

## ditech BUSINESS LENDING HOMEREADY LPMI FIXED RATE MORTGAGE PRODUCT

<b>1. PRODUCT DESCRIPTION</b>	<ul style="list-style-type: none"> <li>• Conventional Conforming fixed rate mortgage</li> <li>• DU Version <b>10.1</b></li> <li>• Servicing retained</li> <li>• 10, 15, 20, or 30 year terms</li> <li>• Manufactured Homes-30 year term only</li> <li>• Fully amortizing</li> <li>• Qualified Mortgage (QM) Safe Harbor loans are permitted</li> <li>• Qualified Mortgage (QM) Rebuttable Presumption loans are permitted –See the Qualified Mortgage (QM) Rebuttable Presumption section for requirements.</li> </ul>
<b>2. PRODUCT CODES</b>	<ul style="list-style-type: none"> <li>• I13 30 Year Fixed Rate LPMI</li> </ul>
<b>3. INDEX</b>	N/A
<b>4. MARGIN</b>	N/A
<b>5. ANNUAL ADJUSTMENT CAP</b>	N/A
<b>6. LIFE CAP</b>	N/A
<b>7. RATE AT ADJUSTMENT</b>	N/A
<b>8. TEMPORARY BUYDOWNS</b>	Not permitted
<b>9. QUALIFYING RATE</b>	Qualify using the note rate
<b>10. QUALIFYING RATIOS</b>	<b>Ratios</b> <ul style="list-style-type: none"> <li>• DU Approve/Eligible – <b>Follow DU</b></li> </ul>
<b>11. TYPES OF FINANCING</b>	<b>Purchase Mortgage Rate &amp; Term Refinance (Limited Cash-Out Refinance)</b> <ul style="list-style-type: none"> <li>• Loan amount may include: <ul style="list-style-type: none"> <li>• Pay off the outstanding principal balance of existing first loan (including existing HELOC in first lien position), plus any required per diem interest</li> </ul> </li> <li>• Pay off of the outstanding principal balance of any existing subordinate liens that were used in whole to acquire the subject property. See Conforming chapter of the Client Guide for acceptable documentation to verify the use of the subordinate lien <ul style="list-style-type: none"> <li>• Closing costs and prepaids</li> <li>• Prepayment penalties associated with the existing mortgage</li> <li>• Cash-out limited to the lesser of 2% of the principal amount of the new loan or \$2000</li> </ul> </li> <li>• The subject loan is considered a cash-out refinance if the existing first mortgage transaction combined a first and non-purchase money subordinate lien into a new first within the last six months (note date to note date). A subsequent refinance of that lien within six months (note date to note date) is also considered a cash-out refinance. Provide Closing Disclosure from prior transaction.</li> <li>• Delinquent real estate taxes may not be included in the loan amount. See the Conforming chapter of the Client Guide for complete requirements</li> </ul>

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- See the Conforming chapter of the Client Guide for Continuity of Obligation definition and guideline requirements
- Properties currently listed for sale
  - Property must be taken off the market before the Note date
  - Borrower provides written confirmation of intent to occupy if a primary residence
- Owner occupied properties located in Texas
  - A copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50(a)(6) (also known as Home Equity Deed of Trust, Home Equity Installment Contract or Residential Home Loan Deed of Trust)
  - If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is restricted to the Texas Home Equity product
  - If the first mortgage is not a Texas Section 50(a)(6) loan and the second mortgage is a Texas Section 50(a)(6) loan, the second lien may be subordinated and is considered a rate & term refinance. The second lien must be subordinate to the ditech first mortgage. Borrower cannot receive any cash back from the first mortgage transaction.

**12. LOAN AMOUNT**

<b>MAXIMUM LOAN AMOUNT</b>		
<b>UNITS</b>	<b>CONTINENTAL US</b>	<b>ALASKA &amp; HAWAII</b>
1	\$424,100	\$636,150
2	\$543,000	\$814,500
No minimum loan amount		

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Product Summaries contain eligibility guidelines only.  
Consult the Client Guide for full details.

