



# HomeReady Conforming & High Balance Fixed Program Guidelines

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## Section 1 Program Summary

The HomeReady loan program is designed for credit worthy, low-to-moderate-income homebuyers. This program provides expanded eligibility for borrowers with income that is less than or equal to 80% of the area median income (AMI) based on the property's location. Plaza also offers HomeReady loans in conjunction with HomeStyle renovation loans. Refer to Plaza's HomeStyle program guidelines for renovation program details.

The Program Guidelines supplement Plaza's Credit Guidelines. Refer to Fannie Mae's Selling Guide for any information not specified in the Program Guidelines and Credit Guidelines.

## Section 2 Product Codes

| Product Name                                     | Product Code | Available Term in Months |
|--|--------------|--------------------------|
| HomeReady Conforming 15 Year Fixed               | CF150HR      | 121-180                  |
| HomeReady Conforming 20 Year Fixed               | CF200HR      | 181-240                  |
| HomeReady Conforming 30 Year Fixed               | CF300HR      | 241-360                  |
| HomeReady High Balance 15 Year Fixed             | CF150HRHB    | 121-180                  |
| HomeReady High Balance 20 Year Fixed             | CF200HRHB    | 181-240                  |
| HomeReady High Balance 30 Year Fixed             | CF300HRHB    | 241-360                  |
| HomeReady Conforming 30 Year Fixed w/2-1 Buydown | CF300HRBD21  | 360                      |
| HomeReady Conforming 30 Year Fixed w/1-0 Buydown | CF300HRBD10  | 360                      |

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### Section 3 Program Matrix

| FANNIE MAE CONFORMING BALANCE FIXED RATE              |                  |                  |                  |             |
|---|------------------|------------------|------------------|-------------|
| Primary Residence<br>Purchase and Rate/Term Refinance |                  |                  |                  |             |
| Property Type   | LTV              | CLTV             | Min Credit Score | Max DTI     |
| 1 Unit  | 97% <sup>1</sup> | 97% <sup>2</sup> | Per DU & MI      | Per DU & MI |
| 1-4 Units   | 95%              | 95% <sup>2</sup> | Per DU & MI      | Per DU & MI |
| Co-Op   | 95%              | N/A              | Per DU & MI      | Per DU & MI |
| Manufactured Housing                                  | 95%              | 95%              | Per DU & MI      | Per DU & MI |

<sup>1</sup> LTV > 95% requirements:

- Rate/Term Refinance Transactions: Existing mortgage must be owned by Fannie Mae. Refer to the **Transactions** section of these guidelines for more information on documenting Fannie Mae loans.
- All borrowers must occupy the property
- Manufactured Housing is not eligible > 95% LTV

<sup>2</sup> The CLTV ratio may exceed the limits stated in the matrices up to 105% only if the mortgage is part of a Community Seconds transaction.

| FANNIE MAE HIGH BALANCE FIXED RATE                    |     |                  |                  |             |
|---|-----|------------------|------------------|-------------|
| Primary Residence<br>Purchase and Rate/Term Refinance |     |                  |                  |             |
| Property Type   | LTV | CLTV             | Min Credit Score | Max DTI     |
| 1 Unit  | 95% | 95% <sup>1</sup> | Per DU & MI      | Per DU & MI |
| Co-Op   | 95% | N/A              | Per DU & MI      | Per DU & MI |
| 2 Units   | 85% | 85% <sup>2</sup> | Per DU & MI      | Per DU & MI |
| 3-4 Units   | 75% | 75% <sup>2</sup> | Per DU           | Per DU      |

<sup>1</sup> The CLTV ratio may exceed the limits stated in the matrices up to 105% only if the mortgage is part of a Community Seconds transaction.

### Section 4 Occupancy

Owner-occupied primary residences

Non-occupant borrowers are permitted (max 95% LTV/CLTV).

