ORION LENDING

FNMA

HOME READY®

PROGRAM GUIDELINES AND MATRICES

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Section 1 – Overview & Underwriting Criteria

HomeReady is Fannie Mae's low-down payment program designed to help lenders confidently serve today's market of creditworthy low-to-moderate income borrowers. Fannie Mae has expanded its' guides creating various options of income flexibility, lower MI premiums for >90.01 to 97.00% LTVs, as well as creating multiple options for down-payment and funds to close. More information can be found at Home Ready by Fannie Mae

All loans will be examined and evaluated to determine whether the proposed loans conform to these guideline parameters. The qualifying specifications and procedures are meant to serve as a principal foundation to qualify, and each borrower will be reviewed in its entirety on an individual basis.

Section 2 - Underwriting Criteria

If not addressed below, Orion Lending follows Fannie Mae guidelines without overlay.

Age of Credit Documentation:

New and existing construction: All credit, income, and asset documentation must be $\leq$ 120 days at the time of funding

Section 3 – Product Eligibility

3.1 Available Products

Standard Balance			
Product	Amort Term	Qualifying Rate	Program Codes
15 Yr. Fixed	180	Note Rate	CF15 HomeReady
20 Yr. Fixed	240	Note Rate	CF20 HomeReady
30 Yr. Fixed	360	Note Rate	CF30 HomeReady

Freddie Mac Manufactured			
Product	Amort Term	Qualifying Rate	Program Codes
15 Yr. Fixed	180	Note Rate	CF15 HomeReady MF
20 Yr. Fixed	240	Note Rate	CF20 HomeReady MF
30 Yr. Fixed	360	Note Rate	CF30 HomeReady MF

3.2 Loan Purpose

- Purchase
- Limited Cash out Refinances

3.3 AUS

- DU Approve/Eligible required (manual underwriting is not allowed)
- Based on the census tract and borrower income, DU will notify users when a loan casefile appears to be eligible for HomeReady but the lender has not underwritten the loan casefile as HomeReady

3.4 Borrower Income Limits

- HomeReady Income Eligibility Lookup Tool
- 80% of area median income (AMI)
    - Income from non-occupant borrower is considered as part of qualifying income and subject to income limits

3.5 Borrower Eligibility

- At least one borrower must occupy the mortgaged premises as a primary residence
- Borrower(s) is not required to be a first-time homebuyer
- Non-occupant borrowers are permitted on mortgages secured by 1-unit properties when the LTV/CLTV ratio is less than or equal to 95%. (CLTV 105% with Affordable Seconds)
    - Income is considered as part of the qualifying income and subject to income limits

3.6 Minimum Loan Amount

- $50,000

3.7 Homeownership Education	• At least one borrower on each HomeReady purchase mortgage must do one of the following: • Complete the Framework homeownership education course ($75 fee paid by the borrower to Framework) prior to closing; or • Complete a homeownership education course required by a Community Seconds or Down Payment Assistance Program that is provided by a HUD-approved agency prior to closing, if the HomeReady loan involves a Community Second or down payment assistance program; or • Receive housing counseling from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed Certificate of Completion of Housing Counseling (1103) prior to the borrower signing a purchase contract; or • Have already completed housing counseling (as evidenced by a completed Fannie Mae form 1103) • Lenders may choose to provide a credit against closing costs for the $75 Framework fee in accordance with Selling Guide section B3-4.1-02 (Lender Incentives for Borrowers). • **NOTE:** *Homeownership education certification or Form 1017 must be retained in the mortgage file.*
3.8 Special Borrower Characteristics for Online Homeownership Education	Framework's online education may not be appropriate for all potential home buyers. The presence of disability, lack of internet access, and other issues may indicate that a consumer is better served through other education modes (e.g. in-person classroom education, telephone conference call, etc.). In these situations, consumers should be directed to Framework's toll-free customer service line, from which they can be directed to a HUD-approved counseling agency that can meet their needs. The counseling agency that handles the referral must provide a certificate of completion, and the lender must retain a copy of the certificate in the loan file.
3.9 Ownership of Other Properties	• Borrower(s) are not required to be first-time homebuyers • The occupying borrower(s) may own 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
3.10 Ineligible Transactions	**Income, Assets and Property Related to Illegal Activities** • If the income or asset source is not acceptable under all laws, such as income generated through marijuana sales, then the loan is ineligible for Orion Lending; this includes both self-employed borrowers and wage earners working for a company. Likewise, all use of the subject property must be in compliance with all laws. Properties that have mixed-use that do not meet all local, state or federal laws are ineligible for Orion Lending

Section 4 – Product Matrix

4.1 1-Unit LTV/CLTV Matrix

PURPOSE	LOAN TYPE	MAXIMUM LTV	MAXIMUM CLTV
Purchase	Fixed Rate	97%[2]	105%[1]
	Fixed rate with non-occupying borrowers	95%	
Limited Cash Out	Fixed Rate	97%[3]	105%[!]

