

Introduction

This resource outlines the Loan Product Advisor[®] (LPASM) data submission requirements for Freddie Mac Affordable Seconds[®]. For a brief overview refer to the [Affordable Seconds and Loan Product Advisor](#) clip. For complete requirements refer to Guide Sections [4204.1](#) and [4204.2](#).

First things first: What are Affordable Seconds?

Affordable Seconds are a financing option designed to meet the needs of borrowers who require flexibility on sources for down payments and closing costs.

The Affordable Second may be non-Seller funded and provided by an Agency, credit union or community development financial institution (CDFI) under an established, ongoing, documented secondary financing or financial assistance program that creates a subordinate lien on the subject property. Refer to Guide Section [4204.2\(a\)\(i\)\(A\)](#).

The Affordable Second may also be Seller-funded if certain requirements are met. Refer to Guide Section [4204.2\(a\)\(i\)\(B\)](#).



Did you know we have a free online resource to help you quickly find, understand and match down payment assistance (DPA) programs for borrowers?

Introducing DPA One[®], down payment assistance programs all in one place. DPA One is an innovative new tool that aggregates and showcases down payment assistance programs in a single, standardized, insights-rich tool so lenders can quickly and efficiently access and compare programs to help make home possible for more families. Click [here](#) to learn more.

Tip: The funding source of the subordinate financing may use the term ‘grant’ – but Freddie Mac is focused on one primary question to determine if it is an Affordable Second, “does it create a subordinate lien against the property?” If it **doesn’t** then submit to LPA as a gift/grant in the Account Type field as applicable. Use the [Affordable Second Checklist](#) and refer to Guide Section [4204.2](#) to help determine if the secondary financing meets Freddie Mac’s requirements for Affordable Seconds.

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Note: Vertical revision bars " | " are used in the margin of this reference to highlight these new requirements and significant changes.



Loan Product Advisor Data Submission Tips

You must submit data for Affordable Seconds into LPA following specific rules, as outlined below. You must first determine if the Affordable Second is forgivable or repayable. If monthly payments are required on the Affordable Second, you must determine when the monthly payments begin. Refer to the chart below.



<i>If...</i>	<i>If...</i>
The monthly payments are required and begin before the 61 st monthly payment under the First Lien Mortgage	The monthly payments are required and begin on or after the 61 st monthly payment under the First Lien Mortgage or if repayment of the entire Affordable Second amount is due only upon sale or default.
<i>Then...</i>	<i>Then...</i>
Include the monthly payment amount in: <ul style="list-style-type: none">• Monthly housing expense-to-income ratio, and• Monthly debt payment-to-income ratio	Exclude the monthly payment from both ratios



Repayment Within the First 5 Years



A subordinate lien is created

Tip

Select “Yes/True” (refer to your loan origination system) for the following question:

- Is the Other New Mortgage an Affordable Second?

Select “No/False” (refer to your loan origination system) for the following question only if the Affordable Second requires a payment before the 61st monthly payment. Enter the monthly payment amount.

- Is the Affordable Second Payment Deferred?

The information below provides step-by-step guidance on how to enter an Affordable Second as either a system-to-system (S2S) access user, **Table 1**, or as a direct access user via Freddie Mac Loan Advisor® single sign-on portal, **Table 2**, when the monthly payments are **required and begin before** the 61st monthly payment under the First Lien Mortgage.

Table 1: S2S Users

LPA Request Unique ID	Subordinate Financing Information	Conditionality
101.00	LoanRoleType = “ RelatedLoan ” Note: Up to 3 subordinate liens may be submitted.	Required
207.00	InitialPrincipalAndInterestPaymentAmount = Enter amount > “0”	Conditional <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan” AND amount \geq “0”
207.10	PaymentDeferredFirstFiveYearsIndicator = “ false ”	Conditional <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan” AND LoanAffordableIndicator = “true”
194.00	LienPriorityType = “ SecondLien ”	Required
205.00	HELOCIndicator = “ false ”	Conditional <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan”
206.00	LoanAffordableIndicator = “ true ”	Conditional: <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan” AND HELOCIndicator = “false”
209.00	NoteAmount = Enter amount \geq “0”	Conditional <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan” AND HELOCIndicator = “false”



Continued: Repayment Within the First 5 Years

Table 2: Direct Access Users

To submit to LPA, via Loan Advisor single sign-on portal, enter the Affordable Second terms in the **Other New Mortgage Loans on the Property You are Buying or Refinancing** section.

