



Fannie Mae Affordable Products

Prepared for New York MBA

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An important note about the presentation content

While every effort has been made to ensure the reliability of the session content, Fannie Mae's *Selling* and *Servicing Guides* and their updates, including *Guide* Announcements and Release Notes, are the official statements of Fannie Mae's policies and procedures and control in the event of discrepancies between the information in this seminar and the *Guides*.



The Focus of Today

Helping you achieve your goals

Your Goals

“Create more options for your borrowers”

“Reduce cycle times”

“Provide Certainty”

Our Solutions

Affordable Products

Provide flexible programs to support first time homebuyers

Desktop Underwriter®

Speedy and efficient underwriting that aligns with lender processes

Collateral Underwriter®

A powerful, automated appraisal risk assessment platform





Challenges to Home Ownership

- Supply shortage of affordable housing
- Access to credit for low-to-moderate income borrowers
- Rising costs of buying, owning, or renting a home

Creating More Options for More Homebuyers

Tackling access to credit and housing affordability challenges



HomeReady®

Includes innovative income flexibilities to help low-income borrowers qualify for an affordable mortgage with a down payment as low as 3%.



HomeStyle® Renovation HomeStyle Energy

Opens up housing opportunities, making fixer-uppers an affordable option, by combining financing of improvements as part of the purchase or refinance mortgage



97% LTV

Helps serve low-to moderate-income first-time homebuyers



MH Advantage® and Standard MH

Supports affordable alternatives to site-built homes through innovative offerings



HFA Preferred™

Pairs features of HomeReady with the flexibilities from local housing finance agencies (HFAs)



Help Low-Income Borrowers Get Into a Home

With a down payment as low as 3%, HomeReady® is an affordable loan option designed to help lenders confidently serve today's credit-worthy low-income borrowers.



Benefits for Today's Borrowers



Low down payment with up to 97% LTV financing for home purchases and refinances*



Borrower is not required to be a first-time homebuyer



Flexible sources of funds with as low as a 3% borrower contribution** (1-unit properties)



Lower than standard MI requirements (25% for LTVs above 90% to 97%)



Rental and boarder income may be considered for qualifying

“We really strive to find products that will put our members in a better financial situation, so we were delighted to offer HomeReady based on our financial values and corporate mission statement.”

