Product Snapshot

# Fannie Mae HomeReady™

The Fannie Mae HomeReady program offered by Cardinal Financial has a variety of options to help low- to moderate-income borrowers purchase or refinance their home, including flexible income sources and low down payment options.

## Primary Residence - Purchase and Rate and Term Refinance - Fixed & ARM

| Property Type | Fixed LTV/CLTV[2] | ARM LTV/CLTV | Min Credit Score[4] | Max DTI[3] |
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| 1-Unit | 97%[1] | 95% | 580 or per MI | Per DU & MI |
| 2-Units | 85% | 85% | 580 | Per DU & MI |
| 3–4 Units | 75% | 75% | | |
| 2-4 Units DU Version 11.1 casefiles submitted on or after **11.18.23** | 95%[5] | 95%[5] | | |
| Manufactured Home | 95% | 95% | | |

[1]LTV, CLTV, and HCLTV Ratios Greater than 95%:

- At least one borrower on the loan must have a credit score
- Manufactured housing not permitted, unless MH Advantage
- High Balance and ARM not permitted
- For limited cash-out refinances, Fannie Mae must be the owner of the existing mortgage

[2]The CLTV ratio may exceed the limits stated in the matrices up to 105% only if the subordinate lien is a Community Seconds® transaction

[3] Maximum 50% DTI for properties located in West Virginia regardless of AUS approval

[4]For multiple borrowers, DU will use an average of each borrower's median credit score which may result in an AUS Accept for Scores below 620. For loans with one borrower, DU may still require a minimum Score of 620.

[5]Excludes High LTV refinance

## Program Parameters

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| **Acceptable Transaction Terms** | Fixed Rate<br>• Conforming 10 Year Fixed Rate - FNMA HomeReady<br>• Conforming 10 Year Fixed Rate High Balance - FNMA HomeReady<br>• Conforming 15 Year Fixed Rate - FNMA HomeReady<br>• Conforming 15 Year Fixed Rate High Balance - FNMA HomeReady<br>• Conforming 20 Year Fixed Rate - FNMA HomeReady |

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| | • Conforming 20 Year Fixed Rate High Balance - FNMA HomeReady<br>• Conforming 25 Year Fixed Rate - FNMA HomeReady<br>• Conforming 25 Year Fixed Rate High Balance - FNMA HomeReady<br>• Conforming 30 Year Fixed High Balance - FNMA HomeReady<br>• Conforming 30 Year Fixed Rate - FNMA HomeReady<br><br>Temporary Buydown<br>• Conforming 30 Year Fixed Rate - FNMA HomeReady Temporary 3-2-1 Buydown: C30HR321BD<br>• Conforming 30 Year Fixed Rate High Balance - FNMA HomeReady Temporary 3-2-1 Buydown: C30HBHR321BD<br>• Conforming 30 Year Fixed Rate - FNMA HomeReady Temporary 2-1 Buydown: C30HR21BD<br>• Conforming 30 Year Fixed Rate High Balance - FNMA Homeready Temporary 2-1 Buydown: C30HBHR21BD<br>• Conforming 30 Year Fixed Rate - FNMA HomeReady Temporary 1-1 Buydown: C30HR11BD<br>• Conforming 30 Year Fixed Rate High Balance - FNMA Homeready Temporary 1-1 Buydown: C30HBHR11BD<br>• Conforming 30 Year Fixed Rate - FNMA HomeReady Temporary 1-0 Buydown: C30HR10BD<br>• Conforming 30 Year Fixed Rate High Balance - FNMA Homeready Temporary 1-0 Buydown: C30HBHR10BD<br><br>ARM<br>• 5/6 SOFR ARM - FNMA - HomeReady<br>• 5/6 SOFR ARM - FNMA - High Balance - HomeReady<br>• 7/6 SOFR ARM - FNMA - HomeReady<br>• 7/6 SOFR ARM - FNMA - High Balance - HomeReady<br>• 10/6 SOFR ARM - FNMA - HomeReady<br>• 10/6 SOFR ARM - FNMA - High Balance - HomeReady |
| **Eligible Transactions** | • Purchase<br>• Limited Cash-out Refinance<br>    ○ Refinance not eligible for temporary buydown |
| **Loan Type** | Fixed and ARM loans |
| **Overlays** | • Refer to the [Wholesale Lending \| Product Overlay Matrix] for any applicable Carinal overlays |
| **Price Adjustments** | • Loan Level Pricing Adjusters (LLPAs) do not apply to first-time homebuyers at or below 100 percent of area median income (AMI) in most of the United States, and below 120 percent of AMI in high-cost areas<br>• Price Adjustment cap does not apply to loan amount, property state, or LPMI adjustments<br>• Octane will automatically calculate eligibility<br>• Additional details are found here; Fannie Mae |

