



## Freddie Mac's Home Possible® 97 Mortgages

### *Underwriting, Execution, & Delivery*

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.

Below you'll find an overview to help you underwrite, sell, and deliver Home Possible 97 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's 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](http://www.FreddieMac.com/learn).

### Key Features:

- 15-, 20-, 30- and 40-year fixed-rate mortgages
- No Borrower Contribution required on 1-unit Primary Residences
- Low mortgage insurance coverage
- 5/1 (2/2/5 caps), 7/1, and 10/1 CMT and LIBOR-indexed ARMs
- 1- to 4-unit Primary Residences
- Manufactured Homes eligible (with certain restrictions)
- Maximum financing up to 105 percent total loan-to-value (TLTV)
- Limited temporary subsidy buydowns

### Eligible Property Types

- 1- to 4-unit Primary Residences
- Condos
- PUDs
- Manufactured Homes (with additional requirements)

### 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 (permitted for 1- and 2-units only). 5/1 ARMs not permitted with Manufactured Homes
- May be an A-minus Mortgage
- 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, and underwriting

waivers in Purchase Documents do not apply. See Guide Section A34.3 (b) for a complete list of ineligible mortgages.

Freddie Mac's Home Possible 97 Mortgage is easy to assess through our automated underwriting system, Loan Prospector®, and sell to us using a variety of cash and securities executions. However, convertible ARMs cannot be sold through the Freddie Mac Selling System.

### Limited Temporary Subsidy Buydowns

- Temporary subsidy buydowns are not permitted with:
  - Secondary financing that has a variable interest rate
  - Mortgage Credit Certificates
  - Manufactured Homes
  - 2- to 4-unit Primary Residences
- 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
- 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	97%	105%
2-units	97%	105%
3-units	95%	105%
4-units	95%	105%
Manufactured Home	See Chapter H33.3 for more details	See Chapter H33.3 for more details

### Secondary Financing

Secondary financing permitted, including:

- Affordable Seconds<sup>®</sup>
  - 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 (see Guide Section 25.1(h))

### Borrower Credit Requirements

- Must be submitted to Loan Prospector<sup>®</sup> unless using RHS Leveraged Seconds
- 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 in Chapter A34, including:
  - 1-unit Primary Residences: minimum Indicator Score of 600 required for manually Underwritten Mortgages
  - 2-unit Primary Residences: minimum Indicator Score of 620 required for manually Underwritten Mortgages
  - 3- to 4-unit Primary Residences mortgages and mortgages secured by Manufactured Homes: minimum Indicator Score of 660 required for Manually Underwritten Mortgages
  - Monthly housing expense to income ratio may be calculated using the monthly payment at the bought down rate plus 1% for Limited Buydowns
- Maximum monthly debt-payment-to-income ratio for manually Underwritten Mortgages is 43 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

MCCs may not be used with Affordable Seconds derived from federal tax-exempt financing

### 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 monthly income must be used to qualify the Borrower and in determining whether the Borrower meets the income limits.

Use	Permitted Sources of Funds
Borrower Contribution  No minimum Borrower Contribution required for 1-unit Primary Residences, excluding Manufactured Homes	• Borrower Personal Funds
Downpayment for purchase transaction	• Borrower Personal Funds • Other Borrower Funds
Additional equity if needed for a no-cash-out refinance transaction	• Borrower Personal Funds • Other Borrower Funds
Closing costs, financing costs, prepaids/escrows	• Borrower Personal Funds • Other Borrower Funds • Flexible Sources of Funds
Reserves for Home Possible Mortgages	• Borrower Personal Funds • Other Borrower Funds excluding Gift Funds • Borrower reserves (as described in Section 26.5)

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

### Reserves

- No reserves required for 1-unit Primary Residences, but recommended. Two months reserves required for 2- to 4-unit Primary Residences

### Down Payment Requirements

- Minimum down payment:
  - 1-unit Primary Residences: none required
  - 2- to 4-unit Primary Residences: 3% of value
  - Manufactured Homes: 5% of value

### Sources of Funds/Borrower Contribution

Minimum Borrower Contribution from Borrower Personal Funds for purchase transactions:

- 1-unit Primary Residences: none required
- 2- to 4-unit Primary Residences: 3% of value
- Manufactured Homes: 5% of value

Home Possible 3% Cash has no delivery fee if Borrower makes a down payment of 3% from Borrower Personal Funds or for a refinance, has 3% equity in the property

### Loan Prospector Assessment

- Must be submitted to Loan Prospector unless RHS Leveraged Second
- Use Loan Prospector Offering Identifier: 241
  - Or Offering Identifier Code 244 for Home Possible 3% Cash

### Additional Special Underwriting Requirements

- 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
- 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

### Special Requirements for Mortgages Secured by Manufactured Homes

- 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)

### 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- to 4-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, or 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
- 2-, 3-, and 4-unit Primary Residences:
  - The new loan amount is limited to the outstanding unpaid principal balance of the existing first mortgage (rounded up to the nearest \$100 increment)
  - Any existing secondary financing must be paid off from verified Borrower Personal Funds and Other Borrower Funds or resubordinated to the new refinance mortgage

### 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 are not permitted.

### Collateral Evaluation

- 1-unit Primary Residences: Use Form 70 – Interior Inspection
- Condominiums: Use Form 465
- 2- to 4-unit Primary Residences: Use Form 72
- Manufactured Housing: Form 70B

### Homebuyer Education

- Required for 2- to 4-unit Primary Residences, unless Guide requirements are met. Landlord education required for purchases and recommended for refinance transactions

### 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 A34.12(b) 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
- Use Freddie Mac's selling system for easy secondary market sale

### Delivery Requirements

On Form 11 or 13SF, deliver:

- Special Characteristics Code (SCC) G00 for Home Possible 97 Mortgage or G20 for Home Possible 3% Cash
- 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%
- 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
- Mortgages may be pooled with non-Home Possible Mortgages

### Delivery Fees

- Special postsettlement delivery fees are applicable to Home Possible 97 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.
- No Home Possible delivery fee for Home Possible 3% Cash
- The following other delivery fees will not be assessed when the mortgage is delivered as a Home Possible Mortgage:
  - 2-unit fee
  - CS/LTV (A-minus)
  - Secondary financing, if an Affordable Second
  - Adjustable-rate Mortgages (ARMs), if a 7/1 or 10/1 ARM
- See Exhibit 19 of the Guide for complete delivery fee details

### Learn more about Home Possible 97 Mortgages:

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

*Subject to change without notice.*