Fannie Mae HomeReady Income Limits | 2024

Who qualifies? Understanding HomeReady income limits

If you’re ready to buy a home but don’t have a lot saved for a down payment, the Fannie Mae HomeReady mortgage can be a great option.

You only need a 3% down payment, and you can use alternative funding sources like gifts or grants. Co-borrowers, regardless of residency, can also be included in your application, making it a flexible and accessible option for many buyers.

To qualify, your income must not exceed 80% of the area’s median income. For example, if your area has a median annual income of $50,000, you can make no more than $40,000 to meet the HomeReady income limits.

What is a HomeReady Mortgage?

The HomeReady program aims to make it simpler for people with lower incomes to obtain **low-down-payment mortgages** at current market rates. Notably, the HomeReady loan allows for a down payment as low as 3%.

Major U.S. lenders are now widely offering HomeReady after the federal mortgage agency Fannie Mae introduced it in December 2015.

What are the benefits of the HomeReady loan program?

One of the standout features of the HomeReady program is its flexibility when it comes to income sources for the loan application.

Not only can you have co-borrowers who live either with you or elsewhere—referred to as non-occupant co-borrowers—but you can also include documented income from a renter or boarder living in your home, if doing so adheres to the HomeReady loan limits. These special provisions can make all the difference for families who might otherwise be declined a loan.

In addition to helping new buyers, the HomeReady loan is also available for mortgage refinancing. With the possibility of up to a 97% **loan-to-value ratio** in some scenarios, you don't have to wait until you've built up 20% equity in your home to benefit from a lower interest rate and reduced monthly payment.

HomeReady loan requirements

To qualify for this loan program, you'll have to fall within the HomeReady income limits, take a short online class about homeownership, and have decent credit. The exact requirements might vary by lender, but Fannie Mae sets the minimum requirements for all HomeReady loan applications.

The basic requirements for HomeReady include:

1. You cannot earn more than 80% of your Census tract's median income
2. You need a FICO score of at least 620 in most cases
3. The home must be your primary residence
4. You should have a debt-to-income ratio (DTI) that's no higher than 50%. This is more lenient than most other mortgage programs
5. You must agree to complete a 4- to 6-hour online homeownership education course

Eligible homeownership education courses must be taken with a HUD-approved housing counseling agency prior to mortgage underwriting. Contact the Hope Hotline at 1-888-995-HOPE or visit its **website** for a list of approved classes.

"But if you put more than 10% down, this requirement can be waived," says loan officer **Jon Meyer**.

If you meet these criteria, the HomeReady loan program may be just what you need to move from renting to homeownership.

HomeReady income limits 2024

Fannie Mae sets HomeReady income limits for borrowers nationwide. To qualify, you can't make more than 80% of your area's median income (AMI).

That means if your area has a median yearly income of $100,000, you must make $80,000 or less to qualify for the HomeReady program.

To qualify for HomeReady income limits, you must not make more than 80% of your area's median income (AMI).

You can determine whether or not you meet HomeReady income limits for 2024 by using **Fannie Mae's AMI Lookup Tool**. Simply input your address, and the tool will detail your county's area median income.

Additionally, lenders may use the Desktop Underwriter (DU) system to assess your eligibility, considering both your income and your property's location.

For example, Salt Lake County, Utah, has an AMI of $102,200. To comply with HomeReady income limits, you can make up to $81,760 (80% of your AMI). But Fulton County, Georgia's area median income, is $95,700. This means HomeReady income limits are $76,560 (80% AMI) for home buyers in the Atlanta area.

Since HomeReady is intended for lower-income borrowers, these AMI limits might not be a problem for most applicants. But what if you're worried your income is too *low* to qualify? In that case, HomeReady's income source flexibility can help immensely.

What is considered income by HomeReady?

Fannie Mae allows applicants to apply with one or more co-borrowers if their combined income falls within local HomeReady income limits.

You can also count income from a renter on your application, as long as they've lived with you for at least one year before buying the home.

- Wages and salaries
- Self-employment income

- Bonuses
- Commissions
- Pensions
- Annuities
- Social Security benefits
- Child support
- Alimony
- Rental income from a one-unit property with an accessory dwelling unit (ADU)
- Boarder income

Just note that non-borrower income is *not* counted directly toward your qualifying income. In addition, these policies can vary by lender, and consideration of non-borrower income may be rare.

Fannie Mae even allows lenders to consider the income of non-borrowing household members as a “compensating factor,” meaning it could help your chances if you have a higher DTI or lower credit score.