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**13. LTV/CLTV  
LIMITATIONS  
AUTOMATED  
UNDERWRITING**

DU APPROVE/ELIGIBLE			
PRIMARY RESIDENCE			
Units	LTV <sup>1</sup>	CLTV <sup>1</sup>	Credit Score
<b>Purchase</b>			
1	97% <sup>2</sup>	97% <sup>2</sup>	620
2	85%	85%	620

<sup>1</sup> Maximum 95% LTV/CLTV for Non-occupant borrowers  
<sup>2</sup> Loans with LTV/CLTV Ratios 95.01 -97%-At least one borrower must have a credit score  
 See MI company eligibility guideline requirements

DU APPROVE/ELIGIBLE			
PRIMARY RESIDENCE			
Units	LTV <sup>1</sup>	CLTV <sup>1</sup>	Credit Score
<b>Rate &amp; Term Refinance</b>			
1	95% <sup>2</sup>	95% <sup>2</sup>	620
2	85%	85%	620

<sup>1</sup> Maximum 95% LTV/CLTV for Non-occupant borrowers  
<sup>2</sup> Rate & Term Refinance

- LTV/CLTV > 95% <=97% permitted when:
  - At least one borrower has a credit score
  - Existing loan being refinanced is owned by Fannie Mae. Documentation may come from one of the following and must be retained in the loan file:
    - [Fannie Mae's Loan Lookup tool](#)
    - Servicing System
    - The current servicer (if the lender is not the servicer)
  - Does not apply when CLTV >95% due to community second

See MI company eligibility guideline requirements

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**14. LTV/CLTV LIMITATIONS MANUFACTURED HOUSING**

MANUFACTURED HOMES <sup>1</sup>			
DU APPROVE/ELIGIBLE			
PRIMARY RESIDENCE			
Units	LTV	CLTV	Credit Score
<b>Purchase and Rate &amp; Term Refinance</b>			
1	95%	95%	620
<sup>1</sup> 30 year term only See MI company eligibility guideline requirements			

**15. SECONDARY FINANCING**

- See LTV/CLTV Limitations section
- See the Conforming chapter of the Client Guide for eligibility guidelines
- Seller seconds are not permitted
- Closed end second mortgage loans only. HELOCs are not permitted
- Down Payment Assistance Programs (DPA) are not eligible

**16. PROPERTY TYPES**

**Eligible Property Types**

- 1-2 units
- Condo
  - See the Conforming chapter of the Client Guide and Condo-PUD Matrices for
    - Appraisal and warranty requirements
    - LTV/CLTV for Limited Review established attached condos
  - **Nevada**
    - **HOA dues for the subject unit must be current prior to closing**
    - **HOA may not be seller of the subject unit**
- Leasehold Estates
- Manufactured Homes
  - Max 95% LTV/CLTV
  - Properties located in Rhode Island are not eligible
  - Properties on a leasehold are not eligible
  - Multi-wide manufactured homes may be located in a condo or PUD project, subdivision or on an individual lot
    - Manufactured homes condo units must be in a Fannie Mae PERS approved condo project
  - Single-wide manufactured homes must be in a Fannie Mae PERS approved condo project or Fannie Mae PERS approved PUD project
  - The manufactured home must be classified and titled as real property.
  - ALTA 7 or state specific equivalent Title Endorsement is required.
  - Properties permanently installed on a site for less than 12 months are eligible only if borrower is the second purchaser of the property and the seller is not the builder-contractor or manufactured housing dealer who installed MH unit on site.
  - See the Conforming chapter of the Client Guide for complete LTV/CLTV calculations and other manufactured housing requirements.
- Off-frame Modular Housing
- Precut, Panelized Housing
- PUD

