

# Fannie 3/2™

For Informational and Educational Purposes Only

The Fannie 3/2 mortgage is part of Fannie Mae's suite of Community Lending mortgage products and options designed to help low- and moderate-income borrowers overcome the two primary barriers to homeownership: lack of funds for the down payment and insufficient income to qualify.

This fixed-rate, 15- to 30-year mortgage requires only a 5 percent down payment, with just 3 percent from your own funds. The remaining 2 percent can come from a relative; federal, state, or local government agency; nonprofit organization; or employer.

## Loan Features

- Down payment of 5 percent—with only 3 percent required from the borrower's own funds and 2 percent that can come from other approved sources such as Community Seconds®, a gift, grant, or unsecured loan from a nonprofit, government agency, or employer.
- 30-year, 20-year, or 15-year repayment periods (fixed-rate mortgages only; no ARMs allowed).
- Up to 38 percent of borrower's monthly income can be used for housing costs and other debts, such as credit cards or student loans, and up to 33 percent of borrower's gross monthly income can be used for housing costs (principal, interest, taxes, and insurance).
- To qualify for this loan, you must earn no more than 100 percent of the area median income for your Metropolitan Statistical Area (MSA) or county. However, exceptions to the area median income limit are available in specified high-cost areas:
  - 120% in Bergen/Passaic, New Jersey MSA
  - 120% in Portland, Oregon MSA
  - 120% in Seattle, Washington MSA
  - 125% in Newark, New Jersey MSA
  - 135% in Boston, Massachusetts MSA
  - 140% in the State of California
  - 165% in New York, New York MSA
  - 165% in Suffolk, Nassau, Westchester and Rockland counties (New York)
  - 170% in the State of Hawaii
- Requires that borrowers have cash reserves equal to one month's mortgage payment after closing.
- Borrowers must attend a home buyer education session offered or approved by their lender.
- Can be used to buy one-family, principal residences, including condos, and planned unit developments.
- Can be used with Fannie Mae's Community Seconds, Community Land Trust, and Lease Purchase options.

## Considerations

- The 5 percent down payment requirement—with only 3 percent required from your own funds—means you need less cash up front to buy a home.
- The expanded debt-to-income ratios enable you to qualify using up to 33 percent of your gross monthly income for housing expenses (instead of the standard 28 percent

## Fannie 3/2™ (cont'd)

with traditional conventional mortgages) and 38 percent for your total monthly debt expenses (instead of the standard 36 percent).

### **Example**

Here is a hypothetical example:

- \$100,000 purchase price
- 5% down payment
- 1% origination fee (including prepaid interest and mortgage insurance)
- 30 year fixed rate
- 8% interest rate
- 8.112% APR

The interest rate and APR shown are examples only and are not intended to represent actually available terms.

Fannie Mae's Community Seconds is a registered trademark and Fannie 3/2 is a trademark of Fannie Mae.