[1] 105% CLTV is permitted when secondary financing is an Affordable Second

[2] A loan securing a manufactured home that is NOT MH Advantage and has a Community Second is limited to 95% LTV/CLTV/HCLTV

[3] > 95% for loans owned or securitized by Fannie Mae

4.2 2-4 Unit LTV/CLTV Matrix

PURPOSE	LOAN TYPE	MAXIMUM LTV[2]	MAXIMUM CLTV
Purchase	Fixed Rate	95%	105%[1]
	Fixed rate with non-occupying borrowers	95%	95%
Limited Cash Out	Fixed Rate	95%	95%

[1] 105% CLTV is permitted when secondary financing is an Affordable Second

[2] 3% Borrower(s) own funds required for LTV/CLTV > 80%

4.3 Secondary Financing

- Gifts, grants from lenders or other eligible entities, and Community Seconds®
- Any eligible loan may have more than one Community Seconds (i.e., third lien) up to the maximum 105% CLTV
- When a grant from a lender is used, a minimum borrower contribution of 3% must be made from either the borrower's funds or another acceptable source

Section 5 - Credit

5.1 Credit Score

- Per AUS findings when loan receives an Approve/Eligible
- Minimum of 620

Section 6 - Income	
6.1 Borrower Income Limits	• HomeReady Income Eligibility Lookup Tool • 80% of area median income (AMI) ○ Income from non-occupant borrower is considered as part of qualifying income and subject to income limits

6.2 Boarder Income	The rental payments that any borrower receives from one or more individuals who reside with the borrower (but who are not obligated on the mortgage debt and may or may not be related to the borrower) may be considered as acceptable stable income. This applies for a one-unit property in an amount up to 30%of the total gross income that is used to qualify the borrower for the mortgage if all the below is met
	• The individual(s) has lived with (and paid rent to) the borrower for the last 12 months
	• The boarder can 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).
	• The boarder can demonstrate (such as copies of canceled checks) 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.
	***Note: Payment of rent by the boarder directly to a third party is NOT ACCEPTABLE

6.3 Rental Income from the Subject Property	Rental income is an acceptable source of qualifying income in the following instances: • One-unit principal residence with an accessory unit. See B4-1.3-05, Improvements Section of the Appraisal Report, for additional details related to acceptable accessory units; • Two-to-four-unit principal residence properties See B3-3.1-08, Rental Income, for calculation and documentation of rental income used for qualifying purposes

Section 7 - Assets

7.1 Minimum Borrower Contribution, and Reserves

Minimum Contribution from Borrower Personal Funds ***(Purchase transactions only) – LTV/CLTV Ratios:***			
Property Type	≤ 80%	≥ 80% ≤ 95%	> 95%
1 unit	None	None	None
2 - 4 unit	None	3%	Not Applicable

Minimum Reserves	
Property Type	**HomeReady**
1 – Unit	As defined by Desktop Underwriter
2 - 4 Unit	As defined by Desktop Underwriter

7.2 Permitted Source of Funds

- Gifts, grants from lenders or other eligible entities, and Community Seconds®. Cash-on-hand for 1-unit properties only
- Any eligible loan may have more than one Community Seconds (i.e., third lien) up to the maximum 105% CLTV
- When a grant from a lender is used, a minimum borrower contribution of 3% must be made from either the borrower's funds or another acceptable source

Section 8 - Property

8.1 Eligible Properties

- 1-4 Unit Primary Residence
- Warrantable Condominiums
- PUDs
- Single and Multiwide Manufactured Homes (with additional requirements). See seller guides

8.2 Ineligible Properties	• Condition Rating of C5/C6 or a Quality Rating of Q6 • Condominium Conversions that were converted within the last three years • Condotels/Hotel Condominiums • Cooperatives • Geodesic Domes • Land Trust • Log Homes • Mobile Homes • Manufactured Homes – Investment properties • Manufactured Homes – Leasehold estates (unless located in FNMA approved condo project) • Property currently in litigation (see condo for additional information) • Timeshares • Unimproved Land • Working Farms and Ranches
Section 9 - Misc. Guidelines	
9.1 Underwriting	All loans must be approved by Desktop Underwriter. No Manual underwrites
9.2 Closing in Trust	Permitted for both purchase and refinance, subject to Orion approval. See Orion Lending Trust Policy for requirements
9.3 Power of Attorney	**Permitted for all transactions, excluding cash-out refinances, with the following requirements:** • Must be specific to the transaction; • Must include the borrower(s) name, property address and loan amount; • The POA must be fully executed and notarized; and • A letter of explanation required from the borrower to document the reason for using. • Orion Lending to review and approve prior to loan closing.
9.4 Escrow Holdbacks	Allowed
9.5 Flood Insurance	Private flood policies are not permitted
9.6 Helpful Links	HomeReady Fact Sheet HomeReady MI Comparison HomeReady FAQs