What properties are eligible for HomeReady financing?

Borrowers have many options for buying real estate with a HomeReady loan.

You can purchase a traditional single-family home if you wish. But if you want something a little different, Fannie Mae also allows the purchase of:

- Condominium units
- Homes in a planned unit development (PUD)
- Co-ops
- Manufactured homes
- Multi-family homes with 2, 3, or 4 units

Borrowers who want a multi-unit home will need a higher credit score, possibly as high as 680.

No matter what type of home you buy with HomeReady, it needs to be your primary residence. That means if the building has 2-4 units, you must live in one of the units yourself full-time.

In other words, you can't use this loan program to purchase investment properties or vacation homes. It serves low- and moderate-income buyers looking for a home to live in.

HomeReady mortgage interest rates

Interest rates for a HomeReady mortgage loan are the same as rates for a "traditional" conventional loan. There is no premium applied for using the HomeReady program.

In fact, mortgage rates for the HomeReady loan might be even lower than for other low-down-payment mortgages, like the 3% down **conventional 97 loan**.

Because mortgage rates can vary by as much as 50 basis points (0.50%) between lenders, it pays to shop around. Don’t stop shopping after you get your first quote.

Fixed-rate mortgage options

Borrowers using the HomeReady mortgage program have access to a complete mix of fixed-rate mortgage products, including:

- 10-year fixed-rate mortgage
- 15-year fixed-rate mortgage
- 20-year fixed-rate mortgage
- 30-year fixed-rate mortgage

This range of options is a significant advantage over USDA loans, which offer only a 30-year mortgage.

Shorter-term loans often have lower interest rates than 30-year loans. Thanks to the low rate and short term, borrowers can save tens of thousands in mortgage interest over the life of the loan.

However, 10-, 15-, and 20-year loans generally have much higher monthly payments than 30-year mortgages. That’s because you must pay off the same loan amount in less time. For this reason, most home buyers choose a 30-year fixed-rate mortgage.

Adjustable-rate mortgage options

Borrowers using the HomeReady mortgage program also have access to a range of **adjustable-rate mortgage** (ARM) products. These include the following:

- 5/1 ARM
- 7/1 ARM
- 10/1 ARM

Adjustable-rate loans have a fixed rate for the first 5, 7, or 10 years. After that, your interest rate and monthly payment could rise each year. This makes ARMs much riskier than fixed-rate loans.

Some leading lenders have opted out of HomeReady ARMs. So, if you want an adjustable-rate loan, you may have to shop around for a lender offering one.

How can I get help with my HomeReady down payment?

HomeReady's 3% down payment is about half the **average down payment** size. It's a fraction of the 20% many renters think they'd need to save up.

Still, coming up with 3% — which is $6,000 for a $200,000 home — can be challenging for first-time home buyers with limited income and/or savings.

HomeReady helps by allowing flexible sources for your down payment. You could use the following:

- **Gift funds**: Family members could help you come up with your down payment by gifting the money. Note that this **must** be a true gift and not a loan in disguise. Learn more about down payment gift requirements here
- **Home buyer grants:** Ask your loan officer or real estate agent about down payment assistance programs in your area. Many local governments and nonprofits offer DPAs in every state
- **Down payment loans**: Fannie Mae's Community Seconds program can help you secure a second loan specifically to cover your down payment and closing costs. Down payment assistance might offer a low- or no-interest loan as well

Using a second mortgage, such as Community Seconds, will put a second lien on your home, which means you'd have to pay off both loans (your primary mortgage and your second mortgage) if you sell or refinance.

How to apply for a HomeReady loan

If you're considering a HomeReady mortgage, knowing how to navigate the application process can help you make more informed decisions.

Beyond meeting the HomeReady income limits, it's important for potential home buyers to understand that lenders will evaluate their eligibility based on several other main criteria of the loan program. These include factors such as credit score, debt-to-income ratio, employment history, and savings for down payment and closing costs.

Here's a step-by-step guide to applying for a HomeReady loan.

1. Compare loan features

Before diving in, take time to understand what sets a HomeReady loan apart from other mortgage options. Although it allows for low down payments, keep in mind that the interest rates may be higher compared to conventional loans. Compare this with other loan types to see if a smaller down payment outweighs the cost of potentially higher interest rates.

2. Check eligibility requirements

Next, familiarize yourself with the requirements that you must fulfill, such as falling under the HomeReady income limits and credit score minimums. HomeReady also requires applicants to meet its mandatory homeownership education requirements. If you're confident you meet these criteria, move forward to the next step. If you're uncertain, consider seeking advice from a mortgage advisor.

