

Home Possible® Mortgage

ALL FOR
HOME

The Freddie Mac Home Possible® mortgage offers outstanding flexibility to fit a variety of borrower situations. With Home Possible, we're all for helping you capitalize on opportunities to meet the home-financing needs of very low- to low-income borrowers looking for low down payment options and flexible sources of funds.

Origination and Underwriting Requirements

(Additional requirements specific to 2- to 4-unit properties are included on page 5.)

Eligible property types

- Owner-occupied primary residences.
- Planned unit developments.
- Condos.
- Manufactured homes with additional requirements; see *Single-Family Seller-Servicer Guide* (Guide) Section 5703.

Occupancy

- Primary residences only.
- Non-occupying borrowers are permitted in accordance with Guide Section 4501.7(b) provided at least one borrower occupies the mortgaged premises as a primary residence.

Eligible mortgages

- Purchase and no cash-out refinance transactions.
- First lien mortgages that are fully amortizing.
- Conventional mortgages.
- Conforming and super conforming loan amounts.
- Fixed-rate mortgages.
- 5/1, 5/5, 7/1, 10/1, and 5/6-month, 7/6-month, 10/6-month ARMs.
- Mortgages secured by manufactured homes must be fully amortizing fixed-rate mortgages or 7/1, or 10/1 and 7/6-month, or 10/6-month ARMs.
- Construction conversion and renovation mortgages originated according to Guide Chapter 4602.
- Mortgages with an RHS Leveraged Second originated according to Guide Section 4205.2.
- Texas Equity Section 50(a)(6) mortgages.

Minimum borrower contribution and reserves

- No minimum contribution is required from borrower personal funds on a purchase transaction for a 1-unit property, regardless of LTV/TLTV/HTLTV. This includes manufactured homes.
- Loan Product Advisor® determines minimum reserve requirements.
- For manually underwritten mortgages, there is no minimum reserve amount required on a 1-unit property.

Acceptable sources of funds for down payment and closing costs

Eligible sources of funds for down payment and closing costs include gifts, grants, cash-on-hand, Affordable Seconds®, proceeds from an unsecured loan, sweat equity and Employee Assisted Housing (EAH). For additional detail, refer to Guide Section 4501.10(c).



Secondary Financing

Without Affordable Seconds

- Any secondary financing that meets Freddie Mac requirements is allowed, including HELOCs, with a TLTV/HTLTV ratio less than or equal to 97%.

With Affordable Seconds

- Primary residences only.
- Non-occupying borrowers are permitted in accordance with Guide Section 4501.7(b) provided at least one borrower occupies the mortgaged premises as a primary residence.

Eligible mortgages

- Eligible Affordable Seconds can provide 100% of the borrower's down payment and could be used for both down payment and closing costs.
- TLTV allowed up to 105% with eligible Affordable Seconds when the first lien is a fixed-rate mortgage.
- The Affordable Second must be provided by an agency under an established, ongoing, documented secondary financing or financial assistance program. Eligible providers include: federal agencies municipal, state, county or local housing finance nonprofit organization.
- Regional Federal Home Loan Bank under one of its affordable housing programs.
- An employer through an Employer Assisted Housing (EAH) program.
- The Affordable Second may not be funded by the property seller or any other interested party to the transaction.

For specific information on Affordable Seconds, refer to Guide Section 4204.1.

Maximum Ratios For 1-Unit Properties

Loan Type	Maximum LTV	Maximum TLTV	Maximum HTLTV
Conforming			
Fixed-rate	97%	105%*	97%
Fixed-rate with non-occupying borrowers**	95%	105%*	95%
Adjustable-rate (ARM)	95%	95%	95%
Manufactured homes	95%	95%	95%
Super Conforming			
Fixed-rate	95%	105%*	95%
ARM	95%	95%	95%

* With Affordable Seconds® secondary financing when the first lien is a fixed-rate mortgage.

** Ratios in this row are for mortgages with a Loan Product Advisor® Accept risk class. For manually underwritten loans, ratios are 90% LTV and 105% TLTV.

