Fannie Mae Conforming Guideline

Program Qualifications

- Eligible loans are conforming and high balance loans receiving a DU Version 10.0 or later Approve/Eligible.

Maximum Loan Amounts

Conforming Maximum Loan Amounts		
Units	**Continental US**	**Alaska and Hawaii**
1	$424,100	$636,150
2	$543,000	$814,500
3	$656,350	$984,525
4	$815,650	$1,223,475

High-Cost Area (High Balance) Loan Amounts				
Units	**Continental US**		**Alaska and Hawaii**	
	Minimum Loan Amount	Permanent High-Cost	Minimum Loan Amount	Permanent High-Cost
1	$424,101	$636,150	$636,151	$954,225
2	$543,001	$814,500	$814,501	$1,221,750
3	$656,351	$984,525	$984,526	$1,476,775
4	$815,651	$1,223,475	$1,223,476	$1,835,200

Permanent High Cost area limits are the maximum potential loan limits for designated high-cost areas. Actual loan limits are established for each county (or equivalent) and the loan limits for specific high-cost areas may be lower. The original balance of a Mortgage must not exceed the maximum loan limit for the specific areas in which the Mortgage Premises is located. For specific loan limits for each high cost area, as released by the Federal Housing Finance Agency visit: http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx

Eligibility Matrix Loan Amount & LTV Limitations

- *Any references to LTV ratios include LTV, CLTV, and HCLTV ratios, unless otherwise noted.*
- *The Matrices may not include all eligibility criteria applicable to the subject transaction (e.g., maximum loan term).*

  - *Use Matrix 1 for Standard Eligibility Requirements for Conforming and High Balance Loan Amounts **Fannie Mae DU Approve/Eligible***
  - *Use Matrix 2 for Conforming and High Balance Loan Amounts with **5 – 10 financed properties***
  - *Refer to Fannie Mae Conforming Manufactured Home Fixed Rate matrix for specific program guidelines on Manufactured Homes*

Matrix 1

Standard Eligibility Requirements Conforming and High Balance Loan Amounts Fannie Mae DU Approve/Eligible Only

Primary Residence, Second Home and Investment

(See Matrix 2 for Conforming and High Balance 5-10 Financed Properties when subject is a Second Home or Investment)

Transaction Type [1, 2]	Occupancy	Units	Maximum LTV/CLTV/HCLTV [3]	Credit Score	Maximum Cash-Back
Purchase & Limited Cash-Out Refinance (LCOR)	Primary Residence	1	97/97/97%[6]	620	Ineligible
		2	85/85/85%	620	Ineligible
		3 – 4	75/75/75%	620	Ineligible
	Second Home	1	90/90/90%	620	Ineligible
	Investment	1	85/85/85%	620	Ineligible
			75/75/75%	620	Ineligible
		2 – 4	75/75/75%	620	Ineligible
Cash-Out Refinance[5]	Primary Residence	1[4]	80/80/80%	620	No limit
		2 – 4[4]	75/75/75%	620	No limit
	Second Home	1	75/75/75%	620	No limit
	Investment	1	75/75/75%	620	No limit
		2-4	70/70/70%	620	No limit

Footnotes

1. Borrower with one credit score or borrower without a credit score when borrowing with a scored borrower eligible on primary residence Purchase, Rate & Term 1 unit maximum 95% LTV minimum credit score 620. Refer to *Credit* for specifics. Conforming Limits only. Does not apply to High Balance loans.

2. Refer to other matrices as follows.
    - For Multiple Financed Properties (5-10) refer to Matrix 2
3. HCLTV (HELOC CLTV) = first lien balance + total HELOC amount (funded plus unfunded portion) ÷ the lesser of the appraised value or sales price (if applicable).
4. If the property was purchased within the prior six months, the borrower is ineligible for a cash-out refinance transaction unless the loan meets the delayed financing exception. Refer to the *Financing Types - Delayed Financing Exception* for eligibility requirements.
5. If property was listed for sale in the last 6 months the LTV ratios for a cash-out transaction are limited to 70% LTV (or maximum allowed if less than 70% LTV).
6. For LTV/CLTV/HCTV greater than 95%, see 97% Product Requirements in this program guide.