3. Compare mortgage lenders

While Fannie Mae originated the HomeReady program, it doesn't underwrite the loans directly. You'll need to look for a participating mortgage lender. These could be local banks, national financial institutions, or online lenders. It's worth noting that some lenders may choose not to offer this type of loan.

4. Submit your loan application

Once you've chosen a lender, you'll begin the actual application process. This usually entails filling out an application form and providing various documents, such as proof of income and tax returns. The timeframe for this stage can vary depending on whether you're using physical copies or digital uploads. Some platforms offer real-time verification of financial data, which can speed up the process.

5. Await loan approval

After submitting your application, there will be a period of evaluation where the lender assesses your financial stability and creditworthiness. You'll eventually receive information on whether you've been approved, along with the terms of your mortgage, like the interest rate and the loan amount. This will allow you to either start house hunting or make an offer if you've already found a property.

If you find that your application is unsuccessful, don't be discouraged. There are numerous other mortgage options tailored to different financial situations. Consult with your mortgage advisor to discover other paths to homeownership.

Are there any alternatives to the HomeReady loan?

As you navigate the path to homeownership, it's essential to explore all your mortgage options. This section will delve into two popular alternatives to the HomeReady mortgage: FHA loans and the Home Possible program, highlighting the main differences and advantages of each.

HomeReady loans vs. FHA loans

Like HomeReady loans, FHA loans help people overcome the financial challenges of homeownership. If you qualify for HomeReady, you might also be eligible for FHA. But which mortgage program is better?

Renters with limited cash for a down payment have used **FHA loans** since 1934. FHA's minimum down payment amount is 3.5%, slightly higher than HomeReady's 3%. The down payments are similar, but these two loan programs have some big differences.

When is an FHA loan better than a HomeReady loan?

The FHA loan works best for borrowers with lower credit scores. With a FICO as low as 580, you could borrow with only 3.5% down. Borrowers with scores between 500 and 579 might still qualify, but they'd need at least a 10% down payment.

Backing from the Federal Housing Administration helps lenders extend favorable loan terms to borrowers with lower credit scores.

By contrast, HomeReady depends more on the borrower's credit, and you'd typically need a score of at least 620 to qualify.

FHA loans work best for higher earners, too, since the FHA program, unlike HomeReady, doesn't have income limits.

When is HomeReady better than an FHA loan?

HomeReady loans offer more flexibility when it's time for income verification. For example, lower-income borrowers could apply with one or more co-borrowers.

You could even count supplemental income from a boarder's rent if you plan to have a roommate or rent out a room in the house. You do not need to include the renter on your loan application. However, you must document that they've lived with you for at least one year prior to applying.

Plus, since HomeReady is a conventional loan, you can cancel **private mortgage insurance** (PMI) once you've paid the loan down to 80% of the home's price. This would lower your monthly mortgage payments considerably.

By comparison, FHA's mortgage insurance coverage lasts the life of the loan unless you put 10% or more down.

Remember, though, that you must earn 80% or less than your area's median income to qualify for HomeReady.

