



**EFFECTIVE OCTOBER 29, 2018**

Updated requirements announced in Single-Family Seller/Service Guide (Guide) Bulletin 2018-13.

# Freddie Mac Home Possible<sup>®</sup> Mortgages

**A responsible, low down payment mortgage option for first-time homebuyers and low- and moderate-income borrowers**

Freddie Mac Home Possible<sup>®</sup> mortgages offer outstanding flexibility and options to meet a variety of borrowers' needs. With Home Possible, you'll capitalize on opportunities to meet the home financing needs of low- and moderate-income borrowers looking for low down payments and flexible sources of funds.

## > Borrower Profile

Home Possible is designed to meet the needs of:

- First-time homebuyers, move-up borrowers, and retirees.
- Families in low-income census tracts.
- Very low, low and moderate income borrowers.

## > Key Features

- Purchase and no cash out refinancing.
- Maximum 97 percent LTV/TLTV/HTLTV. 105 percent TLTV with Affordable Second.<sup>®</sup>
- Sweat equity allowed for the entire amount of down payment and closing costs.
- Mortgage insurance options.
- Loan Product Advisor<sup>®</sup> or manual underwriting.
- No reserves required for 1-unit properties for manually underwritten mortgages.
- Maximum credit fee in price of 1.5 percent, with no credit fee in price on many loans.

## > Borrower Benefits

- Stable monthly payments with fixed-rate mortgages.
- Flexible sources of funds, including sweat equity for the entire down payment.
- Reduced mortgage insurance coverage levels for LTV ratios greater than 90 percent.
- Minimum down payment of 3 percent allowed.

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## Origination and Underwriting Requirements

### ELIGIBLE PROPERTY TYPES

- 1- to 4-unit properties
- Condos
- Planned Unit Development
- Manufactured homes (with additional requirements)  
See Guide Section 4501.6

### ELIGIBLE OCCUPANCY TYPES

- Owner occupied; primary residences only

### ELIGIBLE MORTGAGES

- Purchase and no cash out refinance transactions.
- First lien mortgages that are fully amortizing.
- Conventional, conforming mortgages.
- Super conforming mortgages that are Loan Product Advisor Accept mortgages.
- 5/1, 5/5, 7/1 and 10/1 ARMs; Manufactured homes not eligible for 5/1 or 5/5 ARMs.
- Construction conversion and renovation mortgages originated according to Guide Chapter 4602.
- Mortgages with an RHS Leveraged Second originated according to Guide Section 4205.2.

### TEMPORARY SUBSIDY BUYDOWNS

- Allowed for mortgages secured by 1- to 2-unit properties, other than manufactured homes (See Guide Sections 4501.5 and 4204.4).
- If a mortgage with a temporary subsidy buydown plan is subject to secondary financing, including an Affordable Second that requires repayment to begin before the due date of the 61<sup>st</sup> monthly payment under the Home Possible mortgage, the secondary financing must have a fixed interest rate.

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## Origination and Underwriting Requirements (continued)

### MAXIMUM LTV/TLTV/HTLTV RATIOS (FOR TRANSACTIONS THAT ARE NOT SUPER CONFORMING\* MORTGAGES)

Property Type	Maximum LTV	Maximum TLTV	Maximum HTLTV
<b>Fixed Rate Mortgages</b>			
1-unit	97%	105%**	97%**
2- to 4-unit	95%	95%	95%
<b>5/1, 5/5, 7/1 and 10/1 ARMs</b>			
1 and 2-unit	95%	95%	95%
3 and 4-unit	75%	75%	75%
Manufactured homes	See Guide Chapter 5703		

\* Super conforming mortgages must meet the following requirements:

- 1-unit properties: maximum LTV/HTLTV ratio – 95%; TLTV ratios over 95% and less than or equal to 105% must have secondary financing that is an Affordable Second
- 2 units: maximum LTV/TLTV/HTLTV ratios – 85% for fixed rate and ARM
- 3 to 4 units: maximum LTV/TLTV/HTLTV – 80% for fixed rate; 75% for ARM

\*\* When the TLTV ratio exceeds 97 percent, the secondary financing subordinated to a Home Possible mortgage must be an Affordable Second. The Affordable Second financing cannot be a Home Equity Line of Credit (HELOC).

See Section 4501.7 for additional LTV/TLTV/HTLTV ratio requirements for Home Possible mortgages with non-occupying borrowers.

