

Fannie Mae Upgrades 3 Percent-Down Mortgage Program

By: Jann Swanson | Wed, Jul 27 2016, 8:59 AM

Fannie Mae has made **changes to its HomeReady mortgage program** that allows borrowers to obtain a mortgage with as little as a 3 percent downpayment. The enhancements change income maximums and eligibility criteria and alter several requirements for the program's mandatory homeownership education.

Changes that go into effect **immediately include:**

- Income limits have been raised to **100 percent of area median income (AMI)** in all areas except for low income market tracts which have no limit. The company says this will expand access to affordable credit and also make it easier for lenders to determine eligibility for the loans.
- The occupant borrower will now be **allowed to own other residential properties**.
- Homeownership education courses that fulfill the HomeReady mortgage requirement have been expanded to include one-on-one pre-purchase advising from HUD-approved providers. Fannie Mae will offer lenders a \$500 credit to encourage borrowers to take advantage of this option. Homebuyer education will continue to be available through Framework, Fannie Mae's education partner.
- The requirement for homeownership education has been **removed** for limited cash-out refinances and borrowers for loans secured by two- to four-unit properties will no longer be required to take landlord education although homeownership education will remain a requirement.

The Seller Guide announcing the above changes also noted that Fannie Mae expects to make **additional enhancements later this year**, including:

- Allowing a maximum loan-to-value up to **97 percent** on limited cash-out refinance transactions in Desktop Underwriter (DU) if the existing mortgage is owned or securitized by Fannie Mae.
- Expanding current HomeReady eligibility for buydowns and adjustable-rate loans to include **three- to four-unit properties**.
- Adding additional incentives for the one-on-one homeownership counseling implemented with the current changes.

Fannie Mae said it will continue to add enhancements to help the HomeReady program to expand access and to credit responsibly and promote successful homeownership.

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