



# FANNIE MAE FLEX 97

## AGENCY HIGH LTV OPTIONS

### Program Code Series F

### Product Matrices

CONFORMING LOAN AMOUNT LIMITS	
1 unit	\$417,000

### FLEX 97 FULL DOC PURCHASE & RATE/TERM REFINANCE

OCCUPANCY	PROPERTY	MINIMUM LTV	MAXIMUM LTV	MAX CLTV	MIN FICO
Owner Occupied ONLY	1 UNIT CONDO PUD	90%	95%	95%	620 (680 in declining markets)
		95.01%	97%	97%	680

- CLTV: See Subordinate financing information
- DU Approve/Eligible required
- **Subject to declining market limitations: See Declining Markets policy.**
- **Minimum FICO 680, max LTV 95% in Declining Markets. See policy for listing.**
- **EA1, 2 & 3/Eligible limited to 80% LTV, not eligible for MI**
- Condos in declining markets maximum LTV 90%

### Product Information

#### ELIGIBLE TERMS

- 30 yr Fixed Rates fully amortizing
- 5/1 ARMs fully amortizing
  - 5/2/5 caps
  - 1 year LIBOR index
- **3/1 ARMs not permitted on FLEX due to MI restrictions.**
- 40 year term is not available



## **PROGRAM CODES**

30 yr Flex 97: F130-97      5/1 Flex 97: F105-97

30 yr fixed with subordinate financing: F130-95

## **MINIMUM LOAN AMOUNT**

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

## **QUALIFYING INFORMATION**

### ***Qualifying Payment:***

Qualify at the note rate, fully amortizing payment

ARM loans qualify at the higher of the note rate or fully indexed rate, fully amortizing payment

### ***Ratios***

Ratios are determined by LP/DU approval

## **TEMPORARY BUYDOWN**

Not permitted

## **SECONDARY/SUBORDINATE FINANCING**

The only acceptable subordinate financing behind FLEX 97 is an eligible Community Second subsidized subordinate lien. Loans must receive Approve/Eligible recommendation from DU. Community Seconds up to 105% CLTV from a state, local or municipal authority or agency, a 501(c)(3) not for profit corporation or tax-exempt religious organization, or the borrower's employer. The CLTV will be limited to 100% if the program does not make accommodations for the occurrence of a catastrophic event.

All secondary financing programs must have 2<sup>nd</sup> signature. An official written description of the program (from the agency providing funds), the loan documents used (ie the Note, Mortgage/Deed, etc) and any other material must be submitted with the file.

### **For the <=95% LTV FLEX WITH SUBORDINATE FINANCING PROGRAM:**

Subordinate liens up to 95% CLTV must be held by an institution and not by a private party. All standard FNMA subordinate financing parameters must be followed. Community Seconds as described above are also eligible. First mortgage must receive an Approve/eligible recommendation from DU.



**MORTGAGE INSURANCE**

**FLEX 97:**

- LTV 90–97%      35% coverage required

**LTV < = 95% FLEX WITH SUBORDINATE FINANCING**

- LTV 80.01–95%      18% coverage required

**LENDER PAID MI OPTION (LPMI) –**

*Lender Paid MI can be obtained by AAF, the following parameters are required:*

**30 YEAR FIXED ONLY**

**NOT AVAILABLE WITH 5/1 ARM**

**NOT AVAILABLE WITH EXPANDED APPROVAL RESPONSES**

<b>OWNER OCCUPIED PURCHASE &amp; R/T REFINANCE</b>		
<b>1 Unit Only</b>	<b>Max LTV 97 %, NO SUBORDINATE FINANCING</b>	<b>Minimum FICO 680</b>
	<b>Max LTV 95 %, NO SUBORDINATE FINANCING</b>	<b>Minimum FICO 620 (Minimum FICO 680 in declining markets)</b>

**IMPOUND/ESCROW ACCOUNTS**

Impound/escrow accounts are mandatory for all LTV > 80% outside of California, required for all LTV > = 90% in California.

**PREPAYMENT PENALTY**

Not applicable on conforming loans

**SECTION 32 / HIGH COST**

Not allowed

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

Not allowed



## 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 Approve/Eligible decision. Refer or Ineligible decisions are not eligible. Automated Underwriting decisions to be obtained by AAF.

#### *Full Doc Loans*

- Minimum FICO 620; 680 in declining markets.
- 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.

## Income Requirements

#### *Full Doc*

- Standard FNMA full documentation must be provided as required by DU decision
- Verbal VOE 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 probable and an average monthly income is established.
- Rental payments received from a related person who resides with the borrower (ie boarder income) may be counted toward stable monthly income (up to 30% total gross qualifying income) as long as the relative has lived with and paid rent to the borrower for the last 12 months. Acceptable documentation must be provided to verify a history of shared residence (copy of drivers license, bill, bank statements, etc that show same addresses) and the 12 months cancelled checks required.

## Asset Requirements

### SOURCE OF FUNDS

#### *FLEX 97:*

Down payment, closing costs and/or prepaids may come from any combination of the following:

- **Due to MI restrictions, borrower funds must represent at least 3% of the downpayment.**



- 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.
- Funds obtained from credit card advances or overdraft protection are not permitted.
- Approved Community Second loan program (per subordinate financing guidelines)
- Seller/builder contributions (applied to closing costs/prepays only)

## **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

### ***FLEX 97:***

- Maximum 3%
- Contributions may be used exclusively to cover closing costs/prepays that EXCEED the minimum contribution requirement

***Loans where subordinate financing exists will be limited to 3% for all CLTV > 90%***



## 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 97 program.

## Property Eligibility

### **PROPERTY VALUATION**

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

### **APPRAISAL**

- 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 (FNMA warrantable ONLY)

#### **INELIGIBLE PROPERTIES**

- 2–4 Unit properties
- Second Homes
- Investment 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