



Lender Letter LL-2019-06

June 5, 2019

To: All Fannie Mae Single-Family Sellers Upcoming HomeReady® and Desktop Underwriter® Updates

As a leading provider of liquidity to the housing finance industry, we work to improve the efficiency of the mortgage market and continue to provide access to mortgage financing in all markets at all times. We are committed to fulfilling our affordable housing mission by offering home finance options that meet market needs, while maintaining strong, sustainable credit standards that do not place undue risk on borrowers, taxpayers, or the housing finance system.

In order to fulfill these objectives, we must balance a number of business goals and regulatory mandates related to returns, capital management, securities performance, and affordable housing goals. As a result of certain regulatory and market developments, we are announcing changes to the following:

- HomeReady income limits, and
- Desktop Underwriter (DU®) eligibility assessment.

Each of these changes is described below. We believe these changes will better align to our affordable housing mission and result in a mix of business that better reflects the overall market.

HomeReady Income Limits

HomeReady is our flagship affordable product. It is designed to help our lenders serve more very low-, low-, and moderate-income creditworthy borrowers and to help us fulfill our affordable housing mission and regulatory housing goals. It offers reduced mortgage insurance costs and lower loan-level price adjustments for loans with low down payments (compared with similar non-HomeReady loans).

Currently, to be eligible for a HomeReady loan, the borrowers' total annual qualifying income may not exceed 100% of the area median income (AMI) for the property's location. There is no income limit for properties located in low-income census tracts (census tracts where the median income is not greater than 80% AMI). To better align with our housing goals, we are changing the income limit requirements for *all* HomeReady loans to not exceed 80% AMI for the property's location. (This includes properties in low-income census tracts.)

We remain committed to serving borrowers with income that exceeds the 80% AMI limit. These borrowers may continue to be eligible for low down payment loans under our standard (non-HomeReady) eligibility policies. Refer to the [Eligibility Matrix](#); [Selling Guide, B2-1.2-01, Purchase Transactions](#); and [B2-1.2-02, Limited Cash-Out Refinance Transactions](#), for additional information.

DU Eligibility Assessment

As part of normal business operations, we regularly review DU to determine whether its risk analysis and eligibility assessment are appropriate based on the current market environment and loan performance information. As a result of our most recent review, we will be updating the DU eligibility assessment to better align the mix of business delivered to Fannie Mae with the composition of business in the overall market. As a result, certain new loan casefiles submitted to DU on or after July 20, 2019 will receive an Ineligible recommendation when multiple high-risk factors are present.



Effective Dates

- All of the above changes will apply to new loan casefiles submitted to DU the weekend of July 20, 2019.
- The 2019 HomeReady income limits will also be implemented in DU and in the HomeReady Income Eligibility Lookup Tool at the same time.
- The new limits and the 80% AMI change will apply to manually underwritten loans with application dates on or after July 20, 2019.
- On July 3, 2019 the *Selling Guide* will be updated to reflect the HomeReady 80% AMI limit.

Lenders who have questions about this Lender Letter should contact their Fannie Mae Account Team.

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