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| **Special Program Considerations** | **Cardinal Financial Grant HomeReady**<br><br>**Program Details:**<br>• The mortgage credit provides a $2,500 credit for very low-income purchase borrowers (VLIP) that can be used for down payment and closing costs<br>• The credit may be used to satisfy the 3% minimum contribution for all loans secured by one-unit properties, or loans secured by two- to four-unit properties with LTV ratios less than or equal to 80%<br>• For loans secured by two- to four-unit properties with LTV ratios greater than 80%, the credit may be applied to down payment after the 5% minimum contribution is met<br><br>Refer to the Handling a Fannie Mae HomeReady Purchase Credit document for guidance on determining eligibility and input into Octane.<br><br>**Eligibility:**<br>• The loan must be an eligible HomeReady purchase loan<br>• The borrower(s) must have total qualifying income less than or equal to 50% of the applicable area median income (AMI) limit for the subject property's location.<br>• This mortgage credit is eligible for loans delivered to Fannie Mae on or after March 1, 2024 and on or before February 28, 2025<br><br>**Product Terms:** CFGRANTHRVLI |

| Program Requirements | |
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| **Appraisal** | Appraisal Waiver Eligible Unless Subject Transaction includes one of the following transaction types:<br>• Texas Equity<br>• Disaster Declaration Pre Note Date<br>• Non Arms Length Transaction<br>• Manufactured Home<br>• Leasehold, community land trust or deed restriction<br>• Construction Conversion or Renovation Mortgage<br>• Appraisal Already Completed<br>• Multi Unit<br>• Effective Property Value million and greater<br>• Cooperative |

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| | • Purchase of REO property |
| **Assets** | Cash-on-hand (allowed for 1-Unit properties only):<br>• Cash-on-hand is an acceptable source of funds for the borrower's down payment and/or funds for closing costs and/or prepaid items.<br>• Cannot be used for reserves.<br>• Refer to Program Guidelines for complete details. |
| **Borrower Eligibility** | Eligible Borrowers<br>• U.S. citizens, permanent resident aliens<br>• Non-permanent resident aliens<br>• Non-occupant co-borrowers<br>• Borrower must meet the income limits of the property location<br>• See underwriting guidelines for applicable requirements |
| **Cooperatives** | The following are not permitted with co-op share loans<br>• Subordinate financing<br>• Investment properties<br>• Cash-out refinances on second home properties<br>• Community Seconds<br><br>Geographic Restrictions<br>• New York City, defined as:<br>  ○ Boroughs of Bronx, Brooklyn, Staten Island, Manhattan, and Queens<br>  ○ Counties of Nassau, Rockland, Suffolk, and Westchester<br><br>Refer to the Lending Guide Chapter 11 Condo, PUD and Cooperative Project Approval for complete guidelines |
| **Gifts** | Gift funds are allowed after the borrower minimum contribution has been met. |
| **Homebuyer Education** | • If all occupying borrowers are first-time homebuyers*, then at least one borrower is required to take homeownership education, regardless of LTV<br>• Fannie Mae will permit any qualified third-party provider, independent of the lender, to administer homeownership education. The third-party provider's content must be aligned with the National Industry Standards (NIS) for Homeownership Education and Counseling or with the U.S. Department of Housing and Urban Development (HUD) Housing Counseling Program, or provided by a HUD-approved counseling agency<br>• Refer to Fannie Mae's Homeownership Education page for additional information<br>• Note: Framework will remain an acceptable homeownership education provider<br>• Homeownership education certificate must be retained in the mortgage file<br><br>*A first-time homebuyer is one who has had no ownership (sole or joint) in a residential real estate property during the three-year period preceding the Note date<br>• The following property ownership scenarios are considered ownership in residential real estate and therefore would disqualify a borrower as a first-time home buyer when one or more of the following apply:<br>  ○ Ownership in shares of a cooperative;<br>  ○ Ownership in a property in the capacity of a cosignor or non-occupant;<br>  ○ Ownership in residential real estate that was inherited<br>• Ownership in one or more of the following property types is not classified as residential real estate:<br>  ○ Multifamily property consisting of more than four units (5 or more units);<br>  ○ Ownership of a vacant lot (residential or commercial) whether financed |