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	<ul style="list-style-type: none"> <li>• Nevada                             <ul style="list-style-type: none"> <li>• HOA dues for the subject unit must be current prior to closing</li> <li>• HOA may not be seller of the subject unit</li> </ul> </li> </ul> <p><b>Ineligible Property Types</b></p> <ul style="list-style-type: none"> <li>• 3-4 units</li> <li>• Condo Hotel</li> <li>• Co-op</li> <li>• On-frame Modular Housing</li> </ul> <p>See the Conforming chapter of the Client Guide for eligibility guidelines</p>									
<b>17. OCCUPANCY</b>	Primary Residence									
<b>18. GEOGRAPHIC LOCATIONS/ RESTRICTIONS</b>	<p><b>Ineligible States</b></p> <ul style="list-style-type: none"> <li>• New York                             <ul style="list-style-type: none"> <li>• Permitted only for Delegated Clients and Conditional Delegated Clients who underwrite and close loans in their own name. See Approval Authority section for limited eligibility</li> </ul> </li> <li>• West Virginia</li> </ul>									
<b>19. STATE SPECIFIC REQUIREMENTS</b>	The State Requirements are located in the Compliance Section, Chapter 2 of the Client Guide									
<b>20. ASSUMPTIONS</b>	Not permitted									
<b>21. ESCROW WAIVERS</b>	Not permitted									
<b>22. PREPAYMENT PENALTY</b>	None									
<b>23. APPROVAL AUTHORITY</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">Approval Authority</th> </tr> <tr> <th style="width: 33%;">Delegated</th> <th style="width: 33%;">Conditional Delegated</th> <th style="width: 33%;">Non-Delegated and Broker</th> </tr> </thead> <tbody> <tr> <td>                     Client has the following limited underwriting authority                     <ul style="list-style-type: none"> <li>• Individual loan amount &lt;= \$1 million eligible</li> <li>• ditech first and second liens: combined loan amount &lt;= \$1 million eligible</li> <li>• ditech first and other lender second liens: combined loan amount &lt;= \$1.25 million eligible</li> <li>• ditech total overall exposure with a borrower &lt;= \$1.5 million. Total overall exposure includes all ditech liens on all properties owned by the borrower</li> <li>• New York                             <ul style="list-style-type: none"> <li>• Individual loan amount &lt;= \$1 million eligible if Client is</li> </ul> </li> </ul> </td> <td>                     Client has the following limited underwriting authority                     <ul style="list-style-type: none"> <li>• DU Approve required</li> <li>• Individual loan amount &lt;=\$650,000 eligible with the following exceptions                             <ul style="list-style-type: none"> <li>• High-Balance/Super Conforming loan products not eligible</li> </ul> </li> <li>• ditech first and second liens: combined loan amount &lt;=\$650,000 eligible</li> <li>• ditech first and other lender second liens: combined loan amount &lt;= \$1 million eligible</li> <li>• ditech total overall exposure with a borrower &lt;= \$1 million. Total overall exposure includes all ditech liens on all properties owned by the borrower</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• All loans must be submitted to ditech</li> <li>• New York-Ineligible</li> </ul> </td> </tr> </tbody> </table>	Approval Authority			Delegated	Conditional Delegated	Non-Delegated and Broker	Client has the following limited underwriting authority <ul style="list-style-type: none"> <li>• Individual loan amount &lt;= \$1 million eligible</li> <li>• ditech first and second liens: combined loan amount &lt;= \$1 million eligible</li> <li>• ditech first and other lender second liens: combined loan amount &lt;= \$1.25 million eligible</li> <li>• ditech total overall exposure with a borrower &lt;= \$1.5 million. Total overall exposure includes all ditech liens on all properties owned by the borrower</li> <li>• New York                             <ul style="list-style-type: none"> <li>• Individual loan amount &lt;= \$1 million eligible if Client is</li> </ul> </li> </ul>	Client