



TO: Freddie Mac Sellers

July 6, 2017

DEFINING RESPONSIBLE LENDING WITH CHANGES TO LENDER GIFT AND GRANT REQUIREMENTS

Freddie Mac remains committed to working with our customers, and the industry, to provide effective sustainable solutions to make homeownership accessible to more Borrowers with limited down payment savings.

To ensure we continue to provide responsible financing options, we will change our requirements for Home Possible® Mortgages, including Home Possible Advantage® Mortgages. Gifts or grants from the Seller as the originating lender will only be permitted **after a contribution of at least 3% of value** (i.e., the lesser of the appraised value or the purchase price) is made from the Borrower's personal funds and/or other permitted sources of funds, including a gift from a Related Person, funds from government agencies, employer housing programs and Affordable Seconds. This 3% contribution requirement is an important factor in creating a responsible, sustainable homeownership opportunity. Gifts or grants from the Seller must not be funded directly or indirectly through the Mortgage transaction, including differential pricing in rate, discount points or fees.

In 2014, following the leadership and instruction of the FHFA, Freddie Mac introduced Home Possible Advantage, an affordable conforming, conventional mortgage offering with a 3% minimum down payment requirement. Home Possible Advantage includes higher underwriting standards that counterbalance the risk associated with lower down payments. These standards were established to responsibly serve a targeted segment of creditworthy Borrowers with lower down payment Mortgages. The change we are announcing today reinforces these standards.

We will update the Guide with a Bulletin this summer to reflect this change and will provide adequate notice concerning the effective date.

Supporting affordable housing and access to credit is an integral part of Freddie Mac's mission as we lead the housing industry forward, building a better housing finance system – for today and tomorrow.

Sincerely,

Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management