Home Possible Product Requirements

Freddie Mac Home Possible® mortgages offer 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 moderate-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 and 10/1 ARMs
- Mortgages secured by manufactured homes must be fully amortizing fixed-rate mortgages or 7/1 or 10/1 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 originated in accordance with Section 4301.7

**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 Loan Product Advisor mortgages.
- 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

- 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

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Maximum LTV</th>
<th>Maximum TLTV</th>
<th>Maximum HTLTV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Conforming</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-rate</td>
<td>97%</td>
<td>105%*</td>
<td>97%</td>
</tr>
<tr>
<td>Fixed-rate with non-occupying borrowers**</td>
<td>95%</td>
<td>105%*</td>
<td>95%</td>
</tr>
<tr>
<td>Adjustable-rate (ARM)</td>
<td>95%</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td>Manufactured homes</td>
<td>95%</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td><strong>Super Conforming</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-rate</td>
<td>95%</td>
<td>105%*</td>
<td>95%</td>
</tr>
<tr>
<td>ARM</td>
<td>95%</td>
<td>95%</td>
<td>95%</td>
</tr>
</tbody>
</table>

* 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 non-credit 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 UNDERWRITING—LOAN PRODUCT ADVISOR MORTGAGES

- 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

<table>
<thead>
<tr>
<th>Mortgage Type for 1-Unit Properties</th>
<th>Minimum Indicator Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-rate mortgage that is a purchase transaction</td>
<td>660</td>
</tr>
<tr>
<td>1-unit ARM or a 1-unit no cash-out refinance mortgage</td>
<td>680</td>
</tr>
<tr>
<td>Manufactured home</td>
<td>720</td>
</tr>
</tbody>
</table>

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 him or her 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:

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>MI Coverage</th>
<th>LTV Ratio, 1-Unit Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>&gt;80% &amp;≤85%</td>
</tr>
<tr>
<td>Home Possible, fixed-rate, term &lt; 20 years</td>
<td>Standard</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td>Custom</td>
<td>n/a</td>
</tr>
<tr>
<td>Home Possible, fixed-rate, term &gt; 20 years; ARMs;</td>
<td>Standard</td>
<td>25%</td>
</tr>
<tr>
<td>and manufactured homes¹</td>
<td>Custom</td>
<td>12%</td>
</tr>
</tbody>
</table>

*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 Cash  • Cash-Released XChange™
• WAC ARM Guarantor  • Servicing-Retained Cash  • MultiLender Swap

There are no special pooling requirements for Home Possible mortgages. 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 instruction for Home Possible mortgages 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:

- IFI 532 If mortgage satisfies the minimum number of payment reference requirement 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:
  - \( \frac{(mortgage \text{ amount}) \times (note \text{ rate}) \times (MCC \text{ rate } \%)}{12} \)

### Specific Requirements for 2- to 4-Unit Properties

#### MAXIMUM RATIOS FOR 2- TO 4-UNIT PROPERTIES

<table>
<thead>
<tr>
<th>2- to 4-Unit Properties</th>
<th>Maximum LTV</th>
<th>Maximum TLTV</th>
<th>Maximum HTLTV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Conforming</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2- to 4-unit fixed-rate and 2-unit ARM</td>
<td>95%</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td>3 and 4-unit ARMs</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td><strong>Super Conforming</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-unit fixed-rate and ARM</td>
<td>85%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>3 and 4-unit fixed-rate</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>3 and 4-unit ARM</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
</tr>
</tbody>
</table>
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 for Loan Product Advisor mortgages. 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 refines, 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 Seller/Servicer Guide for additional requirements.

---

**Don’t Miss These Resources on SF.FreddieMac.com/HomePossible**

- Home Possible overview flyer
- Chapter 4501 of the *Single-Family Seller/Servicer Guide*
- Home Possible Income and Property Eligibility Tool
- Freddie Mac Learning Center
- Home Possible online FAQ