has the following limited underwriting authority <ul style="list-style-type: none"> <li>• DU Approve required</li> <li>• Individual loan amount &lt;=\$650,000 eligible with the following exceptions                             <ul style="list-style-type: none"> <li>• High-Balance/Super Conforming loan products not eligible</li> </ul> </li> <li>• ditech first and second liens: combined loan amount &lt;=\$650,000 eligible</li> <li>• ditech first and other lender second liens: combined loan amount &lt;= \$1 million eligible</li> <li>• ditech total overall exposure with a borrower &lt;= \$1 million. Total overall exposure includes all ditech liens on all properties owned by the borrower</li> </ul>	<ul style="list-style-type: none"> <li>• All loans must be submitted to ditech</li> <li>• New York-Ineligible</li> </ul>
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	<ul style="list-style-type: none"> <li>underwriting the loan.</li> <li>Individual loan amount &gt; \$1 million and all loans submitted to ditech for underwriting are ineligible</li> </ul>	<ul style="list-style-type: none"> <li>New York             <ul style="list-style-type: none"> <li>Individual loan amount &lt;= \$650,000 eligible if Client is underwriting the loan.</li> <li>Individual loan amount &gt; \$650,000 and all loans submitted to ditech for underwriting are ineligible</li> </ul> </li> </ul>							
<b>24. UNDERWRITING / AUS DECISIONS</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">All loans must be submitted to DU</th> </tr> <tr> <th style="text-align: center;">Acceptable</th> <th style="text-align: center;">Unacceptable</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> <li>DU Approve/Eligible</li> <li>DU-Maximum 4 borrowers for DU transactions</li> <li>Delegated Clients using DU Validation Services: Transactions are eligible with Approve/Eligible when using the Delegated Lender's Fannie Mae DU access. See the Conforming Chapter of the Client Guide for details.</li> </ul> </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> <li>DU Approve/Ineligible</li> <li>Refer with Caution</li> <li>Out of Scope</li> <li>Manual Underwrite</li> </ul> </td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Enter loans into DU using the "Additional Data" screen; select "Home Ready Mortgage" to obtain DU decision indicating eligibility for Home Ready Mortgage program</li> <li>DU findings must state that the loan casefile is eligible for delivery as a HomeReady mortgage loan.</li> </ul>			All loans must be submitted to DU		Acceptable	Unacceptable	<ul style="list-style-type: none"> <li>DU Approve/Eligible</li> <li>DU-Maximum 4 borrowers for DU transactions</li> <li>Delegated Clients using DU Validation Services: Transactions are eligible with Approve/Eligible when using the Delegated Lender's Fannie Mae DU access. See the Conforming Chapter of the Client Guide for details.</li> </ul>	<ul style="list-style-type: none"> <li>DU Approve/Ineligible</li> <li>Refer with Caution</li> <li>Out of Scope</li> <li>Manual Underwrite</li> </ul>
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<b>25. PROCESSING STYLES</b>	Standard								
<b>26. BORROWER ELIGIBILITY</b>	<p><b>Income Requirements</b></p> <ul style="list-style-type: none"> <li>Qualifying income from all borrowers who will be on the note must be included</li> <li>Only the income used to qualify the borrowers must be included in the income limits</li> </ul> <p><b>Income Limits</b></p> <ul style="list-style-type: none"> <li>No income limits for properties located in low-income census tracts, or</li> <li>100% of area median income (AMI)</li> <li>See <a href="#">Income Eligibility by Census Tract Lookup</a> to determine eligibility</li> </ul> <p><b>Permanent Resident</b></p> <ul style="list-style-type: none"> <li>See the Conforming chapter of the Client Guide for eligibility</li> </ul> <p><b>Non-Permanent Resident</b></p> <ul style="list-style-type: none"> <li>See the Conforming chapter of the Client Guide for eligibility</li> </ul>								

