

## HomeReady

### Updates 01.05.2022: Temporary Condo Project Requirements

To align with Fannie Mae and Freddie Mac Temporary Requirements for Condo Projects, we are implementing the following changes **effective immediately** on all active loans:

- All condo project types including limited reviews, appraisal waivers and project review waivers must have the new Condo Questionnaire with Addendum (see our website) completed.
  - Appraisal reports for Condo must have appraiser's comment if there's any special assessment or deferred maintenance that may impact the safety, soundness, structural integrity, or habitability of the unit or the overall project and its amenities.
  - These requirements do not apply on 2-4 unit condo projects and detached condos.
  - The following loans **must be underwritten in LPA and must fund before Feb 28, 2022** to waive the Condo Questionnaire with Addendum
    - Freddie Mac to Freddie Mac loan, no cash out with 80% LTV and less
    - Loans under limited condo project reviews with Appraisal Report
- Note: For loans funded on and after Feb 28, 2022, the new condo project requirements will also apply to Freddie Mac/LP loans.

### Significant deferred maintenance and unsafe conditions

Loans secured by units in condo and co-op projects with significant deferred maintenance or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are not eligible. These projects will remain ineligible until the required repairs have been made and documented. Acceptable documentation may include a satisfactory engineering or inspection report, certificate of occupancy, or other substantially similar documentation that shows the repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity, or habitability concerns.

Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:

- full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time;
- the project has deficiencies, defects, substantial damage, or deferred maintenance that
  - o is severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements;
  - o the improvements need substantial repairs and rehabilitation, including many major components; or

o impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing.

Additionally, projects that have failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or re-certifications are not eligible.

These policies do not apply to routine maintenance or repairs that a homeowners' association (HOA) undertakes to maintain or preserve the integrity and condition of its property. Also, if damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the improvements then these project eligibility requirements do not apply. Examples of this scenario include water damage to a unit due to a leaky pipe that is isolated or damage from a small fire impacting the interior of a specific unit. However, if the subject property unit is affected, our standard requirements for property condition apply.

### **Special assessments**

Any current or planned special assessment, even if paid in full for the subject unit, must be reviewed to determine acceptability. As a Lender, we must document the loan file with the following:

- The reason for the special assessment;
- The total amount assessed and repayment terms;
- Documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and
- Borrower qualification with any outstanding special assessment payment.

Obtaining financial documents are necessary to confirm the association has the ability to fund any repairs. If the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed or the project is not eligible. Additionally, if unable to determine that there is no adverse impact, the project is ineligible.



# MEGA CAPITAL FUNDING, INC.

		1 UNIT	2 TO 4 UNITS
Eligibility	Loan Purpose	Purchase or Limited Cash-Out Refinance	
	Occupancy and Property Type	1-unit principal residence, including eligible condos and PUD's	2-4 Unit Principal residence (No condos or manufactured housing)
	Borrower Income Limits	80% of area median income (AMI) for all other properties	
	Minimum Borrower Contribution	\$0	0% for LTV/CLTV/HCLTV of 80% or less; 3% for LTV/CLTV/HCLTV > 80%
		3% required if sweat equity is being used	
	Acceptable Sources of Funds for Down Payment and Closing Costs	Gifts, Grants, and Community Seconds. Any eligible loan may have more than one Community Seconds (i.e. third lien) up to the maximum 105% CLTV	
	Product	10-, 15-, 20-, or 30- year fixed-rate mortgages (FRMs) 5/1 (2/2/5 and 2/2/6 caps only), 7/1 and 10/1 adjustable rate mortgages (ARMs)	
	Maximum LTV/CLTV And Subordinate Financing	LTV up to 97%. CLTV up to 105% with eligible Community Seconds Other subordinate financing per the <i>Fannie Mae Selling Guide</i>	
	Maximum LTV/CLTV And Subordinate Financing	Purchase: DU Only- LTV to 97% (FRM); DU to 95% (FRM and ARM) LCOR: DU Only- LTV to 97% (FRM) for loans owned or securitized by Fannie Mae. DU to 95% (FRM and ARM)	Purchase or LCOR: 2- unit: 85% (FRM or ARM) 3- 4- unit: 75% (FRM or ARM)



