit score

Updated Underwriting Policies

- Several new policies aimed to add ease of qualifying more eligible borrowers while improving certainty for lenders

Down Payment Assistance Tool

- Provide borrowers with additional resources to find funding for down payment and closing costs

To continue the conversation and learn more about these solutions, please reach out to your Relationship Manager.

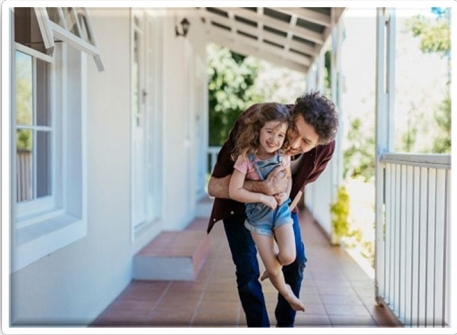




Additional Affordable Loan Solutions

Creating More Options for More Homebuyers

Tackling access to credit and housing affordability challenges



HomeReady®

Includes innovative income flexibilities to help low-income borrowers qualify for an affordable mortgage with a down payment as low as 3%.



HomeStyle® Renovation
HomeStyle Energy

Opens up housing opportunities, making fixer-uppers an affordable option, by combining financing of improvements as part of the purchase or refinance mortgage



97% LTV

Helps serve low-to moderate-income first-time homebuyers



MH Advantage®
and Standard MH

Supports affordable alternatives to site-built homes through innovative offerings



HFA Preferred™

Pairs features of HomeReady with the flexibilities from local housing finance agencies (HFAs)



HomeReady Summary

Competitive

- Pricing supports an affordable borrower payment
- Reduced Mortgage Insurance

Simple

- Easy income eligibility
- DU automatically identifies borrower eligibility
- Delivery with standard loans

Smart

- Homeownership education via HomeView, our comprehensive online course that's offered free of charge.
- Access to post-purchase HUD-approved homeownership advisors
- Options for borrowers who need specialized help

Features

Eligibility

- Financing up to 97% LTV (DU only)
- Standard manufactured housing to 95% LTV; MH Advantage up to 97% LTV (DU only)

Income flexibilities

- Non-occupant borrowers
- Rental income from accessory units (1-unit property)
- Boarder income documentation flexibility



HomeReady VLIP Credit

To help increase homeownership opportunities for creditworthy, very low-income purchase (VLIP) borrowers ($\leq 50\%$ AMI), Fannie Mae implemented a \$2500 credit for use towards down payment of closing costs.



Key Features

- Borrowers with a qualifying income of less than or equal to 50% of the applicable area median income (AMI) of the subject property's location are eligible.
- The full amount of the \$2,500 credit must be provided directly to the borrower through the transaction, such as being applied to down payment and closing costs, including escrows and mortgage insurance premiums.
- When eligible HomeReady purchase loans are delivered with the proper Special Feature Codes (SFC), lenders will be reimbursed through the standard Loan Level Price Adjustment (LLPA) process.



Additional Information

Delivery Requirements

To qualify for the \$2,500 very low income purchase credit, the loan must be delivered with SFC 900 HomeReady loan and SFC 884 HomeReady VLIP LLPA Credit. Refer to VLIP LLPA Credit Job Aid for more details.

Effective Dates:

The HomeReady very low income purchase credit will be effective for whole loans purchased ("Purchase Ready" status in Loan Delivery) on or after March 1, 2024, to February 28, 2025, and for loans delivered into mortgage-backed securities (MBS) with issue dates on or after March 1, 2024, to February 1, 2025.

For additional information, please refer to [Lender Letter LL-2024-01](#).



HomePath Ready Buyer Program

At HomePath, we support smart and sustainable homeownership. That's why we offer Fannie Mae HomeView®, a comprehensive interactive online homeownership education course that is perfect for first-time homebuyers.



Benefits

- Free, comprehensive homeownership education course
- Available on a mobile-friendly design – take it on your phone, tablet, or laptop
- First-time homebuyers who take Fannie Mae HomeView® and receive a certificate of completion may receive up to 3% in closing cost assistance when purchasing a HomePath property
- Completion of HomeView meets the homeownership education requirement for Fannie Mae purchase loans*



Requirements

- For HomeReady® Mortgage, if all occupying borrowers are first-time homebuyers, then at least one borrower must complete a course from a qualified provider**, regardless of LTV.
- For other purchase transactions where LTV, CLTV, or HCLTV > 95%, if all occupying borrowers are first-time homebuyers, then at least one borrower must complete a course from a qualified provider**, regardless of the product chosen.
- To ask for the 3% closing cost assistance borrowers must complete either HomeView or housing counseling provided by a HUD-approved agency. Your agent must attach the HomeView course completion certificate or a completed [Form 1103](#) to the initial offer submission on a HomePath property.



AMI Concession

Closing cost assistance may be available for owner-occupant buyers of HomePath properties if household income is at or below the area median income (AMI).



How does the income-based closing cost assistance work?

