



# Home Ready Guideline

Revision: December 22, 2016 (Product Information Center, 800-520-5626, [www.rightstartmortgage.com](http://www.rightstartmortgage.com))

HomeReady is a new Fannie Mae program replacing MyCommunityMortgage. HomeReady serves low-to moderate-income borrowers, with expanded eligibility for financing homes in designated low-income, minority, and disaster-impacted communities.

**(Purchase & Rate/Term Refinances) - Fannie Mae DU**

Occupancy LTV, CLTV, FICO	Owner Occupied		
	TERMS	Max LTV	Min FICO
1 Unit	FIXED	97%	680
	ARM	NOT PERMITTED	
1 Unit	FIXED	95%	620
	ARM	90%	
2 Units	FIXED	80%	620
	ARM	75%	
3-4 Units	FIXED	75%	620
	ARM	NOT PERMITTED	
<ul style="list-style-type: none"> <li>• 97% only allowed on purchase transaction</li> <li>• 97% only allowed on 1 unit</li> <li>• 97% only does not allow non-occupant borrowers</li> <li>• No subordination allowed</li> </ul>			



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<b>ARM Information</b>	For 5/1 ARM: <u>Index</u> : 1 YR Libor <u>Caps</u> : 2% initial adjust. 2% per adjust. ,thereafter, 5% Life <u>Floor</u> : Margin <u>Margin</u> : 2.25%															
<b>Rate at Adjustment</b>	On 5/1 ARM, the initial note rate is in effect for 60 months; the first interest adjustment is calculated by the lower of Index plus Margin or initial Rate plus 2% and is subject to Life Cap of 5% plus Initial Rate if Index plus margin. Thereafter, a 2% annual adjustment cap begins with the second adjustment.															
<b>Products/Terms</b>	Fixed Rate (30-Year) Fixed period LIBOR ARMs with 30-year term (5/1).  Texas Section 50(a)(7=6) is negligible															
<b>Higher Priced Mortgage Loans</b>	<u>Not permitted</u>															
<b>Buy Down</b>	<u>Not permitted</u>															
<b>Borrower Qualification</b>	Fixed Rate: Borrow is qualified at the Note rate. <u>7/1 and 10/1 ARMs</u> : Qualify at the greater of the Note rate or the fully indexed rate. <u>5/1 ARMs</u> : Qualify at the higher of the note rate +2% or the fully indexed rate.															
<b>Mortgage Insurance</b>	The following coverage is required for all fully-amortizing products, regardless of DU Findings: <table border="1" data-bbox="737 891 1776 1081" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;">Mortgage Insurance Coverage Requirements</th> </tr> <tr> <th style="text-align: center;">LTV</th> <th style="text-align: center;">Fixed Rate &gt; 20 years and ALL ARM's</th> <th style="text-align: center;">Fixed Rate &lt; 20 years</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">97% - 90.01%</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> <tr> <td style="text-align: center;">90% - 85.01%</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">12%</td> </tr> <tr> <td style="text-align: center;">85% - 80.01%</td> <td style="text-align: center;">12%</td> <td style="text-align: center;">6%</td> </tr> </tbody> </table> <p>Financed MI and the Custom MI Flexible Mortgage Insurance Option (where a fee is required) is not permitted.</p>	Mortgage Insurance Coverage Requirements			LTV	Fixed Rate > 20 years and ALL ARM's	Fixed Rate < 20 years	97% - 90.01%	25%	25%	90% - 85.01%	25%	12%	85% - 80.01%	12%	6%
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<b>Maximum Loan Amount</b>	Minimum Loan Amount is \$75,000.00 and only for conforming loan amount not agency jumbo <table border="1" data-bbox="596 1224 1241 1313" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2" style="text-align: center;">Units</th> <th style="text-align: center;">Continental Us</th> <th style="text-align: center;">Hawaii</th> </tr> <tr> <th colspan="2" style="text-align: center;">Maximum Loan Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">One</td> <td style="text-align: center;">\$424,100</td> <td style="text-align: center;">\$636,150</td> </tr> </tbody> </table>	Units	Continental Us	Hawaii	Maximum Loan Amount		One	\$424,100	\$636,150							
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	Two	\$543,000	\$814,500
	Three	\$656,350	\$984,525
	Four	\$815,650	\$1,223,475
<b>Underwriting Method</b>	Loans must be underwritten through Desktop Underwriter® (DU®) Loans must receive a DU “Approve/Eligible” DU recommendation of Approve/Eligible required.		
<b>Prepayment Penalty</b>	None		
<b>Occupancy</b>	Primary Residence		
<b>Minimum Borrower Contributions</b>	1 unit: 0% 2-4 unit: 3%		
<b>Reserves</b>	Must come from borrower own funds if required.		
<b>Eligible Borrowers</b>	US Citizens; Permanent Resident Aliens; Non-Permanent Resident Aliens allowed with required VISAs); Revocable Trust; Must have valid Social Security Number; Maximum of 4 borrowers per loan application are allowed  Non-Permanent Required VISAs: A series (A-1, A-2, A-3), E-1 and E2, G Series (G-1, G-2, G-3, G-4, G-5), H-1 (includes H-1B and H-1C), L-1, O-1A, O-1B, O-2, TN NAFTA for Canadian and Mexican Citizens, TC, NAFTA for Canadian citizens for professional or business purpose.		
<b>Property Types</b>	<ul style="list-style-type: none"> <li>• Condo, PUD, SFR, 2-4 Units (excludes manufactured homes, co-ops, condo hotels, leasehold condos, mixed used, agricultural zoning, acreage greater than 10)</li> <li>• Condo complex with 4 or less units require that at least 3 out of 4 are owner occupied properties.</li> <li>• Owner occupancy requirement for condos is no longer applicable for owner occupied.</li> </ul>		
<b>Qualifying Ratios</b>	Maximum qualifying ratio: 50% (Subject to AUS approval and use of income)		
<b>Credit</b>	<ul style="list-style-type: none"> <li>• Non-traditional credit NOT allowed.</li> <li>• Minimum credit score(s): Minimum required per LTV/CLTV grid</li> <li>• DU Approve/Eligible</li> </ul> <p>General Credit Guidelines  <u>Mortgage lates</u>: DU findings. **only 1x30 allowed in the last 12 months**  <u>Chapter 7 or 11 Bankruptcy</u>: 4 years have elapsed since the discharge or dismissal date to the Application date  <u>Chapter 13 Bankruptcy</u>: 2 years have elapsed since discharge date to the Application date; 4 years have elapsed since dismissal date to the Application Date</p>		