Homeownership Education

- For a purchase transaction, if all occupying borrowers are first-time homebuyers, at least one occupying borrower must receive homeownership education.
- Homeownership education is also required for any transaction when the credit reputation for all borrowers is established using only noncredit payment references.
- Homeownership education must be completed prior to the note date.
- Eligible homeownership education must meet the National Industry Standards for Homeownership Education and Counseling or be provided by an eligible source, such as a HUD-approved counseling agency, mortgage insurer, housing finance agency (HFA) or Community Development Financial Institutions (CDFIs).
- Homeownership education must not be provided by an interested party to the transaction, the originating lender or the mortgage seller.
- Certificate of completion must be retained in the loan file.



Credit Fees In Price

- Most standard risk-based credit fees in price are waived when the credit score is greater than or equal to 680 with an LTV above 80%. A delivery fee cap of 1.50% applies otherwise. All applicable credit fees in price are subject to the Home Possible mortgage cap except for the custom mortgage insurance credit fee in price and/or the GreenCHOICE Mortgage® credit for credit fee in price, which will be added to the cap.
- See Guide Exhibit 19 for details on credit fee in price caps and credit fees in price applicable to the Home Possible mortgage.

Credit Underwriting

- A borrower's credit reputation is acceptable if the Home Possible mortgage receives a risk class of Accept.
- Borrowers without credit scores may be underwritten for up to 95% LTV.
- A Home Possible mortgage that is a super conforming mortgage must receive a risk class of Accept.
- A Home Possible mortgage secured by a manufactured home must have a risk class of Accept if its term is greater than 20 years and LTV/TLTV/HTLTV ratios are greater than 90% but less than 95%.

Credit Underwriting—Manually Underwritten Mortgages

Mortgage Type for 1-Unit Properties	Minimum Indicator Score
Fixed-rate mortgage that is a purchase transaction	660
1-unit ARM or a 1-unit no cash-out refinance mortgage	680
Manufactured home	720

See Guide Section 4501.8 (b) for additional underwriting requirements for manually underwritten mortgages.

Borrower Income Requirements

- Total annual qualifying income limit is 80% of area median income (AMI), effective July 28, 2019.
- Freddie Mac offers two tools that make it easy to determine if your borrower meets the income requirements: Loan Product Advisor determines product eligibility and our map-based Home Possible Income & Property Eligibility tool allows you to look up Home Possible income limits and property eligibility.

Requirements For Rental Income From The Subject 1-Unit Property

- Rental income from a 1-unit primary residence can account for up to 30% of qualifying income.
- The person providing the rental income must have resided with the borrower for at least one year and will continue residing with them in the new property.
- Rental income from a 1-unit primary residence must be provided by a person who:
 - Is not obligated on the mortgage and does not have an ownership interest in the mortgaged premises.
 - Is not the borrower's spouse or domestic partner.
- Must include in the loan file:
 - Evidence of residency.
 - Documentation of receipt of rental income for at least nine of the past 12 months.
 - Borrower statement affirming the source of rental income and the fact that the renter has resided with the borrower for the past year and intends to continue residing at the new residence for the foreseeable future.



Mortgage Insurance Requirements

The standard required or custom mortgage insurance (MI) coverage levels for Home Possible mortgages are as follows:

Transaction Type	MI Coverage	LTV Ratio, 1-Unit Properties			
		>80% & ≤85%	>85% & ≤90%	>90% & ≤95%	>95% & ≤97%
Home Possible, fixed-rate, term < 20 years	Standard	6%	12%	25%	25%
	Custom	n/a	n/a	16%	18%
Home Possible, fixed-rate, term > 20 years; ARMs; and manufactured homes	Standard	12%	25%	25%	25%
	Custom	12%	12%	16%	18%

Seller must obtain Freddie Mac's approval to sell mortgages with annual or monthly premium lender-paid mortgage insurance to Freddie Mac. If custom MI is chosen, the custom MI fee applies regardless of any cap on credit fees in price. See Guide Section 4701.1 for additional MI requirements and options including custom MI.