- To qualify, the gross income of the buyer(s) must be at or below 100% of the area median income (AMI) of the property being purchased. Gross income is defined as the income that the borrower would state on the standard 1003 mortgage loan application if applying for a mortgage.
- Once a buyer selects a Fannie Mae owned property, the buyer must verify the AMI for the city/state of the property.
- Using the Fannie Mae [AMI calculator](#), the buyer confirms if they are at or below 100% of the median income for the area. Buyers should inform their agents if they qualify for this concession. A self-certification form will be provided within the contract package at offer acceptance.
- If the qualifying buyer(s)' income is at or below 100% of the AMI, the buyer's agent will request the 3% concession. Note: Lender restrictions on the amount of seller concessions vary by loan type and may limit the total allowable seller contribution.



How can you help?

- Upon receiving an offer, reach out to the buyer's agent to offer guidance in qualifying the buyer.
- Download, print and display the HomePath Incentive Flyer in all properties.



Resources

[Area Median Income Lookup Tool \(fanniemae.com\)](#)

[AMI Lookup Tool Tips](#)

[Self-Certification Form](#)

Search For Properties at **HomePath.com** by Fannie Mae

Closing cost assistance may be available!

Up to **6%** closing cost available.

Closing cost assistance may be available for owner-occupant buyers of HomePath properties.

Area Median Income
If household income is at or below the area median income (AMI), buyers may be eligible for up to 3% in closing cost assistance.

To qualify:

- Buyers must intend to reside in the home as their primary residence.
- The gross income of the buyer(s) must be at or below 100% of the area median income (AMI) of the property being purchased.
- Buyers will execute a self-certification form within the contract package at offer acceptance.

HomePath Ready Buyer™ program
HomePath is proud to offer a comprehensive online homebuyer education course. First-time homebuyers who complete the HomeView™ education course may be eligible for up to 3% in closing cost assistance and a Fannie Mae HomeReady™ mortgage loan.

To be eligible for this offer:

- Must be a first-time homebuyer and plan to reside in the property as their primary residence.
- Buyers must complete Fannie Mae's online homebuyer education course HomeView™.
- Buyers must receive and submit the Certificate of Completion for the course.

Learn more about closing cost assistance.
[HomePath FannieMae.com/AMI/homebuyers/how-much-can-i-get](#)

Buyers may be eligible to qualify for both programs for up to 3% in closing cost assistance. Lenders may impose limitations on the use of the incentives, so buyers should consult with their lender regarding any restrictions. ©2018 Fannie Mae. All rights reserved.

HomePath by Fannie Mae

Self-Certification Form of Eligibility for AMI Closing Cost Concessions

Property Address: _____

Click the link above
1. In the search field, type in the city of the property you are interested in purchasing.

2. Determine whether the combined gross income of all purchasers is at or below 100% AMI for the area.
a. If your income is at or below 100% AMI for the area, all purchasers must sign this form and return it to the agent.

Understand that Fannie Mae is relying upon my representation that I am eligible for the receipt of closing cost concessions, and that the sale of the property is for Fannie Mae to be conditioned upon this representation.
I agree and understand that if Fannie Mae determines that I have falsified any representation made in this certification or other documents with regard to this transaction, Fannie Mae may refuse to enter into any future transactions with me for the purchase of other properties associated with Fannie Mae.

Purchaser Signature: _____ Date: _____
Purchaser Signature: _____ Date: _____

NOTE: The AMI Concession is up to 3% of the purchase price of the property and will be labeled on the Closing Disclosure/Settlement Statement as AMI Seller Concession.



LLPA Credit for Appraisals

Buyers of a HomePath property may be eligible for an **appraisal credit up to \$500**. If qualified, a buyer will receive a credit on the Closing Disclosure from their lender for the cost of the appraisal, up to \$500.



Requirements for loan-level price adjustment (LLPA) credit:

- Issued when Fannie Mae purchases a loan secured by a **HomePath property**.
- The loan must be a purchase transaction for a **principal residence** underwritten with DU.
- The lender must obtain an appraisal for the transaction and pass the entire **LLPA credit to the borrower** to cover the cost of the appraisal.
- The lender must confirm the **seller of the property is Fannie Mae** (even though DU may identify the property as a HomePath property).
- The loan must be delivered with Special Feature Code (SFC) 871.

Buyers can contact their lender for more information.

(Selling Guide Announcement SEL-2022-01)



How can you help?

- Upon receiving an offer, reach out to the buyer's agent to ensure that they are aware of this incentive.



HomeStyle Mortgages: Grow with Today's Market

With HomeStyle[®] Renovation and HomeStyle Energy loans you can offer more options to your borrowers. Plus, approved HomeStyle Renovation lenders can deliver loans to Fannie Mae prior to completion of the renovation work.



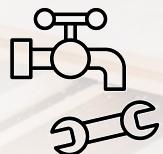
Financing Modern Energy Upgrades, Made Easy

Bundle energy, water efficiency, and resiliency improvements into one purchase or refinance transaction. Plus, help real estate professionals sell older homes with HomeStyle® Energy for efficiency upgrades, or in combination with HomeStyle Renovation for larger projects.