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	<p><u>Short Sale, “Settled for Less”, Deed-in-lieu of foreclosure, Pre-foreclosure:</u> with AUS approval- 4 years waiting period (base on Credit report Date) is required. 2 years waiting period (base on Credit Report Date) is acceptable if reason was due to extenuating circumstances as per agency guidelines. Extenuating circumstances must be explained with adequate supporting documentation</p> <p><u>Foreclosure:</u> 7 years waiting period is required from completion date to the Application date</p> <ul style="list-style-type: none"> <li>• Borrower with multiple BK filings: 60 months since most recent discharged / dismissal</li> <li>• Mortgages with previous modifications or restructured loans on subject property- 24 month satisfactory Payment record required after the date of the recorded modification, and AUS approval.</li> </ul>													
Borrower Income Eligibility Limit	<table border="1"> <tr> <td data-bbox="592 662 1276 688">Borrower Income Eligibility Limit</td> <td data-bbox="1281 662 1963 688">Area</td> </tr> <tr> <td data-bbox="592 691 1276 717">No Income Limit</td> <td data-bbox="1281 691 1963 717">Properties in low-income census tracts</td> </tr> <tr> <td data-bbox="592 721 1276 747">100% of area median income</td> <td data-bbox="1281 721 1963 747">All other properties</td> </tr> <tr> <td colspan="2" data-bbox="592 750 1963 792">To check to see if income eligibility area go to <a href="https://www.fanniemae.com/singlefamily/homeready">https://www.fanniemae.com/singlefamily/homeready</a></td> </tr> </table>		Borrower Income Eligibility Limit	Area	No Income Limit	Properties in low-income census tracts	100% of area median income	All other properties	To check to see if income eligibility area go to <a href="https://www.fanniemae.com/singlefamily/homeready">https://www.fanniemae.com/singlefamily/homeready</a>					
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Non-Borrower Household Income Requirements	<ul style="list-style-type: none"> <li>• Considered as a compensating factor to allow a DTI ratio greater than 45%, up to 50%</li> <li>• Not included as qualifying income, and does not impact the DTI ratio used in the risk assessment or displayed on the AUS Findings.</li> <li>• The non-borrower household member IS NOT REQUIRED TO BE A FAMILY MEMBER.</li> <li>• The non-borrower’s income must be at least 30% of the total monthly qualifying income being used by the borrow - 30% could be reached by an aggregate of more than one person up to 3 and not to exceed combined total of 4 borrowers on one loan.</li> <li>• The non-borrower income must be documented in accordance with standard Fannie Mae Selling Guideline policy based on the income type.</li> <li>• There must be signed statement of intent for the non-borrower to reside with the borrower for a minimum of 12 months. (Fannie Mae provides optional Form 1019 for this purpose)</li> <li>• Must be reflected in DU as Other Income Type of “Non-Borrower Household Income”.