



Freddie Mac's Home Possible® Neighborhood Solution 100 Mortgage

Underwriting, Execution, & Delivery

In today's housing market, it's often a challenge for borrowers who support your community to live in it. With Freddie Mac's Home Possible Neighborhood Solution 100 Mortgage, you can offer teachers, firefighters, law enforcement officers, healthcare workers and military personnel the flexibilities they need to ensure homeownership in the areas where they work. Our flexible credit parameters include expanded debt-to-income ratios and extended temporary subsidy buydowns.

Below you'll find an overview to help you underwrite, sell, and deliver Home Possible Neighborhood Solution 100 Mortgages to Freddie Mac. We've designed this document to provide you with the high-level guidelines you'll need, however, it is not intended to be a complete source of information. Please refer to the Freddie Mac *Single-Family Seller/Servicer Guide* (Guide) for complete details.

Freddie Mac offers a wide variety of training that is convenient and easy, including:

- Online training choices designed for originators, underwriters and shippers
- In-person training across the country

For more information on training, please visit www.FreddieMac.com/learn

Key Features:

- 15-, 20-, 30- and 40-year fixed-rate mortgages
- Low Mortgage Insurance Coverage
- 5/1 (2/2/5 caps), 7/1, and 10/1 CMT & LIBOR-indexed ARMs
- Extended and Limited temporary subsidy buydowns
- Maximum financing up to 105 percent total loan-to-value (TLTV) in most instances
- Secondary Financing including Affordable Seconds

Eligible Property Types

- 1-unit Primary Residences
- Condos
- PUDs
- Manufactured Homes not eligible

Eligible Mortgages

- Purchase and "no cash-out" refinance
- 15-, 20-, 30- and 40-year fixed-rate mortgages
- 5/1 (2/2/5 caps), 7/1, and 10/1 convertible and non-convertible ARMs
- A-minus Mortgages eligible
- Mortgages for newly constructed homes (newly built home mortgages—site-built only)

May not be combined with most other Freddie Mac mortgage products or negotiated products and offerings or underwriting waivers. See Guide Section A34.3(b) for a complete list of ineligible mortgages.

Freddie Mac's Home Possible Mortgages are easy to assess through our automated underwriting system, Loan Prospector®, and sell to us using a variety of cash and securities executions.

Temporary Subsidy Buydowns

- Extended and limited temporary subsidy buydowns are not permitted with:
 - Manufactured Homes
 - Mortgage Credit Certificates
 - Secondary financing that has a variable interest rate

- Extended temporary subsidy buydowns provide for an initial interest rate that is:
 - Temporarily reduced up to 1.5 percentage points below the Note Rate
 - Increased up to 0.5 percentage points annually for no more than three years
- Limited temporary subsidy buydowns provide for an initial interest rate that is:
 - Temporarily reduced up to two percentage points below the Note Rate
 - Increased up to one percentage point annually for no more than two years
- For “no cash-out” refinances, the buydown plan cannot be funded from premium financing
- For Extended Buydowns the Borrower may be qualified at the initial bought down rate; for Limited Buydowns, the Borrower may be qualified at the initial bought down rate plus 1%

Maximum LTV/TLTV Ratios

Number of units	Maximum LTV ratio	Maximum TLTV ratio
1-unit	100%	105%

Secondary Financing

Secondary financing permitted, including:

- Affordable Seconds[®]
 - Affordable Seconds can be entered in the “Total Gift Fund” field in Loan Prospector. SCC G18 Required
- Rural Housing Service Leveraged Seconds
- Other eligible secondary financing

Borrower Credit Requirements

- Must be submitted to Loan Prospector
- Loan Prospector mortgages with invalid, ineligible, or incomplete assessment, and Loan Prospector Caution (ineligible for A-minus) mortgages must be manually underwritten in accordance with the requirements of Chapter A34, including:
 - 1-unit: minimum Indicator Score of 620 required for Manually Underwritten Mortgages
 - Monthly housing expense-to-income ratio may be calculated using the monthly payment at the bought down rate for Extended Buydowns and at the bought down rate plus 1% for Limited Buydowns
 - Maximum monthly debt-payment-to-income ratio for manually Underwritten Mortgages is 45 percent

Mortgage Credit Certificates

Mortgage Credit Certificates (MCCs) may be used with Home Possible Mortgages if:

- 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

- 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
- 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

The mortgage file must contain a copy of the:

- MCC and MCC Worksheet
- W4 and W4 Worksheet

Eligible Borrowers

- All Borrowers must occupy the Mortgaged Premises as a Primary Residence
- Borrower must meet income limits. Loan Prospector[®] will indicate income eligibility
- 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 and in determining whether the Borrower meets the income limits
- **Educators:** An employee of an accredited or state-recognized private or public school; a certified teacher or administrator in an education agency; or an employee of a post-secondary level educational institution
- **Law Enforcement Officers and Firefighters:** An employee of a law enforcement agency or fire department administered by a state or local government; or a sworn law enforcement officer responsible for crime prevention and detection, or criminal incarceration; or a sworn member of a fire department involved in fire suppression or prevention, emergency medical response, hazardous materials incident response, or management/response to terrorism
- **Healthcare Workers:** A certified, accredited, or licensed healthcare worker who is a medical resident or fellow; a nurse, nursing assistant, pharmacist, pharmacy technician, physician's assistant, or medical technician, technologist or therapist
- **Military Personnel:** A member of the United States Armed Forces who is on full-time active duty; a member of a reserve component of the United States Armed Forces or a former member of the United States Armed Forces or a reserve component of the United States Armed Forces who has been separated or retired from either active duty or a reserve component for no more than two years at the time of the loan application

