

Conforming HomeReady Fixed Rate

General Description:

The HomeReady product is a Conventional Community Lending program. It offers underwriting flexibilities to qualified borrowers in designated low-income, minority and disaster-impacted communities. There are lower than standard MI coverage requirements above 90% LTV.

Effective for all loans locked on or after: **April 1, 2024**

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APPRAISAL	General Guidelines <ul style="list-style-type: none"> As determined by DU Refer to Conforming Fixed Rate Product Description
ASSUMABILITY	<ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description
BORROWERS (ELIGIBLE/INELIGIBLE)	<ul style="list-style-type: none"> Borrower(s) do not have to be a first-time home buyer Refer to Conforming Fixed Rate Product Description, for borrower eligibility requirements
CASH RESERVES	<ul style="list-style-type: none"> As determined by DU
CLOSING REQUIREMENTS	<ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description
CONDOS/PUDS	<ul style="list-style-type: none"> Refer to the HomeReady Fixed Rate Matrix within this Product Description. Refer to Conforming Fixed Rate Product Description Refer to Appraisal Standards & Guidelines Chapter for requirements and guidelines.
CONSTRUCTION-TO-PERMANENT	<ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description
CREDIT HISTORY	<ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description
CREDIT SCORES	<ul style="list-style-type: none"> Minimum FICO 620
DOCUMENTATION	<ul style="list-style-type: none"> Full and alternative documentation is permitted as per DU Refer to Conforming Fixed Rate Product Description
DOWN PAYMENT	<ul style="list-style-type: none"> <u>1 unit greater than 80%:</u> <ul style="list-style-type: none"> The entire payment may come from gift funds. <ul style="list-style-type: none"> No borrower minimum contribution is required. <u>2-4 units:</u> <ul style="list-style-type: none"> A borrower minimum contribution of 3% of the purchase price is always required. <ul style="list-style-type: none"> Acceptable gift funds are permitted only after a minimum down payment of at least 3% has been made from the borrower's own funds.

ESCROW HOLDBACKS	<ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description. 												
ESCROWS	<ul style="list-style-type: none"> Required if LTV > 80%, except where prohibited by state law. 												
GEOGRAPHIC RESTRICTIONS	<ul style="list-style-type: none"> Refer to Appraisal Standards & Guidelines for Adverse Market Parameters. Check with local MI Representative for any state restrictions. Refer to Geographic Restrictions 												
GIFTS	<ul style="list-style-type: none"> Permitted Refer to Down Payment Refer to Conforming Fixed Product Description 												
HOMEOWNERSHIP EDUCATION AND HOUSING COUNSELING	<ul style="list-style-type: none"> As per current Fannie Mae HomeReady guidelines 												
INVESTMENT PROPERTIES	<ul style="list-style-type: none"> Not permitted 												
LEASEHOLD	<ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description 												
LEGAL DOCUMENTATION	<ul style="list-style-type: none"> Fannie Mae Multi-State Fixed Rate Note Form 3200 or applicable state specific note. Fannie Mae Standard Riders as applicable. 												
LOAN TERM	<ul style="list-style-type: none"> 10, 15, 20, and 30 years Fixed Rate only 												
MAXIMUM / MINIMUM LOAN AMOUNT	<ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description 												
MAXIMUM LTV	<p>Maximum LTV:</p> <ul style="list-style-type: none"> Maximum 97% <ul style="list-style-type: none"> Refer to Non-Occupant Co-Borrower Refer to HomeReady Fixed Rate Matrix 												
MORTGAGE INSURANCE	<p>Required MI Coverage:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>LTV Ranges</th> <th>10-20 Year Terms</th> <th>21-30 Year Terms</th> </tr> </thead> <tbody> <tr> <td>90.01% to 97%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>85.01% to 90%</td> <td>12%</td> <td>25%</td> </tr> <tr> <td>80.01% to 85%</td> <td>6%</td> <td>12%</td> </tr> </tbody> </table> <p>Ineligible:</p> <ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description 	LTV Ranges	10-20 Year Terms	21-30 Year Terms	90.01% to 97%	25%	25%	85.01% to 90%	12%	25%	80.01% to 85%	6%	12%
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NON-OCCUPANT CO-BORROWER	<ul style="list-style-type: none"> Permitted as per DU Maximum 95% LTV (The lesser of 95% or the maximum LTV as per the HomeReady Eligibility Matrix) Refer to Conforming Fixed Rate Product Description 												
NUMBER OF LOANS/ PROPERTIES	<ul style="list-style-type: none"> Number of Loans per Borrower: See Conforming Fixed Rate Product Description Number of Properties Owned/Financed: <ul style="list-style-type: none"> The occupying borrower(s) may own a total of two (2) financed residential properties, including the subject property. <ul style="list-style-type: none"> Financed properties owned by a non-occupant co-borrower separately from the borrower(s) may be excluded from this requirement. 												