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| | or owned free and clear;<br>◦ Ownership in a timeshare;<br>◦ Commercial real estate;<br>◦ Ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home) |
| **Income** | Boarder Income<br><br>Boarder Income (rental payments from individuals who reside with the borrower) is acceptable in certain circumstances:<br>• Boarder is not obligated on the mortgage debt.<br>• Boarder may or may not be related to the borrower.<br>• Property must be a 1-Unit property.<br>• No more than 30% of total qualifying income can be boarder income.<br>• Boarder must have lived with and paid rent to the borrower for the last 12 months.<br>• Boarder must provide appropriate documentation to demonstrate a history of shared residency (such as a copy of a driver's license, bill, or bank statement that shows the boarder's address as being the same as the borrower's address).<br>• Boarder must provide canceled checks or bank statements to demonstrate the payment of rental payments to the borrower for the last 12 months, or at least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period.<br>• Payment of rent by the boarder directly to a third party is not acceptable (payments must be made to the borrower directly).<br><br>Income from Accessory Dwelling Units<br>• Rental income from 1-Unit properties with an acceptable accessory unit is acceptable. An accessory unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units.<br>• Lenders may obtain a Fannie Mae Single-Family Comparable Rent Schedule (Form 1007) from the appraiser.<br>• Refer to Program Guidelines for complete details. |
| **Income Limits** | • Qualifying income (income from all borrowers listed on the Note) is used to determine income eligibility limits<br>◦ If an eligible type of income is being used as a source for qualifying income, it should be calculated in accordance with the applicable Fannie Mae guidelines for that income type.<br>◦ It is not permissible to use only a "portion" or "reduced amount" of that income for determination of HomeReady eligibility as it relates to the AMI limits.<br>◦ If the income is determined to be a stable source of income and used for qualifying purposes, the full amount of the income determined for qualifying income would be considered in the AMI limitation.<br>◦ Not ALL sources of borrower income are required to be included in the HomeReady eligibility determination. But if it is being used, the above guidance must be followed.<br>▪ For example, if the borrower can qualify for the mortgage with their base pay and not their overtime income, you may use only |