~Zakary Short, Utah Community Credit Union

Get started with the
HomeReady®
Quick Start Guide



Borrower income eligibility

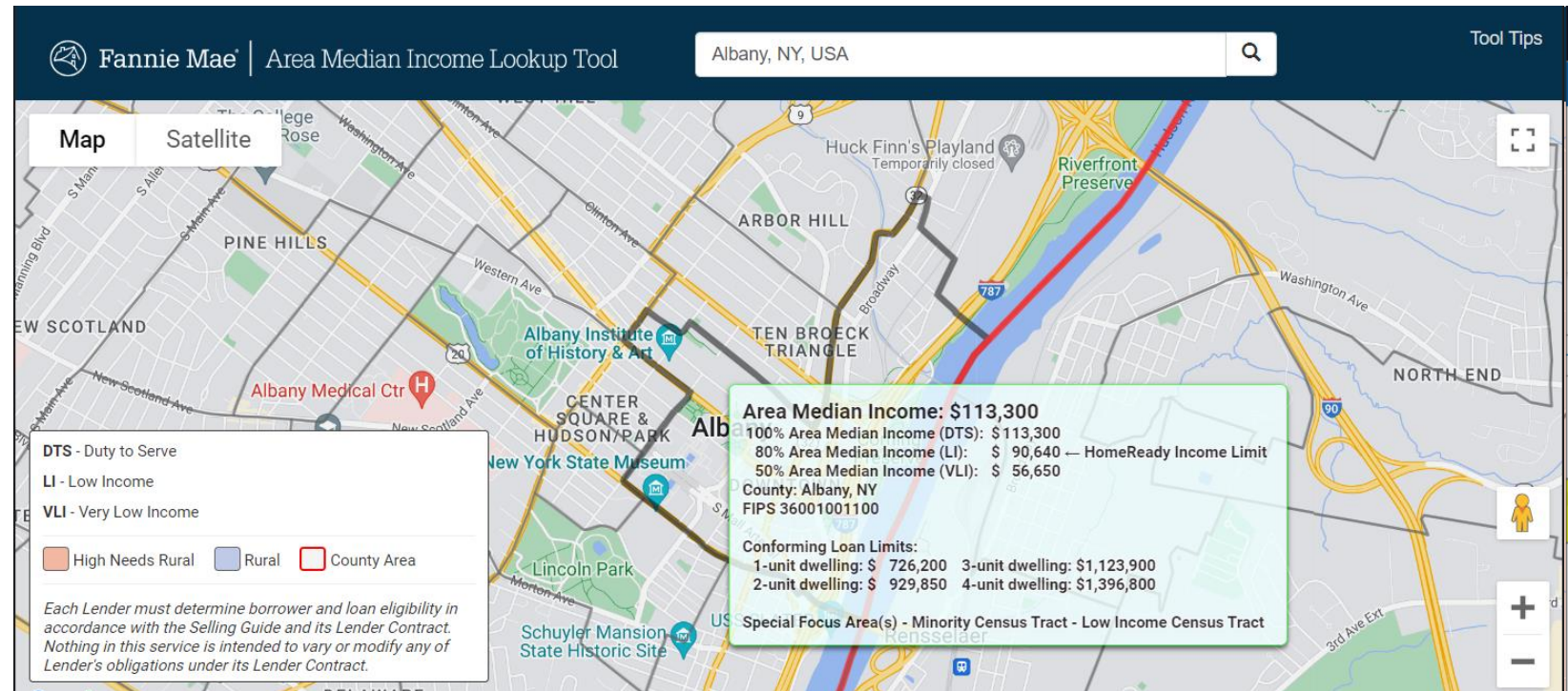
Borrower Income Limits – All Census Tracts

Less than or equal to **80% of Area Median Income**

Loan officers and real estate professionals can use the mobile friendly tool to quickly and easily look up HomeReady income eligibility by property address or by FIPS code.

Access on desktop or mobile devices from the HomeReady page:

fanniemae.com/homeready



Addressing the upfront costs

Down payment and closing cost assistance can help borrowers overcome big barriers to buying a home



Although Fannie Mae doesn't purchase Community Seconds® loans, we allow for them to cover all or part of a down payment or closing costs. They can:

- Come from a variety of sources, including employers, non-profits and government agencies.
- Be combined from a number of sources.
- Cover up to 105% CLTV.

See details in our [Community Seconds Checklist](#).

Check out our down payment assistance search tool at FannieMae.com/downpayment

Downpayment Funds

Fannie Mae allows three primary sources of closing cost and down payment assistance

Gifts from any individual who is related to the borrower by blood, marriage, domestic partnership, adoption, or legal guardianship.

Grants from employers, municipalities, nonprofit organizations. Lenders may also offer down payment assistance grants under certain conditions.

Community Seconds® mortgages can come from many of the same sources as grants, but a second lien must be placed on the property.

Our website includes a downpayment assistance tool to help borrowers locate downpayment assistance programs in their area. Do a web search: “Fannie Mae Downpayment Assistance Tool”.