Matrix 2
Conforming and High Balance
Loan Amounts
5 to 10 financed properties
Subject is Second Home or
Investment Property

Transaction Type	Occupancy	Units	Maximum LTV/CLTV/HCLTV [1]	Credit Score
Purchase & Limited Cash-Out Refinance (LCOR)	Second Home	1	75/75/75%	720
	Investment	1	75/75/75%	720
		2-4	70/70/70%	720
Cash-Out [2]	Second Home or Investment	1	Not Allowed unless Delayed Financing Exception: 70/70/70%[2]	720
	Investment	2-4	Not Allowed unless Delayed Financing Exception: 65/65/65%[2]	720

Footnotes

1 HCLTV (HELOC CLTV) = first lien balance + total HELOC amount (funded plus unfunded portion) ÷ the lesser of the appraised value or sales price (if applicable).

2 Cash-out is eligible using the Delayed Financing Option ONLY, refer to *Financing Type – Delayed Financing Exception* for eligibility requirements

Product Description

- Fixed Rate 10, 15, 20 and 30 years
- Fully Amortizing
- Please contact the Lock Desk or Secondary for Loan Terms with Odd Numbered Years

Eligibility Requirements

97% LTV Options	The Fannie Mae 97% LTV Product is available for Loans purchased on or after 12/13/2014. The following guidelines and restrictions apply:
	• 1 Unit, principal residence properties only
	• Single family residences, PUDs and Condos only
	  o Manufactured housing is not permitted by Fannie Mae (IApprove Lending does not purchase manufactured housing in any loan product).
	• No income limits and no pre-purchase homebuyer education requirement
	• Reserves required by DU can be from a gift, Fannie Mae minimum borrower contribution requirements apply
	• Fixed rate mortgages only with maximum 30 year terms
	• Maximum LTV/CLTV/HCLTV for loans with a non-occupant borrower is 95%, Eligibility Matrix. See Borrower Eligibility.
	• Maximum LTV/CLTV/HCLTV if income of a non-occupying guarantor, co-signer or co-borrower is used for qualifying purposes 95%, B2-2-04. See Borrower Eligibility.
	• Purchase Transactions:
	  o For Standard purchase transactions, at least one borrower (buyer) must be a first time homebuyer
	• Limited Cash-Out Transactions:
	  o Standard limited cash-out refinancing of loans currently owned or securitized by Fannie Mae only
	• Maximum Loan-to-value:
	  o LTV 95.01 to 97%
	  o CLTV 95.01 to 97% if the subordinate lien is not a Community Second

	o HCLTV to 97.00% o No CLTV to 105% with Community Second (iApprove Lending does not purchase Fannie Mae loans with Community Seconds) • DU Version 9.2 or higher with Approve/Eligible findings only (no manual underwriting, no DU 9.1, no LP or LPA (Fannie Mae Eligibility Matrix). (Note: DU Version 9.2 is retired with implementation of DU Version 10.0.) • Standard loan amounts only, high balance loan amounts are not eligible • 35% mortgage insurance coverage- no reduced mortgage insurance.
Appraisal Requirements	Standard appraisal requirements apply, plus: • One-Unit Residential Appraisal Field Review Report (Form 2000) is required if: o The property is valued at $1,000,000 or more **and** the LTV, CLTV, or HCLTV ratio is greater than 75% (FNMA B5-1-01) • Form 1007 is required whenever rental income is used to qualify the borrower. • Property Inspection Waiver (PIW) is eligible per DU recommendation and FNMA Guidelines Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier. Accessory Units (see *B4-1.3-05*) An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is a one-unit property with an accessory unit or a two-unit property will be based on characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit, and analyze any effect it has on the value or marketability of the subject property. See FNMA Selling Guide for additional requirements. Additions without Permits If the appraiser identifies an addition(s) that does not have the required permit, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the market value of the subject property. Mixed-Use Properties (See *B2-3-04, B4-1.4-07)*) Properties that have a business use in addition to their residential use, such as a property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office are eligible per the following: • Property must be a one-unit dwelling that the borrower occupies as a principal residence • The borrower must be both the owner and the operator of the business • The property must be primarily residential in nature • The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property. The appraisal for a mixed use property must: • Provide a detailed description of the mixed-use characteristics of the subject property; • Indicate that the mixed use of the property is a legal, permissible use of the property under the local zoning requirements; • Report any adverse impact on marketability and market resistance to the commercial use of the property; and Report the market value of the property based on the residential characteristics, rather than of the business use or any special business-use modifications that were made.
Assets	Stocks, Bonds, and Mutual Funds (SEL-2015-07, B3-4.3-01) Fannie Mae is updating the policies related to the use of vested stocks, bonds, and mutual funds (including retirement accounts) when they are used for down payment, closing costs, and reserves. Instead of requiring a standard reduction in value, the policies have been simplified as follows: • One hundred percent (100%) of the value of the asset is allowed when determining available reserves. • If the lender documents that the value of the asset is at least 20% more than the funds needed for the borrower's down payment and closing costs, no documentation of liquidation is required. Otherwise, documentation of the borrower's actual receipt of funds realized from the sale or liquidation must be obtained. Note: Non-vested assets are not eligible for down payment, closing costs, or reserves. Bank statements used to verify assets (B3-4,2-01 and SEL 2015-06) When bank statements are used to verify assets, the bank statements must show account activity for a full two month period. It is not acceptable to use one monthly bank statement and

