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## HOME PATH FIXED & ARM - STANDARD LOAN AMOUNTS

### PRIMARY RESIDENCE

#### Purchases only

PROPERTY TYPE	LTV w/o sub financing		LTV w/ sub financing		CLTV		FICO	UNDERWRITING OPTIONS	
1 unit	97		92		97		660		DU
1 unit	95		90		95		660		DU
1-2 unit	80		75		80		640		DU
3-4 unit	75		70		75		640		DU

### SECOND HOME

#### Purchases only

PROPERTY TYPE	LTV w/o sub financing		LTV w/ sub financing		CLTV		FICO	UNDERWRITING OPTIONS	
1 unit	90		85		90		660		DU
1 unit	80		75		80		640		DU

### INVESTMENT PROPERTY

#### Purchases only

PROPERTY TYPE	LTV w/o sub financing		LTV w/ sub financing		CLTV		FICO	UNDERWRITING OPTIONS	
1 unit	85		80		85		660		DU
1 unit	80		75		80		640		DU
2-4 unit	75		70		75		640		DU

## HOME PATH FIXED & ARM - HIGH BALANCE LOAN AMOUNTS

*(note different requirements for Primary Residence Fixed & ARM)*

### PRIMARY RESIDENCE - FIXED RATE

#### Purchases only

PROPERTY TYPE	LTV w/o sub financing		LTV w/ sub financing		CLTV		FICO	UNDERWRITING OPTIONS	
1 unit	90		85		90		700		DU
1 unit	75		70		75		660		DU
2-4 unit	75		70		75		740		DU

### PRIMARY RESIDENCE - ARM

#### Purchases only

PROPERTY TYP	LTV w/o sub financing		LTV w/ sub financing		CLTV		FICO	UNDERWRITING OPTIONS	
1 unit	75		70		75		680		DU
2-4 unit	75		70		75		740		DU

### SECOND HOME

#### Purchases only

PROPERTY TYPE	LTV w/o sub financing		LTV w/ sub financing		CLTV		FICO	UNDERWRITING OPTIONS	
1 unit	65		60		65		740		DU

### INVESTMENT PROPERTY

#### Purchases only

PROPERTY TYPE	LTV w/o sub financing		LTV w/ sub financing		CLTV		FICO	UNDERWRITING OPTIONS	
1-4 unit	65		60		65		740		DU

**ITEMS NOT COVERED IN THESE GUIDELINES MUST FOLLOW PCM CONFORMING UNDERWRITING GUIDELINES.**

**PRODUCT OVERVIEW**

HomePath is a loan product designed to move Fannie-Mae REO properties. The product offers low down payment options, no mortgage insurance and no appraisal fees. Eligible HomePath properties can be located at: [www.homepath.com](http://www.homepath.com)

**APPRAISAL**

- No appraisal required. The sales price of the property (as evidenced by the sales contract between Fannie Mae and the buyer/borrower) will be used as the property value and for determining the LTV/CLTV.
- Investment properties require a comparable rent schedule if rental income information is not provided on the HomePath printout.
- If the borrower, at its option, chooses to obtain an appraisal, then:
  - The borrower must order the appraisal from an appraiser selected by the borrower (and not one recommended by the Loan Originator/PCM), and the appraisal must be paid for by the borrower outside of the loan transaction.
  - Loan Originator/PCM must not request a copy of the appraisal, but if one is provided by the borrower then it must be included in the loan file with a note that the appraisal was ordered by the borrower outside of the loan transaction and was not reviewed or approved by PCM.
  - The property value shown on the appraisal will not impact the LTV calculation
  - Loan Originator must inform the borrower that the purpose of the borrower-ordered appraisal and its contents are for the use and information of the borrower only, and will not be considered for purposes of the loan transaction.