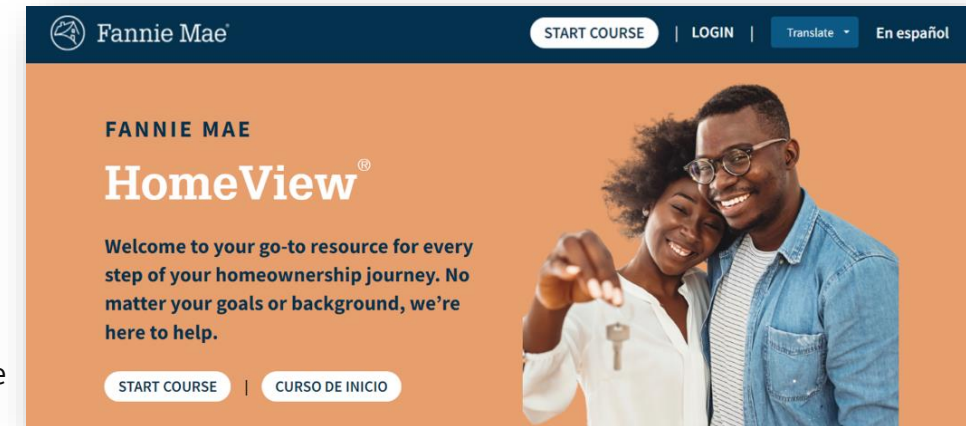
Watch
HomeView video

Fannie Mae HomeView®

HomeView is our free interactive and comprehensive online course that helps clear the path to homeownership.

Features and benefits:

- Offered free of charge
- Aligns with National Industry Standards for pre-purchase homeownership education
- Accessible from desktop, tablet or mobile device
- Tracks progress – pause and resume anytime, anywhere
- Can be used to satisfy Fannie Mae education requirements
- End of course quiz to test borrower knowledge and receive certificate of completion
- Tools and resources remain available so borrowers can return as often as they'd like
- Available in English and Spanish



Seven course modules that guide borrowers through the steps of homeownership:



Fannie Mae Standard 97% LTV Loan

Fannie Mae offers 97% LTV/CLTV/HCLTV financing to help creditworthy home buyers who would otherwise qualify for a mortgage but may not have the resources for a larger down payment, as well as a 97% LTV/CLTV/HCLTV refinance option for Fannie Mae loans.

- At least one borrower must be a first-time homebuyer
- Desktop Underwriter® (DU®) underwriting required
- 1-unit principal residence (including condos , PUDs and MH Advantage; Standard manufactured housing is not eligible)
- Fixed-rate mortgage with a maximum term of 30 years
- No income limits
- For purchase transactions with LTV, CLTV, or HCLTV > 95%, if all occupying borrowers are first-time homebuyers, then at least one borrower must complete homeownership education.



HFA Preferred™

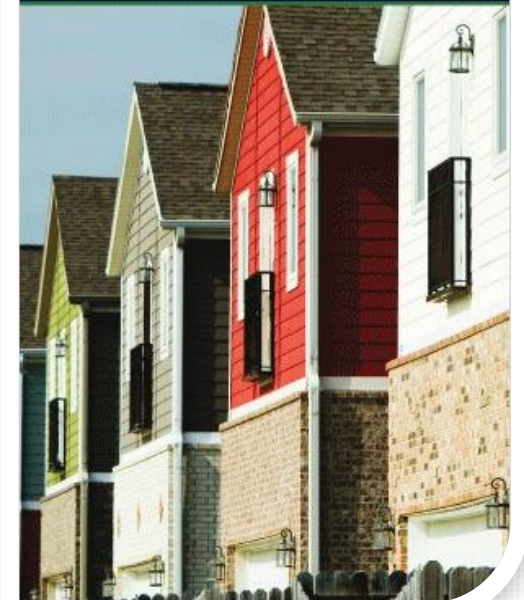
HFA Preferred is Fannie Mae's affordable lending product available exclusively to eligible Housing Finance Agencies (HFAs) to serve low- to moderate-income borrowers. Underwriting flexibilities and features include:

- LTV/CLTV ratio up to 97% /105% with **no first-time home-buyer requirement**
- Allows for **flexible sources of funds** – including gifts, grants, Community Seconds®, and cash-on-hand
- **Reduced private mortgage insurance** (PMI) requirements for loans $\leq 80\%$ AMI
- **LLPAs are waived for all HFA Preferred loans.**

Note: Certain MI coverage LLPAs may still apply.

- **HFAs may be Community Seconds providers** and **set their borrower income limits**
- **Homeownership education** is required for at least one borrower if all occupying borrowers are first-time homebuyers, regardless of LTV. Homebuyer education content can be provided by the HFA Preferred Participating Member or by a homeownership education course, or counseling, that aligns with National Industry Standards for Homeownership Education and Counseling or is offered by a housing counseling agency approved by HUD.

