

Product Type

30 Year Fixed Rate Mortgage.

Sales Focus

This program combines the flexibility offered by Fannie Mae's HomeReady Mortgage along with SONYMA's Down Payment Assistance Loan (DPAL). It is designed for borrowers whose income is at or below the program limits. The program is underwritten utilizing DU with flexible credit and underwriting terms to meet the needs of a broader range of borrowers. Other attractive features include:

- No loan-level price adjustments.
- Reduced mortgage insurance coverage requirements.
- DPAL may be used to pay a one-time upfront mortgage insurance premium, thus eliminating the monthly MI premium and significantly lowering the monthly payment.
- Refinances are available.

Geographic Restrictions

- Available for properties located in the state of New York.
- NY "Subprime" loans are not permitted; please see the NY State Specific requirements on MEME.

Eligible Borrowers

The following borrower types are eligible:

- U.S. Citizens
- Permanent Resident Aliens
- First-Time and non-first-time Homebuyers
- Non-permanent resident aliens (Eligible per M&T Exhibit 03-030 – Visa Classifications)
- Foreign Nationals, Non-occupant co-borrowers and ITIN Borrowers are NOT permitted.

Eligible Property Types

The following property types are eligible:

- 1-4 unit primary residences.
- Condominiums, PUDs and Co-operatives meeting Fannie Mae guidelines.
  - Co-ops must meet the NYC Pilot Program standards.
  - M&T approved co-ops and condos may be found on Exhibits 03-050 and 03-051. Completed project questionnaires are required for all projects not already approved (refer to Exhibits 03-016 and 03-020).
  - A completed questionnaire is required for all PUD submissions (refer to Exhibit 03-017).

Ineligible Property Types

The following property types are ineligible

- Investment properties and Second homes
- Commercial, agricultural, and mixed -use properties
- Condotels and condominiums in projects built on leasehold land
- Manufactured/Mobile Homes
- Community Land Trusts
- Life Estate

Maximum Loan-to-Values

Purchase & Limited Cash Out Transactions Only

| Property Type            | Maximum LTV | Maximum CLTV <sup>❶</sup> | Minimum Credit Score |
|--------------------------|-------------|---------------------------|----------------------|
| Owner Occupied, 1 Unit   | 97%         | 105%                      | 620                  |
| Owner-Occupied, 2-4 Unit | 95%         | 105%                      | 680                  |

❶ The only acceptable forms of subordinate financing are Community Seconds and SONYMA’s DPAL loan.

Maximum Loan Amount

- \$510,400 – 1 Family
- \$653,550 – 2 Family
- \$789,950 – 3 Family
- \$981,700 – 4 Family

Minimum Loan Amount

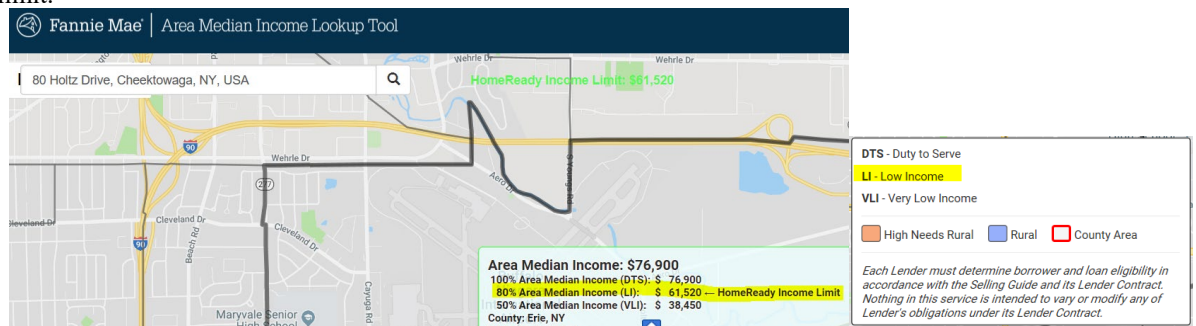
None

Underwriting Considerations

All loans must be underwritten through DU and according to Fannie Mae HomeReady guidelines, unless as noted below. Manually underwritten loans are NOT permitted. **No other properties may be owned simultaneously.**

