



Affordable Seconds® Guidelines

Expand access to credit for your qualified borrowers with Affordable Seconds®. Use the checklist below to help you determine if an Affordable Second is eligible as secondary financing behind your borrower's first lien mortgage.

If each of the statements below is true, and the borrower's first mortgage meets Freddie Mac's criteria and underwriting guidelines, the Affordable Second may be eligible as a secondary financing. For complete requirements and steps on how to underwrite a mortgage with an Affordable Second, refer to *Single-Family Seller/Service Guide* (Guide) Section 4202.2.

Checklist – Check off the true statements.



- The source of the secondary financing is a duly authorized authority or agency of the federal, state, local or municipal government; a nonprofit community or religious organization other than a credit union; the borrower's employer; or a regional Federal Home Loan Bank under one of its affordable housing programs.
- The source of the secondary financing is not the property seller or another interested party to the transaction.
- The total loan-to-value (TLTV) ratio for the first lien and the secondary financing does not exceed 95 percent (105 percent for Home Possible Advantage first liens).
- The proceeds from the secondary financing will be used for down payment assistance and/or payment of closing costs
- The secondary financing will not result in a priority lien.
- The secondary financing is used with a first lien mortgage that meets the following requirements:
 - Fixed-rate mortgage or an ARM with an initial fixed-rate period of five years or greater.
 - Purchase transaction or a "no cash-out" refinance.
 - One- to 4-unit primary residence.

Checklist continues on back

Checklist – Check off the true statements. *Continued from the front*



- The interest rate on the secondary financing is not more than 2 percent higher than the rate of the first mortgage.
- The terms of the secondary financing do not require a balloon payment before the maturity or payment in full of the first lien mortgage.
- The secondary financing is not a Home Equity Line of Credit.
- The secondary financing's interest accruals that are added to the principal do not increase the TLTV ratio beyond the maximum TLTV ratio allowed for the first lien mortgage at any time during the term of the first lien mortgage.

More Information

Freddie Mac Guide Section 4202.2, Special Requirements for Affordable Seconds.
[Affordable Lending Sources](http://FreddieMac.com/homepossible/hp.html) (FreddieMac.com/homepossible/hp.html).