Simple

Home energy report is not required for ENERGY STAR®-certified improvements, basic weatherization (up to \$3,500), water efficiency, and resiliency improvements.



Flexible

Fund energy/water upgrades, natural disaster resiliency improvements, and pay off other energy-related financing.



Priced Right

Get Fannie Mae's standard pricing, plus a \$500 LLPA credit.

Learn more about [HomeStyle Energy](#)



Renovation financing has never been easier

A HomeStyle® Renovation mortgage offers more flexibility to meet your borrowers' needs, the potential to increase purchase and refinance loan production.



Simple

Bundle renovation financing at the time of purchase or refinance into a single conventional loan.



Flexible

Your borrowers can plan upgrades with up to 97% LTV or 105% CLTV with eligible Community Seconds® financing



Priced Right

Get Fannie Mae's standard pricing, plus a \$500 LLPA credit when used with HomeStyle® Energy on upgrades such as ENERGY STAR®-certified products.

Learn more about
[HomeStyle Renovation](#)



Show Your Customers Affordable Financing for a New Generation of Manufactured Homes

With down payments as low as 3%, MH Advantage® opens the door to affordable financing for manufactured homes which resemble site-built single-family houses.



Manufactured Housing Reimagined

Buyers select layouts and features that match their style

MH Advantage® homes are built to look like site-built homes and blend into many neighborhoods

Premium elements include lower profile foundations, garages or carports, and drywall throughout



HFA Preferred™

HFA Preferred is Fannie Mae's affordable lending product available exclusively to eligible Housing Finance Agencies (HFAs) to serve low- to moderate-income borrowers.

Underwriting flexibilities and features include:

- LTV/CLTV ratio up to 97% /105% with **no first-time home-buyer requirement**
- Allows for **flexible sources of funds** – including gifts, grants, Community Seconds®, and cash-on-hand
- **Reduced private mortgage insurance (PMI)** requirements for loans $\leq 80\%$ AMI (effective September 5, 2019)
- **LLPAs are waived for all HFA Preferred loans.**

Note: Certain MI coverage LLPAs may still apply.

- **HFAs are Community Seconds providers** and **set their borrower income limits**
- **Homeownership education** is required for at least one borrower if all occupying borrowers are first-time homebuyers, regardless of LTV. Homebuyer education content can be provided by the HFA Preferred Participating Member or by a homeownership education course, or counseling, that aligns with National Industry Standards for Homeownership Education and Counseling or is offered by a housing counseling agency approved by HUD.

Partnering with housing finance agencies to support affordable housing in their communities.



Which Affordable Option is Right for Your Borrower?

	HFA Preferred™	HomeReady®	Standard 97% LTV
	A great option for low-to-moderate income borrowers and need down payment assistance.	A great fit for low income borrowers who need a low-down payment option	A great low-down payment solution to help serve moderate-income first-time homebuyers or borrowers in low-income census tracts.
First-time home buyer requirement (at least one borrower)	No	No	Yes
Income limits	Up to 80% of AMI or limits set by HFA, whichever is greater	Up to 80% of AMI	No limits
MI coverage	For borrowers <=80% AMI, 6% to 18% MI coverage depending on LTV ratios of borrowers. For borrowers >80% AMI, standard MI coverage; or Minimum MI coverage may be used subject to LLPA for Minimum MI.	25% MI coverage for LTV ratios of 90% or less. Minimum MI coverage may be used subject to LLPA Minimum MI.	Standard MI coverage
Homeownership education and housing counseling	If all occupying borrowers are first-time homebuyers then at least one borrower must complete homebuyer education, regardless of LTV. Homebuyer education content can be per HFA established homeownership education requirements. Check with HFA to see if Fannie Mae HomeView® can be used to satisfy the homeownership education requirement.	If all occupying borrowers are first-time homebuyers then at least one borrower must complete homebuyer education, regardless of LTV. Fannie Mae HomeView® can be used to satisfy the homeownership education requirement.	For purchase transactions with LTV, CLTV, or HCLTV > 95%, if all occupying borrowers are first-time homebuyers, then at least one borrower must complete homeownership education, regardless of the <u>product chosen</u> . Fannie Mae HomeView® can be used to satisfy the homeownership education requirement.
Eligible occupancy	One- to four-unit owner occupied principal residence; Condos, PUDs, manufactured homes, and community land trusts are also eligible.	One- to four-unit owner occupied principal residence (condos, PUDs, manufactured housing are eligible for 1-unit only).	One -unit owner occupied principal residence (including condos and PUDs; manufactured housing is not eligible).
Eligible products	Fixed-rate mortgages with terms greater than 15 years up to a maximum of 30 years.	Fixed-rate mortgage with maximum term of 30 years	Fixed-rate mortgage with maximum term of 30 years





Q&A



Fannie Mae®



Fannie Mae®

**Thank you for your
continued partnership**