HomeReady FAQs

Listed below are common questions about the features, requirements, and benefits of the HomeReady® mortgage, our low down payment mortgage product designed for creditworthy, low-income borrowers. For details on the HomeReady required homeownership education, refer to the Homeownership Education FAQs. To navigate to a specific section, click on the links below.

Contents

General

Q1. What are HomeReady's lender benefits?

HomeReady helps lenders confidently serve today's market of creditworthy, low-income borrowers. HomeReady offers lenders

- Certainty: Underwrite with confidence – DU® automatically identifies potential HomeReady eligible loans and provides a credit risk assessment.
- Simplicity: Combine standard and HomeReady loans into MBS pools and whole loan commitments.
- Stability: Create a smooth path for borrowers with homeownership education.

Q2. What are HomeReady's borrower benefits?

HomeReady serves low-income borrowers.

- Lower than standard MI coverage requirements for loans with LTVs greater than 90 percent up to 97 percent.
- Cancellable monthly MI payments (per *Servicing Guide* policy; generally upon borrower request when the loan balance drops below 80 percent LTV, or automatically when it drops below 78 percent).
- Innovative underwriting flexibilities, including rental unit and boarder income.

Gifts, grants, and Community Seconds® can be used as a source of funds for down payment and closing costs, with no minimum contribution required from the borrower's own funds (1-unit properties). Any eligible loan may have more than one Community Seconds (i.e., third lien) up to the maximum 105 percent CLTV (see Community Seconds fact sheet). Cash-on-hand can also be used for down payment and closing costs (1-unit properties).

Q3. May any Fannie Mae lender originate HomeReady mortgages?

Yes. HomeReady mortgages are available to all approved Fannie Mae sellers with details in the *Selling Guide*. Note, however, that use of the HomeStyle® Renovation product in conjunction with HomeReady requires that the lender be specifically approved by Fannie Mae to originate HomeStyle Renovation loans.

Q4. Has Fannie Mae targeted particular markets for HomeReady?

The HomeReady product is available nationwide and is designed to serve borrowers across the country. Borrower income eligibility limits are based upon the area median income of the census tract in which the property is located; limits are aligned with Fannie Mae's regulatory housing goal of supporting low-income borrowers.

Income Eligibility

Q5. What are the income eligibility requirements for HomeReady borrowers?

Effective July 20, 2019, the income limit for all HomeReady loans is 80% of area median income (AMI) for the property's location, including properties in low-income census tracts.

On the HomeReady page, the Income Eligibility Lookup tool provides lenders and other housing professionals with a quick and easy way to determine potential borrower income eligibility. Simply use the tool to look up census tract income eligibility by property address or by Federal Information Processing Standards (FIPS) code. Eligibility by census tract is shown in the Income Eligibility by Census Tract Lookup, and income eligibility is identified in Desktop Underwriter® (DU®).

Q6. How can lenders determine income eligibility for HomeReady?

For loan casefiles underwritten through DU, income eligibility is determined based on the area median income associated to the subject property data. The AMI is determined using the census tract associated to the subject property address or the FIPS code provided on the loan application. A field in the Optional Additional Data section of the Desktop Originator® (DO®)/DU User Interface gives lenders the ability to enter the FIPS code if DU is unable to standardize the property address.

When the subject address cannot be standardized, and a census tract cannot be determined, but the state and zip code are provided for the subject property, DU will use the AMI for the county associated to the center location of the zip code provided to estimate HomeReady eligibility. If the subject property is not located in the county identified, the user must provide the complete property address or a complete/updated FIPS code on the loan application and resubmit the loan casefile to DU. DU will then use the information provided to determine the census tract or county.

When determining whether a mortgage is eligible under the borrower income limits, lenders must count the income from any borrowers listed on the mortgage note whose income is considered in evaluating creditworthiness for the mortgage loan.

The HomeReady Income Eligibility Lookup tool provides lenders and other housing professionals with a quick and easy way to determine potential borrower eligibility for HomeReady. Simply use the tool to look up census tract income eligibility by property address or by Federal Information Processing Standards (FIPS) code.