Partnering with
housing finance
agencies to support
affordable housing
in their communities.





Duty to Serve Eligibility

In order to count towards Duty to Serve goals, loans must meet specific requirements related to borrower income, geography and other factors.

All Duty to Serve loans must meet the following criteria:

- Borrower's **area median income (AMI)** is **≤ 100%**. Lender must refer to the AMIs that Fannie Mae uses in Desktop Underwriter or on Fannie Mae's website.
- Property is an owner-occupied **primary residence**.

Affordable Housing Preservation

Preserving affordable housing

AHP covers a range of activities, including energy efficiency, distressed and real estate owned (REO) properties, and Shared Equity



Energy Efficiency

Loans that address energy and water efficiency make housing more affordable for borrowers over the long term by lowering costs associated with owning a home.



Distressed Properties

Financing for distressed property purchases provided affordable homeownership opportunities for lower-income buyers while contributing to neighborhood development and stability.



Shared Equity

Shared equity programs, often run by government or non-profit agencies, help reduce the cost of homeownership and may provide access to homeownership for borrowers who might otherwise be unable to afford a home.



HomeStyle Mortgages: Grow with Today's Market

With HomeStyle® Renovation and Energy loans you can offer more options to your borrowers. Plus, approved HomeStyle Renovation lenders can deliver loans to Fannie Mae prior to completion of the renovation work.



HomeStyle Renovation

Renovation financing has never been easier

A HomeStyle® Renovation mortgage offers more flexibility to meet your borrowers' needs, the potential to increase purchase and refinance loan production.



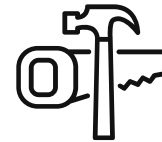
Simple

Bundle renovation financing at the time of purchase or refinance into a single conventional loan.



Flexible

Your borrowers can plan upgrades with up to 97% LTV or 105% CLTV with eligible Community Seconds® financing



Priced Right

Get Fannie Mae's standard pricing, plus a \$500 LLPA credit when used with HomeStyle® Energy on upgrades such as ENERGY STAR®-certified products.

Learn more about
[HomeStyle Renovation](#)



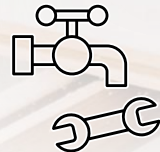
Financing Modern Energy Upgrades, Made Easy

Bundle energy, water efficiency, and resiliency improvements into one purchase or refinance transaction. Plus, help real estate professionals sell older homes with HomeStyle® Energy for efficiency upgrades, or in combination with HomeStyle Renovation for larger projects.



Simple

Home energy report is not required for ENERGY STAR®-certified improvements, basic weatherization (up to \$3,500), water efficiency, and resiliency improvements.



Flexible

Fund energy/water upgrades, natural disaster resiliency improvements, and pay off other energy-related financing.



Priced Right

Get Fannie Mae's standard pricing, plus a \$500 LLPA credit.

Learn more about
HomeStyle Energy

Note: These loans may qualify for an LLPA waiver for Duty to Serve. See [Duty to Serve eligibility requirements](#) for details.





Manufactured housing (MH)

Manufactured Housing

Manufactured housing financing offers more options for borrowers

Standard MH financing

- Offers lenders the opportunity to finance traditional double-wide and single-wide manufactured homes which don't meet MH Advantage standards.
- Can support homeownership for borrowers who cannot afford other housing types.

MH Advantage®

- Affordable conventional option for manufactured housing mortgages
- Terms similar to site-built homes
- Homes designed to blend into site-built neighborhoods with higher pitched roofs, lower foundations, improved construction materials like durable siding materials and drywall throughout, and energy efficient features.





