



## Freddie Mac's Home Possible® 97 Mortgages

**A responsible, low down payment mortgage option for first-time homebuyers and low and moderate-income borrowers**

Freddie Mac's Home Possible 97 offers outstanding flexibility and options to meet a variety of borrowers' needs. With Home Possible 97, you'll capitalize on opportunities to meet the home financing needs of borrowers looking for low down payments and flexible sources of funds, including first-time homebuyers, move-up borrowers, retirees, families in underserved areas, new immigrants, very low and low- to moderate-income borrowers.

### ➤ Borrower Profile

- First-time homebuyers, move-up borrowers, and retirees
- Families in underserved areas
- New immigrants and very low and low- to moderate-income borrowers

### ➤ Key Features

- 15-, 20- and 30-year fixed-rate mortgages for 1- to 4-unit primary residences
- 40-year fixed-rate mortgages for 1-unit primary residences
- 5/1 (2/2/5 caps), 7/1 and 10/1 CMT- and LIBOR-indexed ARMs
- Manufactured homes eligible (with certain restrictions)
- Maximum financing up to 105 percent total loan-to-value (TLTV) for qualified borrowers

### ➤ Borrower Benefits

- Stable monthly payments with fixed-rate mortgages
- Flexible closing cost funding options
- Reduced mortgage insurance coverage levels
- No cash-out refinancing

