



## Mortgages with Secondary Financing

### Freddie Mac purchases first lien mortgages with secondary financing

For conforming and super conforming mortgages, you can originate a first mortgage with an original loan amount up to the maximum eligible loan limit concurrently with a second lien home equity loan or line of credit.<sup>1</sup>

<sup>1</sup>Note: There may be federal, state or local laws applicable to originations of this type, and Sellers should seek the advice of their counsel prior to implementation.

#### > Borrower Profile

- Borrowers with strong credit histories who are looking to maximize home financing.

#### > Key Features

- Second liens can be originated with a first mortgage that has an original loan amount up to the maximum eligible loan limit for most products, including fixed-rate mortgages, ARMs or balloon/reset mortgages.
- Purchase and refinances.

#### > Borrower Benefits

- May provide lower monthly principal and interest payments.

ORIGINATION & UNDERWRITING REQUIREMENTS	
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>▪ 1- to 4-unit primary residence</li> <li>▪ 1-unit second home</li> <li>▪ 1- to 4-unit investment properties</li> </ul>
<b>Eligible Mortgages</b>	<ul style="list-style-type: none"> <li>▪ Freddie Mac does not purchase the second mortgage</li> <li>▪ Loan Prospector and Non-Loan Prospector mortgages</li> <li>▪ Purchase and refinances</li> <li>▪ The first mortgage with an original loan amount up to the maximum eligible loan limit can be most products, including fixed-rate mortgages, ARMs or 5- or 7-year balloon/reset mortgages</li> <li>▪ All requirements for specific mortgage products apply, including requirements for mortgage insurance if the LTV ratio is greater than 80 percent.</li> </ul>
<b>Maximum LTV Ratios</b>	<ul style="list-style-type: none"> <li>▪ Base conforming mortgages must meet the maximum LTV/TLTV/HTLTV ratio requirements in Guide Chapter 23.4 or as specified for the specific mortgage product.</li> <li>▪ Super conforming mortgages must meet the maximum LTV/TLTV/HTLTV ratio requirements in Guide Section L33.3.</li> </ul>
<b>Special Underwriting and Documentation Requirements</b>	<ul style="list-style-type: none"> <li>▪ The terms of the secondary financing must: <ul style="list-style-type: none"> <li>□ Provide for regular monthly payments sufficient to meet the interest due; interest may not accrue.</li> <li>□ Be disclosed to the appraiser and to the mortgage insurer</li> </ul> </li> <li>▪ Payment of the secondary financing must be included in the borrower's monthly housing expense.</li> <li>▪ Secondary financing that is a HELOC must meet the requirements in Section 25.1(d); Affordable Seconds must meet the requirements in Section 25.1(g)</li> <li>▪ Refinance mortgages with junior liens must meet the requirements in Section 25.2.</li> <li>▪ Documentation for the secondary financing, as listed in Guide Section 25.1(f) must be included in the mortgage file.</li> <li>▪ Maturity date requirement: For financing other than HELOCs, the maturity date or amortization basis of the junior lien must not be less than five years after the note date of the first lien mortgage delivered to Freddie Mac, unless the junior lien is fully amortizing. Review Guide section 25.1(b) for more details.</li> </ul>
DELIVERY REQUIREMENTS	
<b>Delivery Fees</b>	<ul style="list-style-type: none"> <li>▪ See Guide Exhibit 19 for applicable postsettlement delivery fees at <a href="http://www.FreddieMac.com/singlefamily/pdf/ex19.pdf">http://www.FreddieMac.com/singlefamily/pdf/ex19.pdf</a>.</li> </ul>

**Learn more about Freddie Mac loans with secondary financing:**

- Refer to Chapter 25 of the *Single-Family Seller/Service Guide*
- Call (800) FREDDIE
- Visit [www.FreddieMac.com](http://www.FreddieMac.com)