**ASSETS:**

**Borrower Investment:**

- No minimum borrower investment required when:
  - 1 unit Primary /residence (excluding High Balance > 80%)
  - 2-4 units <= 80%
  - Second Homes <= 80%
- 5% investment from borrower's own funds when:
  - 2-4 unit Primary Residence > 80%
  - High Balance Primary Residence > 80%
  - Second Homes > 80%
  - All Investment Properties

**Fannie Mae Closing Cost Assistance:**

- Fannie Mae is currently offering buyers up to 3.5% in closing cost assistance through **June 30, 2011** for all HomePath Loans with the following qualifications:
  - Only buyers purchasing a HomePath property as their primary residence may receive up to 3.5% in closing cost assistance. Second homes and investment properties are excluded from the incentive.
  - Buyers and/or selling agents (the agent representing the buyer) must request the incentive upon submission of initial offer in order to be eligible.
  - The initial offer must be submitted on or after April 11, 2011. If an initial offer was made prior to the effective date, the offer is not eligible for the incentive.
  - The loan must close on or before June 30, 2011. No exceptions will be made to this deadline.
  - Buyer must sign the Owner Occupant Certification Rider to the Real Estate Purchase Addendum.
  - If a buyer's total closing costs are under 3.5%, the difference will not be available as a credit to the buyer.

**Gifts:**

- Primary Residence and Second Homes
  - Acceptable provided Borrower Investment is met (see "Borrower Investment" section)
- Investment Properties
  - Not allowed

**Interested Party Contributions:**

- Basis for the limit is based on CLTV ratio
- Primary Residence and Second Homes
  - CLTV 75.01 - 97%: 6%
  - CLTV <= 75%: 9%
- Investment Properties
  - All CLTVs: 2%

### **Reserves:**

- Additional reserves (in addition to requirements below) may be required by DU based on risk.
- Primary Residence:
  - 1-4 units: no minimum reserve requirements
    - If either the borrower's primary residence is for sale, but the sale will not close before the Note Date of the Mortgage on the new primary residence, or the borrower is converting his/her primary residence to a second home or Investment property, **6 months reserves will be required for both the retained and subject properties.**
- Second Homes
  - 2 months PITI
- Investment Properties
  - 6 months PITI
- Reserves source cannot be from a gift

### **AUS:**

- A DU Automated Underwriting System approval is required on all conforming loan transactions. An "Approve/Eligible" response is required.
  - An Approve/Ineligible is permitted ONLY if the reason for the Ineligible recommendation is the loan exceeds the current loan limit applied by DU - high balance transactions. The loan amount cannot exceed the temporary high-cost limit applicable to the area in which the property is located.
- The following DU messages may be disregarded, provided that the loan complies with all HomePath Mortgage guideline requirements:
  - Any message relating to amount of MI required
  - Any message that says the maximum allowable interested-party contribution has been exceeded on principal residence or second home with LTV >90%
  - Any message related to the level of fieldwork/appraisal recommendation

### **BORROWER ELIGIBILITY**

#### Co-Borrowers:

- Allowed per DU. Co-borrower does not have to occupy the subject property.

### **CAPS, MARGINS, INDEX & FLOOR (ARM LOANS ONLY):**

	<b><u>CAPS</u></b>	<b><u>MARGIN</u></b>	<b><u>INDEX</u></b>	<b><u>FLOOR</u></b>
5/1 ARM	5/2/5	2.25	1 YR LIBOR	2.250% (margin)

### **CREDIT:**

#### Bankruptcy / Foreclosures / Deed-In-Lieu

- Measures by the discharge or dismissal date
- For a previous foreclosure, the new mortgage must be the following:
  - A purchase transaction secured by a Primary Residence with a maximum LTV/CLTV/HCLTV of 90%
- For a conveyance of a deed-in-lieu of foreclosure, the new mortgage must be the following:
  - A purchase transaction with maximum LTV/CLTV/HCLTV of 90%

#### Mortgage Delinquencies:

##### Ineligible Loans:

- One or more mortgage/rental delinquency of 60, 90, 120, 150 days or greater reported within 12 months of the date of the credit report.
- Short payoff related to a delinquent mortgage obligation within the last seven years
- Participation in a restructure of the mortgage due to delinquency.
  - Requires 48 month period to reestablish credit

### **HIGH BALANCE LOAN AMOUNTS:**

Available on Standard Fixed and ARM loans only. Refer to LTV matrixes for details.

### **LOAN TERMS**

#### Standard Loan Amounts:

- 30 Year Fixed
- 5/1 LIBOR ARM

#### High Balance Loan Amounts:

- 30 Year Fixed
- 5/1 LIBOR ARM

## MORTGAGE INSURANCE:

Not required.