compare the prior month ending balance and the current month ending balance. A full two months of account activity must be reviewed.

Depository Accounts
Funds held in a checking, savings, money market, certificate of deposit, or other depository account may be used for the down payment, closing costs, and financial reserves. Any indications of borrowed funds must be investigated. Unverified funds are not acceptable for the down payment, closing costs, or financial reserves.

Business Assets
Business assets may be an acceptable source of funds for the down payment, closing costs, and financial reserves when a borrower is self-employed and the individual federal income tax returns have been evaluated by the lender, including, if applicable, the business federal income tax returns for that particular business (non-Schedule C). The borrower must be listed as an owner of the account and the account must be verified in accordance with FNMA Selling Guide (B3-4.2-01 *Verification of Deposits and Assets*). The lender must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business. (See B3-3.2 *Self-Employment Income* for additional information on analysis of a self-employed borrower.)

Bank Statements and Large Deposits (B3-4.2-02)
When bank statements (typically covering the most recent two months) are used, the lender must evaluate large deposits, which are defined as a **single deposit that exceeds 50% of the total monthly qualifying income** for the loan.

Note: If the source of a large deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), the Social Security Administration, or IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, there is no need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the underwriter still has questions as to whether the funds may have been borrowed the underwriter reserves the right to obtain additional documentation.

Sales Proceeds Needed for Down Payment and Closing Costs (B3-4.3-10)
If the proceeds from the sale of a currently owned home are needed for the down payment and closing costs on the new house, the lender must verify the source of funds by obtaining a copy of the final Settlement Statement on the existing home before, or simultaneously with, the settlement on the new home, showing sufficient net cash proceeds to consummate the purchase of the new home.

Like-Kind Exchanges
Assets for the down payment from a “like-kind exchange,” also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031.

Cash Value of Life Insurance (B3-4.3-19)
If an insurance company payout is used for the down payment or closing costs, lenders must document the borrower’s receipt of the funds from the insurance company by obtaining either a copy of the check from the insurer or a copy of the payout statement issued by the insurer. It the cash-value of the life insurance is being used for reserves, the cash-value must be documented but does not need to be liquidated and received by the borrower.

Borrower Investment

- 80% or less LTV, CLTV, or HCLTV on 1-4 unit principal residence or second home:
  - A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction can come from a gift.
- Greater than 80% LTV, CLTV, or HCLTV on 1-unit principal residence:
  - A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction can come from a gift**. Be sure to check mortgage insurance guidelines which may include additional requirements such as minimum score and maximum debt-to-income (DTI) ratios.**
- Greater than 80% LTV, CLTV, or HCLTV on 2-4 unit principal residence and second home:
  - The borrower must make a 5% minimum borrower contribution from his or her own funds. (If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée, the gift is considered the borrower’s own funds and may be used to satisfy the minimum borrower contribution requirement as long as both individuals will use the home being purchased as their principal residence. **Be sure to check mortgage insurance guidelines.**) After the minimum borrower

	contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves • Investment property loans require entire down payment from borrower's own funds, gift ineligible. Gifts • Primary Residence and Second Homes o Eligible provided the required Borrower investment is met o Waive Borrower minimum investment requirement when gift funds reduce the LTV/CLTV to 80% or less • Investment Properties o Gift ineligible Reserves • Additional reserves may be required by DU based on risk • Cash-Out Refis – The cash proceeds from a cash-out refinance transaction on the subject property may not be used to meet the reserve requirement. (Cash proceeds from a cash- out refinance of another property that is not the subject property are an acceptable source of reserves.)(B3-4.1-01) Primary Residence • 1 – 4 units – Per DU • Note: DU typically requires a minimum of 6 months reserves for 2-4 unit principal residence transactions. Second Homes (all transaction types) • Per DU, typically 2 months PITIA Investment Properties (all transaction types) • Per DU, typically 6 months PITIA Additional requirements and reserves may apply for second home and investment transactions for borrowers who will have 2 – 10 financed properties(including the subject property): • 2% of the total unpaid principal balance if the borrower has one to four financed properties for each second home or investment property • 4% of the total unpaid principal balance if the borrower has five to six financed properties for each second home or investment property • 6% of the total unpaid principal balance if the borrower has seven to ten financed properties for each second home or investment property See Fannie Mae Selling Guide for additional information (B3-4.1-01 Minimum Reserve Requirements, B2-2-03, Multiple Financed Properties for the Same Borrower)
Borrower Eligibility	Eligible • US Citizen • Permanent resident alien • Inter Vivos Revocable Trust (FNMA B2-2-05) • Note: A Power of Attorney is not allowed on properties held in a trust • When a loan is made to an inter vivos trust that is secured by a property other than an investment property that fits within the "business purpose" definition for an exempt loan under TILA, it will be treated as an ATR Covered loan (i.e., Points and Fees limitations apply) Ineligible • Foreign Nationals
Co-Borrowers	DU Approve/Eligible • Ratios determined by DU • Non-occupant borrower eligible per DU (See restriction below) *Restriction: Non-occupant borrower is not allowed on loans where any borrower has only one score or no score or on a primary residence refinance loan where the borrower is exercising the delayed financing exception.* Non-occupant borrowers are not allowed on loans with LTV/CLTV/HCLTV >95%
Credit	DU Approve/Eligible findings only • Refer to *Loan Amount and LTV Limitations* for minimum credit score requirements • Housing (Mortgage/Rental) Payment History (PITIA) is inclusive of all liens regardless of position, as well as all occupancy types. o Mortgage history evaluated by DU

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o Mortgage/Rental Delinquencies – Loans are ineligible with one or more mortgage/rental delinquencies of 60, 90, 120, 150 days or greater reported within 12 months of the date of the credit report..
o
<u>Disputed Credit Report Tradelines (B3-5.3-09)</u>

DU will issue the disputed tradeline message when a disputed tradeline is identified and that tradeline contains derogatory payment information (a 30-day or more delinquency) reported within two years prior to the credit report date. When DU issues this message, the message will list the disputed tradeline with a reported derogatory payment within the last two years, and state that the lender must confirm the accuracy and completeness of the information reported on the borrower's credit report for the disputed tradeline. If it is determined that the disputed tradeline information is accurate and complete, the lender must ensure the disputed tradelines are considered in the credit risk assessment by obtaining a new credit report with the tradeline no longer reported as disputed and resubmitting the loan casefile to DU. iApprove Lending does not allow manually underwriting the loan. (overlay).
See B3-5.3-09 for scenario examples of when lender would not need to update credit report.

If DU does not issue the disputed tradeline message, the lender is only required to ensure the payment for the tradeline, if any, is included in the debt-to-income ratio if the account belongs to the borrower.

Credit Scores – Normally all borrowers must have at least two credit scores

For Primary Residence purchase and rate/term financing flexibilities apply as follows.

One borrower on every loan must have a credit score except for High Balance loans.
On High Balance loans all borrowers on the loan must have at least one credit score.

Loans > 80% LTV with one or no score borrowers are subject to Mortgage Insurers requirements for eligibility.

