



Rural Housing Service Section 502 Leveraged Seconds

Reach more low-income rural borrowers

The U.S. Department of Agriculture's Section 502 Single-Family Leverage Second Loan program¹ is designed to meet the needs of low-income rural borrowers who have the necessary credit history, but may not have the income or necessary down payment for a conventional mortgage. Freddie Mac buys Home Possible® Mortgages through the *Single-Family Seller/Servicer Guide* (Guide), while the Rural Housing Service (RHS) Leveraged Second Mortgage is held and serviced by RHS.

¹The Section 502 Leverage Second Loan program is subject to modifications made by RHS.

> Borrower Profile

- Low-income borrowers in rural areas

> Key Features

- Can be used with Home Possible 30-year fixed-rate mortgages
- 1-unit owner occupied primary residences
- Flexible LTV/TLTV ratios

> Borrower Benefits

- Provides a lower financing cost with no mortgage insurance required on the first mortgage; the interest rate for the second mortgage is based on the borrower's ability to pay as defined by RHS
- Reduced down payment and reserve requirements with Home Possible Mortgages
- Various options available for funding a down payment, closing costs and prepaids

ORIGINATION & UNDERWRITING REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> • 1-unit owner-occupied primary residences including single-family dwellings, rehabilitated units and Planned Unit Developments (PUDs) • Manufactured homes in accordance with Freddie Mac's Single-Family Seller/Service Guide (Guide) and RHS guidelines. Property location must meet the rural designation, as defined by RHS.
Eligible Mortgages	<ul style="list-style-type: none"> • Home Possible 30-year fixed-rate mortgages • First lien, purchase transactions • The Home Possible Mortgage, combined with the RHS Leveraged Second, may exceed the purchase price under certain circumstances as agreed to by Freddie Mac and in accordance with the RHS program. • Maximum total financing for the property location is set by the Department of Housing and Urban Development (HUD), but the Home Possible Mortgage may not exceed Freddie Mac loan limits. • Adjusted annual income must meet the requirements as defined by RHS (Contact RHS offices for specific information on income limits). • Maximum LTV ratio of the Home Possible Mortgage is 50%. Maximum TLTV ratio, including the RHS Leveraged Second and all other secondary financing, is the lesser of 100% or the maximum allowed under the second loan regulations. • As an exception, the LTV ratio may exceed 50 percent and the TLTV ratio may exceed 100 percent (if permitted by the Second Loan Regulations). • The mortgage must comply with the Second Loan Regulations, as defined in Guide Section 35.3, and the Seller must make the special warranties described in Guide Section 35.3(f).
Loan Prospector Assessment	<ul style="list-style-type: none"> ▪ Home Possible Mortgages with RHS Leveraged Seconds may be assessed through Loan Prospector[®].
DELIVERY REQUIREMENTS	
Eligible Executions for Home Possible Mortgages with RHS Leveraged Seconds	<ul style="list-style-type: none"> • Fixed-rate cash, • Fixed-rate Guarantor • MultiLender Swap
Eligible Seller/Services	<ul style="list-style-type: none"> • Must be approved by RHS to originate mortgages with RHS Leveraged Seconds.
Delivery Fees	<ul style="list-style-type: none"> • A Home Possible Mortgage with an RHS Leveraged Second will not be assessed an Indicator/LTV postsettlement delivery fee (delivery fee) or a credit score/loan-to-value (CS/LTV) postsettlement delivery fee (A-Minus fee) if it meets the requirements of this section and is delivered as a Home Possible Mortgage with an RHS Leveraged Second.

Learn more about Rural Housing Service Section 502 Leveraged Seconds:

- Review Chapter 35 of the *Single Family Seller/Service Guide*
- Call (800) FREDDIE
- Visit www.FreddieMac.com