

Purchase and Refinance Loan Programs Max LTV/CLTV/HCLTV Matrix

HomeReady - Standard & High Balance Loan Amounts Principal Residence Only			
Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV ⁽²⁾	Minimum Credit Score
Purchase & LCOR Fannie Owned ⁽⁵⁾	1 Unit	95.01 - 97% ⁽¹⁾⁽³⁾⁽⁶⁾ Fixed Rate & Standard Loan amounts only	620
	Purchase / Limited Cash-out Refinance	1 Unit 2 unit 3 - 4 units ⁴	95% 85% 75%

- All borrowers must occupy the property (non-occupant coborrowers not permitted for LTV ratios of 95.01 - 97%)
- For fixed rate loans the CLTV ratio may exceed the above limit up to 105% only if the mortgage is party of an eligible Community Seconds Transaction.
- Neither ARMS nor High Balance loans are permitted for LTV/CLTV/HCLTV from 95.01 to 97%
- 3-4 unit not permitted with EPMI (agency paid mortgage insurance)
- Fannie Mae does permit limited cash-out refinances up to 97% LTV when the loan being refinanced is a Fannie-owned loan. The lender must document that the existing loan being refinanced is owned (or securitized) by Fannie Mae and must inform DU that Fannie Mae owns the existing mortgage using the Owner of Existing Mortgage field in the online loan application before submitting the loan to DU.

Program Details

Underwriting Method	All loans must meet FNMA requirements and be run through Fannie Mae Desktop Underwriter (DU). Findings must be Approve/Eligible. <u>Manual Underwriting is not permitted.</u> CMG Conventional Conforming guidelines apply except where differences are noted in this matrix. Note: loan must be identified in DU as a community lending product and select the HomeReady product.		
Loan Amount	Minimum Loan Amount: \$40,000 Maximum Loan Amounts: https://www.fanniemae.com/singlefamily/loan-limits		
Eligible Terms & Product Codes- Fixed Rate & ARM		HomeReady Product codes (excluding Enterprise Paid Mortgage Insurance)	Enterprise Paid Mortgage Insurance **
	Fixed Rate	101MCM – 30 Year fixed 101MCMHB – 30 year fixed High Balance 103MCM 20 Year HomeReady 102MCM – 15 Year fixed 102MCMHB – 15 year fixed High Balance	101 HR EPMI FNMA HomeReady 30Yr Fixed 101 HR HB EPMI FNMA HomeReady High Balance 30Yr Fixed 103 HR EPMI FNMA HomeReady 20Yr Fixed 102 HR EPMI FNMA HomeReady 15Yr Fixed 102 HR HB EPMI FNMA HomeReady High Balance 15Yr Fixed
	ARMs *	LIBOR ARM's retired; release of SOFR ARM's pending.	LIBOR ARM's retired; release of SOFR ARM's pending.
	* 5/6 ARM: Refer to ARM Matrix for Caps. Qualify at the Greater of the Fully Indexed Rate or Note Rate + 2%. ** Enterprise Paid Mortgage Insurance (EPMI) - must utilize specified program codes. No manufactured homes. 1-2 unit properties only (3-4 unit not permitted). Minimum LTV 80.01. This is NOT a "No MI" product - Correspondent Lenders must provide Borrowers with MI disclosures that are comparable to those required for lender-paid MI under Section 6 of the Homeowners Protection Act ("HPA") (i.e., 12 U.S.C. Section 4905); such notices must be provided in accordance with the same timing requirements applicable to lender-paid MI notices under Section 6 of the HPA.		