OCCUPANCY	<p>Eligible:</p> <ul style="list-style-type: none"> Owner-Occupied primary residence <p>Ineligible:</p> <ul style="list-style-type: none"> Second Home Investment Property 								
PROGRAMS AND SPECIAL FEATURES	<ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description 								
PROPERTIES (ELIGIBLE/INELIGIBLE)	<p>Eligible:</p> <ul style="list-style-type: none"> 1-4 unit Properties Attached and Detached Condos and PUDs Refer to Conforming Fixed Rate Product Description <p>Ineligible:</p> <ul style="list-style-type: none"> Second Home and Investment Properties Refer to Conforming Fixed Rate Product Description 								
QUALIFIED MORTGAGE (QM)	<ul style="list-style-type: none"> All loans, regardless of loan product type sold to Citizens, must conform to Qualified Mortgage (QM) guidelines per Dodd Frank regulations. 								
RATIOS	<ul style="list-style-type: none"> Maximum DTI as determined by DU, subject to MI availability. 								
REFINANCES	<p>Eligible:</p> <ul style="list-style-type: none"> Rate/Term Refinance <p>Ineligible:</p> <ul style="list-style-type: none"> Cash-Out Refinance 								
RENOVATION LOANS	<ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description 								
SELLER / INTERESTED PARTY CONTRIBUTIONS	<table border="1" data-bbox="438 1249 1120 1417"> <thead> <tr> <th>LTV/CLTV</th> <th>Max Contribution</th> </tr> </thead> <tbody> <tr> <td>> 90%</td> <td>3%</td> </tr> <tr> <td>> 75% and ≤ 90%</td> <td>6%</td> </tr> <tr> <td>≤ 75%</td> <td>9%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Refer to Conforming Fixed Rate Product Description for Interested Party guidelines and restrictions. 	LTV/CLTV	Max Contribution	> 90%	3%	> 75% and ≤ 90%	6%	≤ 75%	9%
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> 90%	3%								
> 75% and ≤ 90%	6%								
≤ 75%	9%								

**SUBORDINATE
FINANCING**

Subordinate Financing Other Than Community Seconds:

- Refer to [Conforming Fixed Rate](#) Product Description
- Refer to the [HomeReady Fixed Rate Matrix](#) within this Product Description.

Community Seconds:

- Maximum CLTV is 105%
 - Refer to the [HomeReady Fixed Rate Matrix](#) within this Product Description.
- May not be funded by the property seller or any other interested party to the transaction.
- Resale restrictions are not permitted.
 - Recorded resale restrictions may include but are not limited to option agreements or local ordinances that impose restrictions.
- Refer to [Down Payment](#) within this Product Description for minimum borrower contribution requirements.
- Review Requirements: NOTE: If a Community Seconds Checklist is used, Lenders must use Citizens form ([Affordable/Community Seconds Checklist](#)) and not the Fannie Mae version.
 - Review of all documents applicable to the program:
 - The promissory note
 - The security instrument,
 - Program Description
 - Any other applicable documents
 - The Community Second must be clearly subordinated to the first mortgage lien.
 - The documentation must allow the holder of the first mortgage to foreclose and be clear of all interests of the Community Second provider.
 - Refer to Repayment Requirements below.
- Eligible Community Seconds Mortgage Providers:
 - A federal agency
 - Municipality
 - State or county
 - State or local housing finance agency
 - Nonprofit organization
 - A regional Federal Home Loan Bank under one of its affordable housing programs
 - An employer
 - When the borrower's employer is the provider of the Community Seconds mortgage, the financing terms may provide for the employer to require full repayment of the debt should an employee's employment terminate (either voluntarily or involuntarily, for reasons other than those related to disability) before the maturity date of the Community Seconds mortgage.
 - Note: Native American Tribes as Community Seconds Providers are ineligible.
- Repayment Requirements:
 - Repayment of the Community Seconds mortgage may be structured in any of the following ways:
 - Requiring fully amortizing, level monthly payments; or
 - Deferring payments for some period before changing to fully amortizing, level monthly payments; or
 - Deferring payments over the entire term, unless the mortgage is paid off or the property is sold before the maturity date of the mortgage; or
 - Forgiveness of the debt over time.
 - Deferred five years or more:
 - The monthly payment is not required to be included in the total expense ratio.
 - Deferred less than five years:
 - The monthly payment that will be required after the end of the deferral period must be included in the total expense ratio.
 - The terms must not provide for:
 - A balloon or call option within the first fifteen (15) years of the first mortgage Note date or the maturity date of the first mortgage.
 - Provider's share in appreciation in value.
 - The interest rate may not be more than 2% higher than the interest rate of the first

**SUBORDINATE
FINANCING
(CONTINUED)**

mortgage.