## PROPERTY ELIGIBILITY:

- Eligible HomePath properties can be located at: [www.homepath.com](http://www.homepath.com)
- Eligible properties must be owned by Fannie Mae (as a result of foreclosure or other similar action such as deed-in-lieu of foreclosure), sold by Fannie Mae to the borrower(s), and designated by Fannie Mae as eligible for a HomePath Mortgage.
- Documentation must be provided with the appropriate page(s) printed from the HomePath website showing that the property was eligible for HomePath financing
  - Contract addendums must be checked to confirm that "Fannie Mae Special REO Financing from a participating lender" is indicated. This is in Section 3 titled Financing. "Fannie Mae Special REO Financing" is HomePath Mortgage financing.
- Investment properties require a comparable rent schedule if rental income information is not provided on the HomePath printout.
- Condominiums: PCM must confirm that the project has not been converted into a Condotel.
  - **HO-6 "Walls-In" Condominium Insurance:** "Walls-In" insurance coverage is required on all condominium loans (Conventional & FHA), where the master or Blanket HOA policy does not provide replacement coverage for any affixed improvements that the borrower makes to the unit (cabinets, flooring, countertops, plumbing fixtures, etc).
    - **HO-6 "Walls-In" Insurance Requirements:**
      - All Conforming condominium loans must include an HO-6 insurance policy if the master HOA policy does not provide coverage for the interior of the unit.
      - HO-6 insurance must be impounded on all Conforming condominium loans (per standard LTV insurance impound requirements of 80% or 90%, depending on state) with applications taken on or after August 9, 2010.
      - An acceptable Individual Contents and Liability Policy with HO-6 "Walls-In" coverage in an amount that is no less than 20% of the condominium unit's appraised value and a maximum 5% insurance policy deductible.
      - HO-6 insurance requirements apply to the following Conforming loan programs: Standard Conforming, Conforming High Balance, DU Refi Plus, HomePath and My Community.
    - **HO-6 Insurance to be included in Monthly Housing Payment Calculation**
      - Whether the HO-6 insurance is impounded or not, the payment **must be** included in the monthly housing payment calculation, and subsequently the debt to income ratios.
- Pest Inspection Requirement:
  - If the purchase contract requires a pest inspection, the inspection report must be obtained. Additionally, if any repairs are required as a result of the inspection report, a clear pest inspection report must be obtained prior to close.
- If repairs are required to be completed per the purchase contract or addendums to the purchase contract:
  - If the items pose a risk to the health and/or safety of the occupants, the property is not eligible.
  - All acceptable repairs must be part of the purchase contract and completed prior to close (with acceptable documentation to certify satisfactory completion of repairs - Example: Roof repair would require documentation from a certified roofing company).
- Logo Eligibility:
  - **ELIGIBLE HOMEPATH LOGO:**
    - Only properties with the following HomePath Mortgage Financing logo are eligible with PCM:



- Manufactured homes are not eligible. This logo now indicates that a property is eligible for a HomePath Mortgage regardless of property type (it is no longer limited to use with manufactured housing properties only).
  - To confirm property type, refer to the HomePath listing. The type of property is listed directly under the MLS number. This logo is acceptable as long as the property type is not a manufactured house.

- **INELIGIBLE HOMEPATH LOGO:** Properties with the following HomePath logos are not eligible with PCM:
  - This logo represents the HomePath Renovation Mortgage, which allows a borrower to purchase a property that requires light to moderate construction. PCM does not offer the HomePath Renovation Mortgage loan program.



- **LISTINGS WITH BOTH LOGOS:**
  - Some listings on the HomePath website display both logos. This is acceptable; however the borrower cannot escrow or finance the repairs for the property. All repairs must be completed prior to closing.

#### QUALIFYING RATE:

##### Fixed Rate:

- Qualify at Note Rate

##### 5/1 ARM:

- Use greater of fully indexed, fully amortizing rate or note rate + 2%

#### QUALIFYING RATIOS

- DU Approve/Eligible - Maximum DTI is 50%.

#### SUBORDINATE FINANCING:

Allowed per LTV/CLTV Matrix, AUS and "Subordinate Financing" Section in PCM Conforming Guidelines

#### TEMPORARY BUYDOWNS:

- Qualification:
  - Fixed Rate Loans:
    - Qualify at Note Rate
  - ARM Loans:
    - Qualify using the greater of the fully indexed, fully amortizing or Note Rate
- Primary Residences and Second Homes
- Purchase transactions only
- Maximum 1% per year
- Maximum 3% below Note Rate