Origination Technology

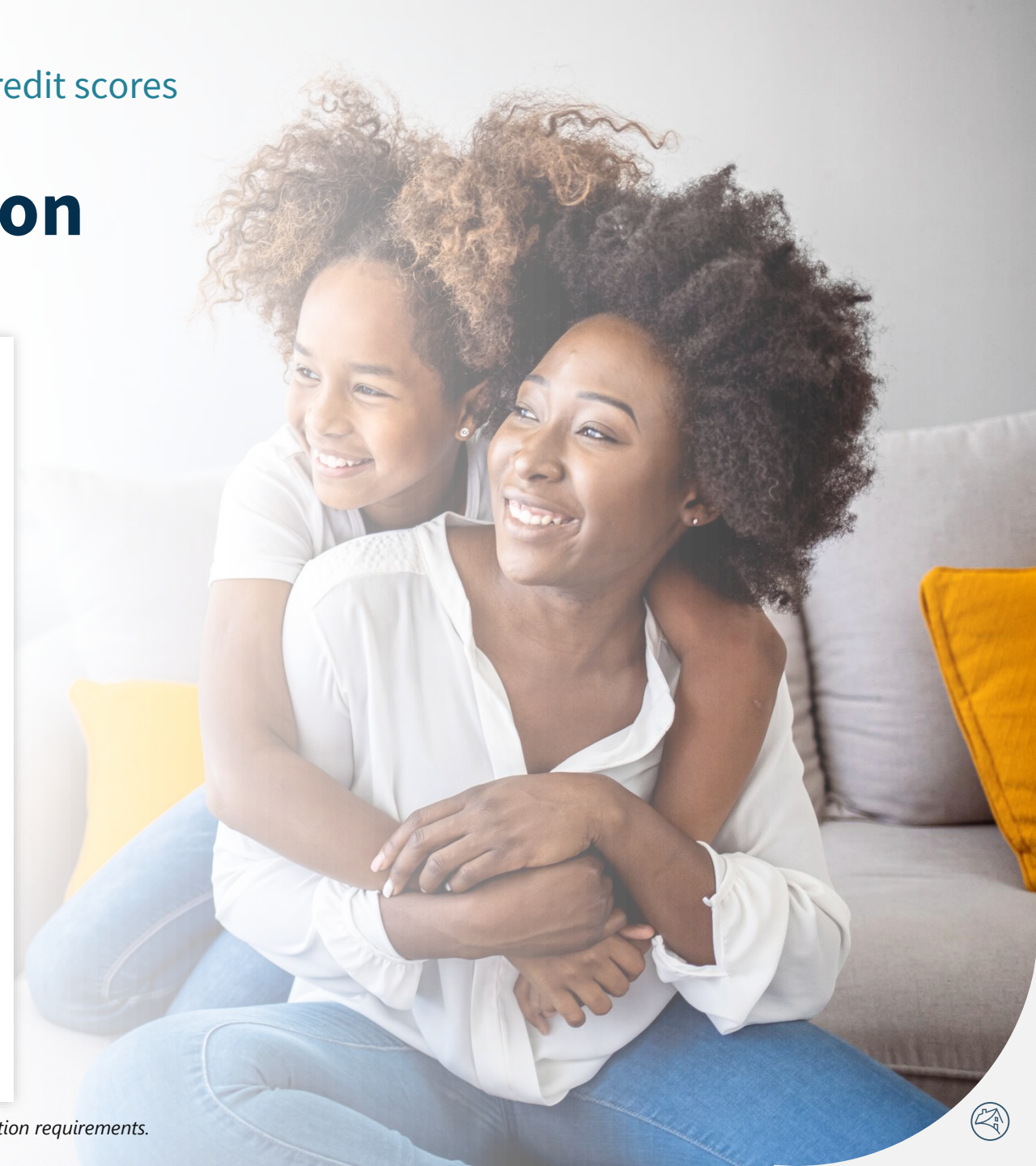
Welcome to the Industry-Leading Underwriting System

Desktop Underwriter® (DU®) helps lenders efficiently complete credit risk assessments to establish a home loan's eligibility for sale and delivery to Fannie Mae with easy-to-use, powerful tools.