Occupancy	Owner Occupied Only		
Eligible Transactions	Purchase & Limited Cash-out Refinance (LCOR)		
Borrower Eligibility / Income Limits	Income eligibility: Income limit requirements for all HomeReady loans to not exceed 80% AMI for the property's location. (This includes properties in low-income census tracts.) In determining whether a mortgage is eligible under the borrower income limits, the lender must count the income from all of the borrowers who will be listed on the mortgage note, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan. For Income limits, see the link: https://homeready-eligibility.fanniemae.com/homeready/		

Home-buyer Education and Counseling		<p>For HomeReady purchase transactions, at least one borrower on the loan must complete the homeownership education or housing counseling requirements when all occupying borrowers are first-time homebuyers, regardless of the LTV ratio. Fannie Mae provides additional resources to lenders, borrowers, and nonprofit agencies in support of homeownership education and housing counseling on its website, including:</p> <p>Frequently Asked Questions (FAQs), and Options for locating HUD-approved agencies. There are three ways for borrowers to meet the requirement:</p> <ol style="list-style-type: none"> 1. Complete the Framework homeownership online course, which remains the default option for the HomeReady mortgage. (See Fannie Mae selling guide for information on situations where an online course may not be an appropriate option.) 2. For loans delivered with a Community Seconds® or down payment assistance, the borrower may meet the homeownership education requirement of the down payment assistance program, as long as it is provided by a HUD-approved counseling agency. 3. While counseling or "homeownership advising" is not required for the HomeReady mortgage, borrowers may meet the HomeReady requirement if they complete counseling and have a Certificate of Completion of Pre-Purchase Housing Counseling (Form 1017) completed by the provider. <p>See Selling Guide section B2-2-06, Homeownership Education and Housing Counseling, for further guidance. Note: Per Bulletin 2016-06 Fannie Mae removed the requirement for homeownership education for limited cash-out refinance transactions and eliminated the requirement for landlord education for HomeReady loans secured by two-, three, or four-unit properties (homeownership education is still required).</p>
Principal Curtailments/Reductions		Permitted; follow Principal Curtailment Matrix for parameters and guidance by program
Category	Guideline	Policy
Assets	Large Deposits	Purchase Money Transactions Only: Deposits >50% of the borrower's qualifying monthly income are considered large deposits and must be sourced. Please see CMG Guidelines for full details.
	Verification of Deposits	<u>Not permitted as standalone documentation</u> – must be accompanied by computer printout or other statements directly from the banking institution
	Ineligible Assets	<u>Cash on hand, Sweat Equity, Custodial Accounts for Minors.</u>
	Custodial Accounts for Minors	<ul style="list-style-type: none"> • These accounts are not an allowable asset for down payment or reserves • Accounts that are in a minors name where the borrower is only the custodian of the funds are not eligible to be used for a transaction in closing costs, reserves or down payment
	Minimum Borrower Contribution / Gifts	<ul style="list-style-type: none"> • 1 Unit Primary Residences (non-High Bal): no minimum borrower contribution is required • 2-4 Units, High Balance: LTV's >80% require the borrower have a minimum 3% of their own funds in the transaction • <u>When LTV/CLTV/HCLTV exceeds 95% gifts are not permitted to be used for reserves regardless of Fannie Mae/DU acceptance.</u>
	Business Assets	Business Assets are allowed for downpayment; however, the borrower must be the 100% owner of the Business. The effect on borrower's business must be established by the underwriter.
Collateral	Property Types	1-4 Unit Family Dwellings, Townhomes, Row homes, Condos & PUDs, Manufactured homes (must meet most restrictive of HomeReady, except as noted in the separate MH Advantage guideline addendum Fannie Mae and CMG manu requirements - max 95% LTV, not applicable to 5/1 ARM)
	Condominiums	Permitted. Refer to standard guidelines for project review and eligibility criteria.
	Appraisal Requirements	<ul style="list-style-type: none"> • The use of an exterior only appraisal or property inspection option is not allowed, regardless of DU Findings, full appraisal or PIW required on all transactions • Appraisals must meet CMG's appraisal review requirements • Copy of the appraiser's licensee must be included in all funded loan files • <u>Loans for properties over 25 acres require 1 full appraisal & 1 desk review</u>
	Re-use of Appraisal	<u>Not permitted</u>
	Deed Restricted Properties	All deed restricted properties must adhere to FNMA requirements (B5-5.3) and be reviewed and approved by Corporate Credit.