- Appraisal Requirements:
  - Appraisal reports “subject to” conditions will require completion of work. Appraisal must not be older than 120 days at the time of funding or a re-certification of value is required. A new full appraisal is required if more than 180 days old.
  - All appraisal options, except PIW “No Appraisal Option”, are acceptable per DU feedback as long as the DU response recognizes the loan as a HomeReady Mortgage.
- Assets Considerations:
  - Cash-on-hand is acceptable for 1-unit properties to fund downpayment, closing costs or prepaids subject to the following being documented:
    - The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower’s previous payment practices.
    - The lender must verify that funds for the downpayment and closing costs exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing.
    - The lender must obtain a written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed.
    - The borrower’s credit report and other verifications should indicate limited or no use of credit and limited or no depository relationship between the borrower and a financial institution.
    - Cash-on-hand may not be used to cover reserves, if applicable.
  - Closing costs may be obtained from:
    - A gift from a family member;
    - Grant or unsecured loan from a non-profit agency, municipality, or employer;
    - Other acceptable sources as per Fannie Mae guidelines.
  - Down Payment Requirements:
    - Minimum required from Borrower’s personal funds:
      - ✓ 1 Unit - No minimum of borrowers own funds are required.
      - ✓ 2-4 Unit - 3%.
    - Remaining funds may come from other flexible sources.

- SONYMA Down Payment Assistance Loan can be used (see SONYMA DPAL term sheet for details) for down payment, closing costs, prepaids or to pay a one-time mortgage insurance premium. DPALs are also eligible for refinances.
- Homebuyer Education:
  - At least one borrower must complete homebuyer education from a non-profit provider, HUD-approved agency or mortgage insurer and the following applies:
    - If the borrowers have a counseling certificate, it may be used for this transaction. All other borrowers must receive homebuyer counseling from Genworth which is at no charge.
    - The borrowers must sign Form 2200 “Borrowers Authorization for Counseling” at application. The form is a required application disclosure.
    - The counseling certificate will be required before loan closing.
    - **Landlord counseling is required on 2-4 unit properties.**
- Income:
- Income Limits apply. **Income must be ≤ 80% of Area Median Income.**
- **When Income is < 50% of the Area Median Income, use SFC 767**
  - **You must** run the property address through the [FNMA HomeReady Eligibility Tool](#) to determine the income limit.



- The loan must be submitted to DU as a HomeReady loan to obtain the appropriate DU messaging. The Additional Data screen field in DU will allow the user to enter census tract information if DU is unable to geocode the property address.
  - Rental income is not considered in the household income calculation (including rental used to qualify)
- The income included for eligibility is the income utilized for mortgage qualifying. Eligibility is not determined based upon household income. The income of a non-obligated spouse does not need to be included.
- For income-producing properties:
  - 2 Unit properties - 75% of Rental Income can be used for qualifying purposes. Actual or estimated rent can be used from the Operating Income Statement completed by the appraiser.
  - 3-4 Unit properties - 65% of Rental Income can be used for qualifying purposes. Actual or estimated rent can be used from the Operating Income Statement completed by the appraiser.
- Boarder rental income from a 1 unit primary residence may be considered if the following are met:
  - Borrower and boarder have resided together for at least 1 year, and the boarder provides satisfactory evidence that they reside with the borrower.
  - They will continue to reside together in the new property.
  - Boarder has paid rent to the borrower for the past 12 months on a regular basis, and the borrower can document receipt of these regular payments for the past 12 months.
  - The borrower needs to attest by an affidavit (does not need to be notarized) at application, the source of the rental income, the relationship between the person(s) and borrower, and the fact that the person(s) have resided with the borrower for the past year and intend to continue to reside with the borrower in the new property for the foreseeable future.



- Boarder does have to be related to the borrower.
  - Boarder income cannot exceed 30% of the total qualifying income.
- Loan Decisioning:
  - All loans must be submitted to DU. LP findings are NOT permitted. All DU findings must be followed. Loans may NOT be underwritten manually.
  - All loans must be submitted by completing the appropriate information in the Community Lending Section of DU; select 'HFA Preferred'.
    - Loans must receive a DU “Approve/Eligible”
    - All other responses including “Ineligible” and “Refer with Caution” are NOT eligible.
- Non-Traditional Credit:
  - Not permitted.
- Refinance Transactions:
  - Limited Cash Out only.
  - Cash on hand cannot be used as source of funds.
  - Homebuyer education not required.
  - No seasoning requirement for the first mortgage.
  - The loan amount may include the payoff of the first mortgage; payoff of the second mortgage only if it was used to acquire the property; closing costs and prepaids; and cash back to the borrower not to exceed the lesser of 2% or \$2000.
  - Traditional, amortizing seconds may not be subordinated. Community seconds may be re-subordinated.
- Qualifying Ratios:
  - Maximum **50%** ratios no matter DU response.
  - Minimum 700 FICO required for DTIs > 45%, for all MI companies
    - NOTE: FICO and/or DTI requirement may be waived if MI company will approve otherwise, but not less than product minimum FICO of 620
- Reserve Requirements:
  - Per DU findings.
- Interested Party Contributions:
  - Contribution may not be applied toward down payment, but may offset closing costs and prepaids.
  - The maximum allowable percentages are:
 

