

# **HFA Preferred**

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# Agenda

- Speaker Introductions
- General Overview
- HFA Preferred
- Desktop Underwriter
- Q&A

### How Fannie Mae Works with HFAs Today

- 13 HFAs Selling Directly
- 21 HFAs Selling Indirect (via a master servicer)
- HFA Preferred Product<sup>™</sup>
- Standard Guide Product also available

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#### HFA Preferred™

Fact Sheet

Overview: Fannie Mae's HFA Preferred enables eligible state Housing Finance Agencies (HFAs) to deliver loans with up to 97% loan-to-value (LTV) ratio with low mortgage insurance coverage requirements. HFA Preferred does not require minimum contribution from the borrower's own funds for one-unit properties and is ideal for borrowers with limited funds for down payment and closing costs and those needing extra flexibilities on credit, income sources, or access to special options.

PARAMETER	FANNIE MAE REQUIREMENT
Pricing Terms	No Loan Level Price Adjustments
Adverse Market Delivery Charge	Due at delivery (0.25%)
Eligible Products	Fully-amortizing (FA), Fixed Rate Mortgages (FRM) including MyCommunityMortgage® (MCM®) Mortgages and Freddie Mac Home Possible Mortgages (with approval): FA-FRM: Per Selling Guide with tems greater than 15 years but not exceeding the maximum tem permitted for MyCommunityMortgage®
Eligible Occupancy	Owner occupied
Eligible Purpose	Purchase, limited cash out refinances
Desktop Underwriter® (DU®)	HFA Preferred is available through DU using the "Additional Data" screen; select "HFA Preferred." A DU recommendation of Approve/Eligible is eligible for DU's Limited Waiver of reps and warrants. Qualifying ratios, reserves, and income requirements are determined by DU
Maximum LTV/CLTV (DU)	<ul> <li>One-unit: 97% / 105%</li> <li>2-4 units: 95% / 105%</li> </ul>
Manual Underwriting	Permitted. HFA may manually underwrite an HFA Preferred Mortgage even if such Mortgage was previously submitted to DU.
Manual Underwriting Criteria	Per the requirements of the <u>Eligibility Matrix</u> and any other terms required in the Selling Guide, including borrowers with non-traditional credit.
Minimum Borrower Contribution	<ul><li>One-unit: \$0</li><li>2-4 units: 3%</li></ul>
Subordinate Financing	Community Seconds <sup>®</sup> only
Eligible Property Types	<ul><li> 1-4 unit dwellings</li><li> Planned Unit Developments</li></ul>

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## **HFAs Continue to Deliver 97% LTV's**

- Refer to DU Version 9.1 Release Notes
- HFAs bring other valuable attributes
  - HFAs employ a careful, high-touch, mission-motivated approach to consumers from application through the life of the loan
  - Support of home buyer education
  - Down payment assistance
- Maintaining strong loan performance remains essential to a successful 97% LTV program



HFAs are the only origination channel with access to 97% LTV (Effective Nov 2013)

# Ability to Repay (ATR)

- Refer to Lender Letter LL-2013-07
- Qualified mortgage sold to Fannie Mae must:
  - Have a fully amortizing payment (FR or ARM)
  - Have a term of 30 years or less
  - Points and fees not in excess of 5% of the loan amount
- Examples of loans exempt from ATR:
  - Investor loans
  - Reverse mortgages
  - HFAs and non-profits



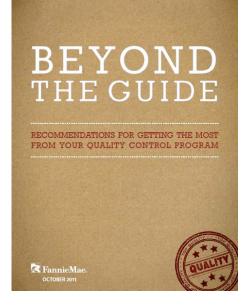
Not Intended as Legal Advice

# **Quality Control – At A Glance**

- Fannie Mae expects our lenders to have strong quality control (QC) practices throughout the mortgage loan life cycle.
- QC requirements and strategy as expressed in:
  - Selling Guide

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- Beyond the Guide
- QC Self Assessment Worksheet
- Additional online training available:
  - HFI Spotlight free interactive live web seminars
  - HFI In-Depth live virtual classroom





### What is HFA Preferred?

- Fannie Mae's flagship affordable lending product available exclusively through state Housing Finance Agencies (HFA)
- Meets the needs of low and moderate income homebuyers
  - First time and other eligible homebuyers with limited funds for down payment and closing costs
- Borrower eligibility requirements
  - Income Limits
  - Homebuyer Education is required
    - DSHA will accept any HUD approved pre-purchase education curriculum including both face to face or online
    - When utilizing DSHA SMAL down payment assistance, all borrowers must complete the HUD Approved Homebuyer Education Certificate.

