

**FNMA – FLEX 97 – DU ELIGIBLE ONLY (6)  
PRIMARY RESIDENCES ONLY  
PURCHASE/RATE TERM REFINANCE**

**CFX 30, 25, 20, 15, 10**

		<b>PURCHASE/RATE TERM REFINANCE – PRIMARY RESIDENT</b>
<b>MAX LTV &amp; LOAN</b>	1 UNIT	97% LTV to \$417,000
<b>MINIMUM LTV</b>		95.01% (1)
<b>MINIMUM LOAN</b>		None
<b>TERM</b>		10, 15, 20 or 30 yrs
<b>SECONDARY FIN</b>	TLTV/LTV	Yes (7)
<b>PROPERTY</b>	DETACHED	Yes
	SEMI-DET	Yes
	ROW HOUSE	Yes
	TOWNHOUSE	Yes
	CONDO/FNMA	Yes
	PUD/FNMA	Yes
	MAX OTHER FIN	(2)
<b>BORROWER</b>	RES ALIEN	Yes
	NON PERM RES	No
	CO/PART/TRUST	No
	NON-OCC CB	No
<b>HOMEBUYERS EDUCATION</b>		Not required
<b>MAXIMUM INCOME LIMITS</b>		No
<b>QUAL RATIOS</b>		Go by DU Findings
<b>GIFTS</b>	<i>Document by FNMA guides</i>	Yes, for full down payment
<b>CASH RESERVES</b>		As indicated on DU findings report (3)
<b>SELLER CONCES</b>	can include prepaids	3%, 90.01-97, 6%, 90% LTV
<b>BUYDOWNS</b>		No
<b>GEO RESTRICTS</b>		No
<b>MTG INSURANCE</b>		35% coverage, regardless of LTV
<b>ASSUMABLE</b>		Yes (4)
<b>PREPAY PENALTY</b>		No
<b>ALT DOC</b>		Yes
<b>REDUCED ALT DOC</b>		Yes (5)
<b>TRAILING CO-BORROWER</b>		No
<b>APPRAISAL</b>		Yes

(1) Minimum LTV 90% if all the following applies: a) loan meets Flexible 97 requirements; b) gifts documented by standard FNMA guides (not DU findings); c) MI coverage of 18% is obtained; and d) DU findings report message of "ineligible" due to lack of 5% from borrower's own funds or due to unsecured borrowed funds is disregarded (as long as the loan is not ineligible for another reason). Borrower must not have 5% of own funds if receiving a gift.

(2) Although there are no property ownership limitations, this program is designed to benefit from gift or other sources of funds. This mortgage is designed for borrowers who have or choose to use minimal funds for the down payment or closing costs.

(3) Reserves must come from borrower's own cash funds. Cannot be obtained from gift or other sources of funds.

(4) Loan can be assumed with consent of investor. Investor has right to refuse assumption or alter the interest rate.

(5) Loan to be documented according to DU findings.

(6) Flexible mortgage loans are eligible to received EA-1, II, or III/Eligible recommendations. The loan level price adjustments for loans that received EA recommendations apply.

(7) Subordinate financing (excluding seller-carried second mortgages) is permitted with Flexible mortgages. The minimum LTV is 90% and the maximum CLTV is 97%. If the CLTV exceeds 97% DU will treat the loan as a Flexible 100 mortgage. Subordinate financing is not allowed on EA-II & III recommendations. HELOCs are allowed. See additional underwriting guidelines for restrictions.

ADDITIONAL INFORMATION:

FOR OTHER INFORMATION, REFER TO ADD' L INFO" OR TO THE FNMA MATRIX OF THIS QUICK REFERENCE GUIDE.

**ADDITIONAL PRODUCT/UNDERWRITING CRITERIA MAY EXIST**



## ADDITIONAL INFORMATION ON FNMA FLEX 97 (DU ELIGIBLE ONLY)

### A. Credit Requirements

- Loan must go through FNMA's Desktop Underwriting (DU) and receive "Approve/Eligible"
- If loan is "Refer" and all of the following can be verified, loan may be acceptable:
  - Borrower has adequate funds to close.
  - All funds are from eligible sources; and
  - Applicable assets have been accurately entered into DU.
- If loan is "Refer with Caution," it must have inaccurate information that renders credit scores unreliable to be considered and the loan must meet the following credit conditions:
  - Minimum credit history of 4 trade lines at least 2 years old, including installments & revolving accounts, but not > 9 accounts currently open (accounts closed => 6 months before loan application are not counted);
  - No major delinquency (bankruptcy, foreclosure, collections, judgements);
  - No > 1x30 days of any revolving account (no delinquencies in last 24 months); and
  - Total of outstanding balances of revolving accounts represents no > 50% of aggregate available credit lines at loan application (borrowers cannot pay off or pay down account balances to qualify)

### B. Source of Down Payment

- Borrower's own cash funds
- Gift from family member
- Grant from nonprofit, employer, or government agency
- Unsecured personal loan from relative, municipality, or non-profit organization
  - Must be fixed rate
  - May have balloon payment but cannot balloon in first 5 years of loan
  - Interest rate cannot exceed note rate of 1<sup>st</sup> mortgage (max 2% over note is allowed).
- Employer-assisted housing funds (either as unsecured loan or grant)

### C. HELOCS

Flexible Mortgage originated with an adjustable rate home equity line of credit ("HELOC"), subject to the following terms and conditions:

1. Manual underwriting is not permitted. All Flexible Mortgages must be underwritten using DU and must meet all requirements for Flexible Mortgages with subordinate financing, as applicable, except as otherwise specifically provided in this variance.
2. The LTV may not exceed 80% and the CLTV/HCLTV may not exceed 100%.
3. The full amount available under the HELOC does not have to be fully drawn at or utilized for closing.
4. For qualifying purposes, the monthly payment must be based on the maximum amount of credit available. This is different from standard FNMA qualifying rules!
5. All loans originated under this Variance must receive a recommendation of "Approve/Eligible" or "Approve/Ineligible." The sole reason for the ineligibility may only be that Flexible Mortgages do not permit HELOCs. EA/TRP mortgages are not eligible for delivery under this variance.
6. The following DU message should be disregarded:  
"Verify that the subordinate lien in the Details of Transaction is a closed-end second trust. Seller carried second mortgages and home equity lines of credit are not permitted in conjunction with a Flexible mortgage."
7. The following DU message may not be disregarded:  
"If this lien is a Community Seconds transaction, document the terms of the lien in the loan file and verify that the terms of the program comply with the requirements outlined in the FNMA Selling Guide."