



**FANNIE MAE EXPANDED APPROVAL**  
**DU EXPANDED APPROVAL LEVELS 1, 2 & 3**  
**Program Code F130EA1 /F130EA2/F130EA3**

**Product Matrices**

CONFORMING LOAN AMOUNT LIMITS	
1 unit	\$417,000
2 units	\$533,850

**DU Expanded Approval 1, 2 or 3 "Eligible" required**

**PRIMARY RESIDENCE PURCHASE & RATE/TERM REFINANCE**

PROPERTY	MAX LTV/CLTV	EA1	EA2	EA3
1-2 units	80%	Yes	Yes	Yes

**80% LTV LIMITATION DUE TO MI RESTRICTIONS - FURTHER LTV REDUCTION DOES NOT APPLY**

**PRIMARY RESIDENCE CASH OUT REFINANCE**

PROPERTY	MAX LTV/CLTV	EA1	EA2	EA3
1-2 units	80%	Yes	No	No

**80% LTV LIMITATION DUE TO MI RESTRICTIONS - FURTHER LTV REDUCTION DOES NOT APPLY**

**SECOND HOME PURCHASE & RATE/TERM REFINANCE**

PROPERTY	MAX LTV/CLTV	EA1	EA2	EA3
1 unit	80%	Yes	Yes	Yes



## SECOND HOME CASH OUT REFINANCE

PROPERTY	MAX LTV/CLTV	EA1	EA2	EA3
1 unit	80%	Yes	No	No

## INVESTMENT PURCHASE & RATE/TERM REFINANCE

PROPERTY	MAX LTV/CLTV	EA1	EA2	EA3
1 -2 units	80%	Yes	Yes	Yes

## INVESTMENT CASH OUT REFINANCE NOT PERMITTED

### Product Information

#### ELIGIBLE TERMS

- 30 yr Fixed Rates fully amortizing

#### MINIMUM LOAN AMOUNT

\$20,000 (See rate sheet for loan amount adjustments)

#### QUALIFYING INFORMATION

##### *Qualifying Payment:*

Qualify at the note rate, fully amortizing payment

##### *Ratios*

Ratios are determined by DU approval

#### TEMPORARY BUYDOWN

Not permitted

#### SECONDARY/SUBORDINATE FINANCING STANDARD FNMA EXPANDED APPROVAL

- See Matrices for max CLTV allowable.
- Subordinate liens must be held by an institution
- Private party or seller carry subordinate financing is not permitted.
- Terms of subordinate lien: No balloon within 5 years; payment must be sufficient to cover interest due; interest rate and payment may not change more than once a year, prepayment penalty not permitted



- Variable payments / HELOC or Line of Credit programs are acceptable.
- Copy of 2<sup>nd</sup> loan note required.

### **MORTGAGE INSURANCE**

**Not applicable - MI is not issued on loans with Expanded Approval**

### **IMPOUND/ESCROW ACCOUNTS**

Impound/escrow accounts are mandatory for all LTV > = 90% in California, mandatory for LTV > 80% LTV all other states. Adjustment may apply to waive at lower LTVs - see rate sheet

### **PREPAYMENT PENALTY**

Not applicable on conforming loans

### **SECTION 32 / HIGH COST**

Not allowed

### **NON ARMS LENGTH TRANSACTIONS / GIFT OF EQUITY**

Not allowed

### **TIMELY PAYMENT REWARDS**

EA2/Eligible or EA3/Eligible may receive a one-time rate reduction feature message on the DU findings report. These loans will be special priced at the time of lock.