Also on the HomeReady page, an Income Eligibility by Census Tract Lookup (spreadsheet) is provided to allow lenders to check income eligibility in advance of DU submission or to determine income eligibility for manually underwritten loans. The property census tract is usually provided on the appraisal.

Eligibility and Underwriting

Q7. Can HomeReady loans be manually underwritten?

Yes, manual underwriting is allowed, although we expect the vast majority of loans to be underwritten through DU. Certain HomeReady transactions – such as LTV ratios exceeding 95 percent, manufactured housing, and high-balance mortgage loans – must be underwritten through DU.

Q8. May borrowers have an ownership interest in other residential property at the time of loan closing?

Yes, borrower(s) who intend to occupy the property may have an ownership interest in one other financed residential property (in addition to the subject property) at the time of closing. Non-occupant borrower(s) are not subject to this restriction.

Borrower Income and Assets

Q9. What borrower income flexibilities are unique to HomeReady?

Acceptable income sources permitted only for HomeReady loans include rental income from a 1-unit property with an accessory dwelling unit (such as a basement apartment) and boarder income (guidelines provide documentation flexibility). See *Selling Guide* B5-6-02 for details on income types and documentation requirements.

Q10. If the borrower is purchasing a 1-unit property with an accessory unit but does not have a lease to document rental income, what documentation can be used to determine the amount of rental income to be used for qualifying purposes?

Lenders may obtain a Fannie Mae Single-Family Comparable Rent Schedule (Form 1007) from the appraiser. Even though the form applies to a single-family investment property, Fannie Mae will accept the use of this form with an explanation from the appraiser that the estimated market rent is for the rental of an accessory unit on a 1-unit, principal residence property, and that the information reported on the form is specific to the accessory unit. Rental income used for qualifying purposes can then be calculated in accordance with *Selling Guide* section B3-3.1-08, Rental Income.

Q11. Is nontraditional credit permitted for HomeReady?

Borrowers with nontraditional credit are eligible for HomeReady and can be underwritten manually or through DU. Refer to the *Selling Guide* B3-5.4-01 and B5-6-02 for details on nontraditional credit for HomeReady loans.

Very Low-Income Purchase Credit

Q12. Why is Fannie Mae offering lenders a $2,500 Very Low-Income Purchase (VLIP) LLPA credit to first-time homebuyers on HomeReady?

Rising home prices coupled with high interest rates and inflation continue to impede very low-income borrowers' accessibility to homeownership. Very low-income first-time homebuyers are experiencing significant economic barriers to entry in accessing credit, including saving for a down payment. The $2,500 credit for loans to very low-income borrowers reinforces our commitment to ensuring access to affordable housing by addressing obstacles identified in our data-driven, evidence-based Consumer Housing Journey and aligns with our ability and responsibility to provide liquidity in a safe and sound manner.

Q13. Is the VLIP credit a taxable event for the borrower?

Lenders should consult with their counsel to further understand tax implications.

Q14. Can the VLIP credit be layered with negotiated programs?

No, the HomeReady VLIP credit cannot be combined with certain negotiated programs.

Q15. Does this credit apply to all VLIP first-time homebuyer loans?

No, this only applies to HomeReady VLIP first-time homebuyer loans.

Q16. What are the data entry requirements for DU, UCD, and ULDD to receive the VLIP credit?

The $2,500 toward down payment and closing costs provided under the terms of the temporary policy must be entered in the Loan Delivery Loan Details Closing Cost and Down Payment sections. Refer to the job aid for more details.

Q17. What are the delivery requirements for the VLIP Credit?

Loans receiving the $2,500 very low-income purchase credit must be delivered with SFC 900 HomeReady loan and SFC 884 HomeReady VLIP LLPA Credit. Refer to the job aid for more details.

Q18. Are there application date requirements?

No, there is not specified application date. The credit is available for whole loans purchased ("Purchase Ready" status in Loan Delivery) through Feb. 28, 2026, and for loans delivered into MBS with issue dates through Feb. 1, 2026.

Q19. How can the credit be applied?

The credit must be applied towards reimbursement of funds provided by the lender for down payment or closing costs (which can include offsetting costs of lender-paid mortgage insurance). The loan officer should work with the borrower to understand how the credit can benefit the borrower.