An approach to better position consumers to access credit

- Eligibility criteria for loans where no borrower has a credit score have been updated to reach more potential homebuyers
- DU conducts a cash flow assessment using bank statement data available in asset verification reports, to potentially enhance the DU risk assessment
- The underwriting process is simplified as the verification report may be used to satisfy the nontraditional credit history requirements for borrowers, as outlined in the *Selling Guide**



How cash flow assessment works

Desktop Underwriter uses digital bank statements to help lenders evaluate borrowers with no credit scores



Desktop Underwriter uses data from **an asset verification report** ordered by a lender to observe cash flow activity.



Account transactions and trends **across 12 months of digital bank statement records** are incorporated into the borrower's risk assessment.



Strong cash flow activity is a good indicator the borrower can pay their mortgage, increasing **the likelihood of an Approve/Eligible recommendation.**

In addition, lenders may be able to use the asset verification report to satisfy the nontraditional credit history requirements for borrowers, as outlined in the *Selling Guide*.



Special Features available with HomeReady: Average Median Credit Score

What is the Average Median Credit Score update?

For most loans with multiple borrowers, DU will no longer use the representative credit score to confirm mortgage loans comply with our minimum 620 credit score requirement.

For these loan casefiles, DU will now use an average median credit score when determining if a loan casefile meets the minimum credit score requirement of 620.

Insufficient credit is a top obstacle to getting a mortgage.

Source: Fannie Mae Q2 2021 National Housing Survey

How does it work?

The following examples show how the average median credit score will be calculated for loans with more than one borrower:

		Score 1	Score 2	Score 3	Average median credit score ³	Representative credit score ⁴
1	Scenario 1 <i>Two borrowers, one with credit score less than 620</i>					
	José	590	619	648	656 <i>= (619 + 693) / 2</i> ✓	619
	Ali	661	693	693		
2	Scenario 2 <i>Two borrowers, both with credit scores greater than 620</i>					
	Maria	620	628	629	643 <i>= (628 + 658) / 2</i> ✓	628
	Li	647	658	661		
3	Scenario 3 <i>Two borrowers, both with credit scores less than 620</i>					
	Mary	580	611	630	613 ¹ <i>= (611 + 615) / 2</i> ✗	N/A
	Abdul	627	615	608		



Valuation Modernization

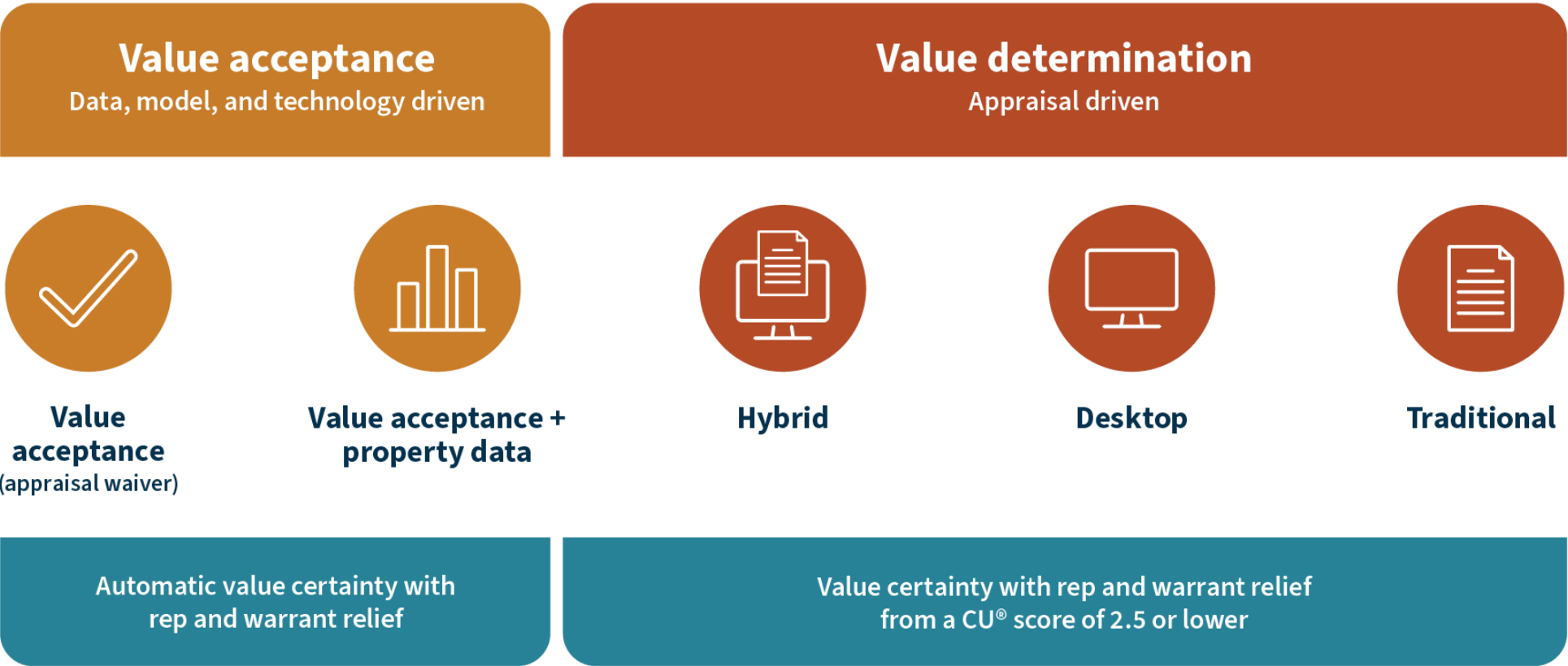
Empowering lenders to better serve their customers through a spectrum of options that foster a more efficient, understandable, and impartial valuation system, saving time and money in the origination process.



