



Product Type

30 Year Fixed Rate, Purchase 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.

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

Property Type	Purchase ONLY		
	LTV	CLTV <sup>❶</sup>	HCLTV <sup>❶</sup>
1 Unit Primary	97%	97%	97%
Co-op	90%	90%	90%
2-4 Unit Primary	95%	95%	95%

<sup>❶</sup> CLTV up to 105% permitted when paired with an eligible Community Second subordinate lien. **Co-ops are not eligible.**

Maximum Loan Amount

- \$647,200 – 1 Family
- \$828,700 – 2 Family
- \$1,001,650 – 3 Family
- \$1,244,850 – 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 borrower’s 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.
- Gas/Oil/Mineral Leases
  - Minor impediments to title, including oil, water or mineral rights are permitted as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes. No rights of parties in possession, including the term of a tenant’s lease, may have a duration of more than 2 years.
    - Due to the above provision, any Oil or Gas Lease that allows for surface rights to the property is considered ineligible.
  - Inactive Leases: Eligible; borrower must sign MT4300-A-CORRSP “M&T Hold Harmless Non-Renewal

- Affirmation” for expired gas/oil lease at closing.
  - Most Oil and Gas Leases will include an initial term (i.e. 3 years or 5 years etc.) AND will also indicate that the lease will remain in place for as long as there is active production.
  - A lease that appears as an exception on title should be considered active unless documentation is provided by the gas company confirming the lease is no longer active.
- Active Leases:
  - Surface Rights: Not Eligible for financing
  - No Surface Rights: Eligible if the following are met:
    - No Appraisal Waivers offered by DU may be accepted,
    - The appraiser confirms there is no impact on value or marketability,
    - The appraiser confirms the highest and best use is Residential; AND
    - Borrower(s) must sign Hold Harmless MT4300-CORRSP “M&T Gas & Oil Lease Hold Harmless” for Active Gas Lease at closing
    - Borrower(s) must sign Assignment of Rents Exh 03-401-CORRSP Rider for Gas Lease properties at closing, which must be attached to the Mortgage/Deed of Trust and recorded
- General QM (Qualified Mortgage) Priced-Based Limit Threshold Requirements
  - Effective for applications dated on or after July 1, 2021
  - The loan’s APR cannot exceed the APOR for a comparable transaction by more than the percentage points listed in the chart below as of the date the interest rate is Locked-In (as per new General QM ([Final Rule](#))). APRs within “Safe Harbor” and “Rebuttable Presumption” categories are permitted.
    - For 5 Year ARMs ONLY: the maximum interest rate that may apply at the first change point must be used to calculate the APR for price-based limit threshold
    - Per FNMA/FHLMC, ATR Exempt Loans (as defined by TILA, and include non-owner-occupied transactions) are subject to the APR/APOR threshold. The APR for ATR Exempt Loans must be < 6.50% above APOR. If APR is > 6.50% above APOR, loan is ineligible.

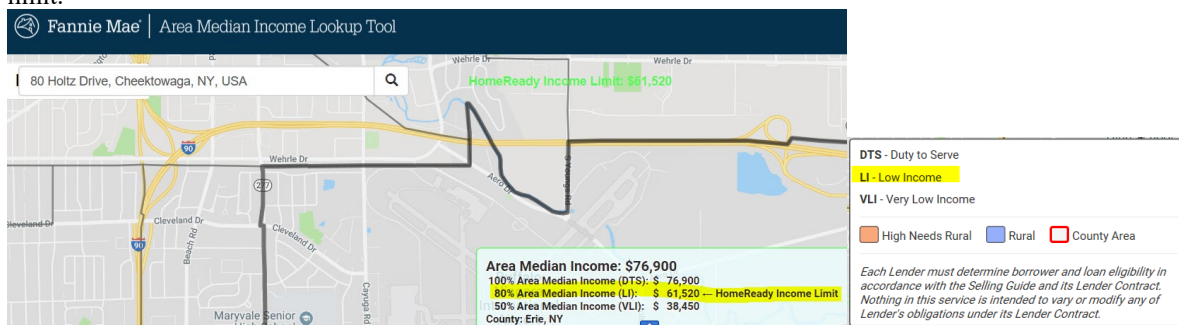
General QM Requirements for Fannie/Freddie/M&T Treasury			
Loan Amount/Lien Position	Safe Harbor	Rebuttable Presumption (Higher Priced Covered Transaction)	Non-QM
	ELIGIBLE		INELIGIBLE
First Lien Covered Transaction Loan Amount ≥\$110,260	Loan APR does not exceed the APOR by 1.5% or more	APR is between 1.51%-2.25% above APOR	APR is >2.25% above APOR
First Lien Covered Transaction Loan Amount \$66,156 - \$110,259		APR is between 1.51%-3.50% above APOR	APR is >3.50% above APOR
First Lien Covered Transaction Loan Amount <\$66,156		APR is between 1.51%-6.50% above APOR	APR is >6.50% above APOR

