

How to Submit Lender Credits Through Loan Product Advisor®



As part of the mortgage lending process, lenders may provide a lender credit to assist qualifying borrowers with closing costs.

This resource outlines the Loan Product Advisor® (LPASM) data submission requirements for lender credits derived from an increase in the interest rate (i.e., premium pricing) or funded directly by the lender.

A lender credit may be used for the mortgage transaction, provided it meets all the requirements in Guide Section [5501.6\(a\)](#).



Did you know...

We made it easier to deliver the total amount of any lender-paid closing costs with LPA specification v5.4.00. For more information refer to the steps below.



Loan Product Advisor Data Submission Tips: Lender Credit

Use these steps to submit a mortgage with a lender credit using the **Lender Credit** data field to accurately determine the borrowers' **required funds to close**.

Note: System-to-System (S2S) LPA Request File data points have been provided as a resource to help identify specific data fields when using a loan origination system (LOS) that interfaces with LPA.

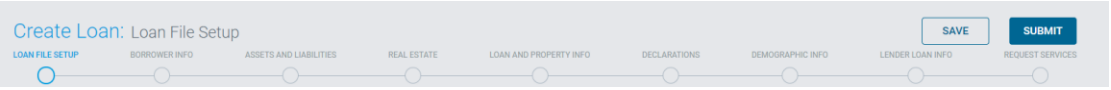
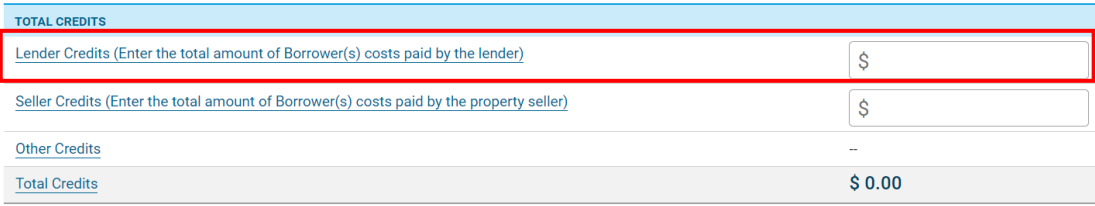
Step	Data Entry	S2S LPA Request File	
		Unique ID	Data Point Name
1.	Select, Closing Adjustment Type 'Lender Credit'.	123.20	Closing Adjustment Type
2.	Enter the amount of the lender credit.	123.10	Closing Adjustment Amount

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Access LPA via Freddie Mac Loan Advisor® Single Sign-on Portal “Direct Access Users”

The information below provides step by step guidance on how to enter a lender credit to accurately determine the borrowers’ required funds to close when using the Loan Advisor portal to access LPA.

Steps	Results
1. Complete all the required data fields as you navigate through each metro stop.	
2. Navigate to the Lender Loan Info metro stop.	<ul style="list-style-type: none"> Complete the Property and Loan Information, Title Information, Mortgage Loan Information, Down Payment and Purchase Credits sections, as applicable. <p>Note: <u>Do not enter</u> a lender credit under Purchase Credits. Enter it in Lender Credits.</p> <ul style="list-style-type: none"> Scroll down to the Qualifying the Borrower – Minimum Required Funds or Cash Back section. <p>Total Credits section: Enter the amount of the borrower(s) costs paid by the lender in the Lender Credits data field.</p>  <p>Reminder: Lender credit may only be used towards the borrower’s closing costs. In the event the lender credit exceeds the closing costs, the lender credit must be reduced, or the amount that exceeds the closing costs must be applied as a principal curtailment to the mortgage.</p>
Calculation for the Borrower Required Funds.	Once you click Submit, LPA will calculate the borrowers’ required funds (Total Due From Borrowers – Loan Amount – Total Credits). Refer to the LPA Feedback Certificate Assets and Reserves Messages section, Message Code FAR0124 .

Note: When accessing LPA as a direct access user you must remove any amounts **previously** entered as Purchase Credit Source Type = Lender and enter the amounts into Lender Credits in the Qualifying the Borrower – Minimum Required Funds or Cash Back section on the Lender Loan Metro Stop.