</li> </ul> <table border="1" data-bbox="646 1182 1963 1403"> <thead> <tr> <th colspan="3" data-bbox="646 1182 1963 1208">Example of non-borrower household income sample scenario</th> </tr> </thead> <tbody> <tr> <td data-bbox="646 1211 1083 1237">Borrowers income \$6,000 / month</td> <td data-bbox="1087 1211 1516 1237">Borrower’s Liabilities \$2,820 month</td> <td data-bbox="1520 1211 1963 1295">= DTI Ratio \$2,820 / \$6,000 = 47% <b>NOT ELIGIBLE</b></td> </tr> <tr> <td data-bbox="646 1295 1083 1380">Existence of \$2,000 month in non-borrower household income (33.33% of the borrower’s qualifying income)</td> <td data-bbox="1087 1295 1516 1380"></td> <td data-bbox="1520 1295 1963 1380"></td> </tr> <tr> <td colspan="2" data-bbox="646 1383 1516 1409"></td> <td data-bbox="1520 1383 1963 1409">= DTI Ratio Remains the same</td> </tr> </tbody> </table>		Example of non-borrower household income sample scenario			Borrowers income \$6,000 / month	Borrower’s Liabilities \$2,820 month	= DTI Ratio \$2,820 / \$6,000 = 47% <b>NOT ELIGIBLE</b>	Existence of \$2,000 month in non-borrower household income (33.33% of the borrower’s qualifying income)					= DTI Ratio Remains the same
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Non-Occupant Borrowers	<p>The consideration of a non-occupant borrower's income, assets, credits and liabilities permitted for qualifying:</p> <ul style="list-style-type: none"> <li>• DU: maximum 95%LTV</li> </ul> <p>Income is considered part of qualifying income and subject to HomeReady income limits</p> <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="3">Example of Non-Occupant borrower sample scenario</th> </tr> </thead> <tbody> <tr> <td>Borrowers income \$6,000 / month</td> <td>Borrower's Liabilities \$3,060 month</td> <td>= DTI Ratio <math>\\$3,060 / \\$6,000 = 51\%</math> <b>NOT ELIGIBLE</b></td> </tr> <tr> <td>Non-Occupant income of \$9,000 / month</td> <td>Non-Occupant Borrower's Liabilities \$2,700 month</td> <td></td> </tr> <tr> <td>TOTAL \$15,000 / month</td> <td>\$5,760 / month</td> <td>= DTI Ratio <math>\\$5,760 / \\$15,000 = 38.40\%</math> <b>ELIGIBLE</b></td> </tr> </tbody> </table>					Example of Non-Occupant borrower sample scenario			Borrowers income \$6,000 / month	Borrower's Liabilities \$3,060 month	= DTI Ratio $\$3,060 / \$6,000 = 51\%$ <b>NOT ELIGIBLE</b>	Non-Occupant income of \$9,000 / month	Non-Occupant Borrower's Liabilities \$2,700 month		TOTAL \$15,000 / month	\$5,760 / month	= DTI Ratio $\$5,760 / \$15,000 = 38.40\%$ <b>ELIGIBLE</b>
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Difference between a Non-occupant borrower and a Non-Borrower Household Member?		Is the person on the loan?	Lives in the Home?	Income Included in qualifying income?	Must meet income eligibility requirements?												
	Non-Occupant Borrower	YES	NO	YES	YES												
	Non-Borrower Household Member	NO	YES	NO	NO												
Boarder Income	<p>Borrower Income Requirements:</p> <p>Boarder income (relatives or non-relatives) for HomeReady is permitted as qualifying income if the eligibility guidelines are met as outline below:</p> <ul style="list-style-type: none"> <li>• 1 unit properties only, including Condo, and PUD's.</li> <li>• 15 and 30 year fixed rate products only. ARMS not permitted.</li> <li>• Must have resided with the borrower for the most recent 12 months.</li> </ul>																