	Ineligible Property Types	<ul style="list-style-type: none"> • Co-ops • Condotels • <u>Manufactured homes non-surrender certificate of title states: NY, NJ, LA</u> • Hobby Farms (Permitted on Owner Occupied only; subject to agency eligibility) • Bed and Breakfast Properties • Properties with manufactured on <u>site being used as storage</u> or as an ADU • Properties not typical for the area and lacking comparables (i.e. geodesic homes, log cabins, etc.) • <u>Properties not suitable for year-round occupancy</u> <ul style="list-style-type: none"> • Properties encumbered with private transfer fee covenants • Timeshares • <u>Property Flip when Non-Arm's Length Transaction</u> • Non-warrantable Condominiums • <u>Properties with Leased Solar Panels</u> <p><u>Note: 3-4 unit properties in NY & NJ subject to CMG 100% pre-purchase QC audit.</u></p>
	Properties Previously Listed for Sale	<ul style="list-style-type: none"> • Rate/Term refi – listing must have been cancelled or expired prior to the disbursement date, and the borrower must confirm their intent to occupy the subject for Owner Occupied <p>In all instances, careful consideration should be given to the listing price and appraised value to be sure the value is supported</p>
	Disaster Areas	<p>When a property is located in a Disaster Area, CMG must verify the structure is sound and not negatively impacted by the Disaster. This must be verified prior to closing / purchasing the loan.</p> <ul style="list-style-type: none"> • Any property in a disaster area list must adhere to Disaster Policy. No PIW's or alternative valuation processes permitted. Full inspection required. • Refer to CMG's Disaster Area Policy for additional details and requirements.
	Mixed Use	Follow FNMA guidelines except the square footage of commercial part of the property <u>cannot exceed 25% of the total square footage</u>
	Property Condition	Property condition of C5 or C6 are not eligible All repairs affecting safety, livability, or habitability must be completed prior to closing.
Minimum Credit Score	Minimum credit score is the greater of 620 or the minimum as described in the product matrix. All borrowers must meet minimum credit score requirement.	

Category	Guideline	Policy
Credit	Non-Traditional (Alt) Credit	Not permitted
	Credit Inquiries	All credit inquiries within 120 days of the credit report are required to be addressed by the customer
	Paying Down/Off Debt to Qualify	Payoff or paydown of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis. The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification. <ul style="list-style-type: none"> • Revolving debt cannot be not be paid down to qualify. • Revolving debt may be paid off to qualify at underwriter discretion subject to agency eligibility. Underwriter has discretion upon review the overall loan analysis to determine if a revolving debt is eligible to be paid off to qualify and if so, whether it must be closed prior to or at closing.
	Mortgage History	Mortgage payment histories must be verified for any mortgages not reporting on the credit report. Any verified mortgage history that shows a 30 day late or greater in the last 24 months must be reported on the borrower's credit report and included in the AUS decision. As permitted by AUS findings, a VOM from an acceptable third party showing no 30 day or greater lates is acceptable at underwriter discretion for a mortgage not showing on the credit report (not directly considered in the AUS decision).
	Derogatory Credit	<ul style="list-style-type: none"> • Follow DU findings as to any debt that should be paid • All judgments and liens must be paid at or before closing • For forgiveness of debt, modifications, bankruptcies, foreclosures, and short sales, follow FNMA guidelines, Section B3-5.3-07
Income	4506-T	<ul style="list-style-type: none"> • A fully complete and signed 4506T for each borrower is required Refer to Tax Transcript Policy for tax transcript requirements.