### Section 5 Transactions

- Purchase
- Rate/Term Refinance

#### Rate/Term Refinances > 95% LTV:

Rate/Term refinances with LTV > 95% are eligible only when the loan being refinanced can be documented as a Fannie Mae owned or securitized loan. Documentation may come from:

- The lender's servicing system,
- The current servicer (if the lender is not the servicer), **OR**
- **Fannie Mae's Loan Lookup tool**

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**DU:**

DU input must indicate “Fannie Mae” in the Owner of Existing Mortgage field on the online loan application. In the Desktop Originator® (DO®)/DU User Interface, this field is located on the Additional Data screen in the Full 1003. This indication will be used by DU to determine eligibility of the loan for delivery to Fannie Mae when the LTV, CLTV, or HCLTV exceed 95%. The loan file must be documented evidencing the loan being refinanced is currently owned by Fannie Mae.

**Refinances of Properties Listed for Sale:** Rate/Term Refinance: Listing agreement must be cancelled at least 1 day prior to the loan application.

**Section 6 Property Flips**

Generally, purchases of properties that have been acquired within the last 12 months are eligible when an increase in value can be supported.

**Section 7 Identity of Interest**

Plaza uses the term Identity of Interest and Non-Arm's Length to describe certain transactions that pose increased risk and warrant additional precautions when evaluating that risk.

Primary residences may be eligible with additional restrictions.

**Section 8 Loan Limits**

| Conforming Agency Loan Limits |                 |                              |
|-------------------------------|-----------------|------------------------------|
| Units                         | Contiguous U.S. | Alaska & Hawaii              |
| 1                             | \$766,550       | \$1,149,825                  |
| 2                             | \$981,500       | \$1,472,250                  |
| 3                             | \$1,186,350     | \$1,779,525                  |
| 4                             | \$1,474,400     | \$2,211,600                  |
| High Balance Loan Limits      |                 |                              |
| Units                         | Contiguous U.S. | Alaska & Hawaii <sup>1</sup> |
| 1                             | \$1,149,825     | N/A                          |
| 2                             | \$1,472,250     | N/A                          |
| 3                             | \$1,779,525     | N/A                          |
| 4                             | \$2,211,600     | N/A                          |

<sup>1</sup>. There are no properties in Alaska and Hawaii with loan limits higher than the applicable base conforming limits for 2024. As a result, there are no high balance limits specific for these states.

Refer to **Fannie Mae's website** for specific counties and states eligible for higher loan limits.



## Section 9 Subordinate Financing

Subordinate Financing is allowed per the LTV/CLTV and Credit Score Tables.

- Subordinate financing is allowed from approved Community Second loans and institutional closed-end seconds.
- Subordinate financing from a Community Second is allowed up to a maximum of 105%. Manufactured Housing is limited to 95% CLTV.
- Subordinate financing from a seller-held second is not allowed.
- **Co-ops:** Subordinate financing is not allowed.

Community Seconds cannot be funded by the property seller, a non-institutional source or an interested party to the transaction. Refer to **Fannie Mae Community Seconds** for requirements.

## Section 10 Borrower Eligibility

### Eligible Borrowers:

- Non-occupant borrowers
- U.S. citizens
- Permanent resident aliens
- Non-permanent resident aliens
- Inter Vivos Revocable Trusts – Refer to **Plaza's Living Trust Policy**

### Homeownership Education:

- Homeownership education is only required on purchase transactions when all buyers are first-time homebuyers.
- At least one borrower must receive the education.
- Must be received prior to the loan being cleared to close.
- Borrowers must complete a National Industry Standards (NIS) compliant course to satisfy the pre-purchase homeownership education requirements. Borrowers may choose one of the options listed below:
  - **HomeView.**
    - The course is available free of charge to the borrower.
    - Complete the online education program course provided on **Fannie Mae's website**. The borrower must complete all 7 course modules. Retain the certificate of course completion in the loan file.
    - DU: Select Homebuyer Education complete in The Homebuyer Education Completion Indicator field in DU.
  - **Framework.**
    - Complete the online education program provided by **Framework Homeownership LLC (Framework®)**. Retain the certificate of course completion in the loan file.
    - DU: Select Homebuyer Education complete in The Homebuyer Education Completion Indicator field in DU.
  - **One-on-one HUD approved Counseling.** Complete a one-on-one pre-purchase education counseling session from a HUD-approved nonprofit counseling agency. HUD-approved agencies can be located on **Fannie Mae's website**.
    - A *Certificate of Completion of Pre-purchase Housing Counseling* (Fannie Mae **Form 1017**) must be completed and retained in the loan file.
    - DU: Select One-on-one counseling complete in The Homebuyer Education Completion Indicator field in DU.
    - Special Feature Code (SFC) 184 is required (must display on DU findings and be input in LOS).
  - **Community Second/DAP.** If the loan is part of a Community Second/DAP transaction, and that program requires its own homeownership education course provided by a HUD-approved counseling agency, Plaza will accept the Certificate issued by HUD-approved agency that provided the course.

