# Fannie Mae (DU) Conventional Loan Matrix - Correspondent

## Purchase and Refinance Loan Programs Max LTV Matrix

### Program Details

**Underwriting Method**
All loans must be run through Fannie Mae Desktop Underwriter (DU). Findings must be Approve/Eligible. Manual Underwriting is not permitted.

**Loan Amount**
Minimum Loan Amount: $40,000
Maximum Loan Amounts: [https://www.fanniemae.com/singlefamily/loan-limits](https://www.fanniemae.com/singlefamily/loan-limits)

**Eligible Terms - Fixed**
Fixed: 10, 15, 20, 25 and 30 year

**Eligible Terms - ARM**
- 3/1 & 5/1 ARM: Refer to ARM Matrix for Caps. Qualify at the Greater of the Fully Indexed Rate or Note Rate + 2%.
- 7/1 ARM and 10/1 ARM: Refer to ARM Matrix for Caps. Qualify at the Greater of the Fully Indexed Rate or Note Rate.
  - Lifetime Floor/Margin: 2.25%, Index: 1 Yr LIBOR (per WSJ)

**Occupancy**
Owner Occupied, Second Home and Investment properties are permitted

**Eligible Transactions**
Purchase, No Cash-out Refinance/Limited Cash-out Refinance (LCOR), and Cash-out Refinance.
Note: HomeStyle Energy loans are permitted as outlined in the Escrow Holdback Addendum.

**Principal Curtailments/Reductions**
Permitted; follow Principal Curtailment Matrix for parameters and guidance by program

**Compliance - HPML/HPCT Eligibility**
Refer to HPML & HPCT Policy

**Refinances**
Loan is defined as cash out if the cash out amount exceeds the lesser of $2,000 or 2% of the loan amount. Non-Purchase money seconds are considered cash out. CMG does permit Fannie Mae’s Student Loan Cash-Out Refinance. Under the HomeStyle Energy program Fannie Mae permits limited cash-out refinances to include the payoff of certain PACE liens on the property with no dollar amount limit (LTV ratios apply) - SFC 375 required. Texas 50 (a)(6) Cash-out refinances are eligible. Refer to Texas Section 50(a)(6) requirements below under Programs.

**Geographic Restrictions**
Refer to Correspondent Seller’s Guide.

## Purchase and Refinance Loan Programs Max LTV Matrix

### Standard & High Balance Loan Amounts - Fixed Rate

<table>
<thead>
<tr>
<th>FICO Score</th>
<th>Purchase and R/T</th>
<th>Cash-Out</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 Unit/Condo</td>
<td>1 Unit/Condo</td>
</tr>
<tr>
<td>620+</td>
<td>97% (1)</td>
<td>n/a</td>
</tr>
<tr>
<td>620+</td>
<td>95%</td>
<td>80%</td>
</tr>
<tr>
<td>620+</td>
<td>2 - 4 Units</td>
<td>2 - 4 Units</td>
</tr>
<tr>
<td>620+</td>
<td>2 unit: 85%</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>3-4 Unit: 75%</td>
<td>75%</td>
</tr>
</tbody>
</table>

1. For fixed rate loans with LTV/CLTV/HCLTV > 95%:
   - For purchases at least 1 borrower must be a first-time homebuyer as defined by Fannie Mae. Non-occupant coborrowers not permitted.
   - Gifts are allowed for down payment; however, gifts are not allowed for reserves.
   - Standard loan amounts only (High balance not permitted).
   - 35% MI Coverage required (Reduced MI not permitted)
   - Maximum CLTV is 105% if the subordinate lien is an eligible Community Seconds loan
   - Manufactured Homes not eligible.
   - For Limited Cash Out Refinances, existing loan must be Fannie Mae owned: The lender must enter into DU and document that the existing loan being refinanced is owned (or securitized) by Fannie Mae.
   - When all borrowers are first-time homebuyers, at least one borrower must participate in homeownership education. Refer to Selling Guide B2-2-06 for additional information.