Reserves

- One month's reserves required, which may be from Gift Funds

Down Payment Requirements

- No minimum down payment amount required

Sources of Funds/Borrower Contribution

- No minimum Borrower Contribution from Borrower Personal Funds required for purchase transactions

Use	Permitted Sources of Funds
Downpayment for purchase transaction	<ul style="list-style-type: none"> • Borrower Personal Funds • Other Borrower Funds
Additional equity if needed for a no cash-out refinance transaction	<ul style="list-style-type: none"> • Borrower Personal Funds • Other Borrower Funds
Closing costs, financing costs, prepaid/escrows	<ul style="list-style-type: none"> • Borrower Personal Funds • Other Borrower Funds • Flexible sources of funds
Reserves for Home Possible Neighborhood Solution Mortgages	<ul style="list-style-type: none"> • Borrower Personal Funds • Other Borrower Funds including Gift Funds • Borrower reserves (see Section 26.5)

See Guide Section A34.2(b) for a complete source of funds definitions.

Loan Prospector Assessment

- Must be submitted to Loan Prospector
- Use Loan Prospector Offering Identifier Code: 242

Additional Special Underwriting Requirements

- Rental income from a 1-unit primary residence that meets the requirements Guide Section A34.9(a) may be considered as stable monthly income

Special Requirements for “No Cash-Out” Refinances

“No cash-out” refinance mortgages must comply with the requirements of Guide Sections 24.2 and 24.5 with the following exceptions:

- 1-unit primary residences:
 - Any secondary financing that is not satisfied and is resubordinated to the lien of the new refinance mortgage must be an Affordable Second, other eligible secondary financing or RHS Leveraged Second meeting the requirements in Section 35.3
 - 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

Mortgage Insurance Requirements

LTV Ratio	Mortgage Insurance Coverage
> 97% to 100%	20%
> 95% to 97%	18%
> 90% to 95%	16%
> 85% to 90%	12%
> 80% to 85%	6%

Lender-paid and financed mortgage insurance premiums are permitted. Flexible mortgage insurance options described in Guide Section 27.1.1 are not permitted.

Collateral Evaluation

- 1-unit Primary Residence: Use Form 70 or Form 2055—Interior Inspection
- Condominiums: Use Form 465

Homebuyer Education

- Not required, but is encouraged

Borrower Disclosure

- Borrower disclosure and consent required at closing that permits disclosure of borrower information to third party in the event of delinquency. See Guide Section 64.4 for more details

Servicing Requirements

- Must be Tier I or Tier II Servicer
- Servicer must provide Early Delinquency Counseling to borrowers who become delinquent during the first year of the mortgage. See Guide Section 64.4 for more details

Eligible Executions

- Sell through the following executions:
 - Servicing-Released Cash
 - Servicing-Retained Cash
 - WAC ARM Cash
 - Fixed-Rate Guarantor
 - WAC ARM Guarantor
 - MultiLender Swap

Delivery Requirements

On Form 11 or 13SF, deliver:

- Special Characteristics Code (SCC) G03 for Home Possible Neighborhood Solution 100 Mortgages
- SCC 071, Affordable Housing Initiative

Special Note: 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.

As of November 1, you must deliver SCC 140 for all purchase transaction Home Possible Mortgages where the borrower's income is at or below 80 percent of AMI and for purchase transaction Home Possible Mortgages secured by properties located in eligible disaster areas affected by Hurricanes Katrina and Rita that are originated on or before December 31, 2007.

You may also need to deliver one or more of these SCCs based on the characteristics of the mortgage:

- 532: Noncredit Payment References
- 535: TLTV ratio greater than 100 percent
- 547: Cash on hand used as Borrower Personal Funds
- 583: Affordable Seconds used
- G18: Affordable Seconds entered in Loan Prospector in the "Total Gift Fund" field

See Guide Section 17.13.1 for complete delivery requirements.

Pooling Requirements

- 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

Delivery Fees

- Special postsettlement delivery fees are applicable to Home Possible Neighborhood Solution 100 Mortgages. Effective for settlements on or after November 1, 2007, this special delivery fee will be increased by 100 basis points—see Guide Exhibit 19 for more details.
- Also effective for settlements on or after November 1, 2007, there will be a reduced delivery fee rate for purchase transaction Home Possible Mortgages where the borrower's income is at or below 80 percent of AMI and for purchase transaction Home Possible Mortgages secured by properties located in eligible disaster areas affected by Hurricanes Katrina and Rita that are originated on or before December 31, 2007.
- The following other delivery fees will not be assessed when the mortgage is delivered as a Home Possible Mortgage:
 - CS/LTV (A-minus)
 - Secondary financing, if an Affordable Second®
 - 7/1 and 10/1 Adjustable-Rate Mortgages (ARMs)
- See Exhibit 19 of the Guide for complete delivery fee details

Learn more about Home Possible Neighborhood Solution 100 Mortgages:

- Refer to Chapter A34 of the Guide
- Call (800) FREDDIE
- Visit www.FreddieMac.com/homepossible

Subject to change without notice.