#### **Product Overview**

- Streamlined pricing with no LLPAs
- Up to 97% LTV and 105% CLTV (with Community Seconds<sup>™</sup>) subject to MI company parameters
- 30 Year Fixed, Owner Occupied Purchase Transaction Only
- May not own any other real estate at the time of closing
- Flexible sources of funds for down payment and closing costs
- Homebuyer Education required; when utilizing DSHA SMAL down payment assistance, HBE is required for all borrowers
- Manual underwriting allowed for LTV < 95% (Eligibility Matrix)</p>
- Non-traditional forms of credit accepted
- DU Findings must result in an Approve/Eligible

HFA Preferred is a variance to our MyCommunityMortgage (MCM) product, refer to the MCM sections of the Selling Guide (refer to section B5-6) when reviewing Fannie Mae's eligibility and underwriting requirements.

\*This report is based on terms and conditions in the Fannie Mae Selling Guide which may change from time to time.

### **MI Coverage**

Charter minimum on HFA Preferred Offering	Standard Guide Loans Coverage	MI Structures Permitted (Per Selling Guide*)	
• 18% - 95.01-97% LTV	<del>- 35% - 95.01 97% LTV*</del> *	<ul> <li>Borrower Paid MI Monthly or Upfront and Split Premium</li> </ul>	
• 16% - 90.01-95% LTV	• 30% - 90.01-95% LTV	Seller Paid	
• 12% - 85.01-90% LTV	• 25% - 85.01-90% LTV	Financed Single Premium	
• 6% - 80.01-85% LTV	• 12% - 80.01-85% LTV	(97% Max LTV)	

\*Refer to Selling Guide Section: B7-1

\*\*Standard Guide product for 95.01% - 97% LTV is no longer accepted by Fannie Mae

#### Multiple MI options with low mortgage insurance coverage requirements

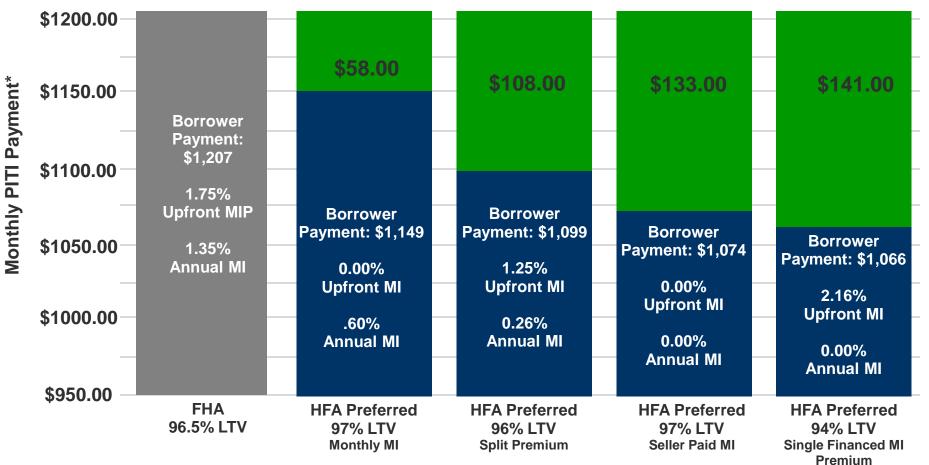
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### **Borrower Payment**