### Standard & High Balance Loan Amounts - ARM

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**Geographic Restrictions**
Refer to Correspondent Seller’s Guide.
<table>
<thead>
<tr>
<th>Category</th>
<th>Guideline</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large Deposits</td>
<td>Purchase Money Transactions Only: Deposits &gt;50% of the borrower’s qualifying monthly income are considered large deposits and must be sourced. Please see CMG Guidelines for full details.</td>
<td></td>
</tr>
<tr>
<td>Verification of Deposits</td>
<td>Not permitted as standalone documentation – must be accompanied by computer printout or other statements directly from the banking institution. However, Fannie Mae’s Day 1 Certainty ™ documentation relief is permitted.</td>
<td></td>
</tr>
</tbody>
</table>
| Custodial Accounts for Minors | • These accounts are not an allowable asset for down payment, closing costs 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 |                                                                                                                                                                                                      |
| Gifts                     | Follow FNMA Guidance:  
  1. Unit Primary Residences (including High Balance): no minimum borrower contribution is required  
  2. 2-4 Units, 2nd Homes: LTVs >80% require the borrower have a minimum 5% of their own funds in the transaction  
  • Gifts are not permitted on Investment Properties |                                                                                                                                                                                                      |
| 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. |                                                                                                                                                                                                      |
| Property Types            | 1-4 Unit Family Dwellings, Townhomes, Row homes, FNMA Warrantable Condos (as noted in the Condominium section). |                                                                                                                                                                                                      |
| Condominiums              | Condominiums must be Fannie Mae Warrantable.  
  • Acceptable condo approvals are PERS approval, Lender Full Review completed by delegated Correspondent, CPM Approval, Limited Review (DU).  
  • Limited review not permitted on new projects.  
  • FNMA Special Designation- FNMA approved condos with unapproved special designation codes will be permitted for primary residences and 2nd homes only. Investment properties are not permitted. Project must be eligible and reviewed with either a limited or full review based on the AUS findings.  
  • Leasehold not permitted |                                                                                                                                                                                                      |
| Condos-Florida            | • Condos In litigation not permitted.  
  • New and newly converted condo’s require PERS approval (Section B4-2.2-12)  
  • Limited review on Existing Condos in Florida- LTV max is 75% primary/70% Second Home & NOO - CLTV/HTLTV per agency max (Section B4-2.2-04) |                                                                                                                                                                                                      |
| Appraisal Requirements    | • 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  
  • Copy of the appraiser’s licensee must be included in all funded loan files |                                                                                                                                                                                                      |
| Re-use of Appraisal       | Not permitted |                                                                                                                                                                                                      |
| Deed Restricted Properties| All deed restricted properties must adhere to FNMA requirements (B5-5.3) |                                                                                                                                                                                                      |
| Ineligible Property Types | • Co-ops  
  • Condotels  
  • Manufactured homes more than 20 years old (Not applicable to DU Refi Plus)  
  • Hobby Farms (Permitted on Owner Occupied only; must be agency eligible)  
  • Bed and Breakfast Properties  
  • Properties with manufactured on site being used as storage  
  • Properties not typical for the area and lacking comparables (i.e. geodesic homes, log cabins, etc.)  
  • Properties not suitable for year-round occupancy (except as permitted in CMG Conventional Guidelines) | • Second home where the borrower generates any significant rental income from renting subject out – insignificant income ok  
  • Properties encumbered with private transfer fee covenants  
  • Timeshares  
  • Property Flip when Non-Arm’s Length Transaction  
  • Non-warrantable Condominiums  
  • Manufactured Homes in certificate of title non-surrender states: LA, NY, NJ  
  • Manufactured Homes with non standard utilities (well/septic okay per Fannie eligibility) | Note: 3-4 Unit properties in the state of New York (NY) & New Jersey are eligible subject to CMG 100% pre-purchase QC audit. |
| Collateral                |                                                                           |                                                                                                                                                                                                      |
| Manufactured Homes        | Conventional Conforming DU loans with solar lease/PPA can be considered for purchase as long as all Fannie Mae requirements are met. The below continue to be ineligible:  
  • Property Assessed Clean Energy (PACE) payments included in tax assessments and must be paid off prior to property selling  
  • Home Energy Renovation Opportunity (HERO) payments included in tax assessments  
  • Any Solar Energy/Panel TAX Assessment Program(s) (lease payments included in property tax assessments. Property taxes take precedent over mortgage lien positions)  
  • Any Solar Energy/Panel Affecting First Lien Position | • Investment/NOO properties not permitted  
  • Fixed Rate only  
  • Both HUD Data Plate and HUD “Red Tag”, or the Fannie Mae acceptable equivalent, must be present to be eligible for financing  
  • Permitted only for the purchase/renfance of existing manufactured homes and land classified as a single piece of real property. Manufactured homes permanently attached in the 12 months preceding the loan application date are not eligible for either purchase or refinance transactions. With the exception of MH Advantage (see separate guidelines addendum), transactions in which the mortgage proceeds are used to finance the purchase of a new manufactured home, or a new manufactured home and the land, are not eligible.  
  • Maximum age: 20 years (Not applicable to DU Refi Plus; DU Refi Plus must meet all FNMA eligibility criteria)  
  • See the Manufactured Home section in CMG Guidelines for additional details including LTV/CLTV restrictions. Refer to the MH Advantage addendum, as applicable. | |
| Properties Previously Listed for Sale | Rate/Term & Cash Out 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  
  • In all instances, careful consideration should be given to the listing price and appraised value to be sure the value is supported | |
| Disaster Areas            | Any property in a disaster area list must adhere to Disaster Policy  
  • No PIW’s or alternative valuation processes permitted  
  • Full inspection required | |
| Leasesthold Estates       | Leasesthold Estates are permitted on conventional conforming loans (Not allowed in conjunction with the following property types: Condos, Properties located on Indian Land).  
  • CMG requires the payment to the leasetholder to be impounded when a standard escrow account is established. Refer to “Escrows”. | |
| Mixed Use                 | Follow FNMA guidelines except the square footage of commercial part of the property cannot exceed 25% of the total square footage | |
| Property Condition        | Property condition of C5 or C6 are not eligible. All repairs affecting safety, livability, or habitability must be completed prior to delivery. | |
| Minimum Credit Score      | Minimum credit score is the greater of 620 or the minimum as described in the product matrix. All borrower must meet minimum credit score requirement. | |
First Time Homebuyers presenting a strong financial picture must meet the following requirements to qualify with rental income (see CMG Guidelines for additional considerations):