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	<p><b>Foreign Nationals</b></p> <ul style="list-style-type: none"> <li>Not permitted</li> </ul> <p><b>Trusts</b></p> <ul style="list-style-type: none"> <li>See the Conforming chapter of the Client Guide for eligibility</li> </ul>												
<b>27. CO-BORROWERS</b>	<p><b>Non-Occupant Co-Borrower</b></p> <ul style="list-style-type: none"> <li>DU Approve/Eligible – Maximum 95% LTV</li> <li>The income and liabilities of all borrowers must be used when determining the DTI ratio used for qualifying</li> </ul>												
<b>28. CREDIT</b>	<p><b>Credit Score Requirements</b></p> <ul style="list-style-type: none"> <li>See the LTV/CLTV Limitations section for minimum credit score requirements</li> <li>Non-traditional credit is not permitted unless the loan receives a DU Approve/Eligible</li> </ul> <p><b>Underwriting Borrowers without Traditional Credit</b></p> <ul style="list-style-type: none"> <li>DU Approve/Eligible             <ul style="list-style-type: none"> <li>DU will underwrite loans for the following:                 <ul style="list-style-type: none"> <li>No borrower has a credit score</li> <li>At least one borrower has no credit score and another borrower has a credit score</li> <li>Follow DU findings for Approve/Eligible loans</li> </ul> </li> </ul> </li> </ul> <p><b>Housing (Mortgage/Rental) Payment History (PITIA)</b></p> <ul style="list-style-type: none"> <li>Inclusive of all liens regardless of position</li> <li>DU Approve/Eligible – Evaluated by DU</li> </ul> <p><b>Significant Derogatory Credit</b></p> <ul style="list-style-type: none"> <li>See the Conforming chapter of the Client Guide for             <ul style="list-style-type: none"> <li>Bankruptcy</li> <li>Foreclosure</li> <li>Pre foreclosure</li> <li>Deed-in-lieu</li> <li>Short Payoff</li> </ul> </li> </ul>												
<b>29. ASSET/RESERVES</b>	<ul style="list-style-type: none"> <li>Minimum borrower investment from own funds must be met before other sources are permitted</li> </ul> <table border="1" style="margin-left: 20px; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="3" style="background-color: #e0e0e0;">Minimum Borrower Investment</th> </tr> <tr> <th style="background-color: #e0e0e0;"></th> <th style="background-color: #e0e0e0;">1 unit</th> <th style="background-color: #e0e0e0;">2 unit</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e0e0e0;"><b>Minimum Investment from Borrower's Own Funds</b></td> <td>None</td> <td>3%</td> </tr> <tr> <td style="background-color: #e0e0e0;"><b>Gifts Permitted</b></td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li><b>Cash on Hand</b> <ul style="list-style-type: none"> <li>Cash on hand may be used for the down payment and closing costs if the following is met:</li> </ul> </li> </ul>	Minimum Borrower Investment				1 unit	2 unit	<b>Minimum Investment from Borrower's Own Funds</b>	None	3%	<b>Gifts Permitted</b>	Yes	Yes
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	1 unit	2 unit											
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	<ul style="list-style-type: none"> <li>• One-unit primary residence</li> <li>• The borrower customarily uses cash for expenses and the amount of funds saved is consistent with the borrower's previous payment practices. An example for determining the reasonableness of the amount of funds saved would be through the use of an income and expense budget.</li> <li>• The borrower's credit report and other verifications indicate limited use of credit, or no depository relationship exists between the borrower and a financial institution.</li> <li>• The borrower must provide a written and signed statement that discloses the source of funds and states that the funds have not been borrowed.</li> <li>• Sufficient funds for down payment and closing costs must be deposited into a financial institution or an acceptable escrow account at time of application or no less than 30 days prior to closing.</li> <li>• The amount of cash on hand must be entered as "Cash on Hand" in the Assets section (Section VI) on the online loan application.</li> <li>• DU will use the "Cash on Hand" amount to calculate the available funds to close.</li> <li>• Cash on hand funds will not be used to calculate reserves.</li> </ul> <p><b>Seller Contributions</b></p> <ul style="list-style-type: none"> <li>• 3% for LTV/CLTV &gt; 90%             <ul style="list-style-type: none"> <li>• See the Fannie Mae REO section for LTV/CLTV &gt;90%</li> </ul> </li> <li>• 6% for LTV/CLTV &lt;= 90%</li> </ul> <p><b>Reserves</b></p> <ul style="list-style-type: none"> <li>• DU Approve/Eligible: Follow DU</li> <li>• Gift funds may be used to meet reserve requirements</li> </ul>
<b>30. EMPLOYMENT/INCOME</b>	<ul style="list-style-type: none"> <li>• DU Approve/Eligible: Follow DU</li> </ul> <p><b>Rental Income from Boarder</b></p> <ul style="list-style-type: none"> <li>• Income from a boarder (related or non-related) can be included in the calculation of the borrower's stable monthly income if the following are met:             <ul style="list-style-type: none"> <li>• One unit</li> <li>• The boarder must have resided with (and paid rent to) the borrower for the last 12 months.</li> <li>• Provide documentation to evidence residency with the borrower (i.e. copy of driver's license, monthly bills, bank statement that shows the boarder's address as being the same as the borrower's address)</li> <li>• Provide evidence of payment of rental payments (such as cancelled checks) to borrower for:                 <ul style="list-style-type: none"> <li>• last 12 months or</li> <li>• at least 9 of the most recent 12 months provided the rental income is averaged over a 12 month period</li> </ul> </li> <li>• Payment of rent by the boarder directly to a third party is not acceptable</li> <li>• The boarder will continue to reside with the borrower in the new residence</li> <li>• The amount of rental income may not exceed 30% of the total qualifying income for the mortgage-(if rental income exceeds 30%, reduce the amount of income to not more than 30% and use that figure for qualifying income and AMI limitations)</li> </ul> </li> </ul> <p><b>Rental Income from Accessory Unit</b></p> <ul style="list-style-type: none"> <li>• One- unit primary residence only</li> <li>• Purchase: Single Family Rent Schedule (Fannie Mae Form 1007) required</li> </ul>