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## Ineligible Borrowers:

- Partnerships
- Corporations
- Non-Revocable Inter Vivos Trusts
- Foreign nationals
- Borrowers with diplomatic immunity

## Section 11 Underwriting Method

**Automated Underwriting:** Loans must be underwritten by Desktop Underwriter (DU) and receive an Approve/Eligible recommendation specifically identifying the loan is eligible as a HomeReady loan.

### DU Data Input:

When submitting the loan to DU, the loan must be identified as a community lending mortgage and the HomeReady product must be selected. Refer to the **Income and Employment** section for information in cases where DU is not able to determine income eligibility. If the loan includes non-borrower household income as a compensating factor, that income must be entered as Non-Borrower Household Income in the Other Income section of the DU online application.

Loans may follow the DU Underwriting Findings Report, unless otherwise stated in Plaza's Program Guidelines. Additional information may be requested at the discretion of the underwriter.

Loan with LTV's > 80% require Mortgage Insurance. Additional guidelines and restrictions may apply. Refer to MI company specific guidelines.

Refer to the Automated Underwriting section in Plaza's **Credit Guidelines** for specific details.

**Manual Underwriting:** Manual underwriting is not permitted. All loans must be approved through DU.

## Section 12 Credit

### Credit Score:

- The minimum credit score is determined by DU.
- When MI is required, MI credit score requirements must also be met.

### Valid Credit Score:

- At least one borrower must have a valid credit score.
  - High Balance mortgage loans require a valid credit score for each borrower.
  - Additional documentation requirements may apply when one or more borrowers do not have a valid credit score. Refer to Plaza's **Credit Guidelines** for additional requirements.
- When MI is required, MI credit score requirements must also be met.

### Housing History:

The mortgage payment history may be deemed satisfactory when the mortgage credit rating is disclosed on the credit report, is evaluated by DU and the loan receives an "Approve/Eligible" from DU.



For mortgage ratings not evaluated by the AUS, the mortgage history must be documented and there may be no history of any 30-day (or greater) late mortgage payments within the last 12 months. Any late payments in the last 24 months will be considered and evaluated by the underwriter.

Refer to the Credit chapter in Plaza's **Credit Guidelines** for additional details.

## Section 13 Income & Employment

Income must be documented per the DU findings report and Plaza's Credit Guidelines. Regardless of DU findings, the following is required on all loans.

- **1003:** A completed and signed 1003 including a 2-year employment history is required for all borrowers.
- **4506-C/Tax Transcripts:** A signed 4506-C for all years in which income was used in the underwriting decision are required regardless of DU findings. Refer to Plaza's **Credit Guidelines** to determine if transcripts are required.
- **Income/Employment:**
  - **Validated by DU:** When income and employment have been validated by DU, the DU findings along with Employment and Income Verification report is acceptable documentation.
  - **Not Validated by DU** (either DU Validation Services not utilized or DU unable to validate income): If income and employment have not been validated by DU, standard documentation per Fannie Mae's Selling Guide is required; however, for non-self employed borrowers a year-to-date paystub, at minimum, is required and cannot be replaced with a handwritten VOE.
- **Verbal Verification of Employment:**
  - **Employment Validated by DU:** DU employment validation obtained within 10 days of closing is acceptable to satisfy the VVOE requirement.
  - In all other situations and for all other employment verification methods, standard VVOE requirements apply.

When relying on DU validation services all Fannie Mae requirements must be met. Refer to Fannie Mae's Selling Guide for additional information.

