

Fannie Mae Single Family / 2013 Selling Guide / Part B, Origination Through Closing / Subpart B2, Eligibility / Chapter B2-2, Borrower Eligibility / B2-2-03, Multiple Financed Properties for the Same Borrower (11/13/2012)



B2-2-03, Multiple Financed Properties for the Same Borrower (11/13/2012)

Introduction

This topic contains information on multiple financed properties for the same borrower, including:

- Loan and Borrower Requirements
- Limits on the Number of Financed Properties
- Applying the Multiple Financed Property Policy to DU Loan Casefiles
- Eligibility Requirements for Investor and Second Home Borrowers with Five to Ten Financed Properties
- Underwriting and Delivery Requirements for Investor and Second Home Borrowers with Five to Ten Financed Properties
- Exception for DU Refi Plus and Refi Plus

Loan and Borrower Requirements

A borrower may finance multiple properties if he or she is qualified and if the following requirements are met:

- The loan must comply with Fannie Mae's limitations on the maximum number of financed properties, including ownership interests in financed properties, as well as eligibility, underwriting, delivery, and reserve requirements.
- The borrower must have sufficient assets to close after calculating reserve requirements. For minimum reserve requirements, see B3-4.1-01, Minimum Reserve Requirements (09/24/2013).

Limits on the Number of Financed Properties

If the mortgage being delivered to Fannie Mae is secured by the borrower's principal residence, there are no limitations on the number of properties that the borrower can currently be financing. If the mortgage is secured by a second home or an investment property, the borrower may own or be obligated on up to ten financed properties (including his or her principal residence).

Fannie Mae's standard eligibility and underwriting policies apply if the borrower is financing a second home or investment property and will have one to four financed properties; however, if the borrower will have five to ten financed properties, the mortgage loan must comply with the eligibility, underwriting, and delivery requirements described herein.

Exception: HomeStyle Renovation mortgage loans are subject to the one to four financed property limitations (that is, the five to ten financed property limitation is not applicable).

For additional policy considerations, see B3-3.1-08, Rental Income (05/15/2012), B3-4.1-01, Minimum Reserve Requirements (09/24/2013), and B3-6-05, Monthly Debt Obligations (05/24/2011).

The financed property limit applies to the borrower's ownership of one- to four-unit financed properties or mortgage obligations on such properties and is cumulative for all borrowers.

These limitations apply to the total number of properties financed, not to the number of mortgages on the property or the number of mortgages sold to Fannie Mae. Unless otherwise stated, these requirements apply to all mortgage loans whether underwritten manually or through DU.

The following table describes how to apply the limitations based on the type of property ownership:

Type of Property Ownership	Property Subject to Limitations?
Joint ownership of residential real estate. (This is considered to be the same as total ownership of an individual property.) Note: Other properties owned or financed jointly by the borrower and co-borrower are only counted once.	Yes
Ownership of commercial real estate.	No
Ownership of a multifamily property consisting of more than four dwelling units.	No
Joint or total ownership of a property that is held in the name of a corporation or S-corporation, even if the borrower is the owner of the corporation and the financing is in the name of the corporation or S-corporation.	No
Joint or total ownership of a property that is held in the name of a corporation or S-corporation, even if the borrower is the owner of the corporation; however, the financing is in the name of the borrower.	Yes
Ownership in a timeshare.	No
Obligation on a mortgage debt for a residential property (regardless of whether or not the borrower is an owner of the property).	Yes
Ownership of a vacant (residential) lot.	No
Joint or total ownership of a property that is held in the name of a limited liability company (LLC) or partnership.	Yes
Ownership of a manufactured home and the land on which it is situated that is titled as real property.	Yes
Ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home).	No

Examples:

- If the borrower owns two financed investment properties and the co-borrower owns three other financed investment properties, then jointly, the borrowers have five financed investment properties in addition to their principal residence(s), if applicable.
- If the borrower is obligated on a mortgage for a residential property (though is not on title) and the co-borrower owns a second home and an investment property (both of which are

financed), then jointly, the borrowers have three financed properties that must be included in the count in addition to their principal residence(s), if applicable.

- If a borrower and a co-borrower are purchasing an investment property and they already own and/or are obligated on five other investment properties that they jointly own and/or are obligated on, the new property being purchased would be considered the borrowers' sixth investment property.
- If a borrower owns five properties individually and is 100% owner of a corporation that owns an additional five properties, of which two of those properties are secured by mortgages that are shown on the borrower's credit report, the borrower would be considered to have seven financed properties.