- Homebuyer Education/Counseling: FNMA permits both Education & Counseling, only one is required. **Fannie Mae’s [HomeView](#)<sup>TM</sup> is a no cost Homebuyer Education option.**
  - **Homebuyer Education** is defined as Education with an established curriculum and instructional goals that can be provided in a group, classroom setting or via other formats (i.e., online).
    - If all occupying borrowers are first-time homebuyers, then at least 1 borrower must complete homeownership education on purchase transactions.
    - The homeownership education certificate will be required before loan closing and retained in the permanent loan file.
      - ✓ homeownership education is permitted by any qualified third-party provider
      - ✓ providers content must be aligned National Industry Standards (NIS), HUD Standards or from a [HUD-approved](#) agency (Framework® is acceptable)
    - Post-purchase counseling is NOT required.

**\*\*NOTE- Fannie Mae does not have an expiration date for counseling certificates\*\***

- **Housing Counseling** is defined as One-on-one assistance that addresses unique financial circumstances. Counseling includes topics such as repairing credit, locating cash for a down payment etc.
    - If all occupying borrowers are first-time homebuyers, then at least 1 borrower must complete homeownership counseling on purchase transactions.
    - The homeownership counseling certificate will be required before loan closing and retained in the permanent loan file.
      - ✓ homeownership counseling is only permitted by any [HUD-approved](#) counseling agency
    - Post-purchase counseling is NOT required.
  - If the **Housing Counseling** was completed prior to the **contract of sale being executed**, SFC 184 must be input on the loan by the underwriter.
  - When Housing Counseling is completed prior to the contract date (by a non-Framework agency), Form 1017 is ALWAYS required.
- \*\*NOTE- Fannie Mae does not have an expiration date for counseling certificates\*\***

- 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.
- A Verbal Verification of Employment is required within 10 calendar days of the date of the Note for all salaried borrowers and within 30 days of closing for all self-employed borrowers.
- 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.
- Qualifying Ratios:
  - Maximum **50%** ratios no matter DU response.
- Loan Decisioning and DTI -
  - All loans must be submitted to DU and receive an Approve/Eligible ONLY. LP findings are NOT permitted. All DU findings must be followed.
    - FICO for Pricing & MI premium is the representative score (low mid of all borrowers)
    - FICO for DU Eligibility
      - Middle credit score when there is only 1 borrower OR
      - When there are 2 or more borrowers, the Averaged FICO score is used to determine eligibility by DU. See example:
        - ✓ Borrower 1= FICO 585, 600, 620; Borrower 2= FICO 724, 736, 740, Take the middle of both borrowers and average.  $600 + 736 = 1366 / 2 = \text{Averaged FICO } 668$
        - ✓ The Averaged FICO score is used to determine if a borrower meets Fannie Mae’s minimum 620 credit score. *It is not the only determining factor for a DU Approve/Eligible response*
    - Refer to the current Fannie Mae Eligibility Matrix online for all requirements
    - Minimum 700 FICO required for DTIs > 45%, for all MI companies
- 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

Fee Requirements

Tax Service Fee – Do not charge for co-ops.

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, Enact, MGIC, National MI, Radian. For Enact utilize Exhibit 02-453 (Application for Enact Mortgage Insurance) and Exhibit 02-457 (Cover Sheet for GE Mortgage Insurance) for submission.
- Pool insurance is NOT required.

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 Fxd w/DPAL	201

Special Features Codes

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

- 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**