### Employment and Income Commencing After the Note Date:

Plaza allows income per Fannie Mae's Employment Offers or Contracts Option 2. If the borrower has not started work prior to Plaza funding, all requirements in Option 2 must be met. Refer to Fannie Mae's Selling Guide **B3-3.1-09 Employment Offers or Contracts**.

- The underwriter must identify Special Feature Code (SFC) 707.

Refer to the Employment and Income chapter in Plaza's **Credit Guidelines** for additional details.

**Income Limits:** In determining whether a mortgage is eligible under the borrower income limits, income from all of the borrowers who will be listed on the Mortgage Note must be counted, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.

- Income may not exceed 80% of Area Median Income (AMI) for the property's location (this includes properties in low-income census tracts).

Fannie Mae's **HomeReady Income Eligibility Tool** can be used to determine HomeReady income limits by address or 11-digit FIPS code.



DU will also provide income eligibility based on the property address input in DU. If DU is not able to identify the census tract based on the property address, DU will allow the user to input the FIPS code and re-submit DU. The FIPS code can be found using the [HomeReady Income Eligibility Lookup](#).

### **Boarder Income:**

Boarder income (rental payments from individuals who reside with the borrower) is acceptable in certain circumstances for both purchase and refinance transactions.

- Boarder is not obligated on the mortgage debt
- Boarder may or may not be related to the borrower
- Property must be a one-unit property
- No more than 30% of total qualifying income can be boarder income
- Boarder must have lived with and paid rent to the borrower for the last 12 months
- Boarder must provide appropriate documentation to demonstrate a history of shared residency (such as a copy of a driver's license, bill, or bank statement that shows the boarder's address as being the same as the borrower's address).
- Boarder must provide canceled checks to demonstrate the payment of rental payments to the borrower for:
  - the last 12 months, or
  - at least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period
- Payment of rent by the boarder directly to a third party is not acceptable (payments must be made to the borrower directly)

### **Income from Accessory Dwelling Units:**

- Rental income from one-unit properties with an acceptable accessory unit is acceptable. An accessory unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units.
- The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
- Standard Fannie Mae requirements for calculating and documenting rental income apply.

## **Section 14 Qualifying Ratios**

The maximum debt-to-income (DTI) ratio will be determined by DU, and if applicable, the MI company.

Non-occupant borrower income is considered in qualifying income.

## **Section 15 Down Payment / Gifts**

Follow Fannie Mae requirements for down payment and gift funds.

### **DU loans utilizing DU Asset Validation Services:**

- DU Asset validation is acceptable documentation.
- The DU message must confirm that the amount reflected in the Total Funds to be Verified field has been validated and that the Asset Verification report is acceptable documentation.
- If the borrower is receiving funds from a gift, the loan is not eligible for asset validation.
- If any borrower on the loan is using employment-related assets as income, the loan is not eligible for asset validation.

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When relying on DU validation services all Fannie Mae requirements must be met. Refer to Fannie Mae's Selling Guide for additional information.

**Required Borrower Funds:**

- LTV/CLTV <= 80%: There is not a minimum contribution from borrower's own funds.
- LTV/CLTV > 80%:

| LTV/CLTV > 80% |                        |                      |
|----------------|------------------------|----------------------|
| Units          | Minimum Borrower Funds | Minimum Down Payment |
| 1              | None                   | 3%                   |
| 2              | 3%                     | 15%                  |
| 3-4            | 3%                     | 25%                  |

- Gift funds are allowed after the borrower minimum contribution has been met.
- Cash-on-hand (allowed for 1 unit properties only):
  - Cash-on-hand is an acceptable source of funds for the borrower's down payment and/or funds for closing costs and/or prepaid items.
  - Cannot be used for reserves.
  - The following must be verified and documented:
    - The borrower customarily uses cash for expenses and the amount of funds saved is consistent with the borrower's previous payment practices.
    - Verify that funds for the down payment and closing costs exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application or no less than 30 days prior to closing.
    - A written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed.
    - The borrower's credit report and other verifications must indicate limited or no use of credit and limited or no depository relationship between the borrower and the financial institution.