- Negative Amortization is only permitted if the interest rate is greater than zero and the payment of interest is deferred for a period of time.
 - Interest is accrued on a simple-interest basis at a rate that is not more than 75% of the rate of the related First Lien Loan, and the accrued interest is fully deferred until
 - Sale or transfer of the property,
 - The mortgage loan is refinanced or other full repayment of the first lien loan, or
 - Declaration of an event of default under the subordinate note or the security instrument, or
 - The accrued interest is assessed only as a penalty upon declaration of an event of default under the subordinate note or the security instrument.
- Subsidizing the Sales Price:
 - Not permitted

TEMPORARY BUYDOWNS

- Not permitted

UNDERWRITING

Automated Underwriting Systems (AUS):

- All loans must be underwritten through DU, receive an Approve/Eligible and reflect HomeReady eligible with Special Feature Code 900.
- Regardless of DU recommendation, a thorough review of credit, capacity and collateral must be considered on all loans as part of the underwriting process. A DU Approve/Eligible does not constitute loan approval.
- LPA - not permitted

Manual Underwriting:

- Not permitted

General Underwriting:

- Refer to [Conforming Fixed Rate](#) Product Description.
- Cash on Hand is not permitted

Sweat Equity:

- Not permitted

Borrower Income Limits and Calculations:

- Income may not exceed 80% of the annual AMI for the property's location.
- Refer to the Fannie Mae [Income Eligibility Lookup Tool](#) that provides HomeReady income and eligibility by property address or by Federal Information Processing Standards (FIPS) code.

Rental Income from the Subject Property:

- As per Fannie Mae HomeReady Guidelines

Boarder Income:

- As per Fannie Mae HomeReady Guidelines

**VERY LOW-INCOME
PURCHASE
BORROWER (VLIP)**

For Delegated Delivery Only

Underwriting requirements

- The loan must be an eligible HomeReady purchase loan (underwritten in Desktop Underwriter® (DU®)).
- The borrower(s) must have total qualifying income less than or equal to 50% of the applicable area median income (AMI) limit for the subject property's location.

Minimum borrower contribution

- The full amount of the credit must be provided directly to the borrower through the transaction, such as being applied to down payment and closing costs, including escrows and mortgage insurance premiums.
- The credit may be used to satisfy the 3% minimum contribution for all loans secured by one-unit properties or loans secured by two- to four-unit properties with LTV ratios less than or equal to 80% - all additional funds must comply with the Selling Guide requirements for source of funds.
- For loans secured by two- to four-unit properties with LTV ratios greater than 80%, the credit may be applied to down payment after the 5% minimum contribution is met in accordance with Selling Guide.

Purchase requirements

- Lenders must complete the [HomeReady/ Home Possible Very Low- Income Purchase Credit](#) form (Citizens VLIP submission form)
- The loan must include the following Special Feature Codes on the most recent DU submission:
 - 900 HomeReady loan
- Instructions for how to reflect the funds in DU systems can be found in the [HomeReady VLIP LLPA Credit Job Aid](#).
- Lenders must provide the \$2,500 credit to the borrower, which will be reimbursed at the time loan purchase.

HOMEREDY FIXED RATE MATRIX

Principal Residence	Units	Credit Score	LTV/CLTV/HCLTV ^{1, 2}
Purchase ^{3, 4}	1	620	97/97/97
Rate/Term Refinance ^{3, 5}	1		95/95/95
Purchase and Rate/Term Refinance ³	2		95/95/95
	3-4		95/95/95

Footnotes:

- Refer to MI company guidelines for requirements and restrictions.
- Florida Condominiums: Refer to Florida Condominium Matrix in the [Conforming Fixed Rate](#) Product Description
- Maximum CLTV/HCLTV is 105% when all subordinate financing is from an eligible Community Second.
 - Refer to [Subordinate Financing](#) - Community Seconds within this Product Description
 - Refer to [Down Payment](#) within this Product Description for 2-4 unit requirements
- Refer to [Non-Occupant Co-Borrower](#) within this Product Description for additional LTV restrictions.
- LTV/CLTV/HCLTV may be increased to 97.00% for a 1-unit limited cash-out transaction if the mortgage being refinanced is currently owned by Fannie Mae
 - The [Fannie Mae Lookup Tool](#) must be utilized to confirm eligibility

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