= Borrower Payment Savings vs. FHA

= HFA Preferred Payment

\$1250.00-



Assumptions: \$155,000 Sales Price, 720 FICO, FHA rate: 3.875%, HFA Preferred rate: 4.375%, Monthly PITI assumes \$323.00 T&I



# **Eligibility Matrix**

MyCommunityMortgage – Manual Underwriting (General Ioan limits)						
			Maximum	DTI <u>&lt;</u> 36%	Maximum	DTI <u>&lt;</u> 45%
Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV	Credit Score/LTV	Minimum Reserves	Credit Score/LTV	Minimum Reserves
Principal Residence						
Purchase	1 Unit	FRM: 95%	680	0	700	0
	2-4 Units	FRM: 95%	700	2	720	2



### **Quick Reference**

HFA Preferred (Product Features)			
Max LTV/CLTV	• 97% / 105% (1 Unit)		
	• 95% / 105% (1- 4 Units)		
Primary MI	Charter Minimum		
Minimum Borrower Contribution	One-unit: \$0		
	2 - 4 units: 3%		
Max Loan Term	30 Year Fixed		
Minimum FICO	LTV: < than 95% FICO: 640		
	LTV: 95.01% LTV Up to 97% FICO: 680		
	(DSHA FICO Requirements)		
Required Special Feature Codes	358 HFA Preferred		
Other Commonly Used Special Feature	118 Community Seconds		
Codes (As Applicable)*	127 or 214 DU		

HFA may also be subject to MI company or master servicer parameters

\*Any applicable special feature code per the Selling Guide is required



#### **Desktop Underwriter Updates**

- DU Release Notes Version 9.1\* (Updated October 22, 2013)
- DU now includes HFA Preferred offerings/eligibility criteria in the Community Lending Section
- Differentiation of DU Risk Assessment treatment for loans with Community Seconds



\*Refer to page 5 - LTV/CLTV/HCLTV Ratio Cap Lowered to 95% Announcement/Update

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### **Quick Steps – How to Enter an HFA Preferred Loan**

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#### Entering the data for an HFA Preferred loan

Tip: To print this document, click i (Print). To get a closer look at a screen, click S. (Zoom In) in the toolbar.

This document shows you how to enter the data for a Fannie Mae HFA Preferred<sup>TM</sup> loan. This document is not intended to provide detailed instructions for entering 1003 data in Desktop Originator<sup>®</sup>/ Desktop Underwriter<sup>®</sup> (DO<sup>®</sup>/DU<sup>®</sup>), but rather to explain the specific steps for entering the data needed for an HFA Preferred Ioan.

Note: Lenders must be approved to deliver HFA Preferred loans to Fannie Mae. For details on HFA Preferred loans, lenders should contact their state Housing Finance Agency (HFA) to determine if they are offering HFA Preferred loans; and mortgage brokers should contact their DO sponsoring wholesale lender.

The first step assumes that you have already logged in to DO/DU and you are in the casefile you want to submit as a HFA Preferred loan.

Step	Screen	
<ol> <li>Click Additional Data in the navigation bar.</li> </ol>	Quick 1003 Borower Information 'Types, Terms & Property Employment Information Income & Housing Assets Liabilities Declarations Additional Data Submission Full 1003 Link to Underwriting Guides	
2. The Additional Data screen opens. Locate the Community Lending Information section.	Out 100 - Instance monitories - Status, final Marchine - Status, final Marchine	

#### Step

- 3. Take the following steps:
  - Select HFA Preferred in the Community Lending Product field.
  - b. If you are using a Community Seconds<sup>®</sup> mortgage, select Yes in the Community Seconds field. Otherwise, select No.
  - c. If you are using a Community Seconds mortgage, you must select the appropriate option from the Community Seconds Repayment Structure drop-down list.
- When you are finished entering the necessary data for HFA Preferred and other required fields on the Additional Data page, click Submit

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## **In Summary**

- Borrowers benefit from flexible MI options
- HFA Preferred product selection available in DU
- Online resources available on <a href="https://www.fanniemae.com/singlefamily/index">https://www.fanniemae.com/singlefamily/index</a>

