

Introduction

As part of achieving home ownership, potential buyers may not have the means or opportunity to save for a large down payment and closing costs. To help bridge this gap there are options available to assist qualifying borrowers with down payment and closing costs. Affordable Seconds is one of these financing options. This resource focuses on Affordable Seconds from a Loan Product Advisor data submission perspective. The terminology used in this tool will help you to understand how to correctly input information into Loan Product Advisor.

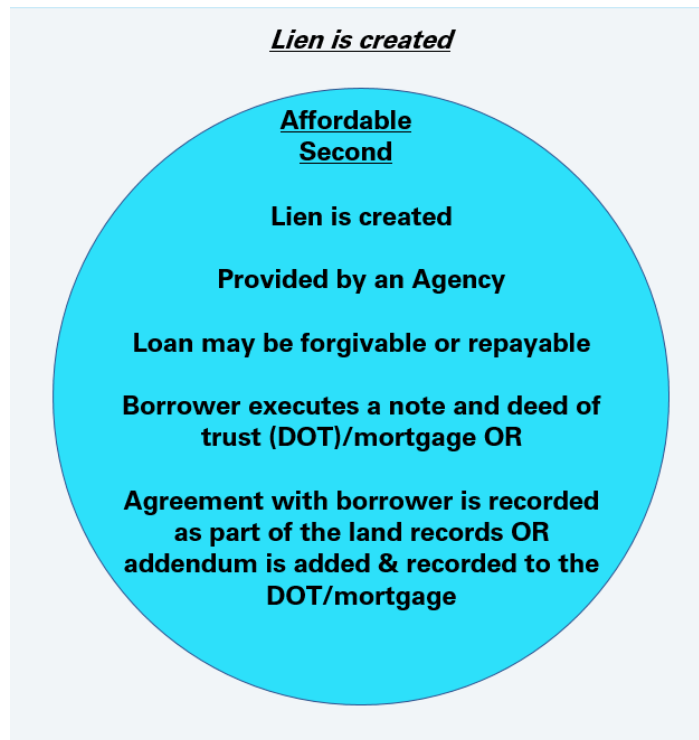
The following Topics are included:

- [What Are Affordable Seconds](#)
- [Affordable Seconds Eligibility Guidelines](#)
- [Loan Product Advisor Data Submission Tips](#)
- [Best Practices for Affordable Seconds](#)

What are Affordable Seconds

Freddie Mac Affordable Seconds is a financing option designed to meet the needs of borrowers who require flexibility on sources for down payments and closing costs. Affordable Seconds are provided by an agency and create a subordinate lien on the subject property. Affordable Seconds require data to be submitted into Loan Product Advisor following specific rules, [Tips for Loan Product Advisor Data Submission](#).

TIP: The agency providing the subordinate financing may use the term 'grant' – but Freddie Mac is focused on one primary question, "does it create a subordinate lien against the property?"



Affordable Seconds Eligibility Guidelines

Topic	Detail
Source of Subordinate Financing	<ul style="list-style-type: none"> • 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. • Is NOT the property seller or other interested party to the transaction. • Effective March 1, 2020: <ul style="list-style-type: none"> ○ if the lender or the Seller is the source, certain requirements must be met as described in Guide Section 4204.2. ○ the property seller may be the source if the mortgage is secured by a property subject to income-based resale restrictions.
Total Loan-to-Value (TLTV)	<ul style="list-style-type: none"> • 105% TLTV if the subordinate financing is an Affordable Second and the first mortgage is a Home Possible® mortgage or a HomeOneSM mortgage. • 95% TLTV if the first mortgage is a Freddie Mac standard, conventional mortgage. • Subordinate 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.
Use of Subordinate Financing	<ul style="list-style-type: none"> • Can be used for down payment and closing costs • Is NOT a Home Equity Line of Credit
Subordinate Lien	<ul style="list-style-type: none"> • Creates a subordinate lien, NOT a priority lien
First Lien Mortgage Eligibility	<ul style="list-style-type: none"> • Fixed-rate or an ARM with an initial fixed-rate period of five years or greater • Purchase transaction or a “no cash-out” refinance • One-to four-unit primary residence.
Interest Rate	<ul style="list-style-type: none"> • Is NOT more than 2 percent higher than the rate of the first mortgage.
Payment	<ul style="list-style-type: none"> • Does NOT require a balloon payment before the maturity or payment in full of the first lien mortgage.

For full description see Guide [Section 4204.2](#).

Loan Product Advisor Data Submission Tips

No Repayment Within the First 5 Years



A subordinate lien is created

Tip: For Loan Product Advisor to appropriately assess the risk, you have the option to enter the subsidized financing amount in the “Gift” field **OR** the “Subordinate Financing” field. If using the “Gift” field there are special delivery requirements, see [ULDD Data Delivery Tips 2: Affordable Seconds](#).

Below is an example of the “Gift” field displayed in Loan Product Advisor via Loan Advisor. For system-to-system Loan Product Advisor users, refer to your loan origination system (LOS) for the gift data field. **Reminder**, if entering it as a gift, be sure to manually calculate the TLTV with the Affordable Second.

Gift - DELETE

Cash Value

Asset Holder Name

Address

City

State

Zip Code -

CLEAR

Below is an example of the “Subordinate Financing” field displayed in Loan Product Advisor via Loan Advisor. For system-to-system Loan Product Advisor users, refer to your loan origination system (LOS) for the subordinate financing data field.

Subordinate Financing

Subordinate Amount

HELOC High Credit Amount

Borrower's Closing Costs Paid by Seller

HELOC Actual Current Balance

Repayment Within the First Five Years



A subordinate lien is created

Tip: Always include the financing amount in the “Subordinate Financing” field.

This is an example of the “Subordinate Financing” field displayed in Loan Product Advisor via Loan Advisor. For system-to-system Loan Product Advisor users, refer to your loan origination system (LOS) for the gift data field.

Subordinate Financing	
Subordinate Amount	HELOC High Credit Amount
\$ <input type="text"/>	\$ <input type="text"/>
Borrower's Closing Costs Paid by Seller	HELOC Actual Current Balance
\$ <input type="text"/>	\$ <input type="text"/>

Best Practices for Affordable Seconds

- Use this [checklist](#) to review the eligibility of the Affordable Second.
- An agency providing the subordinate financing may term it as a grant – but if there is a repayment expectation, be sure to review the terms carefully to determine if a lien is created or the grant is evidenced in the land records.
- Ensure data is submitted into Loan Product Advisor following specific guidance for Affordable Seconds.
- For tools and techniques to correctly deliver loans with Affordable Seconds, go to [ULDD Data Delivery Tips 2: Affordable Seconds](#).
- For more information see Guide [Section 4204.2](#).

Note: Effective January 25, 2020, Loan Product Advisor has a feedback message update as follows: Removal of conflicting Home Possible® messages, clarity and enforcement of Single-Family Seller/Service Guide purchase restrictions, new affordable lending and access to credit purchase eligibility and underwriting instructions. Feedback messages specific to this update can be found [here](#).

This document is not a replacement or substitute for the information found in the *Freddie Mac Single-Family Seller/Service Guide* or terms of your Master Agreement or other Pricing Identifier Terms.

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