Value Modernization

The modern valuation spectrum

Fannie Mae is on a journey of continuous improvement to make the home valuation process more efficient and accurate.



Value Acceptance

For more insights
[Read our blog](#)

Key Benefits

Day 1 Certainty®

Obtain relief from representations and warranties on the value, condition, and marketability of the property

Reduce loan origination costs

We estimate that value acceptance has saved consumers nearly \$2.1 billion in 2020-2022*

Increase operational efficiencies

Shorten the loan origination process by eliminating the need to obtain and review an appraisal in certain transactions



How to Exercise the Offer



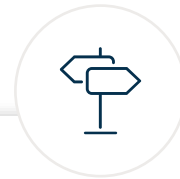
Submit loan casefile to DU®

Submit early in the origination process to see if the transaction qualifies.



Receive a value acceptance offer

Let your borrower(s) know about the good news right away!



Decide if the offer is appropriate for the transaction

If an appraisal is obtained, the value acceptance offer may not be exercised.



Deliver loan to Fannie Mae

Include the Fannie Mae casefile ID and SFC 801.



Collateral Underwriter®

A powerful, automated appraisal risk assessment platform

- Appraisals with CU Risk Scores of 2.5 or less qualify for relief of lender reps and warrants on property value as a part of Day 1 Certainty®.
- CU allows for effective workflow management and resource allocation by segmenting appraisals by risk profile.
- CU's dynamic functionality - comparable sales data, mapping, aerial imagery, public records, local market trends and more, is available all in one free application

"The data provided in CU gives us clarity on appraisals. People think CU will slow down underwriting, but it's actually doing the reverse."

– President/CEO; United Wholesale Mortgage

Access the
**powerful
insights**
that CU has to offer.

Learning Center

Featured Resources for Lenders



Evaluating Rental Income

Learn about evaluating rental incomes through clarifying explanations, scenarios, and related policies in this eLearning Course.



Collateral Underwriter® 5.0

Explore videos, interactive guides, and information on the features available in the recent CU® 5.0 release.



Introduction to RefiNow™

Interactive information and resources to help make refinancing available to more homeowners.

Explore the
[Learning Center](#)



Resources

Webpage

For everything you need to know about DU enhancements for borrowers without credit scores.

FAQs

Get answers to frequently asked questions.

Fact Sheet

More information on how to get started.





Fannie Mae®

Thank you for your time