

# Bulletin

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**TO:** All Freddie Mac Sellers and Servicers

June 14, 2007

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**SUBJECT:** Guidance Regarding 2007 Area Median Income Changes

On February 17, 2005, Freddie Mac introduced Home Possible<sup>®</sup> Mortgages to help its Sellers meet the needs of more low- to moderate-income borrowers. The Home Possible Mortgage suite has successfully provided low-down payment options and credit flexibility to assist these borrowers. The suite also provides features such as higher debt payment-to-income ratios and extended temporary subsidy buydown plans for firefighters, law enforcement officers, healthcare workers and teachers—borrowers who live in the communities they support—and to members of the armed forces.

For Home Possible Mortgages, and also for Alt 97<sup>®</sup> Mortgages and Freddie Mac 100 Mortgages with secondary financing that is an Affordable Second<sup>®</sup>, the income used to qualify the Borrower converted to an annual basis must not exceed 100% of the area median income or the percentages (income multipliers) in the designated high-cost areas listed in *Single-Family Seller/Servicer Guide Section A34.7, Eligible Borrowers*. (There is no income limit if the Mortgaged Premises are located in an Underserved Area.) The Department of Housing and Urban Development (HUD) issues area median income estimates annually and recently issued the 2007 area median income estimates. HUD uses these estimates to determine Freddie Mac's performance under the affordable housing goals.

Because many of the 2007 estimates are lower than the area median income estimates for 2006, Mortgages underwritten using the 2006 area median income limits may no longer be eligible for sale under the Home Possible Mortgage suite, or as an Alt 97 Mortgage, or Freddie Mac 100 Mortgage, respectively. This Bulletin provides guidance to Sellers regarding use of the 2007 area median income limits for these Mortgages.

## **2007 area median income limits guidance**

### *Home Possible Mortgages submitted to Loan Prospector<sup>®</sup>*

For Home Possible Mortgages submitted to Loan Prospector before June 26, 2007, the 2006 area median income limits will be applied. Mortgages with eligibility based on the 2006 area median income limits must be delivered to Freddie Mac on or before August 31, 2007.

For Home Possible Mortgages originally submitted to Loan Prospector prior to June 26, 2007, that meet the 2006 area median income limits and that are resubmitted to Loan Prospector on and after June 26, 2007, Sellers may disregard a feedback message informing them that the Mortgage does not meet the Home Possible income limits and may deliver such a Mortgage to Freddie Mac if this

is the only reason for ineligibility. The Loan Prospector ineligibility messages for area median income limits are the following:

*PUR 48: Borr(s) income does not meet Hm Poss income limits*

*PUR 49: Borr(s) income does not meet Hm Poss NH Sol income limits*

These Mortgages must also be delivered to Freddie Mac on or before August 31, 2007.

*Alt 97 Mortgages and Freddie Mac 100 Mortgages*

Manually Underwritten Alt 97 Mortgages and Non-Loan Prospector Freddie Mac 100 Mortgages with secondary financing that is an Affordable Second may be underwritten with the 2006 area median income limits, provided that the loan application is dated before June 26, 2007, and such Mortgages are delivered to Freddie Mac on or before August 31, 2007.

Alt 97 and Freddie Mac 100 Mortgages with secondary financing that is an Affordable Second that are submitted to Loan Prospector prior to June 26, 2007, and meet the 2006 area median income limits, may be underwritten with the 2006 area median income limits provided they are delivered to Freddie Mac on or before August 31, 2007.

Sellers should use the Affordable Income & Property Eligibility tool on FreddieMac.com at <http://ww3.freddiemac.com/ds2/sell/affgold.nsf/fmHomePage?OpenForm> to find out more about the area median limits. The tool will be updated to reflect the 2007 area median incomes on June 18, 2007.

For Mortgages with area median income limit requirements delivered to Freddie Mac on and after September 1, 2007, Sellers must adhere to the 2007 area median income limits.

**CONCLUSION**

If you have questions, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,



Patricia J. McClung  
Vice President  
Offerings Development and Deployment