Applying the Multiple Financed Property Policy to DU Loan Casefiles

DU is not able to determine the exact number of financed properties the borrower owns or is obligated on, but does issue a message on second home and investment property transactions when the borrower appears to have other financed properties. The lender must apply the eligibility and underwriting requirements manually to investment property and second home transactions that are underwritten through DU, as applicable.

Eligibility Requirements for Investor and Second Home Borrowers with Five to Ten Financed Properties

Investor and second home borrowers with five to ten financed properties must meet the following eligibility requirements:

Transaction Type	Number of Units	Maximum LTV/CLTV/HCLTV Ratio	Minimum Credit Score
Second Home or Investment Property			
Purchase Limited Cash-Out Refinance	1 unit	Loans subject to general loan limits FRM: 75% ARM: 65%	720
		Loans subject to high-balance limits FRM/ARM: 65%	
Cash-Out Refinance (only if within 6 months of purchase and all delayed financing exception requirements are met — See B2-1.2-03, Cash-Out Refinance Transactions (05/28/2013))	1 unit	Loans subject to general loan limits FRM: 70% ARM: 60%	720
Investment Property			
Purchase Limited Cash-Out Refinance	2-4 units	Loans subject to general loan limits FRM: 70%	720

		ARM: 60%	
		Loans subject to high-balance limits FRM: 65% ARM: 60%	
Cash-Out Refinance (only if within 6 months of purchase and all delayed financing exception requirements are met — See B2-1.2-03, Cash-Out Refinance Transactions (05/28/2013))	2-4 units	Loans subject to general loan limits FRM: 65% ARM: 60%	720

Underwriting and Delivery Requirements for Investor and Second Home Borrowers with Five to Ten Financed Properties

The following underwriting and delivery requirements must be met for investor and second home borrowers with five to ten financed properties:

Underwriting or Delivery Characteristic	Policy
Bankruptcy or Foreclosure	The borrower cannot have any history of bankruptcy or foreclosure within the past seven years.
Mortgage Delinquencies	The borrower cannot have any delinquencies (30-day or greater) within the past 12 months on any mortgage loans.
Rental Income	Rental income on the subject investment property must be fully documented in accordance with B3-3.1-01, General Income Information (08/20/2013), and B3-3.1-08, Rental Income (05/15/2012). Rental income from other properties owned by the borrower must be supported by the most recent signed federal income tax return. If rental income has not yet been reported on tax returns because the properties were acquired subsequent to the last tax filing, leases may be used to document rental income.
Minimum Reserve Requirements	The borrower must have reserves for the subject property and for other properties in accordance with B3-4.1-01, Minimum Reserve Requirements (09/24/2013).
IRS Form 4506-T (or 4506/8821)	The borrower must complete and sign IRS Request for Copy of Tax Return (IRS Form

	4506), or IRS Request for Transcript of Tax Return (IRS Form 4506-T), granting the lender permission to request copies of federal income tax returns directly from the IRS. If the rental income has been reported on the tax returns, the lender must obtain the IRS copies of the returns or the transcript and validate the accuracy of the tax returns provided by the borrower prior to the loan closing. For additional information, see B3-3.1-06, Requirements and Uses of IRS Form 4506-T (07/30/2013). If rental income has not been reported on tax returns because the property was acquired subsequent to the last tax filing, the lender is not required to obtain an executed IRS Form 4506 or IRS Form 4506-T.
Special Feature Code	Mortgage loans secured by second homes or investment properties that meet the five to ten financed property requirements must be delivered with SFC 150.

Exception for DU Refi Plus and Refi Plus

DU Refi Plus and Refi Plus mortgage loans are exempt from these policies. See B5-5.2-02, DU Refi Plus and Refi Plus Underwriting Considerations (09/24/2013), for additional information.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement SEL-2012-13	November 13, 2012
Announcement SEL-2012-07	August 21, 2012
Announcement SEL-2012-06	June 26, 2012
Announcement SEL-2012-04	May 15, 2012
Announcement SEL-2011-13	December 20, 2011
Announcement SEL-2011-09	August 30, 2011
Announcement SEL-2011-05	June 28, 2011
Announcement SEL-2010-06	April 30, 2010
Announcement SEL-2010-02	March 2, 2010
Announcement 09-02	February 6, 2009
Announcement 08-35	December 18, 2008