| CLTV   | Amount |
|--------|--------|
| >90%   | 3%     |
| <= 90% | 6%     |
- Subordinate Financing:
  - Traditional and seller-held seconds are not permitted.
  - Subordinate financing must meet the requirements on the Fannie Mae Community Seconds Checklist (Exhibit 02-201).
  - The SONYMA DPAL is acceptable.

Assumability

None.

Escrow/Impounds

- [Section 400](#) - Secondary Policy and Procedures.

- Completion escrow – Follow M&T Repair Escrow Holdback Policy & Procedure as outlined in the Correspondent Seller Guide

Loan Servicing

Servicing-retained only.

Mortgage Insurance Requirements

- Mortgage insurance is required for all loans with LTV’s in excess of 80% at the following coverage levels:

| LTV         | Required Coverage |
|-------------|-------------------|
| 95.01 - 97% | 18%               |
| 90.01 – 95% | 16%               |
| 85.01 – 90% | 12%               |
| 80.01 – 85% | 6%                |

- Minimum 700 FICO required for DTIs > 45%, for all MI companies
  - NOTE: FICO and/or DTI requirement may be waived if MI company will approve otherwise, but not less than product minimum FICO of 620
- Financed and Monthly plans are eligible. The financed premium and adjusted LTV must not exceed the stated minimum for the program. **Delegated submissions are NOT eligible.** LPMI is not permitted.
- DPAL may be used to pay a one-time upfront mortgage insurance premium.
- Primary mortgage insurance may be obtained from Arch, Essent, Genworth, MGIC, National MI, Radian. For Genworth utilize Exhibit 02-453 (Application for Genworth Mortgage Insurance) and Exhibit 02-457 (Cover Sheet for GE Mortgage Insurance) for submission.
- Pool insurance is NOT required.

NY Consolidation Extension and Modification Agreement (CEMA)

Permitted (except in the case where the loan being refinanced is a SONYMA loan). The parties have to be the same from the original loan to the new CEMA, unless a documented death or documented divorce with new deed is provided.

- M&T requires prior approval of the Correspondent’s CEMA package.

Prepayment Penalty

None

Pricing and Rate Locks

Refer to daily rate sheets.

Settlement Instruments

- Security Instrument: Fannie Mae/Freddie Mac 3000 series
  - Standard FNMA/FHLMC Riders for 1-4 Family, Condos, and PUDs
- Note: FNMA/FHLMC 3200 Series
- Co-op documents as approved by M&T.
- Refer to SONYMA website for DPAL documents

Temporary Buydowns

Not permitted.

Product Description and Product Codes

| Product Description                      | Product Code |
|--|--------------|
| SONYMA Conv Plus 30 Yr Fixed Rate        | 200          |
| SONYMA Conv Plus 30 Yr Fixed Rate w/DPAL | 201          |

Special Features Codes

The following Special Feature Codes must be documented in the file (if applicable)

- 007 – Limited Cash Out Refinance
- 118 – Mortgage with a Community Second
- 127 – Underwritten through DU
- 162- SSN Validation through SSA
- 170- Flood Insurance- Special Flood Hazard Area
- 175- Flood Insurance- Not a Special Flood Area
- 180- No Flood Insurance – Not a Special Flood Hazard Area
- 281 – Financed Single Premium MI
- 439 – Mortgage to Non-Permanent Resident Alien
- 588 – Detached Condominium
- 782 - SONYMA Plus for all applications
- 741 – SONYMA Plus for all applications
- **766 – Required on ALL loans when Income  $\leq$  80% of HUD Median Income  
OR code with**
- **767 – For loans with Income  $\leq$  50% of HUD Median Income**