Q20. Can the lender retain any of the $2,500 LLPA Credit?

No, the full credit must be applied to reimbursements of funds disbursed by the lender for the benefit of the borrower.

Q21. Can lenders market HomeReady loans receiving the VLIP credit as a >97% LTV product?

No, standard HomeReady guidelines apply where max LTV is 97%.

Q22. How can lenders identify if a loan is VLIP eligible?

While the DU message is not specific to the VLIP credit, DU message 3145 indicates a loan casefile may be eligible towards Fannie Mae's very low-income purchase goals. Lenders may also use AMI lookup tools of the subject property to verify the Area Median Income and if the borrower is eligible.

3145	HG-VERY-LOW-INCOME-PMM	This loan casefile may be eligible towards Fannie Mae's Very Low-Income Purchase Goal. This goal includes owner-occupied, purchase, conventional mortgages where the total qualifying income is equal to or less than 50% of AMI where the property is located.

Q23. Do lenders need to provide documentation for the $2,500 grant?

There are no documentation requirements for the $2,500 grant provided use of the funds comply with the lender letter.

Q24. How is Fannie Mae verifying the LLPA credit was applied to the borrower's benefit?

Fannie Mae systems and reporting will evaluate a credit of $2,500 was provided to the borrower for closing costs or down payment in alignment with the data entry instructions.

Q25. What if the loan was delivered with SFC 884 and the credit was not applied to the borrower's benefit?

The lender would be required to submit a post purchase adjustment to remove SFC 884 and the lender would be responsible for refunding the $2,500

Property Type

Q26. Can a Community Seconds loan be used with a HomeReady loan secured by a manufactured home up to a 105 percent combined loan-to-value (CLTV) ratio?

A Community Seconds can be used in conjunction with a HomeReady loan secured by a manufactured home; however, the maximum LTV and CLTV ratios are limited to 95 percent. When HomeReady is combined with a manufactured home, the more restrictive eligibility applies. For example, the loan must be underwritten in DU (manufactured housing requirement), the maximum LTV and CLTV ratios are limited to 95 percent (manufactured housing requirement), the transaction is limited to a 1-unit principal residence (manufactured housing requirement), and the transaction must be a purchase or limited cash-out refinance (HomeReady requirement).

Q27. Are community land trusts eligible for HomeReady financing?

Yes. When used in combination with down payment assistance programs and community land trust properties, HomeReady creates a robust value proposition supporting affordable housing. For information on our community land trust guidelines, see Section B5-5.3, Shared Equity Transactions and the Appraising Community Land Trusts flyer. For more information on community land trusts, visit the National Community Land Trust Network.

DU Requirements

Q28. How does DU provide automated identification of loans potentially eligible for HomeReady?

Based on a comparison of the income limit for the area in which the property is located and the total qualifying income on the loan casefile, DU notifies users when a loan casefile appears to be eligible for HomeReady, but the lender has not underwritten the loan casefile as HomeReady. The lender would then need to resubmit the loan casefile as a HomeReady loan to obtain the appropriate HomeReady messaging.

Q29. Does DU specify when a loan casefile is *not* eligible for HomeReady?

When the lender selects HomeReady as the Community Lending product in DU and the loan casefile receives an Ineligible recommendation, DU issues a message specifying the reason the loan casefile is ineligible.

Q30. When and how should the FIPS code be entered?

Lenders may use the FIPS Code field in DU to provide the Federal Information Processing Standard Code – or FIPS code – which is a unique code assigned to all geographic areas. The first two digits of the FIPS code indicate the state number; the next three, the county number; and the last six indicate the census tract number. For example, the FIPS code for 3900 Wisconsin Ave. NW, Washington, DC, is 11001001002 (State code 11, county code 001, and census tract 001002).

Enter all 11 digits of the FIPS code, with no periods, spaces, or dashes.

The FIPS code is not required, but it can be used if DU is unable to determine the census tract. When the FIPS code is provided, DU uses that census tract to determine the AMI to be used in the income eligibility determination.

Pricing

Q31. What is the HomeReady pricing structure?

HomeReady pricing uses the lender's base guaranty fee. LLPAs are waived for all HomeReady loans. See the LLPA Matrix for details. (The Minimum MI coverage option LLPA is not waived).