**\$2,500 VLIP Credit:** Borrowers with total qualifying income less than or equal to 50% of the area median income qualify for a \$2,500 credit on purchase transactions.

- The credit may be applied to down payment and closing costs, including escrows and mortgage insurance premiums.
- The credit may be used to satisfy the 3% minimum contribution for all one-unit properties or for two- to four-unit properties with LTV less than or equal to 80%.
- For two- to four-unit properties with LTV greater than 80%, the credit may be applied to down payment after the 5% minimum contribution is met.
- DU: The \$2,500 credit should be reflected as a Grant asset on the application and in DU.
- Plaza will apply the credit through a lender credit at closing.
- Special Feature Code 884 must be selected in BREEZE.

For LTV > 80% additional MI requirements may apply and MI guidelines must be followed to ensure eligibility.

**Section 16 Reserves**

Reserve requirement determined by DU.

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## Section 17 Interested Party Contributions

Interested party contributions, as a percentage of the sales price or appraised value, whichever is less, are limited to the following values shown below:

| Occupancy         | LTV/CLTV      | Maximum Seller Contributions |
|-------------------|---------------|------------------------------|
| Primary Residence | > 90          | 3%                           |
|                   | > 75% - < 90% | 6%                           |
|                   | < 75%         | 9%                           |

## Section 18 Property Eligibility

### Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- Low-rise/high-rise condos
- Co-ops
- 2-4 units
- Manufactured Housing

**Condos in Florida:** Florida condos have additional restrictions. Refer to the Geographic-Specific Condo Project Considerations section in Plaza's **Project Standards** for further details.

### Co-ops:

- The co-op project must be reviewed and approved by Plaza.
- Located in the states of California, Connecticut, Florida, Illinois, Maryland, New Jersey, New York or Washington D.C.
- Refer to Plaza's **Project Standards** for Plaza's complete co-op requirements.

**Fannie Mae Project Eligibility Review Waiver:** Condo project review waivers are allowed for eligible Fannie Mae to Fannie Mae Limited Cash-Out Refinances.

- Prior loan must be verified as a Fannie Mae loan using **Fannie Mae's lookup tool**.
- Project Type Code must be "V".
- All loans utilizing this feature must be approved through Plaza's underwriting exception process.

### Manufactured Housing:

- Must be classified as Real Property
- Single-wide and multi-wide allowed
- Single-wide manufactured homes:
  - Manufactured homes must be at least 12 feet wide and have a minimum 400 square feet of gross living area
  - Single-wide manufactured homes in PUD projects require PERS approval
- Manufactured homes must have been built on or after June 15, 1976
- Condos: Manufactured homes in condo projects require PERS approval
- Co-op projects comprised of manufactured homes are ineligible
- The manufactured home may not have been previously installed or occupied at another location
- All manufactured homes must meet Fannie Mae guidelines, restrictions in these Program Guidelines, and **Plaza's Manufactured Housing Guidelines**.

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- Leasehold properties are ineligible
- Manufactured housing not eligible in states of Hawaii and Rhode Island.

#### Ineligible Properties:

- Commercial properties
- Condotels
- Geothermal homes
- Log Homes
- Mixed use
- Mobile homes
- Non-warrantable condos
- Timeshares
- Working farms, ranches, orchards
- Community Land Trusts

Refer to the Property Types and Project Standards chapter in Plaza's **Credit Guidelines** for additional details.

## Section 19 Appraisal

One full appraisal is required unless the DU findings indicate another appraisal type is allowed. Additional appraisal requirements may apply for loans with MI. Review MI guidelines for requirements.

**Property Inspection Waiver (PIW):** If a loan is approved through DU with a PIW, Plaza will accept the PIW subject to Fannie Mae guidelines and the limitations below:

#### PIWs are not eligible:

- If loan receives an Approve/Ineligible recommendation. Waivers are only allowed with Approve/Eligible findings.
- A PIW may not be exercised if an appraisal has been obtained for the subject transaction.
- Co-ops
- Leaseholds
- Properties subject to resale restrictions
- Manufactured Housing
- Non-Arm's Length transactions
- Purchases of REO properties
- Texas Section 50(a)(6) and Section 50(f)(2) transactions
- When the underwriter has reason to believe fieldwork is warranted based on additional information obtained about the property.
- When the property has been subject to a possible natural disaster refer to Plaza's **Natural Disaster Policy**.