### MINIMUM BORROWER CONTRIBUTION AND RESERVES

#### Minimum Contribution from Borrower Personal Funds (Purchase transactions only)

Property Type	Home Possible LTV/TLTV and HTLTV ratios <= 80%	Home Possible LTV/TLTV/HTLTV ratios >80% <= 95%	Home Possible mortgages with LTV/TLTV/HTLTV ratios >95%
1-unit	None	None	None
2- to 4-unit	None	3% of value	N/A
Manufactured home	None	None	N/A

#### Minimum Reserves

Property Type	Required Reserves
1-unit	As defined by Loan Product Advisor – none if manually underwritten
2- to 4-unit	As defined by Loan Product Advisor – two months if manually underwritten

### PERMITTED SOURCES OF FUNDS

Use	Permitted Sources of Funds
Minimum borrower contribution	<ul style="list-style-type: none"> <li>• Borrower personal funds, as described in Section 5501.3(b)</li> </ul>
Down payment (difference between the purchase price and the first lien amount)	<ul style="list-style-type: none"> <li>• Borrower personal funds</li> <li>• Other eligible sources of funds, including sweat equity as described in Section 4501.10</li> </ul>
Additional equity, if needed for a no-cash-out refinance transaction	<ul style="list-style-type: none"> <li>• Borrower personal funds</li> <li>• Other eligible sources of funds</li> </ul>
Closing costs, financing costs, prepaids/escrows	<ul style="list-style-type: none"> <li>• Borrower personal funds</li> <li>• Other eligible sources of funds, including sweat equity</li> <li>• Flexible sources of funds</li> </ul>
Reserves	<ul style="list-style-type: none"> <li>• Borrower personal funds</li> <li>• Other eligible sources of funds, including funds described in Section 5501.3(c)</li> </ul>

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## Origination and Underwriting Requirements (continued)

### SECONDARY FINANCING

- Any secondary financing that meets Freddie Mac requirements is allowed, including HELOCs, with a TLTV/HTLTV ratio less than or equal to 97 percent.
- An Affordable Second that does not require a payment before the due date of the 61<sup>st</sup> payment may be entered in Loan Product Advisor in the “Total Gift Fund” field. In all other respects, the Affordable Second must be considered as secondary financing.

### CREDIT UNDERWRITING (LOAN PRODUCT ADVISOR)

- A borrower’s credit reputation is acceptable if the Home Possible mortgage receives a risk class of Accept.
- Borrowers without credit scores may be underwritten for up to 95 percent LTV using Loan Product Advisor.
- A Home Possible mortgage secured by a manufactured home must be submitted to Loan Product Advisor. See Guide Section 4501.8 for additional requirements.
- Use Loan Product Advisor Offering Identifier Code “241” for Home Possible Mortgages.
- A Home Possible mortgage that is a super conforming mortgage must be submitted to Loan Product Advisor and receive a risk class of Accept.

### CREDIT UNDERWRITING (MANUALLY UNDERWRITTEN MORTGAGES)

The minimum Indicator Scores for manually underwritten mortgages are:

Property/Mortgage Type	Minimum Indicator Score
1-unit fixed rate mortgage (except a Manufactured Home) that is a purchase transaction	660
1-unit (except a Manufactured Home) that is an ARM or a no cash out refinance mortgage	680
2- and 4-unit	700
Manufactured home	720

See Guide Section 4501.8 (b) for additional underwriting requirements for manually underwritten mortgages.

### MORTGAGE CREDIT CERTIFICATES

Mortgage Credit Certificates (MCCs) may be considered as qualifying income, provided the requirements in Guide Sections 5301.1 and 5305.2 are met.

- The amount used as qualifying income must be calculated as follows: (mortgage amount) x (note rate) x (MCC rate %) divided by 12.
- The amount used as qualifying income cannot exceed the maximum mortgage interest credit permitted by the IRS.
- The mortgage file must contain a copy of the:
  - MCC
  - Seller’s calculation of the amount used as qualifying income
- A history of receipt of MCC tax credit is not required.

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## Origination and Underwriting Requirements (continued)

### ELIGIBLE BORROWERS

- At least one borrower must occupy the mortgaged premises as a primary residence.
- Non-occupant borrowers are permitted on mortgages secured by 1-unit properties when the LTV/TLTV/HTLTV ratio is less than or equal to 95 percent for Loan Product Advisor mortgages. (TLTV 105 percent with Affordable Seconds). See Guide Section 4501.7 for non-occupant borrower requirements.
- The borrower must meet income limits. Loan Product Advisor will indicate income eligibility. For non-Loan Product Advisor mortgages, use the [Home Possible Income & Property Eligibility tool](#) on FreddieMac.com.
- With the exception of mortgage premises in a low-income census tract where there is no limit, the borrower's income, converted to an annual basis, must not exceed 100 percent of the county area media income (AMI) as determined by Loan Product Advisor.