## **Borrower Eligibility**

### **RESIDENCY / IMMIGRATION STATUS**

- All loan programs are based on the assumption that the borrower is a US Citizen defined as a native or naturalized person.
- Permanent resident aliens (defined as non-US citizens who hold evidence of permanent residency) are granted same loan terms as US citizens. Permanent residents must provide one of the following:
  - Alien Registration Card (green card) with a 10 yr expiration date on the front, but no expiration date on the back.
  - Alien Registration Receipt Card (I-551) with an expiration date and must be accompanied by a copy of an unexpired form I-751



- Unexpired foreign passport that contains an unexpired stamp reading "Processed for I-551. Temporary evidence of Lawful Admission for Permanent Residence. Valid until XX. Employment Authorized"
- Other evidence of permanent residency issued by US government.
- Borrowers with diplomatic immunity are not eligible.
- Non-Permanent Resident Aliens not permitted.
- Foreign National not permitted

#### NON-OCCUPANT CO-BORROWERS

Not permitted

#### INCOME LIMITATIONS

None

#### HOMEBUYER EDUCATION

Not required

#### FIRST TIME HOMEBUYERS

No specific restrictions

## Credit Requirements

#### CREDIT HISTORY

All loans must have DU Eligible decision under Expanded Approval levels 1, 2 or 3. Loans with Refer or Ineligible decisions not permitted. **Minimum FICO 580 for all LTVs regardless of DU decision.**

Automated Underwriting decisions to be obtained by AAF.

#### *Full Doc Loans*

- **New guideline to establish validity of credit for all loans with only one borrower:**
  - Credit reports and credit scores will only be deemed valid when they are based on a minimum of 3 tradelines with history, regardless of DU findings
  - At least 2 accounts must have a 12 month history and at least one account must have a 24 month history.
- **Loans with more than one borrower will continue to follow DU findings.**
- For loans with high DTI, additional data may be required that supports the borrower's ability and likelihood of repayment of debt.



- Bankruptcy must be discharged.

## Income Requirements

### *Full Doc*

- Standard FNMA full documentation must be provided as required by LP/DU decision
- Verbal VOE required.
- 4506T required
- All sources of stable monthly income may be used to qualify borrowers. Secondary income that is verified for one year may be included as long as continuation of the income is probably and an average monthly income is established.

## Asset Requirements

### **SOURCE OF FUNDS**

Eligible source of funds:

- Borrower's own funds, including secured funds such as a loan against a 401K account or cash value life insurance policy
- Gift or unsecured loan from a related person
- Grant or unsecured loan from a municipality, nonprofit organization or employer (note – funds from a non-profit whose source of funding is the sellers are not eligible. Such funds are treated as seller contribution). Credit units are not considered non-profit organizations.
- Any unsecured loans must be a term loan with level payments and a fixed rate not to exceed 2% above the first mortgage note rate. Monthly payment must be considered as debt.
- Seller/builder contributions (applied to closing costs/prepays over and above the \$500 or 3% minimum borrower contribution option)

### **RESERVE REQUIREMENTS**

Determined by DU findings

**Note:** For borrowers who currently own a principal residence and are using a lease agreement to qualify for the purchase of another principal residence, 12 months' PITI (principal, interest, taxes and insurance) reserves are required. If evidence of 12 months' reserves cannot be provided, the PITI of the current home must be used for qualification. A lease agreement cannot be used.



## **INTERESTED PARTY CONTRIBUTIONS**

Funds contributed by the property seller (directly or indirectly), builder, real estate agent, mortgage lender, or any other party with an interest in the real estate transaction

Owner Occupied & 2<sup>nd</sup> Home:

- LTV/CLTV up to 75%: 9%
- LTV/CLTV 75.01–80%: 6%

Investment properties, all LTV/CLTV S: 2%

**In transactions where subordinate financing exists, concessions will be based on CLTV**

## **Transaction Type**

### **REFINANCE**

In addition to the terms outlined below, all refinance transactions must show evidence that the borrower(s) are on title prior to loan application. In addition, if a property being refinanced is owned free and clear, we must have satisfactory title work prior to closing evidencing no liens.