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<tr><td></td><td>the base pay to determine HomeReady eligibility.<ul><li>Fannie Mae's HomeReady Income Eligibility Lookup must be used to determine HomeReady income limits by census tract. The census tract can be found on the appraisal or by using the FFIEC Census Tract Lookup</li><li>Income may not exceed 80% of Area Median Income for properties on all census tracts</li><li>DU will provide income eligibility based on the property address input in DU.</li><li>DU will apply 2023 limits to new DU loan casefiles created on or after June 12, 2023. Loan casefiles created prior to June 12, 2023 will continue to use 2022 limits.</li></ul></td></tr>
<tr><td>Limited Cash-Out</td><td><ul><li>Loan files must be documented with proof of Fannie Mae ownership if LTV is above 95%.</li><li>DU submission requires identifying the existing mortgage as owned by Fannie Mae.</li><li>Exceptions can be made for non-Fannie Mae loans where the CLTV exceeds 95% solely due to the subordinate community second loan.</li></ul></td></tr>
<tr><td>Loan Limits</td><td>
<table>
<tr><th colspan="3">2023 Conforming Loan Limits</th></tr>
<tr><th>Units</th><th>Contiguous States</th><th>Alaska and Hawaii</th></tr>
<tr><td>One</td><td>$726,200</td><td>$1,089,300</td></tr>
<tr><td>Two</td><td>$929,850</td><td>$1,394,775</td></tr>
<tr><td>Three</td><td>$1,123,900</td><td>$1,685,850</td></tr>
<tr><td>Four</td><td>$1,396,800</td><td>$2,095,200</td></tr>
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<table>
<tr><th colspan="3">2024 Conforming Loan Limits</th></tr>
<tr><th>Units</th><th>Contiguous States</th><th>Alaska and Hawaii</th></tr>
<tr><td>One</td><td>$766,550</td><td>$1,149,825</td></tr>
<tr><td>Two</td><td>$981,500</td><td>$1,472,250</td></tr>
<tr><td>Three</td><td>$1,186,350</td><td>$1,779,525</td></tr>
<tr><td>Four</td><td>$1,474,400</td><td>$2,211,600</td></tr>
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<tr><td>Minimum Borrower Contribution (Own funds)</td><td>
<table>
<tr><th>Number of Units</th><th>Minimum Borrower Contribution</th></tr>
<tr><td>One[1]</td><td>None</td></tr>
<tr><td>Two to Four</td><td>3%</td></tr>
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| | [1.] A minimum down payment of 5% is required if sweat equity is being used<br><br>A minimum down payment from the borrower's own funds is not required if LTV is 80% or less |
| **Mortgage Insurance (MI)** | • 25% MI coverage for LTVs 90.01–97%<br>• Standard MI coverage for LTVs of 90% or less<br>• Note: MGIC and Enact are the the only eligible MI providers for single-wide manufactured homes |
| **Occupancy Type** | • Primary residence only |
| **Property Type** | Eligible Properties<br>• 1-Unit Properties<br>• 2-4 unit principal residence (no condos, co-ops, or manufactured housing)<br>• Eligible Condos<br>• Eligible Cooperative Housing Units; refer to the Cooperative section for restrictions<br>• PUDs<br>• Manufactured Housing<br>  ○ The manufactured home and the land on which it is situated must be titled as real property prior to closing<br>  ○ The home must be constructed after June 15th, 1976<br>  ○ PERS approval is required for all condo, co-op, or PUD projects that consist of single-width manufactured homes<br>  ○ Not eligible for temporary buydown |
| **Reserves** | As outlined in Desktop Underwriter |
| **Subordinate Financing** | Allowed with eligible Community Seconds; refer to Lending Guide |
| **Temporary Buydown** | A temporary buydown allows borrowers to reduce their effective monthly payment for a limited period of time through a temporary buydown of the interest rate.<br>• The effective interest rate that a borrower pays during the early years of the mortgage is reduced as a result of the deposit of a lump sum of money (sometimes called a "subsidy") into a buydown account. A portion of the subsidy is released each month to reduce the borrower's payments.<br>• The buydown funds may be provided by various parties, including the borrower, the lender, the property seller, or other interested parties to the transaction.<br><br>General Requirements for Temporary Interest Rate Buydown Plans<br>• Buydown program is "3-2-1"<br>  ○ Interest rate for the first year is 3% lower than the Note rate<br>  ○ Interest rate for the second year is 2% lower than the Note rate<br>  ○ Interest rate for the third year is 1% lower than the Note rate<br>  ○ Interest rate for the remaining years is the Note rate<br>• Buydown program is "2-1"<br>  ○ Interest rate for the first year is 2% lower than the Note rate<br>  ○ Interest rate for the second year is 1% lower than the Note rate<br>  ○ Interest rate for the remaining years is the Note rate<br>• Buydown program is "1-1"<br>  ○ Interest rate for the first year is 1% lower than the Note rate |