**ORIGINATION & UNDERWRITING REQUIREMENTS**

<p><b>Eligible Property Types</b></p>	<ul style="list-style-type: none"> <li>• 1- to 4-unit primary residences</li> <li>• Condos</li> <li>• PUDs</li> <li>• Manufactured homes (with additional requirements)</li> </ul>																		
<p><b>Eligible Mortgages</b></p>	<ul style="list-style-type: none"> <li>• Conventional fixed-rate mortgages.</li> <li>• Convertible and nonconvertible 7/1 and 10/1 ARMs if secured by a 1- or 2-unit primary residence.</li> <li>• Convertible and nonconvertible 5/1 ARMs with an initial cap of 2%, a periodic cap of 2%, and a life cap of 5% if secured by a 1- or 2-unit primary residence other than a manufactured home.</li> <li>• Home Possible Mortgages may be the following provided the mortgage meets the applicable requirements for that offering and Guide Chapter A34:             <ul style="list-style-type: none"> <li>▪ Home Possible Mortgages with Rural Housing Service (RHS) Leveraged Seconds originated in accordance with Section 35.3.</li> </ul> </li> <li>• Home Possible Mortgages eligible for purchase must be first lien mortgages that are fully amortizing.</li> <li>• Home Possible Mortgages secured by a 1-unit primary residence, other than a manufactured home, must have an original maturity date not greater than 40 years for fixed-rate mortgages and not greater than 30 years for ARMs.</li> <li>• All other Home Possible Mortgages must have an original maturity date not greater than 30 years for fixed-rate mortgages and ARMs.</li> <li>• Home Possible Mortgages secured by a manufactured home and Home Possible Mortgages with a RHS Leveraged Second must have a maximum original maturity not greater than that specified in Sections H33.3(d) and 35.3(b)(1st bullet), respectively.</li> </ul>																		
<p><b>Limited Temporary Subsidy Buydowns</b></p>	<ul style="list-style-type: none"> <li>• Limited buydown allowed:             <ul style="list-style-type: none"> <li>▪ Initial interest rate reduced by no more than 2 percentage points below the note rate, and</li> <li>▪ Increased by no more than one percentage point annually for no more than 2 years.</li> <li>▪ Must comply with requirements of Guide Section 25.4 and A34.5.</li> <li>▪ 1-unit primary residence only.</li> </ul> </li> <li>• <b>Note:</b> Temporary subsidy buydowns are not eligible for:             <ul style="list-style-type: none"> <li>▪ Mortgages secured by manufactured homes (refer to Guide Chapter H33).</li> <li>▪ Mortgages with variable rate secondary financing.</li> <li>▪ Mortgages with Mortgage Credit Certificates.</li> </ul> </li> </ul>																		
<p><b>Maximum LTV/TLTV Ratios</b></p>	<table border="1" data-bbox="483 947 1417 1314"> <thead> <tr> <th>Number of Units</th> <th>Maximum LTV Ratio</th> <th>Maximum TLTV Ratio</th> </tr> </thead> <tbody> <tr> <td>1-unit</td> <td> <ul style="list-style-type: none"> <li>• 97% for mortgages assessed by Loan Prospector<sup>®</sup></li> <li>• 95% for manually underwritten mortgages</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• 105% for mortgages assessed by Loan Prospector</li> <li>• 105% for manually underwritten mortgages with an Indicator Score</li> <li>• 97% for manually underwritten mortgages without an Indicator Score</li> </ul> </td> </tr> <tr> <td>2-units</td> <td>95%</td> <td>100%</td> </tr> <tr> <td>3-units</td> <td>95%</td> <td>100%</td> </tr> <tr> <td>4-units</td> <td>95%</td> <td>100%</td> </tr> <tr> <td>Manufactured home</td> <td>See Chapter H33.3 for more details.</td> <td>See Chapter H33.3 for more details.</td> </tr> </tbody> </table> <p><b>Note:</b> All Home Possible Mortgages with TLTV greater than 97% must have an Indicator Score equal to or greater than 700.</p>	Number of Units	Maximum LTV Ratio	Maximum TLTV Ratio	1-unit	<ul style="list-style-type: none"> <li>• 97% for mortgages assessed by Loan Prospector<sup>®</sup></li> <li>• 95% for manually underwritten mortgages</li> </ul>	<ul style="list-style-type: none"> <li>• 105% for mortgages assessed by Loan Prospector</li> <li>• 105% for manually underwritten mortgages with an Indicator Score</li> <li>• 97% for manually underwritten mortgages without an Indicator Score</li> </ul>	2-units	95%	100%	3-units	95%	100%	4-units	95%	100%	Manufactured home	See Chapter H33.3 for more details.	See Chapter H33.3 for more details.
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<p><b>Secondary Financing</b></p>	<ul style="list-style-type: none"> <li>• All subordinate financing must be an Affordable Second, per Guide Section 25.1(g).</li> <li>• Affordable Seconds (Guide Section 25.1(g)) and Rural Housing Service (RHS) Leveraged Seconds meeting the requirements in Guide Section 35.3 are permitted as a source of funds for down payment, closing costs, financing costs, and prepaids/escrows for Home Possible Mortgages. Affordable Seconds with no payments before the 61st payment on the Home Possible Mortgage may be entered in the Total Gift Field of Loan Prospector. In all other respects, the Affordable Second must be considered as secondary financing.</li> <li>• For refinances, any secondary financing that is resubordinated to the lien of the new refinance mortgage must be an Affordable Second that meets the requirements of Section 25.1(g), or an RHS Leveraged Second that meets the requirements of Section 35.3.</li> </ul>																		
<p><b>Credit Underwriting (Loan Prospector)</b></p>	<ul style="list-style-type: none"> <li>• All Home Possible Mortgages, except Home Possible Mortgages with a RHS Leveraged Second, must be submitted to Loan Prospector.             <ul style="list-style-type: none"> <li>▪ Use Loan Prospector Offering Identifier Code 241.</li> <li>▪ Use Offering Identifier Code 244 for Home Possible 3% Cash.</li> </ul> </li> <li>• Home Possible Mortgages with a RHS Leveraged Second may be submitted to Loan Prospector or may be manually underwritten mortgages.</li> <li>• A borrower's credit reputation is acceptable if the Home Possible Mortgage receives a risk class of Accept.</li> </ul>																		
<p><b>Credit Underwriting (Manually Underwritten Mortgages)</b></p>	<ul style="list-style-type: none"> <li>• If the Home Possible Mortgage does not receive a risk class of Accept, the mortgage may be eligible as a manually underwritten mortgage if Loan Prospector returns:             <ul style="list-style-type: none"> <li>▪ A Caution risk class but the repository file used to create the selected borrower's credit report contains significant inaccurate credit information as specified in Guide Section 37.5(c).</li> </ul> </li> </ul>																		