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- Does not exceed 30% of the total gross income used to qualify for the Mortgage.
- Rent must be averaged over 12 full months.
- Boarders may not be obligated to the Note.

**NOTE:** Rental income for accessory dwelling units may be considered in qualifying the borrower but must follow the Rental Income Guidelines

**Documentation Requirements:**

- Documentation for at least 9 of the most recent 12 months’ rents received by the borrower is required. (i.e. copies of cancelled chekcs or bank statements).
- Documentation of shared residency for the past 12 months is required (i.e. copy of a driver’s license, bill, bank statement, etc. that shows the address of that person to be the same as the borrower’s address).
- Rents received from Boarder Income must be reported on the eligible borrowers most recent tax returns for a HomeReady loan being booked to the CRA Portfolio Sub-allocation.
- The amount used to qualify must be entered as “Boarder Income”. If the field is not available on the AUS enter as “other” income. DU will drop the standard conditions and findings for the type of income selected.

**NOTE:** If any of the required documentation cannot be provided, the income may not be used as qualifying income and may only be considered as a compensating factor.

Example of Boarder Income sample scenario		
Borrowers income \$6,000 / month	Borrower’s Liabilities \$2,820 / month	= DTI Ratio \$2,820 / \$6,000 = 47% <b>NOT ELIGIBLE</b>
Rental Income from the Boarder \$312.50 / month		
<b>TOTAL = \$6312.50 / month</b>	\$2,820 / month	= DTI Ratio \$2,820 / \$6312.50 = 44.67% <b>ELIGIBLE</b>

**Rental Income**

[Fannie Mae Form 216](#) (Operating Income Statement) is required on all 2-4 unit properties, regardless of whether the income is needed to qualify. Rental income is calculated from the subject property’s gross rental figure provided by the appraiser using the lesser of 75% for a 2-unit property, and 65% for a 3-5 unit property, of the actual or projected rent. The rental income is added to the gross qualifying income.