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	<ul style="list-style-type: none"> <li>• Refinance:             <ul style="list-style-type: none"> <li>• Single Family Rent Schedule (Fannie Mae Form 1007) required</li> <li>• Lease agreement</li> <li>• Explanation for why the lease agreement is being used in lieu of Schedule E</li> </ul> </li> <li>• See the Conforming chapter of the Client Guide for rental income guidelines</li> </ul> <p><b>Form 4506-T</b></p> <ul style="list-style-type: none"> <li>• <b>Prior to Underwriting (for loans underwritten by ditech only)</b> <ul style="list-style-type: none"> <li>• 4506-T must be signed for each borrower whose income must be documented with tax returns and used for qualification (self-employment, rental income, income earned from commission, etc.).</li> </ul> </li> <li>• <b>At Closing (for all loans)</b> <ul style="list-style-type: none"> <li>• 4506-T for each borrower whose income is used to qualify (regardless of income type) must be signed at closing even if DU Validation Service waives the requirement.</li> <li>• 4506 –T for the business tax return transcript(s) must be signed at closing when the business returns are used for qualification even if DU Validation Service waives the requirement.</li> </ul> </li> <li>• See the Conforming chapter of the Client Guide for complete guidelines.</li> </ul>
<b>31. LIMITATIONS ON OTHER R.E. OWNED</b>	<p><b>Multiple Loans to the Same Borrower</b></p> <ul style="list-style-type: none"> <li>• DU Approve             <ul style="list-style-type: none"> <li>• New multiple loans must be underwritten simultaneously. See the Approval Authority section.</li> <li>• No limitation on number of financed properties</li> </ul> </li> </ul>
<b>32. FANNIE MAE REO</b>	<p>When the transaction is Fannie Mae REO using one of the following enhancements, the file must be clearly marked as Fannie Mae REO and an approved exception must be in the loan file for delivery purposes.</p> <ul style="list-style-type: none"> <li>• LTV/CLTV &gt;90% may have Seller Contributions up to 6% (rather than the 3%), and</li> <li>• Resale Restrictions             <ul style="list-style-type: none"> <li>• Fannie Mae REO resale restriction (property resold within 3 months of purchase) are eligible</li> </ul> </li> </ul>
<b>33. APPRAISAL REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• DU Approve/Eligible-Follow DU             <ul style="list-style-type: none"> <li>• Property Inspection Waiver (PIW)                 <ul style="list-style-type: none"> <li>• Must be dated within four months from the DU offer date to the note date</li> <li>• A PIW offer may not be exercised if an appraisal has already been obtained.</li> <li>• HPML loans not eligible for PIW</li> </ul> </li> </ul> </li> <li>• See the Conforming chapter of the Client Guide for complete requirements</li> </ul>
<b>34. MORTGAGE INSURANCE</b>	<ul style="list-style-type: none"> <li>• MI ordered by ditech</li> <li>• Lender Paid Disclosure Form must be provided to the borrower</li> <li>• NY State –Use the appraised value to determine if mortgage insurance is required. If Mortgage Insurance is required, use the lesser of the sales price or appraised value to determine the appropriate coverage.</li> </ul>

