



# Conventional Adjustable Rate Mortgage

## 10/6, 7/6 and 5/6 ARM's

### PRODUCT MATRIX

Fannie Mae Selling Guide link:

<https://www.fanniemae.com/content/guide/selling/b/index.html>

5/6	▶ Rate fixed for the first 60 months, then adjusts every 6 months
7/6	▶ Rate fixed for the first 84 months, then adjusts every 6 months
10/6	▶ Rate fixed for the first 120 months, then adjusts every 6 months
<b>Term</b>	• 30 year term only

Loan Limits	# of Units	Conforming Loan Limits	High Balance Loan Limits
	1	\$726,200	\$1,089,300
	2	\$929,850	\$1,394,775
	3	\$1,123,900	\$1,685,850
	4	\$1,396,800	\$2,095,200

#### Primary Residence

Transaction Type	# of Units	Fannie Mae DU Loans		Freddie Mac LP Loans	
		LTV <sup>1</sup>	HCLTV <sup>1</sup>	LTV <sup>1</sup>	HCLTV <sup>1</sup>
Purchase and No Cash-out Refinance	1	95%	95%	95%	95%
	2	85%	85%	85%	85%
	3-4	75%	75%	80%	80%
Cash-Out Refinance	1	80%	80%	80%	80%
	2-4	75%	75%	75%	75%

#### Second Home

Transaction Type	# of Units	Fannie Mae DU Loans		Freddie Mac LP Loans	
		LTV <sup>1</sup>	HCLTV <sup>1</sup>	LTV <sup>1</sup>	HCLTV <sup>1</sup>
Purchase and No Cash-out Refinance	1	90%	90%	90%	90%
Cash-Out Refinance	1	75%	75%	75%	75%

#### Investment

Transaction Type	# of Units	Fannie Mae DU Loans		Freddie Mac LP Loans	
		LTV <sup>1</sup>	HCLTV <sup>1</sup>	LTV <sup>1</sup>	HCLTV <sup>1</sup>
Purchase	1	85%	85%	85%	85%
	2-4	75%	75%	75%	75%
No Cash-out Refinance	1	75%	75%	85%	85%
	2-4	75%	75%	75%	75%
Cash-Out Refinance	1	75%	75%	75%	75%
	2-4	70%	70%	70%	70%

<sup>1</sup> Maximum allowable LTV/HCLTV may not apply to certain loans secured by properties in Texas or by condominium projects in Florida. Refer to Fannie Mae Geographic restrictions.

<b>Credit Score</b>	• Minimum credit score is 620
<b>AUS</b>	• DU "Approve/Eligible" or Freddie Mac LPA with "Accept" • Manual underwriting is not permitted
<b>ARM Terms</b>	<b>Index:</b> • 30 Day Average Single-Family Secured Overnight Financing Rate (SOFR ARM)
	<b>Margin:</b> • 3.00%
	<b>Caps:</b> • 5/6 ARM; 2-1-5 • 7/6 and 10/6 ARM; 5-1-5
<b>Qualifying Rate</b>	• 5/6: Qualify at the greater of the Note Rate plus 2.0% or the fully indexed rate
	• 7/6 and 10/6: Qualify at the greater of the Note Rate or the fully indexed rate
<b>Maximum DTI</b>	• Determined by the AUS
<b>Conversion Option</b>	• Not available
<b>Age of Documents</b>	• Credit Documents must be within 120 days of the Note date. • Loans with Day1 Certainty for income will not require the updated paystub. • Standard Verbal VOE's must be completed within 10 business days. • Verification of Self-employment and continuance must be within 20 business days of the Note date.
<b>Derogatory Credit</b>	Bankruptcy - Chapter 7 or 11 • 4 Years from discharge
	Bankruptcy - Chapter 13 • 2 years from discharge date • 4 years from dismissal date
	Multiple Bankruptcy Filings • 5 years if more than one filing within past 7 years
	Foreclosure • 7 years