	Annuity/Retirement/Distribution Income	<ul style="list-style-type: none"> • Any distribution that is being used to qualify must be established prior to the application date • Copy of the distribution schedule must be provided • Copy of at least one month's distribution check must be provided • Assets being depleted due to distribution cannot be used for reserves
	Employment Offers or Contracts	Borrowers who are changing or starting new jobs can be approved with a signed offer letter or contract documenting the anticipated income, but the loan is not eligible for purchase by CMG without a paystub.
	Income Documentation	VOE as standalone documentation is not permitted- most recent paystub and most recent year W2 is required regardless of DU findings
	Mortgage Credit Certificates (MCC)	Mortgage Credit Certificates are not eligible to be used as income for purposes of qualifying the borrower unless all FNMA requirements are adhered to in addition to the below: <ul style="list-style-type: none"> • Minimum fico to use MCC to qualify: 640 • \$1200 residual income required • 2 months reserves post-closing from borrower's own funds unless downpayment is coming from borrower's own funds • In addition, originating lender to be fully responsible for the annual IRS reporting associated with the MCC issuance; CMG will not complete any required IRS reporting.
	Non Occupant Borrower	Non-occupant borrowers are permitted (to max 95% LTV in DU); income considered as part of qualifying income. No limitation on ownership of other property for non-occupant borrower. Non Occupant borrower income must meet income eligibility limits and income is included in qualifying income.
	Rental Income	<p>Rental income from a 1-unit property with an accessory unity can be considered in qualifying the borrower, documentation and calculation in accordance with existing rental income guidelines. Boarder Income Requirements: 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</p> <ul style="list-style-type: none"> • 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 the payment of rental payments* to the borrower for <ul style="list-style-type: none"> o the last 12 months, or o at least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period. • The boarder is not obligated on the mortgage loan and does not have an ownership interest in the property. • CMG prefunding/prepurchase risk review is required for all HomeReady Mortgages using boarder income to qualify. <p>*Payment must be via copies of cancelled checks or proof of direct bank transfers from tenant to borrower. Payment of rent by the boarder directly to a third party is not acceptable.</p> <p>Note: An individual who is considered a non-borrower household member in accordance with HomeReady guidelines may not also be the contributor of rental income (two- to four-unit properties), accessory unit income (one-unit properties), or boarder income on the subject transaction.</p>
	Self-employed Borrowers	<ul style="list-style-type: none"> • Corporate tax returns are required for the time period being considered in the income calculation for any borrower who is more than 25% owner of an LLC, 1120S or 1120 corporation. This requirement may be waived if the borrower is paying all of the down payment from his/her own personal funds AND the borrower has been self-employed for at least 5 years AND the borrowers individual tax returns show an increase in self-employment income over the last two years. • Business assets are permitted for cash to close and reserves if the borrower is 100% owner of the company and it is determined by the UW that the withdrawal of funds will not impact the borrower's business. A CPA letter verifying no impact to the business is acceptable; however, if no CPA letter is available the UW will review the tax returns of the business to determine any impact. Any significant withdrawal should be considered in relation to the overall strength of the borrower's company
Qualifying Ratios (DTI)	Per AUS.	

Category	Guideline	Policy
Programs	Ineligible Programs	<ul style="list-style-type: none"> Interest Only loan programs Section 32 <u>Temporary Buydowns</u> Land trusts, including in the state of Illinois, are not eligible Leaseholds secured by Indian/Tribal lands <u>Homestyle Renovations</u> <u>For HPML / Rebuttable Presumption eligibility refer to standard Fannie Mae eligibility matrix.</u>
Borrower & Transaction Detail Overlays	At Interest Transactions	<u>Transactions where:</u> <ul style="list-style-type: none"> Builder is acting as Realtor/Broker – permitted on primary residence only Realtor/Broker is selling their own property – permitted on primary residence only Loan originator is acting in another real-estate related role - not permitted. Loan Originator cannot have another real estate related position on any loan, regardless of the loan program.