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	<p><b>Accessory Dwelling Units:</b> Rental income may be considered in qualifying the borrower per rental income guidelines.</p> <p><b>NOTE:</b> Not permitted on 97% financing</p>
Assets	<p>Allowable Assets for down payment and closing:</p> <ul style="list-style-type: none"> <li>• Checking</li> <li>• Saving</li> <li>• 401K (vested 100%) - 60% of value or over 70% if over 59 ½ years old *100% can be used for <u>reserve</u> if the funds are composed of stocks, stock options, bonds and mutual funds</li> <li>• Stock - 100% of stock value</li> <li>• Business Funds - must own the company 100%</li> <li>• Life Insurance - 100% of cash value</li> <li>• Government Bonds - 70% of redemption value</li> </ul>
Cash Out Transaction	Not permitted
Student Loan	<p>For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must include a monthly payment in the borrower’s recurring monthly debt obligation when qualifying the borrower. The lender must use one of the options below to determine the repayment amount:</p> <ul style="list-style-type: none"> <li>• 1% of the outstanding balance;</li> <li>• the actual payment that will fully amortize the loan(s) as documented in the credit report, by the student loan lender, or in the documentation supplied by the borrower;</li> <li>• a calculated payment that will fully amortize the loan(s) based on the documented loan repayment terms; or</li> <li>• if the repayment terms are unknown, a calculated payment that will fully amortize the loan(s) based on the current prevailing student loan interest rate and the allowable repayment period shown in the table below.</li> </ul> <p>The “current prevailing student loan interest rate” can be found on a variety of websites. For example, see U.S. Department of Education Federal Student Aid in <a href="#">E-1-03, List of Contacts</a>.</p> <p>The following table specifies the repayment period to be used when calculating a fully amortizing payment.</p>



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Calculating a Student Loan Repayment															
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Total outstanding balance of all student loans</th> <th style="text-align: left;">Repayment Period</th> </tr> </thead> <tbody> <tr> <td>\$1 – \$7,499</td> <td>10 years</td> </tr> <tr> <td>\$7,500 – \$9,999</td> <td>12 years</td> </tr> <tr> <td>\$10,000 – \$19,999</td> <td>15 years</td> </tr> <tr> <td>\$20,000 – \$39,999</td> <td>20 years</td> </tr> <tr> <td>\$40,000 – \$59,999</td> <td>25 years</td> </tr> <tr> <td>\$60,000 +</td> <td>30 years</td> </tr> </tbody> </table> <p><b>Note:</b> The lender is responsible for determining that the payment on the credit report or other documents provided by the student loan lender or borrower are fully amortizing payments.</p> <p><b>Example: Calculating an Amortizing Payment</b></p> <p>Balance: \$17,500</p> <p>Repayment period: 15 years</p> <p>Interest rate: 4.29%</p> <p>Monthly Amortizing Payment: \$132.00</p>	Total outstanding balance of all student loans	Repayment Period	\$1 – \$7,499	10 years	\$7,500 – \$9,999	12 years	\$10,000 – \$19,999	15 years	\$20,000 – \$39,999	20 years	\$40,000 – \$59,999	25 years	\$60,000 +	30 years
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Two to Four Unit Condo Project	Requires 3 out of 4 to be owner occupied.														
Property Flipping	Properties owned less than 1 year and the value increased by more than 30%														