# Conventional Adjustable Rate Mortgage

## 10/6, 7/6 and 5/6 ARM's

<b>Open 30-Day Accounts</b>	<ul style="list-style-type: none"> <li>Verify borrower has sufficient funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves.</li> <li>Freddie Mac will permit the full balance be included in the DTI in lieu of funds. (Freddie Mac no longer permits using 5% of the balance.)</li> </ul>		
<b>Student Loan Repayment</b>	<p><b>Fannie Mae:</b></p> <ul style="list-style-type: none"> <li>If a monthly debt payment is provided on the credit report, the amount may be used for qualifying purposes.</li> <li>If the credit report does not provide a monthly payment or shows \$0:             <ul style="list-style-type: none"> <li>If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual amount is \$0 and use \$0 as the payment.</li> <li>A payment of 1% of the outstanding loan balance or,</li> <li>A fully amortizing payment using the documented loan repayment terms.</li> </ul> </li> </ul> <p><b>Freddie Mac:</b></p> <ul style="list-style-type: none"> <li>If a monthly debt payment is provided on the credit report, the amount may be used for qualifying purposes.</li> <li>If the monthly payment amount on the credit report is \$0, use .5% of the loan balance.</li> </ul>		
<b>Interested Party Contributions</b>	Occupancy	LTV/CLTV	Maximum IPC
	Principal residence or second home	> 90%	3%
		75.01 - 90%	6%
	Investment Property	75% or less	9%
		All LTV/CLTV's	2%
<b>Mortgage Insurance</b>	<b>EMM requires standard coverage. Minimum or reduced MI coverage is not permitted</b>		
	Acceptable MI Types	Unacceptable MI Types	
	<ul style="list-style-type: none"> <li>Borrower Paid monthly</li> <li>Borrower Paid Single Premium</li> <li>Financed</li> <li>Split Premium</li> <li>Lender Paid Single Premium</li> </ul>	<ul style="list-style-type: none"> <li>Lender Paid Monthly</li> <li>Lender Paid Annually</li> <li>Borrower Paid Annually</li> </ul>	
<b>Loan Purpose</b>	<ul style="list-style-type: none"> <li><b>Purchase</b></li> <li><b>Rate/Term Refinance (Limited Cash-out)</b> <ul style="list-style-type: none"> <li>At least one borrower on the new loan must be a current owner of the subject property (on title) at the time of the INITIAL LOAN APPLICATION. Refer to the Seller Guide for exceptions.</li> </ul> </li> </ul> <p><u>Fannie Mae:</u></p> <ul style="list-style-type: none"> <li>Proceeds can be used to pay off a first mortgage, closing costs and prepaid items</li> <li>Proceeds can be used to pay off any junior liens related to the purchase of the subject property</li> <li>Cash out to the Borrower not to exceed 2% of the new Mortgage or \$2,000, whichever is less.</li> <li>Not permitted if borrower completed a cash-out refi within 30 days of the application date of the new refinance.</li> </ul> <p><u>Freddie Mac:</u></p> <ul style="list-style-type: none"> <li>Proceeds can be used to pay off a first mortgage, closing costs and prepaid items.</li> <li>Cash back to borrower (or any other payee) up to the greater of 1% of the new refinance Mortgage or \$2,000.00</li> <li>Proceeds can be used to pay off or pay down any junior liens related to the purchase of the subject property</li> </ul> <ul style="list-style-type: none"> <li><b>Cash Out</b> <ul style="list-style-type: none"> <li>months seasoning required; measured from settlement date to disbursement date</li> <li>Fannie Mae and Freddie Mac delayed financing in according to agency guideline es. Refer to specific agency guidelines in sellers handbook.</li> </ul> </li> </ul>		
<b>Cryptocurrency</b>	<p>Cryptocurrency is digital assets exchanged over the internet. Bitcoin is the oldest and most well-known type of cryptocurrency although now there are over 1,300 different types of cryptocurrency.</p> <ul style="list-style-type: none"> <li>In order to be used as a source of funds and considered an eligible asset, it must be converted to U.S. currency and deposited into an eligible asset account.             <ul style="list-style-type: none"> <li>The source of a large deposit may be from bitcoins or another digital currency, provided there is documentation to show the funds coming from the digital currency account that was owned by the borrower. All assets must be verified in accordance with agency guidelines.</li> </ul> </li> </ul>		