Waiting Periods after Significant Derogatory Credit Events (B3-5.3-07)

<table>
<tr><th>Derogatory Event</th><th>Waiting Period Requirements</th></tr>
<tr><td>Bankruptcy-
Chapter 7 or 11</td><td>4 years</td></tr>
<tr><td>Bankruptcy-
Chapter 13</td><td>2 years from discharge date
4 years from dismissal date</td></tr>
<tr><td>Multiple Bankruptcy filings</td><td>5 years if more than one filing within the past 7 years</td></tr>
<tr><td>Foreclosure</td><td>7 years</td></tr>
<tr><td>Deed-in-Lieu of Foreclosure, Pre-foreclosure Sale, or Charge-Off of Mortgage Account</td><td>4 years</td></tr>
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<td>Documentation</td>
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Document as determined by DU Findings, FNMA Selling Guide and iApprove Lending guidelines. iApprove Lending will accept digitally signed documents per FNMA guidelines.

Power of Attorney is not allowed on any of the following:

Properties held in trust
Cash Out refinance transactions

A copy of the divorce decree is required when the loan file indicates income or liability due to divorce.
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<td>Escrow Waivers</td>
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Property tax and insurance escrows may be waived for LTV <90%.
Individual state laws may supersede this requirement.

<u>Escrow Accounts Required (FNMA B2-1.2-02 & 2-03):</u>
Escrow accounts are required on all <u>rate/term refinance</u> transactions when real estate taxes are financed into the loan. Escrow accounts are required on all <u>cash out refinance</u> transactions when the new loan amount includes the financing of real estate taxes <u>that are more than 60 days delinquent</u>. The requirement may be superseded by state law to the extent certain states limit escrow requirements.
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<tr>
<td>High-Cost Mortgage Loans</td>
<td>iApprove Lending does not allow high-cost mortgage loans (12 CFR 1026.32)</td>
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Income	DU Approve/Eligible • 4506T must be processed prior to closing. <u>Self-Employed Income (SEL 2015-09 and B3-3.2 and B3-3.3)</u> Self-employed borrowers may use business income for qualification if: • There is a documented history of receiving distributions, or • If there is no history of receiving distributions the business demonstrate adequate liquidity to support the withdrawal of earnings <u>Verification of Self-Employed Income</u> The lender may verify a self-employed borrower's employment and income by obtaining copies of signed federal income tax returns (individual and in some cases business returns) that were filed with the IRS for the past two years (with all schedules). For DU loan casefiles where two years of the most recent personal and two years of the most recent business returns are required, business tax returns do not have to be provided unless the business is a corporation, an S corporation, a limited liability company, or a partnership. When two years of signed individual federal tax returns are provided, the lender may waive the requirement for business tax returns if: • The borrower is using personal funds to pay the down payment and closing costs and satisfy applicable reserve requirements, • The borrower has been self-employed in the same business for at least five years, and • The borrower's individual tax returns show an increase in self-employment income of the past two years. For certain loan case files DU will issue a message permitting only one year of personal and business tax returns, provided lenders document the income by: • Obtaining signed individual and business federal income tax returns for the most recent year, • Confirming the tax returns reflect at least 12 months of self-employment income, and • Completing Fannie Mae's *Cash Flow Analysis* (Form 1084) or any other type of cash flow analysis form that applies the same principles. Self-Employed History – Borrower must have been self-employed for a minimum of 24 months regardless of documentation requirements. Self-employment income and stability will be determined by iApprove Lending through a cash-flow and written analysis of the personal and business income. <u>Verification of Income - Schedule K-1 (See B3-3.2.1-08)</u> For Schedule K-1 borrowers with less than 25% ownership of a partnership, an S corporation, or an LLC: • If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. The Schedule K-1 income may then be included in the borrower's cash flow. • If the Schedule K-1 does not reflect a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then the lender must confirm the business has adequate liquidity to support the withdrawal of earnings. • If the borrower has a two-year history of receiving "guaranteed payments to the partner" from a partnership or an LLC, these payments can be added to the borrower's cash flow. Rental Income (See B3-3.1-08 for how to address rental income on business returns) FNMA has updated and clarified the calculation of rental income received through a business. • Rental income received through a partnership or an S corporation may offset the PITIA on an investment property (when the borrower is personally obligated on the mortgage) by obtaining the borrower's business tax returns for the most recent year and evaluating IRS Form 8825 in a manner consistent with the evaluation of rental income reported on Schedule E of a borrower's personal tax returns; and • In order to include positive net rental income in qualifying such borrowers, the income received through a partnership or an S corporation must be evaluated per existing guidelines for business income received from a partnership or corporation. • FNMA has created three separate worksheets that are recommended but not required:

	o Rental Income Worksheet – Principal Residence, 2- to 4-unit Property (Form 1037) https://www.fanniemae.com/content/guide_form/1037.pdf o Rental Income Worksheet – Individual Rental Income from Investment Property(s) (Form 1038) https://www.fanniemae.com/content/guide_form/1038.pdf o Rental Income Worksheet – Business Rental Income from Investment Property(s) (Form 1039) https://www.fanniemae.com/content/guide_form/1039.pdf Temporary Leave Income (see B3-3.1-09 Other Sources of Income for specific instructions) Temporary leave from work is generally short in duration and for reasons of maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the borrower's employer. Borrowers on temporary leave may or may not be paid during their absence from work. If a lender is made aware (through the employment or income verification process) that a borrower will be on temporary leave at the time of closing of the mortgage loan and that borrower's income is needed to qualify for the loan, the lender must determine allowable income and confirm employment per the FNMA Selling Guide. There must be an agreed upon date of return to work by the borrower and the employer. If the borrower will return to work as of the first mortgage payment date, the lender can consider the borrower's regular employment income in qualifying. If the borrower **will not** return to work as of the first mortgage payment date, the lender must use the lesser of the borrower's temporary leave income (if any) or regular employment income. If the borrower's temporary leave income is less than his or her regular employment income, the lender may supplement the temporary leave income with available liquid financial reserves. If the borrower is not currently on temporary leave, the lender must not ask if he or she intends to take leave in the future. **Tip Income (SEL-2015-07)** Tip income may be included in qualifying income if the lender can verify that the borrower has received the income for the last two years. Tip income can be verified using a Request for Verification of Employment (VOE, Form 1005 or Form 1005(s)), or recent paystubs and IRS W-2 forms. In some cases the full amount of the tip income earned by the borrower may not be reported by the employer on the Form 1005, paystub and W-2 form. However the borrower may report additional tip income to the IRS using Form 4137, Social Security and Medicare Tax on Unreported Tip Income, when filing his or her tax returns. Fannie Mae will allow this tip income to be used in qualifying if the lender obtains the most recent two years of federal income tax returns with Form 4137. **Unreimbursed Employee Business Expenses (SEL-2015-07)** The following changes and clarifications have been made to the Selling Guide related to unreimbursed employee business expenses. . • For borrowers earning commission income that is 25% or more of annual employment income, unreimbursed employee business expenses must be deducted from gross commission income regardless of the length of time that the borrower has filed that expense with the IRS. o The exception to this is if the expense is an actual automobile lease or loan payment. If borrowers report an automobile allowance as part of their monthly qualifying income, the lender must determine if the automobile expenses reported on IRS Form 2106 should be deducted from income or treated as a liability per the Selling Guide. **Use of IRS W-2 Transcripts in Lieu of W-2s (SEL-2015-07)** Fannie Mae will now permit an IRS "Wage and Income Transcript" (W-2 transcript) in lieu of the actual W-2 forms.
Student Loan	For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must include a monthly payment in the borrower's recurring monthly debt obligation when qualifying the borrower. The lender must use one of the options below to determine the repayment amount: • 1% of the outstanding balance; • The actual payment that will fully amortize the loan(s) as documented in the credit report, by the student loan lender, or in documentation supplied by the borrower; • A calculated payment that will fully amortize the loan(s) based on the documented loan repayment terms; or • If the repayment terms are unknown, a calculated payment that will fully amortize