### ADDITIONAL SPECIAL UNDERWRITING REQUIREMENTS

- Rental income from a 1-unit primary residence that meets the requirements of Guide Section 4501.9(a) may be considered as stable monthly income.
- Rental income from a 2- to 4-unit primary residence that meets Guide Chapter 5306 may be used as qualifying income.

### MORTGAGE INSURANCE REQUIREMENTS

The standard required or custom MI coverage levels for Home Possible mortgages are as follows:

Transaction type	MI coverage	LTV Ratio			
		>80% & ≤85%	>85% & ≤90%	>90% & ≤95%	>95% & ≤97%
Home Possible, fixed-rate, term < 20 years	Standard	6%	12%	25%	25%
	Custom	N/A	N/A	16%	18%
Home Possible, fixed-rate, term > 20 years; ARMs; and manufactured homes <sup>1</sup>	Standard	12%	25%	25%	25%
	Custom	6%	12%	16%	18%

<sup>1</sup> *Manufactured homes are limited to maximum LTV ratios of 95 percent.*

- Seller must obtain Freddie Mac's approval to sell mortgages with annual or monthly premium lender-paid mortgage insurance to Freddie Mac. If custom MI is chosen, the custom MI fee applies.
- See Guide Section 4701.1 for additional MI requirements and options, including custom MI.

### COLLATERAL EVALUATION

- 1-unit primary residences: Use Form 70, *Uniform Residential Appraisal Report*.
- Condominiums: Use Form 465, *Individual Condominium Unit Appraisal Report*.
- 4-unit primary residences: Use Form 72, *Small Residential Income Property Appraisal Report*.
- Manufactured housing: Use Form 70B, *Manufactured Home Appraisal Report*.

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## Origination and Underwriting Requirements (continued)

### HOMEBUYER AND LANDLORD EDUCATION AND BORROWER DISCLOSURE

See Guide Section 4501.12 for homeownership education and landlord education requirements related to:

- Borrower(s) who are all first-time homebuyers.
- Restrictions on parties that may provide the homeownership education.
- Homeownership education documentation that must be retained in the mortgage file.
- If all occupying borrowers are first-time homebuyers, at least one occupying borrower must receive homebuyer counseling.
- Acceptable types of homeownership education, including Freddie Mac CreditSmart® financial education curriculum or [CreditSmart – Steps to Homeownership Tutorial](#). See Guide Section 5103.6.
- Landlord education (2- to 4-unit primary residences) requirements for purchase transactions.

## Delivery Requirements

### ELIGIBLE EXECUTIONS

- Cash-Released XChange<sup>SM</sup>
- Servicing-Retained Cash
- WAC ARM Cash
- Fixed-rate Guarantor
- WAC ARM Guarantor
- MultiLender Swap

### DELIVERY REQUIREMENTS

See Guide Section 6302.14(b) for special delivery instruction for Home Possible mortgages and Guide Section 6304.34 for applicable secondary financing delivery requirements. In addition, Sellers must provide the applicable information, as outlined in Guide Section 6302.14(b), for down payment, closing costs, automated underwriting system, and borrower counseling. Sellers must deliver the following ULDD Data Points:

- *Loan Affordable Indicator*: “true”
- *Loan Program Identifier*: “Home Possible Mortgage”
- *Loan Program Identifier* “Home Possible Advantage Mortgage” if applicable (Note: This will no longer be a valid value when Loan Selling Advisor is updated on or after September 30, 2019.)

If applicable, Sellers must deliver the following Investor Feature Identifiers (IFI) in ULDD Data Point IFI:

- *IFI 532* (If mortgage satisfies the minimum number of payment reference requirement using noncredit payment references).
- *IFI 583* (Home Possible mortgage with an Affordable Second).
- *IFI G18* (Home Possible mortgage with Affordable Second entered into Loan Product Advisor in “Total Gift Fund” field).

### POOLING REQUIREMENTS

- There are no special pooling requirements for Home Possible mortgages. Refer to Guide Chapter 6202 for pooling requirements. Mortgages may be pooled with non-Home Possible mortgages.

### CREDIT FEES IN PRICE

See Guide Exhibit 19 for details on credit fee in price caps and credit fees in price applicable to Home Possible mortgages.

## Learn more about Home Possible mortgages

- Review Chapter 4501 of the *Single-Family Seller/Servicer Guide*
- Call 800-FREDDIE