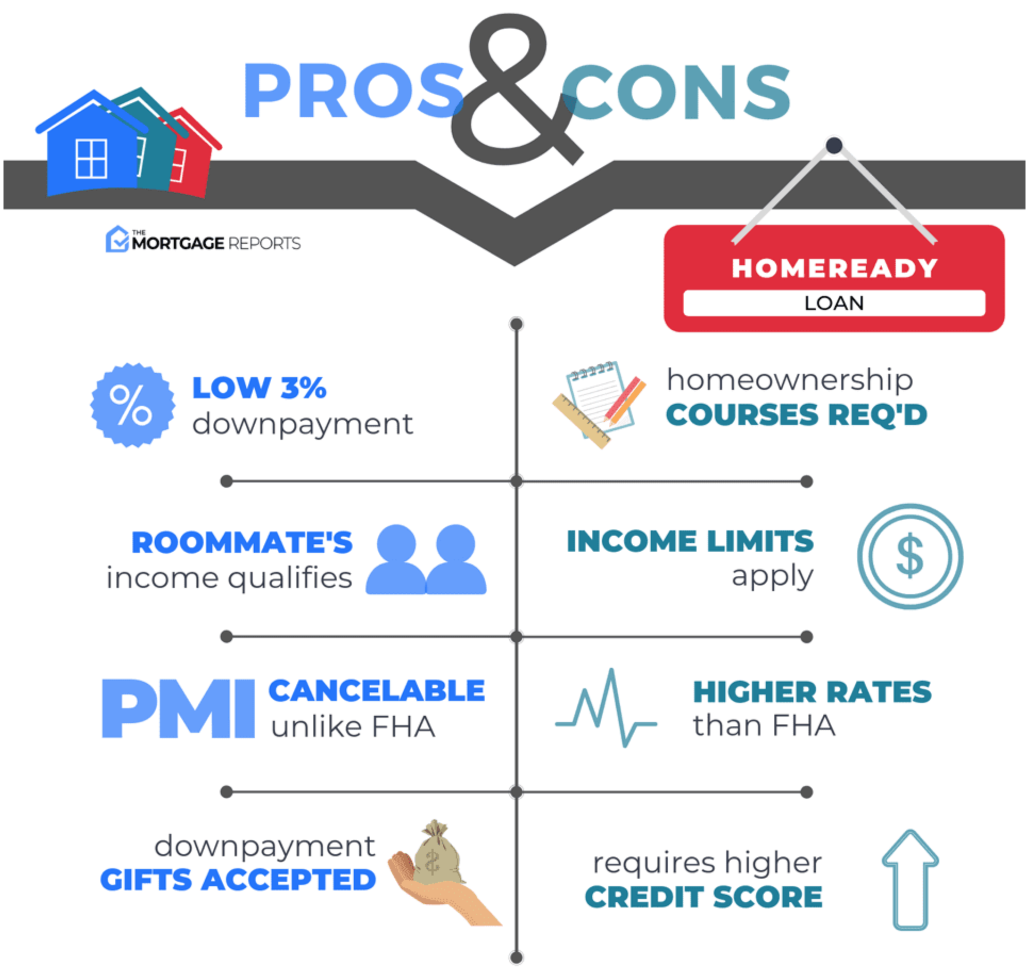
HomeReady vs. Home Possible

Freddie Mac's **Home Possible program** works a lot like Fannie Mae's HomeReady.

Like the HomeReady program, the Home Possible loan:

- Allows 3% down payment
- Has an income limit of 80% of the area median income
- Is co-borrower friendly

One of the main differences between these two programs is the minimum credit score. Many lenders require a credit score of at least 660 to qualify for a Home Possible loan. HomeReady, on the other hand, is typically available with a FICO score of 620 or higher.



HomeReady income limits FAQ

Is HomeReady for first-time home buyers only?

No, both first-time buyers and repeat buyers, who fall within HomeReady income limits, are eligible to use this Fannie Mae mortgage program. However, you can't get a HomeReady loan if you still owe money on more than one other home loan.

Do I need to have good credit to use the HomeReady program?

No, you do not need to have good credit to use HomeReady. You don't even have to have average credit. This mortgage program is available to buyers with credit scores starting at 620, provided they meet the HomeReady income limits.

I don't have a credit score. Can I still use the HomeReady program?

Yes, you can still use the HomeReady program if your credit score is nonexistent. The program allows non-traditional tradelines to establish credit history, including utility bills, cell phone or internet bills, gym memberships, and most other accounts requiring a monthly payment.

How do I apply for a HomeReady loan?

Fannie Mae offers the HomeReady program via private mortgage lenders. In other words, you do not apply directly to Fannie Mae. Rather, you can apply with just about any mainstream mortgage lender. Most are authorized to do Fannie Mae conforming loans. You can typically apply online, over the phone, or by walking into a local bank or lender's office.

My lender won't do HomeReady loans. What should I do?

Fannie Mae has given all of its approved mortgage lenders authority to underwrite and approve HomeReady mortgages. Your lender may be opting out, and that's okay. There are plenty of approved mortgage lenders who can help you. Call up a couple of other lenders until you find one that does offer this program.

Is HomeReady the same thing as MyCommunityMortgage?

No. Late in 2015, Fannie Mae retired the MyCommunityMortgage (MCM) program. HomeReady is a newer mortgage program launched in December 2015. It's not the same as a MyCommunityMortgage, and, in some respects, HomeReady can be viewed as a replacement.

How much down payment do I need for HomeReady?

The HomeReady mortgage program requires a minimum down payment of 3 percent. If you purchase a $250,000 home, for example, you'd need at least $7,500 down to qualify for HomeReady.

Can my down payment be a cash gift from a relative?

Yes, your down payment on a HomeReady loan can be a cash gift from a relative, a spouse, a girlfriend or boyfriend, or a fiancé or fiancée. The money does not need to come from your own savings. Be sure your loan officer and real estate agent know you'll be using gifted funds. And make sure the funds are properly documented via a mortgage gift letter.