	the loan(s) based on the current prevailing student loan interest rate and the allowable repayment period shown in the table below. The “current prevailing student loan interest rate” can be found on a variety of websites. For example, see U.S. Department of Education Federal Student Aid in E-1-03, List of Contacts. The following table specifies the repayment period to be used when calculating a fully amortizing payment. Calculating a Student Loan Repayment Total outstanding balance of all student loans — Repayment Period $1 — $7,499 — 10 years $7,500 — $9,999 — 12 years $10,000 — $19,999 — 15 years $20,000 — $39,999 — 20 years $40,000 — $59,999 — 25 years $60,000 + — 30 years Note: The lender is responsible for determining that the payment on the credit report or other documents provided by the student loan lender or borrower are fully amortizing payments. Example: Calculating an Amortizing Payment Balance: $17,500 Repayment period: 15 years Interest rate: 4.29% Monthly Amortizing Payment: $132.00
Limitations on Other Real Estate Owned	The 10 financed property limit is cumulative for all borrowers. These limitations apply to the total number of properties financed, not to the number of mortgages on the property. Primary Residence • Borrower may have an unlimited number of financed properties with multiple different lenders. Second Homes & Investment Properties • Borrower may own or be obligated on up to 10 financed property, including borrower’s primary residence
Loan Amount	Minimum Conforming Loan Amount: $75,000

Mortgage Insurance

When less than two (2) scores per borrower are used, the MI price may be substantially higher than normal. The pricing is based on the lowest credit score received. Confirm the pricing with an MI representative in the early stage of the loan transaction.

The following supersedes all other guidelines for > 80% LTV with MI availability

- All loans must be submitted to DU Approval/Eligible
- Reserve requirement by mortgage insurers prevail

iApprove Lending's approved MI companies are as follows.

- United Guarantee
- Radian
- National MI

Eligible MI certificate are as follows:

- Borrower Paid Mortgage Insurance (BPMI) paid monthly and must be ordered as non-refundable, constant renewal, deferred payment (initial premium is paid with the first monthly loan payment)
- Borrower Paid Single Premium MI paid by borrower
- Lender Paid Single Premium MI
    - Premiums for all lender-paid MI plans must be shown on the HUD as being paid to the MI company by Lender

Include calculation and rate factor used to determine MI premium disclosed to the borrower on the initial loan application. Including the MI rate card with the factor identified to ensure the appropriate MI partner is chosen.

Ineligible MI

- Financed MI
- Borrower Paid Single Premium paid by other than borrower
- Split Premium – upfront portion paid by borrower or seller of the property
- Prepaid Mortgage Insurance
- Lender Paid Monthly
- Lender Paid Annual
- Borrower Paid Annual
- Lender paid pool coverage (referred to as GSE pool insurance)
- Investor – paid pool coverage
- Loans covered by recourse and/or indemnification agreements
- Secondary market coverage agreements

Coverage requirements for fixed rate > 20 years, all ARMs, and all Manufactured Homes

Coverage	LTV
12%	80.01% - 85%
25%	85.01% - 90%
30%	90.01% - 95%
35%	95.01% - 97%

Coverage requirements for fixed rate ≤ to 20 years

Coverage	LTV
6%	80.01% - 85%
12%	85.01% - 90%
25%	90.01% - 95%
35%	95.01% - 97%

Reduced MI coverage amounts provided by agency and AUS decisions are ineligible.

Prepayment Penalty

None

Property Types

Eligible property types

- SFR, PUD, Condo, 2-4 Units (iApprove does not allow manufactured homes, Condo Hotels, Leasehold Condo, Co-ops, Mixed Used, Acreage greater than 10 and Agricultural Zoning)

- On all investment properties for Condo, 50% or greater owner-occupancy required

- Attached Condos – Limited or Full Review is determined by DU approval and FNMA Guidelines. See the following FNMA guidelines and limited review tables

	and process in Selling Guide B4-2.2-01. Note: FLORIDA Condos require FNMA PERS Approval. • Detached Condos –Only a Limited Review is required. See FNMA Selling Guide B4-2.2-01, Limited Review Process, and B4-2.1-01, General Information on Project Standards. o There are no LTV ratio or occupancy restrictions for Limited Review eligibility for detached condo units (in new or established projects, including detached unit in a condo project that includes a mixture of attached and detached units)
Qualifying Rate and Ratios	Qualifying Rate • Fixed Rate – Qualify at note rate. • 7/1 and 10/1 ARMS: Qualify at the greater of the note rate or the fully indexed rate • 5/1 ARMS: Qualify at the higher of the note rate + 2% or the fully indexed rate Ratios • DU Approve Eligible Loans – Ratios evaluated by DU with a limit of 50%