- Programs
- Assets
- Credit
  - Annuity/Retirement/Certificates (MCC)
  - Mortgage Credit
  - Income from Rental
  - Employment Offers or Contracts
  - Derogatory Credit
  - 4506-T
  - Qualifying Ratios (DTI)
  - Income Documentation

- Primary Residence Pending Sale
- Mortgage History
- Derogatory Credit
- Qualifying Ratios (DTI)
- Income Documentation

For loans underwritten with DU, 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. DU Messaging can be disregarded in regards to closing the account per Fannie Mae Announcement SEL 2015-06 (until DU is updated).

For DU Version 10.1 (and greater) loans involving a new job for the borrower that will begin after closing borrower may be eligible subject to all of the following requirements:

- The subject transaction is for the purchase of a 1-unit primary residence;
- Borrower must have a strong employment history with 2+ years of stable, strong employment/income;
- Employment gap must not exceed 60 days (Income must be guaranteed to begin within 60 Days of mortgage closing);
- Borrower must have cash reserves to support the mortgage payment and any other obligations during the employment gap plus and additional one month’s reserves of PITIA;
- Any distribution that is being used to qualify must be established prior to the application date.

- 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.

- Self-employed Borrowers
  - 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.

- Texas Section 50(a)(6)

- Ineligible Programs

- Programs
- Ineligible Programs
New, Modified, and existing subordinate liens are permitted within the max CLTV tolerances noted in the Conventional matrix. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is Will be allowed subject to underwriter and title company approval. See CMG Guidelines for full requirements.

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.nmlsconsumeracces.org

### At Interest Transactions

- 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.

### Conversion of Primary Residence

Agency requirements must be met.

### Delayed Financing

- Delayed financing is permitted subject to FNMA requirements (section B2-1.2-03)
- The original purchase transaction must have been an arms-length transaction. If the seller was an LLC the owners of the LLC must be documented
- The LTV/CLTV/HCLTV is based on the appraised value. The new loan amount can be no more than the actual documented amount of the borrower’s initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value).

### Down Payment Assistance Program

Down Payment Assistance programs are considered an Interested Party Contribution (IPC). IPC’s are permitted.

### DU Warnings

If DU issues a warning for excessive DU runs, a written explanation must be provided by the originator.

### Escrows / Escrow Holdbacks

- Escrows: Tax and insurance escrows are required on all loans greater than 80.00% loan to value (subject to state law); escrow waivers are allowed subject to a demonstratable ability by the borrower to manage lump sum tax and insurance payments. 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.