Other New Mortgage Loans on the Property You are Buying or Refinancing Does not apply

Creditor Name:

Creditor Type *: Business Individual

Lien Type *:

Monthly Payment:

Loan Amount / Amount Drawn *:

HELOC *: Yes No

Is the Other New Mortgage an Affordable Second?: Yes No

Is the Affordable Second Payment Deferred?: Yes No

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Reminder: If the payment on the Affordable Second requires a payment **before** the due date of the 61st monthly payment, the **Monthly Payment/Initial Principal and Interest Payment Amount** must be accurate with an amount greater than zero.



No Repayment Within the First 5 Years



A subordinate lien is created

Tip:

Select **“Yes/True”** (refer to your loan origination system) for the following questions **only** if the Affordable Second **does not** require a payment **before** the Due Date of the 61st monthly payment under the First Lien Mortgage, and it meets all the other requirements for an Affordable Second stated in the Guide.

- **Is the Other New Mortgage an Affordable Second?**
- **Is the Affordable Second Payment Deferred?**

The information below provides step-by-step guidance on how to enter an Affordable Second as either a system-to-system (S2S) access user, **Table 1**, or as a direct access user via Loan Advisor single-sign-on portal, **Table 2**, when the Affordable Second does **not** require repayment within the first five years or if repayment of the entire Affordable Second amount is due only upon sale or default.

Table 1: S2S Users

LPA Request Unique ID	Subordinate Financing Information	Conditionality
101.00	LoanRoleType = “RelatedLoan” Note: Up to 3 subordinate liens may be submitted.	Required
207.00	InitialPrincipalAndInterestPaymentAmount = Enter amount \geq “0” Note: Enter “0” if the PaymentDeferredFirstFiveYearsIndicator = “true” .	Conditional <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan” AND amount \geq “0”
207.10	PaymentDeferredFirstFiveYearsIndicator = “true”	Conditional <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan” AND LoanAffordableIndicator = “true”
194.00	LienPriorityType = “SecondLien”	Required
205.00	HELOCIndicator = “false”	Conditional <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan”
206.00	LoanAffordableIndicator = “true”	Conditional: <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan” AND HELOCIndicator = “false”
209.00	NoteAmount = Enter amount \geq “0”	Conditional <ul style="list-style-type: none"> • If LoanRoleType = “RelatedLoan” AND HELOCIndicator = “false”



Continued: No Repayment in the First 5 Years

Table 2: Direct Access Users

To submit to LPA, via Loan Advisor single sign-on portal, enter the Affordable Second terms in the **Other New Mortgage Loans on the Property You are Buying or Refinancing** section.

Reminder: If the payment on the Affordable Second **does not** require a payment **before** the due date of the 61st monthly payment, the **Monthly Payment/Initial Principal and Interest Payment Amount** must be equal to **zero**.



Loan Product Advisor Feedback Certificate Results

Upon successful submission of the loan, the Affordable Second information displays in the Mortgage Details section of the Feedback Certificate.

Mortgage Details				
PRODUCT TYPE 30 Year Fixed Rate	AMORTIZATION TYPE Fixed	AMORTIZATION MONTHS 360	LOAN AMOUNT \$163,500.00	INTEREST RATE 3.0000%
LOAN PURPOSE Purchase	PURCHASE PRICE \$215,000.00	ESTIMATED PROPERTY VALUE \$215,000.00	APPRAISED PROPERTY VALUE N/A	NUMBER OF UNITS 1
PROPERTY TYPE Site Built Detached	OCCUPANCY Primary Residence	REFINANCE TYPE N/A	CASHOUT AMOUNT N/A	NEW CONSTRUCTION N/A
INTEREST RATE BUYDOWN No	SALES CONCESSIONS \$500.00	ARM QUALIFYING RATE N/A	ARM QUALIFYING PITI N/A	LENDER SUBMITTED RESERVES \$6,753.00
AFFORDABLE SECOND \$5,000.00	TOTAL SUBORDINATE FINANCING \$5,000.00	HELOC BALANCE \$0.00	HELOC LIMIT AMOUNT \$0.00	

Best Practices for Affordable Seconds

- Use this [checklist](#) to review the eligibility of the Affordable Second.
- An Agency, credit union or CDFI 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. Also refer to, [How to Enter Data for an Affordable Second](#), and [Data Quality and System Messages Cause and Resolution](#) job aid.
- For tools and techniques to correctly deliver loans with Affordable Seconds, go to [ULDD Data Delivery Tips](#).
- For more information see Guide [Section 4204.2](#).
- Attend: [Down Payment Assistance: Solutions for Helping Borrowers with Funds for Closing](#) webinar.

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