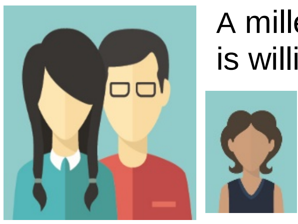
Non-Occupant Borrower Income Flexibility

Income flexibilities help to meet the diverse needs of today's home buyers by expanding access to creditworthy, low- to moderate-income borrowers. The non-occupant borrower income flexibility allows a parent, or anyone else willing and financially able, to be a borrower on the loan.

Sample Scenario: Loan Underwritten in Desktop Underwriter® (DU®)



A millennial couple is buying their first home, and his mother would like to help. She is willing and able to be a borrower on the mortgage loan, but she will not live in the home. Because the borrower's mother will be an actual borrower on the mortgage loan, her income and liabilities are considered from a qualifying perspective and will be included in the combined debt-to-income (DTI) ratio.

	Income	Liabilities		DTI Ratio
	Borrowers' Income $6,000/month	Borrowers' Liabilities $3,060/month	=	DTI Ratio $3,060/$6,000 = 51.00% NOT ELIGIBLE
+	Non-Occupant Borrower's Income $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% ELIGIBLE

NOTE: *The maximum LTV is 95% for DU. The DTI ratio is calculated using the income and liabilities of all borrowers; there is no separate DTI ratio requirement for the occupant borrower. Loans with non-occupant borrowers also are eligible for manual underwriting; however, additional requirements apply, including a maximum LTV of 90%, and the occupant borrower must have a DTI ratio no higher than 43%, based solely on their own qualifying income and liabilities.*

Good to Know

The non-occupant borrower income flexibility is available for all Fannie Mae loans, including HomeReady® mortgage. For more information on non-occupant borrower eligibility requirements, refer to *Selling Guide* section B2-2-04, Guarantors, Co-Signers, or Non-Occupant Borrowers.

Requirements for HomeReady

- Because the income from the non-occupant borrower is being considered for qualifying purposes, it is also considered in determining whether the loan meets the HomeReady income eligibility requirements. For more details, visit fanniemae.com/homeready.