**Escrow Holdbacks:** Refer to Escrow Holdback Guideline Addendum

### 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

### Number of Financed Properties

- For Primary residences there is no limit to the number of properties financed/owned by the borrower.
- For Second Homes and Investment Properties, the maximum number of financed properties is 10, however special consideration and LTV restrictions apply to borrowers with more than 4 financed properties which are not recognized in DU findings. See CMG Guidelines for full requirements. Note: CMG will align with the new requirements Fannie Mae released for 5-10 financed properties when the DU updates are finalized in June. Refer to CMG guidelines for current CMG requirements for 5-10 financed properties.

Note: These limitations apply to the borrower’s ownership in one-to four unit properties or mortgage obligations on such properties and is cumulative for all borrowers.

### Mortgage Insurance

- Mortgage insurance from an approved provider is required on all loans over 80.00% loan to value.
- Standard coverage only

<table>
<thead>
<tr>
<th>Enterprise Paid Mortgage Insurance - Product Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Rate Product Codes</strong></td>
</tr>
<tr>
<td>101 EPI 30Y Fixed</td>
</tr>
<tr>
<td>125 HB EPMI 25Y Fixed High Balance</td>
</tr>
<tr>
<td>102 EPMI 15Y Fixed</td>
</tr>
<tr>
<td>104 EPMI 10Y Fixed</td>
</tr>
<tr>
<td><strong>ARMs</strong></td>
</tr>
<tr>
<td>1431 EPI 3/1 ARM</td>
</tr>
<tr>
<td>1451 EPI 5/1 ARM</td>
</tr>
<tr>
<td>1451 EPI HB ARM 5/1 Fixed High Balance</td>
</tr>
<tr>
<td>1471 EPI 7/1 ARM</td>
</tr>
<tr>
<td>1410 EPI HB 10/1 ARM Fixed High Balance</td>
</tr>
</tbody>
</table>

| Enterprise Paid Mortgage Insurance (EPMI) - must utilize specified program codes. No manufactured homes. 1-2 unit 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. |

### Multiple Borrowers/ 
# of Borrowers

There can be no more than 4 borrowers per loan.

### Multiple Mortgages to the Same Borrower

Maximum of 2 financed units in a single condo project or PUD for one borrower. Borrowers are limited to four (4) loans or one million dollars ($1,000,000) total in loans funded/purchased by CMG. Jumbo loans are excluded from loan amount limit, but still count towards the aggregate total of loans with CMG. In addition, for Agency restrictions refer to Number of Financed Properties (above).

### 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

### Non-Owner Occupied

- Non-arms length not permitted
- No gifts permitted, including gifts of equity
- See Income from Rental Properties for additional details and requirements

### Power of Attorney

Will be allowed subject to underwriter and title company approval. See CMG Guidelines for full requirements.

### Sales Incentive

The maximum allowable sales incentive (commission, finder’s fee, etc.) is limited to 8% of the sales price.

### Subordinate Financing

New, Modified, and existing subordinate liens are permitted within the max CLTV tolerances noted in the Conventional matrix. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is also required. See down payment assistance section for subordinating liens on purchase money transactions.

### Correspondent Seller Employee Loan

Correspondent seller employee loans require second signature from CMG Management.

### Fixed Rate Product Codes

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<tbody>
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<td>125 HB EPMI 25Y Fixed High Balance</td>
<td>High Balance Fixed Rate Loan</td>
</tr>
<tr>
<td>102 EPMI 15Y Fixed</td>
<td>Fixed Rate Loan</td>
</tr>
<tr>
<td>104 EPMI 10Y Fixed</td>
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### Enterprise Paid Mortgage Insurance (EPMI)

- **Fixed Rate Product Codes**
- **ARMs**

### Recent Updates / 90 Day Lookback

- **2/28/2020** Updated to reflect that 3-4 unit properties are not permitted with agency paid mortgage insurance (EPMI).
- **6/26/2020** Clarified CMG will purchase HomeStyle Energy loans as outlined in the Escrow Holdback Addendum.
- **1/1/2020** Updated max loan amount for Texas Section (A)(6) transactions.
- **12/23/2019** Under the HomeStyle Energy program Fannie Mae permits limited cash-out refinances to include the payoff of certain PACE liens on the property with no dollar amount limit (LTV ratios apply) - SFC 375 required.