Committing and Delivery

Q32. Do lenders need to deliver HomeReady loans into separate MBS contracts?

No, lenders can commingle standard and HomeReady loans into MBS pools and whole loan commitments.

Q33. Do lenders need to take down a separate whole loan commitment for HomeReady loans?

No, HomeReady loans can be committed to any applicable product. Refer to the HomeReady product matrix for more information.

Q34. Are there limits on the percentage of HomeReady loans that can be delivered into an MBS pool or against a whole loan commitment?

No. There is no limit on the percentage of HomeReady loans that can be delivered.

Q35. How are HomeReady loans identified at delivery?

When delivering a HomeReady loan in Loan Delivery, you must provide special feature code (SFC) 900. In addition, as part of the delivery data for the HomeReady product, lenders need to ensure that ULDD Sort ID 238 – LoanAffordableIndicator – is set to “True,” for any mortgage where the borrower completes a homeownership education course through a qualified provider (see Q.34 below for a definition of qualified provider) or housing counseling through any HUD-approved agency. ULDD Sort ID 576 must be set to “Government Agency” and ULDD Sort ID 578 must be set to “HomeStudy” if the borrower completes homeownership education with Fannie Mae HomeView®. For other education/counseling providers and formats, see the ULDD Specification.

Homeownership Education

Q36. What are the homeownership education requirements for HomeReady loans?

Fannie Mae believes that access to quality homeownership education and counseling can provide borrowers with the important information and resources they need to make informed decisions that support long-term homeownership sustainability.

For HomeReady purchase transactions, if ALL occupying borrowers are first-time homebuyers, then at least one borrower must complete **a homeownership education course from a qualified provider*, regardless of LTV. Fannie Mae HomeView® can be used to satisfy the homeownership education requirements.** HomeView gives first-time homebuyers a clear view into the homebuying process.

Exceptions to **the homeownership education course requirement**:

- For HomeReady loans that involve a Community Seconds® or down payment assistance program, buyers may instead complete the homeownership education course or counseling required by the Community Seconds or down payment assistance program as long as it is provided by a HUD-approved agency and completed prior to closing.
- The presence of a disability, lack of Internet access, and other issues may indicate that a consumer is better served through other education modes (for example, in-person classroom education or via a telephone conference call). In such cases, lenders should direct buyers to **the HOPE™ Hotline 1-888-995-HOPE (4673),** which can refer consumers to a HUD-approved counseling agency.

* A qualified provider must be independent of the lender, with homeownership education content that is aligned with National Industry Standards (NIS) or is offered by a housing counseling agency approved by the U.S. Department of Housing and Urban Development (HUD).

For more information, refer to the homeownership education FAQs.

Q37. Do lenders need to have the Borrower's Authorization for Counseling form signed at closing for HomeReady loans?

No. The requirement to have the Borrower's Authorization for Counseling form signed at closing was removed from the *Selling Guide* in December 2015.

Q38. How does a HomeReady loan qualify for the housing counseling loan-level price adjustment?

HomeReady Loans where borrowers have received housing counseling from a HUD-approved housing counseling agency within the 12 months prior to the loan closing date (as evidenced by completing the Housing Counseling data fields in DU or on the Supplemental Consumer Information Form [Form 1103] for manually underwritten loans prior to loan closing), **shall be eligible for a loan-level price adjustment credit of $500**, when the HomeReady purchase loan is delivered with Special Feature Code 184.

Lender Resources

Q39. What resources and training are available for lenders?

Many lender resources are available on the HomeReady web page, including the following:

- Product matrix, loan officer fact sheet, general FAQs, and Homeownership Education and Housing Counseling FAQs
- HomeReady Income Eligibility Lookup tool, which provides lenders and other housing professionals with a quick and easy way to determine potential eligibility for HomeReady by property address or by Federal Information Processing Standards (FIPS) code
- HomeReady income flexibility fact sheets, including sample borrower scenarios
- An eLearning originating and delivering HomeReady loans course and eLearning training for loan officers, available 24/7
- Customizable marketing materials, in English and Spanish, to help you promote HomeReady to your customers and business partners