	DU Warnings	If DU issues a warning for excessive DU runs, a written explanation must be provided by the originator.
	Escrows	Tax and Insurance escrows are required on all loans greater than 80.00% loan to value; escrow waivers are allowed subject to a demonstrated ability by the borrower to manage lump sum tax and insurance payments. Refer to Escrow Waiver Grid in base conventional conforming guidelines for details by state. Effective on loans closed on or after January 1, 2016 that require flood insurance: the premiums related to the flood insurance must be escrowed - escrows for these premiums may not be waived, regardless of LTV. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required. Note: CMG does not permit escrow for earthquake insurance.
	Ineligible Borrowers	Loans with title or interest held in various forms/legal entities such as Life Estates, Non-Revocable Trusts, Guardianships, LLC's, Corporations or Partnerships are not eligible
	Max. # of Financed Properties	The occupant borrower may not have more than two financed properties.
	Mortgage Insurance	<ul style="list-style-type: none"> Mortgage Insurance from an approved provider is required on all loans over 80.00% loan to value. Standard HomeReady required coverage (less than standard coverage not permitted): <ul style="list-style-type: none"> 30 year Fixed Rate & all ARMs: <ul style="list-style-type: none"> 25% for 85.01% to 97% 12% for 80.01% to 85% 15 & 20 year Fixed Rate: <ul style="list-style-type: none"> 25% for 90.01% to 97% 12% for 85.01% to 90% 6% for 80.01% to 85% <p>Enterprise Paid Mortgage Insurance (EPMI) - must utilize specified program codes. No manufactured homes. Minimum LTV 80.01. This is NOT a "No MI" product - Correspondent Lender must provide Borrowers with MI disclosures that are comparable to those required for lender-paid MI under Section 6 of the Homeowners Protection Act ("HPA") (i.e., 12 U.S.C. Section 4905); such notices must be provided in accordance with the same timing requirements applicable to lender-paid MI notices under Section 6 of the HPA.</p>
	Multiple Borrowers/ # of Borrowers	<u>There can be no more than 4 borrowers per loan</u>
	Non-Arms Length Transactions	Generally not allowed, but may be eligible on owner occupied purchase transactions with the full documentation of assets, income and appraisal – no waivers permitted. FNMA guidance must be followed and the transaction must be approved by Corporate Credit
	Power of Attorney	Will be allowed subject to underwriter and title company approval. See CMG Guidelines for full requirements.
	Sales Incentive	<u>The maximum allowable sales incentive (commission, finder's fee, etc.) is limited to 8% of the sales price</u>
Subordinate Financing	New, Modified, and existing subordinate liens are permitted within the max CLTV tolerances noted in the LTV matrix. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is also required. Subordinate financing from a seller-held mortgage is not permitted with HomeReady mortgages. Community Seconds permitted - must meet FNMA requirements.	
Correspondent Employee Loans	Correspondent Seller employee loans require second signature from CMG Management.	
Recent Updates / 90 Day Lookback	<p>9/18/2020 LIBOR ARMs retired; release of SOFR ARMs pending.</p> <p>6/5/2020 Updated to reflect that Fannie Mae does permit limited cash-out refinances up to 97% LTV when the loan being refinanced is a Fannie-owned loan. All other requirements for LTV 95-97% also apply.</p> <p>2/28/2020 Updated to reflect that 3-4 unit properties are not permitted with EPMI products (agency paid mortgage insurance underwritten with DU).</p>	
<p>Information in this matrix is a summary only and is not a complete representation of CMG Financial (NMLS #1820) lending Policies. Information is accurate as of the date of publishing and is subject to change without notice. The overlays outlined in this matrix apply to agency loans submitted to DU. In addition to applying these CMG-specific overlays, all loans submitted to DU must comply with the DU Findings and Fannie Mae requirements. To verify our state license, please log onto the following website: www.nmlsconsumeraccess.org</p>		
www.cmafi.com		