<b>Cryptocurrency</b>	<ul style="list-style-type: none"> <li>Income paid to the Borrower in cryptocurrency may not be used as qualifying income.</li> <li>For income types that require evidence of sufficient remaining assets to establish likely continuance (e.g., retirement account distributions, trust income and dividend and interest income, etc.), those assets may not be in the form of cryptocurrency</li> <li>Cryptocurrency may not be included in the calculation of assets as a basis for repayment of obligations</li> <li>Monthly payments on debts secured by cryptocurrency must be included in the Borrower's debt payment to income ratio and are not subject to the Guide provisions regarding installment debts secured by financial assets</li> </ul>		
<b>Reserves</b>	<p>DU will determine the reserve requirements based on the overall risk assessment of the loan and whether the borrower has multiple financed properties.</p> <p>If the borrower owns other financed properties, additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:</p> <ul style="list-style-type: none"> <li>2% of the aggregate UPB if the borrower has one to four financed properties,</li> <li>4% of the aggregate UPB if the borrower has five to six financed properties, or</li> <li>6% of the aggregate UPB if the borrower has seven to 10 financed properties</li> </ul> <p>The aggregate UPB calculation does not include the mortgages and HELOCs that are on the subject property, the borrower's principal residence, properties that are sold or pending sale, and accounts that will be paid by closing (or omitted in DU on the online loan application).</p>		
<b>Business Assets</b>	<p>When a Self-employed borrower is using a portion of their Business Assets for the transaction (including down-payment, closing costs and reserves) a cash-flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business must be completed.</p> <ul style="list-style-type: none"> <li>Most recent 3 month business bank statements must be analyzed to determine no negative impact on business</li> <li>Evidence supporting the borrower has full access to their percentage of the funds.</li> <li>Business bank statements must not reflect any NSF's or overdrafts</li> </ul>		
<b>Employment Offers and Contacts for future employment</b>	<ul style="list-style-type: none"> <li>Borrowers with employment beginning after the note date (future employment) may be eligible and must meet Fannie mae requirements in <i>B3-3.1-09</i> <ul style="list-style-type: none"> <li>Must be Single Family, Primary, Purchase using only fixed base salary income.</li> <li>Borrower's offer or contract must: <ul style="list-style-type: none"> <li>clearly identify the employer and the borrower and be signed by all parties</li> <li>clearly identify the terms of employment, including position, type and rate of pay, and start date; and</li> <li>be non-contingent. Note: If conditions of employment exist, the lender must confirm prior to closing that all conditions of employment are satisfied.</li> </ul> </li> </ul> </li> <li>Start date for employment must be within 90 days of note date.</li> <li>Document, in addition to the amount of reserves required by DU one of the following: <ul style="list-style-type: none"> <li>6 months PITIA reserves for the subject property; OR</li> <li>Financial reserves or current income sufficient to cover the monthly liabilities included in the debt-to-income ratio, including the PITIA for the subject property, for the number of months between the note date and the employment start date, plus one. For calculation purposes, consider any portion of a month as a full month. Current income refers to income that is currently being received by the borrower (or coborrower), may or may not be used for qualifying, and may or may not continue after the borrower starts employment under the offer or contract.</li> </ul> <p style="text-align: center;"><b>See Fannie Mae guidebook section <i>B3-3.1-09</i> for complete details</b></p> </li> </ul>		
<b>HPML</b>	<ul style="list-style-type: none"> <li>Higher Priced Mortgage Loans are acceptable if all federal and state guidelines are met. <ul style="list-style-type: none"> <li>Establishment of an escrow account. (Escrow waiver not permitted)</li> <li>Must meet all applicable state and/or federal compliance requirements</li> </ul> </li> <li>High cost loans are not permitted.</li> </ul>		
<b>Ineligible Property Types</b>	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> <li>Condition Rating of C5/C6</li> <li>Co-ops</li> <li>Timeshares</li> </ul> </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> <li>Quality Rating of Q6</li> <li>Properties not suitable for year round occupancy</li> <li>Native American Land</li> </ul> </td> </tr> </table>	<ul style="list-style-type: none"> <li>Condition Rating of C5/C6</li> <li>Co-ops</li> <li>Timeshares</li> </ul>	<ul style="list-style-type: none"> <li>Quality Rating of Q6</li> <li>Properties not suitable for year round occupancy</li> <li>Native American Land</li> </ul>
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