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| | ○ Interest rate for the second year is 1% lower than the Note rate<br>○ Interest rate for the remaining years is the Note rate<br>● Buydown program is "1-0"<br>○ Interest rate for the first year is 1% lower than the Note rate<br>○ Interest rate for the remaining years is the Note rate<br>● The actual note rate and monthly payment that the borrower is obligated to pay is never actually reduced, and the full rate and payment must be reflected on the mortgage documents.<br>● At the end of the buydown period, the buydown funds collected at closing will have been exhausted, and the buydown period ends.<br>● Allowed on fixed-rate mortgages<br>● Primary residence 1-4 unit dwelling<br>● Purchase transaction only<br>● Eligible for single and double-width manufactured homes<br>● Rate increase will not exceed 1% per year<br>● The mortgage instruments must reflect the permanent payment terms rather than the terms of the buydown plan<br><br>Buydown Funds Provided by Interested Parties to the Transaction<br>● When the source of the buydown funds is an interested party, the Interest Party Contribution limits will apply<br><br>Lender-Funded Buydowns<br>● If the buydown is funded by the lender as part of the pricing on the loan, the buydown agreement must require that the funds in the buydown account be transferred to the new servicer if the mortgage is subsequently transferred.<br><br>Buydown Agreements<br>● The buydown agreement must provide that the borrower is not relieved of his/her obligation to make the mortgage payments required by the terms of the Note<br>● The buydown agreement may include an option for the buydown funds to be returned to the borrower or to the lender, if it funded the buydown, if the mortgage is paid off before all of the funds have been applied.<br><br>Qualifying the Borrower<br>● The borrower is qualified based on the Note rate without any consideration of the bought-down rate<br><br>Terms of the Buydown<br>● The buydown plan provides for increases of not more than 1% in the interest rate paid in each 12-month interval<br><br>Buydown Funds<br>● Funds for buydown accounts must be deposited into custodial bank accounts<br>● The buydown funds are applied toward payments as they come due under the Note<br>● Buydown funds are not refundable unless the mortgage is paid off before all funds have been applied<br>● Buydown funds cannot be used to pay past-due payments<br><br>Delivery Requirements |

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| | • Special Feature Code SFC 009 is used for Fannie Mae deliveries |
| **Transactions** | Ineligible Transactions<br>• Land Contracts<br>• On-frame modular construction<br>• Boarding houses<br>• Bed and Breakfast properties<br>• Properties that are not suitable for year-round occupancy regardless of location<br>• Agricultural properties, such as farms or ranches<br>• Properties that are not readily accessible by roads that meet local standards<br>• Vacant land or land development properties<br>• Properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations<br>• State-approved medical marijuana producing properties<br>• Properties with water sourced by a river<br>• Properties located on Tribal Lands which include section 184<br>• Hawaiian properties in Lava Zones 1 and 2<br>• Properties located in the Department of Hawaiian Home Lands Leasehold (DHHL)<br>• 2-4 unit dwelling with an Accessory Dwelling Unit (ADU)<br>• Manufactured home with an Accessory Dwelling Unit (ADU) that is also a manufactured home<br>• Lot size over 40 acres in the state of Montana |
| **Underwriting Method** | • Loans must be underwritten by Desktop Underwriter (DU).<br>• Manual underwriting is not permitted. |
| **ARM Terms** | |
| **ARM Index** | • 30-Day Average of SOFR |
| **ARM Caps** | • 5yr/6m SOFR ARM: 2/1/5 %<br>• 7yr/6m and 10yr/6m SOFR ARMs: 5/1/5% |
| **ARM Margin** | • 2.75%<br>• The Floor is the margin |
| **ARM Change Look Back Period** | • 45 days |
| **Conversion Option** | None |
| **Qualifying Rate** | • 5yr/6m SOFR ARM<br>  ○ Qualify at the higher of Note rate plus 2% or fully indexed rate<br>• 7yr/6m and 10yr/6m SOFR ARMs<br>  ○ Qualify at the Note rate |
| **Rate Adjustment** | • The interest rate can be adjusted up or down at each rate change date, based on the movements in the index<br>• The interest rate will be adjusted to equal the sum of the index plus the required margin, rounded to the nearest .125% subject to the interest rate caps<br>• The monthly payment will be adjusted in accordance with the change in the interest rate |

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| **Rate Change Dates** | • The interest rate at lock-in will remain constant until the first rate change date. Subsequent rate change dates will occur on the 1st day of every 6th calendar month thereafter<br>• The first change date is the month prior to the first payment date plus the number of years (5, 7 or 10) based on the ARM program type.<br>    ○ For Example: 5yr/6m ARM with a First Payment date of 4/01/2020 would have an Interest Rate change date of 3/01/2025 |

*Cardinal Financial's products neither originate from nor are expressly endorsed by any government entity.*

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