

Property Defined as One-Unit with Accessory Unit Only (Multiple Units are not Permitted)

PROGRAM	ALLOWED	REQUIREMENTS	APPRAISAL & RENTAL INCOME	SFC
Prime & Prime+ Non-Owner Prime (Non-DSCR)	Yes	If Limited or No History of Rental Income - Income must not exceed 30% of total monthly effective income used to qualify the Borrower	An Appraisal to include 1 closed comp with ADU rented along with Form 1007 to include 3 Rental Comps. At least 1 rental comp to be a rented ADU, the other 2 must support market rent similar to ADU	
			Purchase - Long term lease must be supplied if being transferred in transaction, and may be used to determine rental income, when available along with Appraisal. <i>The lower of the current lease or 1007 will be used at 75% of qualifying rent</i>	
			Refinance - A copy of long term lease. <i>If Full Doc, Schedule E Rental Analysis Required to be used. Follow standard Schedule E rental requirement</i>	
Purchase & Refinance Primary Residence Only				
Non Owner Prime & Prime+ DSCR All DSCR Transactions	No	N/A	N/A	
Prime - 2nd - All Transactions	No	N/A	N/A	
No Ratio Purchase & Refinance	Yes*	*Purchase of Owner Occupied/2nd Home Income is not eligible	Appraisal to reflect legal unit, and minimum of 1 comp with ADU along with 1007 to support market rent comparable to ADU	
			Purchase - Long term lease must be supplied if being transferred in transaction, and may be used to determine rental income, when available along with Appraisal. <i>The lower of the current lease or 1007 will be used</i>	
		*Purchase of Non-Owner Occupied- Eligible,	Refinance - The market rent documented on 1007 and a copy of the current lease agreement with 2 months proof of current receipt	
Fannie Mae Purchase Rate & Term Refinance Only	Yes*	*Only available on HomeReady	An Appraisal to include 1 closed comp with ADU rented along with Form 1007 to include 3 Rental Comps. If appraiser is unable to find ADU rentals, non-ADU rentals must support market rent similar to ADU	900
			Purchase - Long term lease must be supplied if being transferred in transaction, and may be used to determine rental income, when available along with Appraisal. <i>The lower of the current lease or 1007 will be used at 75% of qualifying rent</i>	
			Refinance - A copy of current long term lease. <i>Use Schedule E valuations for net rental income. Follow standard Schedule E rental income requirements</i>	
ITIN - All Transactions	No	Ineligible Property Type	N/A	

PROGRAM	ALLOWED	REQUIREMENTS	APPRAISAL & RENTAL INCOME	SFC
FHA Purchase Rate & Term - Cash-Out Refinance	Yes	Purchase & Refinance - 2 Months Reserves Required	Appraisal and 1007 showing fair market rent, and if available, the prospective lease Purchase - Long term lease must be supplied if being transferred in transaction, and may be used to determine rental income, when available along with Appraisal. <i>The lower of the current lease or 1007 will be used at 75% of qualifying rent</i>	
		If Limited or No History of Rental Income - Income must not exceed 30% of total monthly effective income used to qualify the Borrower	Refinance - A copy of current long term lease. <i>Use Schedule E caluations for net rental income. Follow standard Schedule E rental income requirements</i>	
Freddie Mac Purchase Rate & Term Refinance Only	Yes	Purchase - At least 1 borrower must participate in landlord education unless the borrower has:	An Appraisal to include 1 closed comp with ADU rented along with Form 1007 to include 3 Rental Comps. At least 1 rental comp to be a rented ADU, the other 2 must support market rent similar to ADU	J66
		A minimum of 1 year investment property management experience OR ADU rental management experience	Purchase - Long term lease must be supplied if being transferred in transaction, and may be used to determine rental income, when available along with Appraisal. <i>The lower of the current lease or 1007 will be used at 75% of qualifying rent</i>	
		Income must not exceed 30% of total monthly effective income used to qualify the Borrower	Refinance - A copy of current long term lease. <i>Use Schedule E caluations for net rental income. Follow standard Schedule E rental income requirements</i>	
VA	No	N/A	N/A	

Note: An ADU is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Whether a property is deinded as a one-unit property with an ADU or two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of seperate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the ADU and analyze any effect it has on value or marketability of subject property.

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