	<ul style="list-style-type: none"> <li>▪ An evaluation of Incomplete.</li> <li>• The minimum Indicator Scores for manually underwritten mortgages are: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: center;">Property Type</th> <th style="text-align: center;">Minimum Indicator Score</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>• 1-unit primary residence (other than a fixed-rate term of 40 years, an ARM, or a no cash-out refinance): <ul style="list-style-type: none"> <li>▪ TLTV greater than 97%</li> <li>▪ TLTV 97% or less</li> </ul> </li> </ul> </td> <td style="text-align: center; vertical-align: middle;"> 700 640 </td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>• 1-unit primary residence that is a fixed-rate term of 40 years, an ARM, or a “no cash-out” refinance mortgage: <ul style="list-style-type: none"> <li>▪ TLTV greater than 97%</li> <li>▪ TLTV 97% or less</li> </ul> </li> </ul> </td> <td style="text-align: center; vertical-align: middle;"> 700 680 </td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>• 2-unit primary residences</li> </ul> </td> <td style="text-align: center; vertical-align: middle;">700</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>• 3- and 4-unit primary residences</li> </ul> </td> <td style="text-align: center; vertical-align: middle;">700</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>• Eligible manufactured homes (other than a mortgage secured by a manufactured home with a term greater than 20 years and LTV/TLTV ratios greater than 90% and less than or equal to 95%)</li> </ul> </td> <td style="text-align: center; vertical-align: middle;">720</td> </tr> </tbody> </table> </li> <li>• If none of the borrowers has a usable Indicator Score, this determination must be made without Indicator Scores as described in Guide Section A34.8(d).</li> </ul>	Property Type	Minimum Indicator Score	<ul style="list-style-type: none"> <li>• 1-unit primary residence (other than a fixed-rate term of 40 years, an ARM, or a no cash-out refinance): <ul style="list-style-type: none"> <li>▪ TLTV greater than 97%</li> <li>▪ TLTV 97% or less</li> </ul> </li> </ul>	700 640	<ul style="list-style-type: none"> <li>• 1-unit primary residence that is a fixed-rate term of 40 years, an ARM, or a “no cash-out” refinance mortgage: <ul style="list-style-type: none"> <li>▪ TLTV greater than 97%</li> <li>▪ TLTV 97% or less</li> </ul> </li> </ul>	700 680	<ul style="list-style-type: none"> <li>• 2-unit primary residences</li> </ul>	700	<ul style="list-style-type: none"> <li>• 3- and 4-unit primary residences</li> </ul>	700	<ul style="list-style-type: none"> <li>• Eligible manufactured homes (other than a mortgage secured by a manufactured home with a term greater than 20 years and LTV/TLTV ratios greater than 90% and less than or equal to 95%)</li> </ul>	720
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<b>Mortgage Credit Certificates</b>	<ul style="list-style-type: none"> <li>• Mortgage Credit Certificates (MCCs) may be used with Home Possible Mortgages if: <ul style="list-style-type: none"> <li>▪ The Seller performs an analysis to determine the amount of the tax credit stated in the MCC that the occupying borrower is actually entitled to use in the current tax year calculated on a monthly basis.</li> <li>▪ The Seller deducts the adjusted amount of the tax credit from the actual monthly housing expense payment and uses the adjusted monthly housing expense to compute the monthly debt-payment-to-income ratio, and the monthly housing expense-to-income ratio.</li> <li>▪ The Seller documents its calculations of the adjusted monthly housing expense, including the analysis of the amount of the mortgage tax credit to be used, using either the MCC Worksheet developed by Freddie Mac (see Exhibit 21, Mortgage Credit Certificate Worksheet) or a worksheet containing substantially similar information and calculations.</li> </ul> </li> <li>• The mortgage file must contain a copy of the: <ul style="list-style-type: none"> <li>▪ MCC and MCC Worksheet.</li> <li>▪ W4 and W4 Worksheet.</li> </ul> </li> <li>• MCCs may not be used with Affordable Seconds derived from federal tax-exempt financing.</li> </ul>
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<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• All borrowers must occupy the mortgaged premises as a primary residence.</li> <li>• Borrower may not, as of the note date, have any ownership interest in any other residential properties.</li> <li>• Borrower must meet income limits. Loan Prospector will indicate income eligibility.</li> <li>• Seller must attempt to verify all income reported on the Uniform Residential Loan Application and all reported income that has been verified and that is stable monthly income must be used to qualify the borrower and in determining whether the borrower meets the income limits.</li> </ul>
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<b>Reserves</b>	<ul style="list-style-type: none"> <li>• No reserves required for 1-unit primary residences, but recommended. Two months reserves required for 2- to 4-unit primary residences.</li> </ul>
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<b>Down Payment Requirements</b>	<ul style="list-style-type: none"> <li>• Minimum down payment: <ul style="list-style-type: none"> <li>▪ 1-unit primary residences for mortgages that receive a risk class of Accept: 3% of value.</li> <li>▪ 1-unit primary residences for manually underwritten mortgages: 5% of value.</li> <li>▪ 2- to 4-unit primary residences: 5% of value.</li> <li>▪ Manufactured homes: 5% of value.</li> </ul> </li> </ul>
