



TO: Freddie Mac Sellers

December 8, 2014 | 2014-22

## SUBJECT: FREDDIE MAC HOME POSSIBLE ADVANTAGE<sup>SM</sup>

In our effort to increase access to mortgage credit, this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin introduces Freddie Mac Home Possible Advantage, a Home Possible<sup>®</sup> offering with the additional flexibility of 97% maximum loan-to-value (LTV) and 105% maximum total LTV (TLTV) ratio limits. Home Possible Advantage provides a responsible financing option for qualified low- and moderate-income Borrowers, including first-time homebuyers, who may lack funds for a larger down payment.

This new offering will be available for Mortgages with Freddie Mac Settlement Dates on or after **March 23, 2015**.

### General requirements

Home Possible Advantage Mortgages must comply with the requirements for Home Possible Mortgages, including but not limited to, the following:

- The transaction must be a purchase or “no cash-out” refinance transaction
- All Borrowers must occupy the property as their Primary Residence
- For Manually Underwritten Mortgages, a minimum Indicator Score of 660 for purchase transactions or 680 for “no cash-out” refinance transactions
- The Borrower’s annual qualifying income must not exceed 100% of the area median income or the income multipliers in the designated high-cost areas, as stated in Guide Section A34.7, *Eligible Borrowers*. There is no income limit if the Mortgaged Premises are located in an Underserved Area.
- At least one Borrower must participate in a homeownership education program when all of the Borrowers are First-Time Homebuyers (acceptable homeownership education program options, which include programs using CreditSmart<sup>®</sup> modules, are listed in Section A34.12, *Homeownership Education and Landlord Education*)
- The Servicing requirements in Sections 59.1, *Escrow for Taxes, Ground Rents, Assessments and Other Charges*, 63.2, *Collection Efforts*, and 64.5, *Collection Efforts*

The following additional requirements apply for Home Possible Advantage Mortgages:

- The Mortgage must be a fixed-rate Mortgage secured by a 1-unit property other than a Manufactured Home
- Secondary financing must be an Affordable Second<sup>®</sup>
- For a Manually Underwritten Mortgage:
  - The monthly debt payment-to-income ratio must not exceed 43%, and
  - At least one Borrower must have a usable Credit Score and an Indicator Score must be established
- The required level of mortgage insurance coverage is 18% for a Home Possible Advantage Mortgage with an LTV ratio greater than 95%

Loan Prospector<sup>®</sup> and Loan Quality Advisor<sup>®</sup> will be updated prior to the effective date of March 23, 2015 to support this offering. Sellers will be notified when these changes are implemented.

### Delivery

We are updating Section 17.18, *Home Possible<sup>®</sup> Mortgages*, to reflect that Sellers must deliver the new valid value of “Home Possible Advantage” for ULDD Data Point *Loan Program Identifier* (Sort ID 404) for all Home

Possible Advantage Mortgages. The new valid value will be available in the Freddie Mac Selling System on March 23, 2015.

This change will be reflected in the next quarterly release of the Uniform Loan Delivery Dataset (ULDD) specification addendum.

### Postsettlement delivery fee

A new postsettlement delivery fee (“delivery fee”) will apply to Home Possible Advantage Mortgages as reflected in the table below.

		HOME POSSIBLE ADVANTAGE MORTGAGES Effective for Settlements on or after March 23, 2015		
Product	Loan Purpose	Credit Score		
		All Eligible		
		< 680	≥ 680 & < 720	≥ 720
All Eligible Product	Purchase	1.50%	1.25%	1.00%
	No Cash-out Refinance	1.75%	1.75%	1.75%

Certain delivery fees are excluded for Home Possible Advantage Mortgages, including:

- Indicator Score/Loan-to-Value
- Condominium Unit Mortgages
- CS/LTV Delivery Fees (“A-Minus Fees”) – LP Mortgages
- Secondary Financing, with Affordable Seconds meeting the requirements of Section 25.1(g), *Affordable Seconds*

As a reminder, per Section 17.18(b)(iii), *Home Possible Mortgages with Affordable Seconds*®, Sellers must deliver a valid value of “583” for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) for all Home Possible Mortgages with Affordable Seconds.

Guide Exhibit 19, *Postsettlement Delivery Fees*, has been updated and reflects a complete listing of applicable delivery fees and delivery fee exclusions.

### Training and resources

To learn more about Home Possible Advantage, Sellers can register for the [Home Possible Advantage webinar](#). Sellers should visit the [Home Possible Mortgages web page](#) and the [Freddie Mac Learning Center Home Possible web page](#) for additional tools, resources and upcoming training.

### Revisions to the Guide

The following sections of Guide Chapter A34, *Home Possible*® *Mortgages*, have been updated to incorporate Home Possible Advantage:

- A34.1, *Overview; Limits; Origination*
- A34.2, *Home Possible Advantage<sup>SM</sup> Mortgages*
- A34.3, *Eligible and Ineligible Mortgages*
- A34.6, *Eligible Property and Appraisal Requirements*
- A34.8, *Underwriting Requirements*
- A34.9, *Borrower Income; Qualifying Ratios*
- A34.10, *LTV/TLTV/HTLTV Ratios, Borrower Contribution, Reserves, Source of Funds*

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- A34.11, *Mortgage Insurance*
  - A34.14, *Postsettlement Delivery Fees*

Additionally, Sections 17.18, H33.3, *General Eligibility Requirements*, and 35.3, *Home Possible® Mortgages with Rural Housing Servicer (RHS) Leveraged Seconds*, and Exhibits 19 and 25, *Mortgages with Risk Class and/or Minimum Indicator Score Requirements*, have been updated as needed.

## **CONCLUSION**

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE.

Sincerely,



Laurie Redmond  
Vice President  
Offerings Effectiveness