**Transferred Appraisals:** Plaza will accept transferred/assigned appraisals from the original transferring lender when all of the requirements outlined the Appraisal Policy in Plaza's **Credit Guidelines** are met.



## Section 20 Geographic Restrictions

Program specific geographic restrictions are identified below. Refer to Plaza's **Geographic State Restrictions** for general guidelines and restrictions.

Loans with Mortgage Insurance may have additional state specific restrictions, including reduced LTVs. Refer to the specific Mortgage Insurance Company guidelines for restrictions.

### Hawaii:

- Properties in Lava Flow Zones 1 or 2 are not allowed.
- Manufactured housing not eligible.

**Rhode Island:** Manufactured housing not eligible.

## Section 21 Max Financed Properties / Exposure

Borrowers may not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date.

## Section 22 Mortgage Insurance

Loans with LTV's greater than 80% require Mortgage Insurance from a Plaza approved Mortgage Insurance provider.

Mortgage Insurance guidelines are subject to change. It is the underwriter's responsibility to check Mortgage Insurance Underwriting Guidelines and verify eligibility at the time of underwriting approval.

### Manufactured Housing:

- Multi-wide: Arch, Enact, MGIC, National MI and Radian insure multi-wide manufactured housing.
- Single-wide: Enact, MGIC and National MI insure single-wide manufactured housing.

### Coverage Requirements:

| Mortgage Insurance Coverage |   |  |
|-----------------------------|---|--|
| LTV Ranges                  | <= 20 Year Term<br>Excluding Manufactured Housing | >20 Year Term<br>And All Terms Manufactured<br>Housing |
| 95.01 – 97%                 | 25%   | 25%  |
| 90.01 – 95%                 | 25%   | 25%  |
| 85.01 – 90%                 | 12%   | 25%  |
| 80.01 – 85%                 | 6%  | 12%  |

Refer to **Plaza's Mortgage Insurance Policy** for additional information.



## Section 23 Escrow Accounts

- Escrow waivers are not permitted for LTV > 95%
- Escrow waivers for LTV > 90% <= 95% require a minimum of 3 months verified reserves.
- Impounds should not be waived for borrowers with blemished credit histories or first-time homeowners; however, impounds may be waived if sufficient compensating factors exist and a 2<sup>nd</sup> level review by a Plaza Underwriting Team Manager is required.
- Escrow deposits for the payment of premiums for mortgage insurance may not be waived

## Section 24 Repair Escrows

Both weather related and non-weather related holdbacks will be considered by Plaza's Underwriting Department as an Exception Only. Refer to Plaza's [Loan Closing Manual](#) for details on Repair Escrows.

Escrow holdbacks for repairs are not eligible on condos or manufactured housing.

## Section 25 ARM Adjustments

Not applicable.

## Section 26 Temporary Buydowns

Temporary Buydowns are eligible subject to the following:

- 2-1 and 1-0 buydowns are offered
- Purchase transactions only
- Qualify at the note rate
- [Texas Section 50\(a\)\(6\) loans are ineligible](#)
- Funds may come from the seller or other eligible interested party
  - Interested Party Contribution (IPC) limits apply
  - Seller paid buydowns should be disclosed in the purchase contract and must be provided to the appraiser with all appropriate financing data and IPCs for the subject property
  - The amount and source of all IPCs must be submitted to DU as applicable
- SFC 009 required
- Buydown Agreement required and will print with Plaza loan docs
- [Plaza's Buydown Calculator](#) can be used to estimate the buydown payment and total contribution amount

## Section 27 Insurance

For Insurance requirements refer to Plaza's [Hazard and Flood Insurance Policy](#).



**Special Feature Codes:**

- 900 – HomeReady loans
- 884 – VLIP LLPA credit
- 118 – Community second
- 281 – Financed mortgage insurance
- 184 – HUD-approved one-on-one counseling is completed
- 009 - Buydown

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