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<b>Sources of Funds/Borrower Contribution</b>	<ul style="list-style-type: none"> <li>• Minimum borrower contribution from borrower personal funds for purchase transactions: <ul style="list-style-type: none"> <li>▪ 1-unit primary residences: none required.</li> <li>▪ 2- to 4-unit primary residences: 3% of value.</li> <li>▪ Manufactured homes: 5% of value.</li> </ul> </li> </ul> <table border="1" style="margin-left: 20px; width: 100%;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: left;">Permitted Sources of Funds</th> </tr> </thead> <tbody> <tr> <td>Borrower contribution</td> <td> <ul style="list-style-type: none"> <li>• Borrower personal funds</li> </ul> </td> </tr> <tr> <td>No minimum borrower contribution required for 1-unit primary residences, excluding manufactured homes</td> <td></td> </tr> <tr> <td>Down payment for purchase</td> <td> <ul style="list-style-type: none"> <li>• Borrower personal funds</li> </ul> </td> </tr> </tbody> </table>	Use	Permitted Sources of Funds	Borrower contribution	<ul style="list-style-type: none"> <li>• Borrower personal funds</li> </ul>	No minimum borrower contribution required for 1-unit primary residences, excluding manufactured homes		Down payment for purchase	<ul style="list-style-type: none"> <li>• Borrower personal funds</li> </ul>
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<b>Additional Special Underwriting Requirements</b>	<ul style="list-style-type: none"> <li>• Rental income from a 1-unit primary residence that meets the requirements of Guide Section A34.9(a) may be considered as stable monthly income.</li> <li>• Rental income from a 2- to 4-unit primary residence that meets Guide Section 37.14(b) may be used as qualifying income; the reserve requirement is reduced to two months.</li> </ul>												
<b>Special Requirements for Mortgages Secured by Manufactured Homes</b>	<ul style="list-style-type: none"> <li>• Must comply with all requirements in Guide Section H33 and A34, and where the Home Possible and Mortgages Secured by Manufactured Homes Guide requirements conflict, see Guide Section A34.6(b).</li> </ul>												
<b>Special Requirements for No Cash-Out Refinances</b>	<p>No cash-out refinance mortgages must comply with the requirements of Guide Sections 24.2 and 24.5 with the following exceptions:</p> <ul style="list-style-type: none"> <li>• 1- to 4-unit primary residences: <ul style="list-style-type: none"> <li>▪ Any secondary financing that is not satisfied and is resubordinated to the lien of the new refinance mortgage must be an Affordable Second or RHS Leveraged Second meeting the requirements in Section 35.2.</li> <li>▪ All sources of funds must be documented in accordance with the requirements of Sections 37.21, 37.21.1, 37.22, and 37.23, as applicable.</li> </ul> </li> <li>• 2-, 3-, and 4-unit primary residences: <ul style="list-style-type: none"> <li>▪ The new loan amount is limited to the outstanding unpaid principal balance of the existing first mortgage (rounded up to the nearest \$100 increment).</li> <li>▪ Any existing secondary financing must be paid off from verified borrower personal funds and other borrower funds or resubordinated to the new refinance mortgage.</li> </ul> </li> </ul>												
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<b>Collateral Evaluation</b>	<ul style="list-style-type: none"> <li>• 1-unit primary residences: Use Form 70 – Interior Inspection</li> <li>• Condominiums: Use Form 465</li> <li>• 2- to 4-unit primary residences: Use Form 72</li> <li>• Manufactured housing: Form 70B</li> </ul>												
<b>Homebuyer Education</b>	<ul style="list-style-type: none"> <li>• Homeownership education is required before the note date for at least one qualifying borrower if all borrower(s) are first-time homebuyers.</li> <li>• Homeownership education must be provided by a party not involved in the sale or financing of the property; if provided by the originating lender or by the Seller, the homeownership education must be conducted by someone not directly involved in the loan origination, processing, or approval process.</li> <li>• A copy of Exhibit 20, <i>Homeownership Education Certification</i>, or another document containing comparable information must be retained in the mortgage file. The following types of homeownership education are acceptable: <ul style="list-style-type: none"> <li>▪ Internet-based homeownership education programs that have been developed by mortgage insurance companies.</li> <li>▪ Homeownership education programs that meet the standards of the National Industry for Homeownership Education and Counseling (<a href="http://www.homeownershipstandards.com/">http://www.homeownershipstandards.com/</a>).</li> <li>▪ Programs using the Freddie Mac CreditSmart® financial education curriculum, provided modules 1, 2, 7, 11 and 12 are included.</li> </ul> </li> </ul>												
<b>Borrower Disclosure</b>	<ul style="list-style-type: none"> <li>• Borrower disclosure and consent required at closing that permits disclosure of borrower information to third party in the event of delinquency. See Guide Section A34.12(b) for more details.</li> </ul>												
<b>DELIVERY REQUIREMENTS</b>													

