

Fannie Mae’s HFA Preferred™ conventional product allows 97% loan-to-value (LTV) ratios with low mortgage insurance coverage requirements. This guide outlines the Minnesota Housing guidelines, Fannie Mae and U.S. Bank—HFA Division overlays required for loan eligibility. Lenders are also responsible for meeting all program guidelines ([Start Up](#) or [Step Up](#)), underlying product guidelines (**Fannie Mae HomeReady™**) and U.S. Bank—HFA Division overlays.^{1, 2}

PARAMETERS	HFA PREFERRED™			
Eligible Minnesota Housing Programs	HFA Preferred™ can only be accessed through Start Up or Step Up .			
Loan Terms	<ul style="list-style-type: none"> Fully-amortizing 30-year term Fixed Rate 		<ul style="list-style-type: none"> Purchase Refinance option with Step Up 	
Eligible Occupancy	Owner-occupied– Reach out to Partner Solutions Team for additional guidance on non-occupant co-signers			
Mortgage Insurance (MI) Coverage	At or below 80% AMI			
	> 95% & ≤ 97%	> 90% & ≤ 95%	> 85% & ≤ 90%	> 80% & ≤ 85%
	18%	16%	12%	6%
	Above 80% AMI			
	> 95% & ≤ 97%	> 90% & ≤ 95%	> 85% & ≤ 90%	> 80% & ≤ 85%
	35%	30%	25%	12%
Eligible Property Types	<ul style="list-style-type: none"> One unit, single-family Modular Home Condo³ / Townhome / Unit within a Planned Unit Development (PUD) 		<ul style="list-style-type: none"> Duplex Manufactured home taxed as real property 	
Ineligible Property Types	Co-ops, Triplexes, Fourplexes			
Eligible Forms of Ownership	<ul style="list-style-type: none"> Fee simple interest Joint tenancy Sole Ownership 		<ul style="list-style-type: none"> Tenancy in common Tenants by the entirety Community Land Trust (CLT) 	
Manufactured Housing	See page 2 of Credit and DTI Matrix ; Manual underwriting not allowed. Single wide ineligible.			
Income	<ul style="list-style-type: none"> Program Income Limits – refer to Minnesota Housing’s Start Up / Step Up income limits <ul style="list-style-type: none"> Start Up: Do not include non-occupant co-signer income in Program Eligibility Income. See Program Eligibility Income Worksheet for guidance. Step Up: Use qualifying income. Qualifying Income Limits - The loan qualifying income (above or below 80% Area Median Income) determines MI requirements. <ul style="list-style-type: none"> See Conventional Income Limits See MI Coverage section above for required coverage by borrower income level. Include non-occupant co-signer income in the qualifying income used to determine whether the borrower is above or below 80% AMI. 			
Boarder Income	May be allowed. Defer to Fannie Mae HomeReady™ guidelines.			
Minimum Credit /Maximum DTI	Credit and DTI Matrix			
Maximum LTV/CLTV	<ul style="list-style-type: none"> One-unit: 97% / 105% Two-unit: 95% /105% 		<ul style="list-style-type: none"> Manufactured housing: 95% / 105% Manufactured Housing Advantage: 97% / 105% 	
Downpayment and Closing Cost Loans	START UP		STEP UP	
	<ul style="list-style-type: none"> Deferred Payment Loan (DPL)/DPL Plus Monthly Payment Loan First-Generation Homebuyer Loan Community Seconds® 		<ul style="list-style-type: none"> Monthly Payment Loan Community Seconds® 	

Reserves	<ul style="list-style-type: none"> • DU®-underwrite: Defer to Fannie Mae HomeReady™ guidelines. • Manual underwrite: See “Manual Underwriting” section on page 2.
Interested Party Contributions	Defer to Fannie Mae HomeReady™ guidelines
Minimum Borrower Contribution	<ul style="list-style-type: none"> • One-unit: \$1,000 or 1% of the purchase price, whichever is less, if receiving Minnesota Housing downpayment and closing cost loan • Two-unit: 3% of the purchase price (per HomeReady™ guidelines)
Homebuyer Education	If all borrowers are first-time homebuyers, at least one borrower must complete an approved homebuyer education course prior to closing.
Landlord Education	Landlord Education is required on HFA Preferred™ loans that are financing a duplex – this is indicated in your findings.
Desktop Underwriter® (DU®)	<ul style="list-style-type: none"> • On the "Additional Data" screen; select "HFA Preferred." • “Approve/Eligible” acceptable. • “Refer Eligible” or “Refer with Caution” requires manual underwriting.
Underwriting Guidelines	<ul style="list-style-type: none"> • Unless otherwise stated in this product description, refer to Fannie Mae’s HomeReady™ guidelines. • Lenders must also follow U.S. Bank overlays (see U.S. Bank—HFA Division AllRegs).^{1, 2} • Where the HFA Preferred™ product guidelines conflict with HomeReady™ guidelines, follow the guidelines in this product description.
Manual Underwriting	LTV ≤ 95%
	<ul style="list-style-type: none"> • Required Reserves/ FICO/ DTI vary. See HFA Conventional Product Guide located on the U.S. Bank HFA—Division AllRegs Website²
	LTV > 95% up to ≤ 97%: Not Allowed
Non-Traditional Credit	Defer to Fannie Mae HomeReady™ guidelines
Fannie Mae Delivery Fee	Zero
Special Feature Codes (SFC)	SFC 782 and SFC 781
LLPA	Zero LLPA (Loan Level Price Adjustment)

PARAMETERS	HFA Preferred™ UPFRONT PAID MORTGAGE INSURANCE (UPMI) REQUIREMENTS
Product Guidelines	Refer to the HFA Preferred™ product guidelines above
Minimum Credit Score	Credit and DTI Matrix
Service Release Premium (SRP)	Unused UPMI SRP must be credited to the borrower for closing costs. See Examples

¹ See [Allregs](#) file path: HFA Division Lending Guide> 1400.02: Overlay Matrix> Delegated HFA Agency Overlays

² See [Allregs](#) file path: HFA Division Lending Guide> 500: Housing Finance Agency> Minnesota> Minnesota HFA> Product Guides >HFA Conventional

³ Lenders with delegated underwriting authority do not need to submit condo approval to U.S. Bank – HFA Division.