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**35. QUALIFIED MORTGAGE (QM) REBUTTABLE PRESUMPTION**

- A transaction is classified as Qualified Mortgage (QM) Rebuttable Presumption when the APR is greater than Average Prime Offer Rate (APOR) + 1.5%, which can be categorized as Higher Priced Covered Transaction (HPCT)
- Ditech employees refer to the Compliance Manual for a full description of Qualified Mortgage (QM) Rebuttable Presumption
- Residual income and corresponding reserve requirement must be documented based on the table below.

<b>RESIDUAL INCOME</b>	
Residual income is the qualified gross monthly income less the gross monthly debt. The debt and income used to calculate the DTI ratio should be used for the residual income evaluation per the base product guidelines.	
<b>Primary Residence</b>	
<b>If monthly residual income is</b>	<b>Then, the minimum reserves required are ...</b>
\$2500 or greater	No minimum reserves, comply with minimum reserves requirement for the base loan program.
>= \$800 < \$2500	The greater of: <ul style="list-style-type: none"> <li>• Three months liquid reserves OR</li> <li>• Minimum reserve for base loan program</li> </ul>
<\$800	Not Eligible

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### 36. SPECIAL REQUIREMENTS/ RESTRICTIONS

#### Pre-Purchase Homeownership Education

- **Must be completed prior to the Note date**
- Required for purchase transactions
- At least one borrower must complete pre-purchase homeownership education prior to the note date
- Documentation must be provided in the loan file that the borrower completed one of the two options below.
  1. **Framework**, an online program approved by Fannie Mae.
    - Online education may not be appropriate for all borrowers. If not, borrowers should call Framework's customer service, where they will be directed to a [HUD- approved counseling agency](#) for in-person classroom education or telephone conference call.
    - Certificate of completion evidencing homeownership education or counseling by an acceptable agency must be retained in the loan file.
    - Although one-on-one counseling is optional for HomeReady, Framework will offer borrowers a referral to a [HUD-approved counseling agency](#) for additional assistance.
  2. **Pre-purchase housing counseling and complete homeownership education from a HUD approved nonprofit housing counseling agency**
    - The borrower must receive both pre-purchase housing counseling and homeownership education that meets HUD's definitions ,as evidenced by a Certificate of Completion of Pre-purchase Housing Counseling ([Form 1017](#)), signed by both the counseling recipient and the HUD counselor.

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