Ownership Of Other Properties

Effective September 16, 2019: the occupying borrowers must not have an ownership interest in more than two financed residential properties, including the subject property, as of the note date, or for construction conversion and renovation mortgages, the effective date of permanent financing.

Collateral Evaluation

- 1-unit primary residences: Use Form 70, Uniform Residential Appraisal Report.
- Condominiums: Use Form 465, Individual Condominium Unit Appraisal Report.
- Manufactured housing: Use Form 70B, Manufactured Home Appraisal Report.

Delivery Requirements

Eligible Executions And Pooling

- Fixed-rate Guarantor
- WAC ARM Guarantor
- ARM Cash
- Servicing-Retained Cash
- Cash-Released XChangeSM
- MultiLender Swap

There are no special pooling requirements for the Home Possible mortgage. Mortgages may be pooled with non-Home Possible mortgages. Refer to Guide Chapter 6202 for pooling requirements.

Delivery Requirements

See Guide Section 6302.14(b) for special delivery instructions for the Home Possible mortgage and Guide Section 6304.34 for applicable secondary financing delivery requirements. In addition, Sellers must provide the applicable information, as outlined in Guide Section 6302.14(b), for down payment, closing costs, automated underwriting system and borrower counseling. Sellers must deliver the following ULDD Data Points:

- Loan Affordable Indicator: "true".
- Loan Program Identifier: "Home Possible Mortgage".
- Loan Program Identifier "Home Possible Advantage Mortgage" if applicable (Note: This will no longer be a valid value when Loan Selling Advisor is updated on or after September 30, 2019.)



- If applicable, Sellers must deliver the following Investor Feature Identifiers (IFI) in ULDD Data Point IFI 532.
- If mortgage satisfies the minimum number of payment reference requirements using noncredit payment references.
- IFI G18 Home Possible mortgage with an Affordable Second that does not require a payment before the due date of the 61st payment may enter the note amount in the "Total Gift Fund" field.

Temporary Subsidy Buydowns

- Allowed for mortgages secured by 1-unit properties that are not manufactured homes (See Guide Section 4204.4).
- If a mortgage with a temporary subsidy buydown plan is subject to secondary financing, including an Affordable Second, the secondary financing must have a fixed interest rate.

Mortgage Credit Certificates

- Mortgage Credit Certificates (MCCs) may be considered as qualifying income, provided the requirements in Guide Sections 5301.1 and 5305.2 are met.
- The amount used as qualifying income must be calculated as follows: (mortgage amount) x (note rate) x (MCC rate %) divided by 12.

Specific Requirements for 2- to 4-Unit Properties

Maximum Ratios For 2- To 4-Unit Properties

2- to 4-Unit Properties			
Loan Type	Maximum LTV	Maximum TLTV	Maximum HTLTV
Conforming			
2- to 4-unit fixed-rate and 2-unit ARM	95%	95%	95%
3 and 4-unit ARMs	75%	75%	75%
Super Conforming			
2-unit fixed-rate and ARM	85%	85%	85%
3 and 4-unit fixed-rate	80%	80%	80%
3 and 4-unit ARM	75%	75%	75%

Additional Requirements For 2- To 4-Unit Properties

- Minimum contribution from borrower personal funds for LTV/TLTV and HTLTV ratios:
 - <= 80% – none
 - >80% <= 95% – 3% of value
 - >95% – not applicable
- Minimum borrower reserves required will be determined by Loan Product Advisor. If the mortgage is manually underwritten, two months of reserves are required.
- Minimum indicator score for manually underwritten mortgages: 700.
- Collateral evaluation for 4-unit primary residences: Use Form 72, Small Residential Income Property Appraisal Report.
- Landlord education: For purchase transactions, at least one qualifying borrower must participate in a landlord education program before the note date. For refinances, landlord education is not required but is recommended. It must not be provided by an interested party to the transaction, the originating lender or the mortgage seller. A certificate of completion must be retained in the mortgage file.
- Rental income from a 2- to 4-unit primary residence that meets requirements in Guide Chapter 5306 may be used as qualifying income.
- Refer to the Guide for additional requirements.

