



## Mortgages with Secondary Financing

### Create an edge in higher housing-cost markets

For conforming and super conforming mortgages, you can package a first mortgage<sup>1</sup> up to the maximum eligible loan limit with a second lien home equity loan or line of credit to provide home financing for borrowers who want maximum financing, but may not qualify for one larger loan amount.

<sup>1</sup>Note: This program may require that Sellers comply with various federal, state or local laws, and Sellers should seek the advice of their counsel prior to implementation.

#### > Borrower Profile

- Borrowers with strong credit histories who want flexible home financing at the lowest possible cost

#### > Key Features

- A first mortgage up to the maximum eligible loan limit can be most products, including fixed-rate, ARMs or balloon/reset mortgages
- Purchase and no cash-out refinances

#### > Borrower Benefits

- May provide lower monthly principal and interest payments
- Benefit from possible tax relief gained from interest deductibility of the second trust payments

ORIGINATION & UNDERWRITING REQUIREMENTS	
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>▪ 1- to 2-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>▪ Loan Prospector and Non-Loan Prospector mortgages</li> <li>▪ Purchase and No cash-out refinances</li> <li>▪ The first mortgage of up to the maximum eligible loan limit can be most products, including fixed-rate, ARMs or balloon/reset mortgages</li> <li>▪ Home Possible Mortgages with a TLTV up to 105% when secondary financing is an Affordable Second.</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>Borrower Eligibility Requirements</b>	<ul style="list-style-type: none"> <li>▪ Conforming mortgages must meet the maximum LTV/TLTV/HTLTV ratio requirements in Guide Chapter 23.4.1: <ul style="list-style-type: none"> <li>□ Purchase or no cash-out refinance mortgages secured by a 1-unit primary residence: <ul style="list-style-type: none"> <li>▪ Max. LTV with secondary financing: 90%</li> <li>▪ Max. TLTV with secondary financing: 95%</li> <li>▪ Max. HTLTV with secondary financing: 95%</li> </ul> </li> </ul> </li> <li>▪ Super conforming mortgages must meet the maximum LTV/TLTV/HTLTV ratio requirements in Guide Chapter L33.3 <ul style="list-style-type: none"> <li>□ Purchase or no cash-out refinance mortgages secured by a 1-unit primary residence: <ul style="list-style-type: none"> <li>▪ Max. LTV with secondary financing: 85%</li> <li>▪ Max. TLTV with secondary financing: 90%</li> <li>▪ Max. HTLTV with secondary financing: 90%</li> </ul> </li> </ul> </li> </ul>
<b>Special Underwriting Requirements</b>	<ul style="list-style-type: none"> <li>▪ Monthly payments must be fixed if the first lien mortgage is an ARM or if the first lien mortgage is subject to a buydown plan.</li> <li>▪ Terms of secondary financing may provide for a variable interest rate if the interest rate of the first lien mortgage is fixed and both of the following conditions are met: <ul style="list-style-type: none"> <li>□ The monthly payment must remain constant for each 12-month period over the term of the junior lien.</li> <li>□ The change in monthly payment at the end of each 12-month period cannot represent more than a 1% increase in interest rates.</li> </ul> </li> </ul>
DELIVERY REQUIREMENTS	
<b>Eligible Executions</b>	<ul style="list-style-type: none"> <li>▪ Eligible executions for the first mortgage: <ul style="list-style-type: none"> <li>□ Servicing-released Cash</li> <li>□ Servicing-retained Cash</li> <li>□ Fixed-rate Guarantor</li> <li>□ WAC Guarantor</li> <li>□ MultiLender Swap</li> </ul> </li> <li>▪ Freddie Mac does not purchase the second mortgage</li> </ul>
<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/Servicer Guide*
- Call (800) FREDDIE
- Visit [www.FreddieMac.com](http://www.FreddieMac.com)