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<p>How it Works:</p> <p>Excerpt from the Qualifying the Borrower – Minimum Required Funds or Cash Back section</p> <p>Excerpt of the LPA Feedback Certificate</p>	<div style="text-align: right; border: 1px solid black; padding: 2px; display: inline-block;">For illustrative purposes</div> <p>LPA's Calculation of Transaction Costs</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Borrower's Closing Costs</td> <td style="text-align: right;">\$ 8000.00</td> </tr> <tr> <td>Total Discount Points</td> <td style="text-align: right;">\$ 1123.56</td> </tr> <tr> <td>Refinance: Mortgage Property to be Paid Off</td> <td style="text-align: right;">--</td> </tr> <tr> <td>Total MI and Funding Fee Amount</td> <td style="text-align: right;">\$ 0.00</td> </tr> <tr> <td>Prepaid/Initial Escrow Payments</td> <td style="text-align: right;">\$ 5600.00</td> </tr> <tr> <td colspan="2" style="text-align: center;">Total Borrower Costs</td> </tr> <tr> <td colspan="2" style="text-align: center;">(Borrower Closing Costs + Discount Points + Prepays) =</td> </tr> <tr> <td></td> <td style="text-align: right; background-color: #4a86e8; color: white; padding: 5px;">\$14,723.56</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #d9e1f2;">TOTAL CREDITS</th> </tr> </thead> <tbody> <tr> <td>Lender Credits (Enter the total amount of Borrower(s) costs paid by the lender)</td> <td style="text-align: right;">\$ 4000.00</td> </tr> <tr> <td>Seller Credits (Enter the total amount of Borrower(s) costs paid by the property seller)</td> <td style="text-align: right;">\$ 5000.00</td> </tr> <tr> <td>Other Credits</td> <td style="text-align: right;">\$2000.00</td> </tr> <tr> <td>Total Credits</td> <td style="text-align: right; background-color: #d9e1f2;">\$ 11000.00</td> </tr> </tbody> </table> <p style="text-align: center; margin-top: 10px;">Total Borrower Costs – Total Credits = \$3,723.56</p> <div style="border: 1px solid #ccc; padding: 5px;"> <p>Assets and Reserves Messages</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">CODE</th> <th style="text-align: left;">MESSAGE</th> </tr> </thead> <tbody> <tr> <td>FAR0050</td> <td>The loan is not eligible for asset representation and warranty relief.</td> </tr> <tr> <td>FAR0121</td> <td>The total funds to be verified are no less than \$89,723.56. This amount includes required Borrower Funds (\$89,723.56) required reserves (\$0.00), any debts to be paid off at or before closing (\$0.00)and any debts to be paid down at or before closing (\$0.00).</td> </tr> <tr style="border: 2px solid red;"> <td>FAR0124</td> <td>Required Borrower Funds are calculated as \$89,723.56 based on information submitted: purchase price (\$430,000.00) + alterations, improvements and repairs (\$0.00) - loan amount (\$344,000.00) + transaction costs (\$3,723.56) - proceeds from subordinate financing (\$0.00).</td> </tr> <tr> <td>FAR0043</td> <td>Lender credit may only be used towards the Borrower's Closing Costs. In the event the lender credit exceeds Closing Costs, the lender credit must be reduced or the amount exceeding the Closing Costs must be applied as a principal curtailment to the new Mortgage.</td> </tr> </tbody> </table> </div>	Borrower's Closing Costs	\$ 8000.00	Total Discount Points	\$ 1123.56	Refinance: Mortgage Property to be Paid Off	--	Total MI and Funding Fee Amount	\$ 0.00	Prepaid/Initial Escrow Payments	\$ 5600.00	Total Borrower Costs		(Borrower Closing Costs + Discount Points + Prepays) =			\$14,723.56	TOTAL CREDITS		Lender Credits (Enter the total amount of Borrower(s) costs paid by the lender)	\$ 4000.00	Seller Credits (Enter the total amount of Borrower(s) costs paid by the property seller)	\$ 5000.00	Other Credits	\$2000.00	Total Credits	\$ 11000.00	CODE	MESSAGE	FAR0050	The loan is not eligible for asset representation and warranty relief.	FAR0121	The total funds to be verified are no less than \$89,723.56. This amount includes required Borrower Funds (\$89,723.56) required reserves (\$0.00), any debts to be paid off at or before closing (\$0.00)and any debts to be paid down at or before closing (\$0.00).	FAR0124	Required Borrower Funds are calculated as \$89,723.56 based on information submitted: purchase price (\$430,000.00) + alterations, improvements and repairs (\$0.00) - loan amount (\$344,000.00) + transaction costs (\$3,723.56) - proceeds from subordinate financing (\$0.00).	FAR0043	Lender credit may only be used towards the Borrower's Closing Costs. In the event the lender credit exceeds Closing Costs, the lender credit must be reduced or the amount exceeding the Closing Costs must be applied as a principal curtailment to the new Mortgage.
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Earnest Money Deposit (cleared acct)



Tips and Best Practices

As you determine the borrower's eligible sources of funds and complete your data entry, keep in mind the following tips.



- The lender credit must **not** require repayment.
- The lender credit may only be **used** as a credit towards the borrower's **closing costs**.
- The lender must **not** use funds from a third party to provide a lender credit.

Keep in mind

If the lender credit exceeds the amount of the borrower's closing costs, the lender credit must be reduced, or the amount that exceeds the closing costs must be applied as a principal curtailment to the mortgage, and it must be clearly reflected on the Settlement/Closing Disclosure Statement. The lender credit must not be used as a source of funds for the down payment.

Refer to Guide Section [5501.5](#) to determine if a lender credit is considered an interested party contribution and whether it meets the maximum limit permitted.

Note: A lender credit derived from an increase in the interest rate is **not** considered an interested party contribution.

Resources

Looking for more information on the purchase credits or cash to close, check out these resources:

- [Understanding Loan Product Advisor's Determination of Cash-to-Close](#) job aid
- [Gifts, Grants and Affordable Seconds](#) job aid
- [How to Submit Grants Through Loan Product Advisor](#) job aid
- [How to Use Freddie Mac Tools for Home Possible VLIP Credit](#) job aid

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