<b>Eligible Executions</b>	<ul style="list-style-type: none"> <li>• Servicing-Released Cash</li> <li>• Servicing-Retained Cash</li> <li>• WAC ARM Cash</li> <li>• Fixed-Rate Guarantor</li> <li>• WAC ARM Guarantor</li> <li>• MultiLender Swap</li> </ul> <p>Use Freddie Mac's selling system for easy secondary market sale.</p>
<b>Delivery Requirements</b>	<ul style="list-style-type: none"> <li>• On Form 11 or 13SF, deliver: <ul style="list-style-type: none"> <li>▪ Special Characteristic Code (SCC) G00 for Home Possible 97 Mortgages.</li> <li>▪ SCC 071 for Affordable Housing Initiative.</li> </ul> </li> <li>• <b>Special Note:</b> Home Possible Mortgages require the delivery of an alphanumeric SCC. Check with your loan origination software (LOS) vendor to find out if your system supports alphanumeric SCCs.</li> <li>• You must deliver SCC 140 for all purchase transactions with Home Possible Mortgages where the borrower's income is at or below 80 percent of AMI.</li> <li>• You may also need to deliver one or more of these SCCs based on the characteristics of the mortgage: <ul style="list-style-type: none"> <li>▪ 532: Noncredit Payment References</li> <li>▪ 535: TLTV ratio greater than 100%</li> <li>▪ 547: Cash on hand used as Borrower Personal Funds</li> <li>▪ 583: Affordable Seconds used</li> <li>▪ G18: Affordable Seconds entered in Loan Prospector in the "Total Gift Fund" field</li> </ul> </li> </ul> <p>See Guide Section 17.13.1 for complete delivery requirements.</p>
<b>Pooling Requirements</b>	<ul style="list-style-type: none"> <li>• There are no special pooling requirements for Home Possible Mortgages. Refer to Chapter 13 for pooling requirements for fixed-rate mortgages and Chapter A13 for pooling requirements for ARMs.</li> <li>• Mortgages may be pooled with non-Home Possible Mortgages.</li> </ul>
<b>Delivery Fees</b>	<ul style="list-style-type: none"> <li>• Special postsettlement delivery fees are applicable to Home Possible 97 Mortgages. See Guide Exhibit 19 for more details.</li> <li>• There is a reduced delivery fee rate for purchase transactions with Home Possible Mortgages where the borrower's income is at or below 80% of AMI.</li> <li>• The following other delivery fees will not be assessed when the mortgage is delivered as a Home Possible Mortgage: <ul style="list-style-type: none"> <li>▪ Secondary financing, if an Affordable Second</li> <li>▪ Adjustable-rate Mortgages (ARMs), if a 7/1 or 10/1 ARM</li> <li>▪ Indicator Score and LTV ratio-based delivery fee</li> </ul> </li> <li>• See Exhibit 19 of the Guide for complete delivery fee details</li> </ul>
<b>SERVICING REQUIREMENTS</b>	
<ul style="list-style-type: none"> <li>• Must be Tier I or Tier II Servicer.</li> <li>• Servicer must provide Early Delinquency Counseling to borrowers who become delinquent during the first year of the mortgage.</li> <li>• See Guide Section 64.4 for more details.</li> </ul>	

**Learn more about Home Possible 97 Mortgages:**

- Review Chapter A34 of the *Single-Family Seller/Servicer Guide*
- Call (800) FREDDIE
- Visit [www.FreddieMac.com](http://www.FreddieMac.com)