How much of my own money do I need to bring to closing?

You are not required to bring your money to closing with the HomeReady mortgage program. Your down payment can be gifted to you by a third party. You can also have the home seller pay for your closing costs using an option known as seller concessions. Typically, closing costs range from 2 percent to 5 percent of the loan amount, so be sure to discuss these costs with your real estate agent and loan officer before you go under contract to buy a home. And you'd need to discuss any seller concessions prior to signing the contract.

Is there a maximum debt-to-income ratio with the HomeReady mortgage?

Yes, the HomeReady program limits borrowers to a 50 percent debt-to-income ratio, and this ratio typically includes all household income, aligning with the selling guide for the program.

Does the HomeReady mortgage loan require private mortgage insurance (PMI)?

Yes, the HomeReady program requires borrowers to pay private mortgage insurance (PMI) when they borrow more than 80 percent of the home's value. PMI cancels automatically once the loan reaches 78 percent LTV.

How much does PMI cost with a HomeReady loan?

The HomeReady program features lower mortgage insurance costs than other conventional loans, including the other 3 percent down program, the conventional 97. Exact PMI costs depend on your credit score and down payment. Your loan officer can tell you how much PMI will cost on your HomeReady loan once you've completed an application.

How long do I pay private mortgage insurance under the HomeReady program?

HomeReady is a conventional mortgage loan via Fannie Mae, which means that you must pay private mortgage insurance until your home's loan-to-value (LTV) reaches 80 percent of the original home purchase price, or 80% of the home's market value.

Can I use HomeReady to do a refinance?

Yes, you can use the HomeReady program to refinance your existing home, including a limited cash-out refinance (LCIR), provided that you meet the HomeReady income limits for buyers. One benefit of refinancing with HomeReady is that you only need 3 percent equity in the home to qualify (meaning the maximum LTV is 97 percent). Some other refinance programs require at least 20 percent equity or a maximum loan-to-value of 80 percent.

Can I use border income to help get approved for HomeReady?

Yes, if it does not push you over the HomeReady income limits, border income can be used by qualified HomeReady borrowers to meet eligibility requirements. That includes rental income from accessory dwelling units. Boarders must have a 12-month history of living with you and contributing income. Documentation for all 12 months is not always required.

If I use someone else's income to qualify, do they have to be on the application?

If you want to count another person's income toward your qualifying income for HomeReady, they need to be a co-borrower on your application. Non-borrower income may be considered a compensating factor, but that only means it could help your chances of qualifying if your application has some weaker points. That income will not be directly used to determine your eligibility or loan amount.

Is there a maximum allowable number of co-habitants with HomeReady?

No, the HomeReady program does not limit the number of relatives living in one home or the number of relatives whose income is used to help qualify for the program.

Does everyone in the home have to be a U.S. citizen?

No. However, non-borrowing relatives must have legal documents to show their immigration status — a green card, work visa, etc.

My household is not considered low-income. Can I still use HomeReady?

No. Borrowers must meet HomeReady income limits to qualify. Originally, HomeReady worked for all borrowers in low-income census tracts, but Fannie Mae revised the program in 2019 to remove that feature. Now, all home buyers using HomeReady must meet income eligibility requirements.

Do I have to take homeowner counseling courses to qualify?

Yes, homeowner counseling is mandatory to fulfill the HomeReady program's education requirement. The online course, called Framework, can be completed in 4-6 hours on your smartphone.

If I've taken a home buying course previously, does that count?

Yes, you can use the certificate from your previous homeowner counseling course as part of your HomeReady mortgage application, so long as the course was completed within the last six months.

Can I use the HomeReady mortgage if I own another home?

Yes. You can own other residential properties and still get a HomeReady loan, assuming you plan to make the new home your primary residence. However, you can't use HomeReady if you still owe money on more than one other property loan. Co-borrowers who don't plan to live in the home can owe money on more than one additional property.

Bottom line on HomeReady income limits

The final word on HomeReady income limits is that they ensure the program's benefits are specifically directed towards low-income borrowers, making homeownership more attainable for those who need it most.

The HomeReady mortgage program helps more U.S. households get approved for low-down-payment loans. Qualified borrowers can buy with just 3% down.

The mortgage interest rate you receive depends on several factors, including your credit score, down payment, and adherence to HomeReady income limits, to name a few. Get quotes and compare pricing with at least three different lenders before deciding.

Ready to get started? Check your eligibility with a lender today.