

6228

DU 5-10 Financed Properties

Loan and Borrower Requirements

A borrower may finance multiple properties if he or she is qualified and if the following requirements are met:

- The loan must comply with Fannie Mae's limitations on the maximum number of financed properties, including ownership interests in financed properties, as well as eligibility, underwriting, delivery, and reserve requirements.
- The borrower must have sufficient assets to close after calculating reserve requirements.

DU Refi Plus and Refi Plus mortgage loans are exempt from these policies.

Limits on the Number of Financed Properties

If the mortgage being delivered to Fannie Mae is secured by the borrower's principal residence, there are no limitations on the number of properties that the borrower can currently be financing. If the mortgage is secured by a second home or an investment property, the borrower may own or be obligated on up to ten financed properties (including his or her principal residence).

Fannie Mae's standard eligibility and underwriting policies apply if the borrower is financing a second home or investment property and will have one to four financed properties; however, if the borrower will have five to ten financed properties, the mortgage loan must comply with the eligibility, underwriting, and delivery requirements described herein. DMC policy allows a maximum of three loans per borrower; one primary residence and two investment properties MAX.

The financed property limit applies to the borrower's ownership of one- to four-unit financed properties or mortgage obligations on such properties and is cumulative for all borrowers. These limitations apply to the total number of properties financed, not to the number of mortgages on the property or the number of mortgages sold to Fannie Mae. Unless otherwise stated, these requirements apply to all mortgage loans whether underwritten manually or through DU.

The following table describes how to apply the limitations based on the type of property ownership:

Type of Property Ownership	Property Subject to Limitations?
Joint ownership of residential real estate. (This is considered to be the same as total ownership of an individual property.) Note: Other properties owned or financed jointly by the borrower and co-borrower are only counted once.	Yes if the owned property is financed
Ownership of commercial real estate.	No
Ownership of a multifamily property consisting of more than four dwelling units.	No
Joint or total ownership of a property that is held in the name of a corporation, even if the borrower is the owner of the corporation.	No
Ownership in a timeshare.	No
Obligation on a mortgage debt for a residential property (regardless of whether or not the borrower is an owner of the property).	Yes

Examples:

- If the borrower owns two financed investment properties and the co-borrower owns three other financed investment properties, then jointly, the borrowers have five financed investment properties in addition to their principal residence(s), if applicable.

- If the borrower is obligated on a mortgage for a residential property (though is not on title) and the co borrower owns a second home and an investment property (both of which are financed), then jointly, the borrowers have three financed properties that must be included in the count in addition to their principal residence(s), if applicable.
- If a borrower and a co-borrower are purchasing an investment property and they already own and/or are obligated on five other investment properties that they jointly own and/or are obligated on, the new property being purchased would be considered the borrowers' sixth investment property.

Applying the Multiple Financed Property Policy to DU Loan Case files

DU is not able to determine the exact number of financed properties the borrower owns or is obligated on, but does issue a message on second home and investment property transactions when the borrower appears to have other financed properties. With the exception of DU Refi Plus loan case files, which are exempt from these requirements, the lender must apply the eligibility and underwriting requirements manually to investment property and second home transactions that are underwritten through DU as applicable.

Eligibility Requirements for Investor and Second Home Borrowers With Five to Ten Financed Properties

With the exception of high-balance mortgage loans, investor and second home borrowers with five to ten financed properties must meet the following eligibility requirements:

Transaction Type	Number of Units	Maximum LTV/CLTV/HCLTV	Minimum Credit Score
Second Home or Investment Property			
Purchase	1 unit	75%/75%/75%	720
Limited Cash-Out Refinance	1 unit	70%/70%/70%	720
Investment Property			
Purchase and Limited Cash-Out Refinance	2-4 units	70%/70%/70%	720

Underwriting and Delivery Requirements for Investor and Second Home Borrowers with Five to Ten Financed Properties

The following underwriting and delivery requirements must be met for investor and second home borrowers with five to ten financed properties.

Underwriting or Delivery Characteristic	Policy
Bankruptcy or Foreclosure	The borrower cannot have any history of bankruptcy or foreclosure within the past seven years.
Mortgage Delinquencies	The borrower cannot have any delinquencies (30-day or greater) within the past 12 months on any mortgage loans.
Rental Income	Rental income on the subject investment property must be fully documented. Rental income from other properties owned by the borrower must be supported by two years' most recent signed federal income tax returns or as long as the property has been owned, if less than two years.

Rental Income <i>(CONTINUED)</i>	DU messages permitting reduced rental income documentation must be disregarded and full documentation must be obtained.
Minimum Reserve Requirements	The borrower must have 6 month PITI reserves for the subject property and all other properties.
4506-T (or 4506/8821)	The borrower must complete and sign Form 4506, Request for Copy of Tax Return, or 4506-T, Request for Transcript of Tax Return, granting the lender permission to request copies of federal income tax returns directly from the IRS. The lender must obtain the IRS copies of the returns or the transcript and validate the accuracy of the tax returns provided by the borrower prior to the loan closing.