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	<ul style="list-style-type: none"> <li>• A field review may be required if <math>\geq 30\%</math> appreciation within 90 days of loan application.</li> <li>• The increase in value must be supported by documented improvements.</li> <li>• The new purchase must be an Arm-Length Transaction.</li> </ul>								
Maximum Number of Financed Properties	<ul style="list-style-type: none"> <li>• Primary Residence: up to 10 financed properties including the owner occupied property</li> </ul> <p><b>NOTE:</b> <u>Lender Overlay:</u> The max number of properties a borrower can own is 15.</p>								
Recently Listed Properties	<ul style="list-style-type: none"> <li>• Properties that were listed for sale must have been taken off the market at least one day before the application date</li> <li>• For refinance R&amp;T, it's limited to 80% LTV/CLTV (or less if mandated by the specific product, occupancy, or property type)</li> </ul>								
Delayed Financing	Not Allowed								
Limited Review for Condos	<ul style="list-style-type: none"> <li>• Please refer to Agency guideline for reduced LTV's for restricted states such as Florida.</li> <li>• If a condo is in litigation and litigation is approved, it's always subject to full review regardless of AUS findings.</li> </ul> <p>LIMITED REVIEW PARAMETERS</p> <p><b>Maximum LTV/CLTV/HCLTV:</b> The maximum LTV/CLTV/HCLTV is dependent upon the method by which the loan is evaluated and decision as well as where the property is geographically located <b>Approve/Eligible Loans</b></p> <ul style="list-style-type: none"> <li>• Primary Residence: 90%/90%/90% (<b>75% / 75% / 75% for Florida properties</b>)</li> </ul>								
Interested Party Contributions	<p>The amount of the contribution made by an interested party is based on the LTV/CLTV of the mortgage.</p> <table border="1"> <thead> <tr> <th colspan="2">Maximum Contribution Limits</th> </tr> </thead> <tbody> <tr> <td>LTV/CLTV 90.01% - 100%</td> <td>3%</td> </tr> <tr> <td>LTV/CLTV 75.01 - 90%</td> <td>6%</td> </tr> <tr> <td>LTV/CLTV <math>\leq 75\%</math></td> <td>9%</td> </tr> </tbody> </table>	Maximum Contribution Limits		LTV/CLTV 90.01% - 100%	3%	LTV/CLTV 75.01 - 90%	6%	LTV/CLTV $\leq 75\%$	9%
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LTV/CLTV $\leq 75\%$	9%								



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<p>HomeBuyer Education</p>	<p>Fannie Mae believes that high-quality homeownership education and housing counseling can provide the borrower with the additional information and resources to make informed decisions that support long-term homeownership.</p> <p>Homebuyer education is required prior to the Note date for at least one borrower on all Purchase transactions. There are now three options for borrowers to meet the pre-purchase homeownership education requirements as described below.</p> <ul style="list-style-type: none"> <li>• <b>Option 1:</b> May be provided through <u>Framework</u>, an online program approved by Fannie Mae. <a href="https://www.fanniemae.com/singlefamily/homeready">https://www.fanniemae.com/singlefamily/homeready</a> <ul style="list-style-type: none"> <li>• \$75 fee paid by the borrower to <u>Framework</u> for a simple, accessible online program with email support 7 days a week.</li> <li>• Homebuyer Education certificate must be retained in the mortgage file</li> <li>• Although one-on-one counseling is optional for HomeReady, <u>Framework</u> will offer borrowers a referral to a HUD-approved counseling agency for additional assistance. Borrowers also have the option to consult a counselor of their choice.</li> </ul> </li> </ul> <p>Online education may not be appropriate for all potential home buyers. The presence of a disability, lack of internet access, and other issues may indicate that a consumer is better served through other education modes. (i.e. in-person classroom education, telephone conference call, etc). In these situations, consumers should be directed to Framework’s toll-free customer service line, from which they can be directed to a HUD-approved counseling agency that can meet their needs. Framework will register the consumer for potential post-purchase support. The counseling agency that handles the referral must provide a certificate of completion, and the lender must retain a copy of the certificate in the loan file.</p> <p><b>Option 2:</b> Pre-purchase housing counseling and complete homeownership education from a HUD-approved non-profit housing counseling agency.</p> <ul style="list-style-type: none"> <li>• Definitions, as evidence by a Certificate of Completion of Prepurchase Housing Counseling (<a href="https://www.fanniemae.com/content/guide_form/1017.pdf">Fannie Mae Form 1017</a>), signed by both the counseling recipient and the HUD counselor. The form can be accessed at: <a href="https://www.fanniemae.com/content/guide_form/1017.pdf">https://www.fanniemae.com/content/guide_form/1017.pdf</a></li> </ul>
<p>Landlord Education</p>	<p>Not required.</p>