### **RATE-AND-TERM (LIMITED CASH-OUT) REFINANCES**

A limited cash-out refinance transaction enables a borrower to pay off his or her existing mortgage by obtaining a new first mortgage that is secured by the same property. A limited cash-out refinance will include only those loans that involve:

- Payoff of the outstanding principal balance of an existing first mortgage
- Payoff of the outstanding principal balance of any existing subordinate lien that was used in whole to purchase the subject property
- Financing of closing costs (including prepaid expenses)
- Cash back in an amount no more than the lesser of 2% of the balance of the new loan or \$2000

FNMA only will consider a "buy-out" as a result of a divorce settlement to be treated as a "limited cash-out refinance" as long as the borrower who will be acquiring sole ownership of the property receives no cash out of the proceeds from the transaction and is on the mortgage being paid off. Borrowers not on the mortgage will be considered on a case by case basis. A copy of the final divorce decree mandating this is necessary.

### **CASH OUT REFINANCES**

- Not permitted on Flex program.
- Not permitted for investment properties
- Not permitted in Texas
- A cash-out refinance transaction enables a borrower to pay off his or her existing mortgage by obtaining a new first mortgage that is secured by the same property (or enables the



property owner to obtain a mortgage on a property that does not already have a mortgage lien against it). The borrower is able to take out much of the equity he or she has in the property and to use the proceeds for any purpose subject to applicable LTV restrictions.

- The mortgage amount for cash-out refinance transactions may include the unpaid principal balance of the existing first mortgage, closing costs, points, the amount required to satisfy any outstanding subordinate mortgage liens of any age, and additional cash that the borrower may use for any purpose.
- Note that any transaction paying off a subordinate lien not acquired in whole for the initial purchase transaction to be a cash-out refinance regardless of seasoning of the subordinate lien.
- A mortgage placed on a property previously owned free and clear by the borrower will be considered a "cash-out" refinance mortgage and RESPA still requires a three day right of rescission.
- Cash out transactions for homes that have been listed for sale in the last six months will be considered on a case by case basis. The subject property cannot be listed for sale at time of application. Proof of listing cancellation and borrower's explanation for listing must be provided to be considered.

## Property Eligibility

### PROPERTY VALUATION

- AVM will be obtained by UW to support value
- Property inspections are strongly recommended on this product

### APPRAISAL REQUIREMENTS

- Age of appraisal maximum 120 days, at which time a recertification of value may be acceptable, however if u/w determines that the age of the comps on the appraisal is not acceptable, a new full appraisal may be required.
- All appraisals are subject to appraisal review
- Marketing time by the appraiser is 3-6 months
- Comps cannot be in excess of 1 mile from subject property.
- Emergency release lever is required on bars on windows
- Fixer-uppers are not allowed
- Property has to be in average condition
- **We will require 4 comps for all new construction and construction to perm properties and two of the sales must be from outside the development or project and must be from a different builder and developer.**



- If the subject is a For Sale By Owner, subject property being sold by an LLC, new construction, construction to perm and the LTV is within 10% of max financing, a review appraisal will be required from an approved National Vendor unless the original appraiser is approved as a nationally approved vendor. National Vendors are as follows:
  1. LandAmerica
  2. Old Republic Title
  3. Title Source Inc (TSI)
- Field review and cost of appraisals are according to market rates at the time of the order. We do not add additional fees to the appraisal review fee and the amount of the review will be quoted on the approval condition and required by check prior to the order of the review.
- Note - properties in soft / declining markets will be subject to LTV reduction.
- Properties in declining markets: comparable sales should be dated within the prior 3-6 months.

#### **ELIGIBLE PROPERTIES**

- SFR
- PUD
- Condo (FHLMC/FNMA warrantable ONLY)
- 1-2 unit properties

#### **INELIGIBLE PROPERTIES**

- 3-4 Unit properties
- Co-ops
- Non Warrantable Condos
- Manufactured Homes/Modular Homes
- Condotels
- Rural Properties
- Unique Properties
- Properties with restrictions on age (for example 55+ senior condos) or other borrower specific restrictions are not eligible.

#### **CONDO REQUIREMENTS:**

HOA cert must be reviewed for all projects.

All projects must be FNMA/FHLMC approved

**Nonwarrantable condos are NOT permitted under this program.**

#### **LEASEHOLD PROPERTIES**

Allowed subject to u/w approval



Term should exceed the term of the mortgage by a minimum of 5 years