# MEGA CAPITAL FUNDING, INC.

		1- Unit	2- to 4- Unit
<b>Eligibility(continued)</b>	Ownership of Other Property	Occupant and non-occupant borrower(s) may have an ownership interest in other residential property at the time of closing.	
	Maximum Financed Properties	Occupant borrower(s) may own one other financed residential property (in addition to the subject property) at the time of closing. Non-occupant borrower(s) are not subject to this restriction.	
	Non- Occupant Borrowers	Non-occupant borrowers permitted to 95% LTV in DU. DU will determine the max DTI. Income considered as part of qualifying income and subject to income limits.	
	Mortgage Insurance Coverage and Financed MI	25% MI Coverage for LTVs 90.01 or more Standard MI coverage for LTVs of 90% or less MI may be financed up to the maximum LTV for the transaction, including the financed MI.	
<b>Underwriting</b>	Desktop Underwriter	<ul style="list-style-type: none"> <li>Based on the census tract and borrower income, DU will confirm program eligibility.</li> <li>DU recommendation of Approve/Eligible required. DU will determine qualifying ratios and reserves.</li> </ul>	
	Other Income	Boat income (relatives or non-relatives): Up to 30% of qualifying income; documentation for at least 9 of the most recent 12 months (averaged over 12 months) and documentation of shared residency for the past 12 months.	Not eligible
		Accessory dwelling unit; Rental income may be considered in qualifying the borrower per rental income guidelines.	Rental income may be used as qualifying income per the rental income guidelines.



		1- Unit	2- to 4- Unit
Homeownership Education	Reserves	<ul style="list-style-type: none"><li>• DU will determine the reserve requirement.</li></ul>	
	Homeownership Education	<p>On purchase transaction, if all occupying borrowers are first-time homebuyers, then at least one borrower must do one of the following:</p> <ul style="list-style-type: none"><li>• complete the homeownership education course from a qualified provider* prior to closing; or</li><li>• complete a homeownership education course required by a Community Seconds or Down Payment Assistance Program that is provided by a HUD-approved agency prior to closing, if the HomeReady loan involves a Community Seconds or down payment assistance program; or</li><li>• receive housing counseling from a HUD-approved nonprofit housing counseling agency (as evidenced by a signed Certificate of Completion of Housing Counseling (Form 1017)) <b>prior to the borrower signing a purchase contract</b>; or</li><li>• have already completed housing counseling (as evidenced by a completed Fannie Mae Form 1017).</li></ul> <p>*A qualified provider must be independent of the lender, with homeownership education content that is aligned with National Industry Standards (NIS) or is offered by a housing counseling agency approved by the U.S. Department of Housing and Urban Development (HUD). Fannie Mae HomeView can be used to satisfy this home ownership education requirements.</p> <p><b>Note:</b> Homeownership education certificate of Form 1017 must be retained in the loan file.</p>	
	Housing Counseling Benefits	<p>When borrowers have received customized assistance prior to entering into a sales contract from HUD-approved nonprofit counseling agencies (as evidenced by a completed Form 1017 in the loan file), the lender will receive a loan-level price adjustment credit of \$500, when the HomeReady loan is delivered with Special Feature Code 184.</p>	



	Special Borrower Considerations for Online Homeownership Education	Framework's online education may not be appropriate for all potential home buyers. The presence of a disability, lack of Internet access, and other issues may indicate that a consumer is better served through other education modes (e.g., in-person classroom education, telephone conference calls, etc.). In these situations, consumers should be directed to Framework's toll-free customer service line, from which they can be directed to HUD-approved counseling agency that can meet their needs. Framework will register the consumer for potential post-purchase support. The counseling agency that handles the referral must provide a certificate of completion which must be retained in the loan file.
Pricing and Committing	Loan-Level Price Adjustments (LLPAs)	LLPAs are waived for all HomeReady loans.

## Check property eligibility and income limits using the following lookup tool:

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B5-Unique-Eligibility-Underwriting-Considerations/Chapter-B5-6-HomeReady-Mortgage/1736884951/B5-6-02-HomeReady-Mortgage-Loan-and-Borrower-Eligibility-04-01-2020.htm>

## More information regarding the program can be accessed at:

[www.fanniemae.com/homeready](http://www.fanniemae.com/homeready)

## Fannie Mae Loan Lookup can be accessed at:

<https://www.knowyouroptions.com/loanlookup>