

Affordable Seconds[®] Checklist



Expand access to credit for your qualified borrowers.

Expand access to credit for your qualified borrowers with Affordable Seconds[®]. Use the checklist below to help you determine if your secondary financing meets Freddie Mac's requirements for Affordable Seconds.

If all the statements below are true and the secondary financing otherwise meets Freddie Mac's requirements in the *Single-Family Seller/ Servicer Guide* (Guide), the related first lien mortgage may be eligible for delivery if the first lien mortgage satisfies Freddie Mac's eligibility criteria and underwriting requirements. Refer to Guide Section 4406.18 for requirements.

For complete requirements and steps on how to underwrite a first lien mortgage with an Affordable Seconds, refer to Guide Sections 4204.1 and 4204.2. For complete requirements and steps on how to underwrite Affordable Seconds used to subsidize the sales price of a resale restricted property, refer to Guide Section 4406.18.

CHECKLIST - CHECK OFF THE TRUE STATEMENTS

Funding Source

- If not funded by the Seller, an Affordable Seconds must be provided by an Agency, credit union or community development financial institution (CDFI) under an established, ongoing, documented secondary financing or financial assistance program. An Agency is typically one of the following: 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.
- The Affordable Seconds must not be funded in any way through the first lien mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans.
- The Seller may not participate in any equity sharing agreement with respect to the mortgaged premises unless it meets the requirements of Guide Section 4204.2(b)(ii).
- The terms and conditions of the Seller's secondary financing or financial assistance program must be made available by the Seller to Freddie Mac upon request.

Non-Seller-funded Affordable Seconds

The first lien mortgage must be:

- A fixed-rate mortgage or an ARM with an initial fixed-rate period of five years or greater.
- A purchase transaction or a "no cash-out" refinance.
- Secured by a 1-4 unit primary residence.

With respect to the subject mortgage, the Agency or credit union must not:

- Be the Seller or have participated in any aspect of the mortgage origination process, other than to assess the borrower's ability to meet the requirements of the program and to fund the Affordable Seconds.
- Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the mortgage origination process, such as the property seller, builder, developer or real estate agent.

With respect to the subject mortgage, a CDFI working with an Agency must:

- Be a CDFI that has received CDFI certification from the Treasury's CDFI Fund (a "Certified CDFI").
- Remain a Certified CDFI through the date the mortgage is sold to Freddie Mac.
- Not be the Seller.

Continued - Non-Seller-funded Affordable Seconds

- The Agency with which the CDFI is working may participate in the origination of the subject mortgage.
- The Agency may be affiliated with, under contract to, or financed by the Certified CDFI if the Agency is a nonprofit entity and third-party originator that works with the Certified CDFI. The Affordable Seconds may be funded by the property seller or another interested party to the transaction unless it meets the special requirements for Seller-funded Affordable Seconds shown in the box below.

Seller-funded Affordable Seconds

If the Seller is not a CDFI, it must:

- Be a depository institution.
- Have an Affordable Seconds program that supports its affordable lending and/or mission focused program(s), or a program designed to broadly support its Community Reinvestment Act (CRA) mandates.

□ **If the Seller is a credit union** that is not required by law to participate in CRA, the credit union must have an Affordable Seconds program in accordance with its affordable lending and/or mission-focused program(s).

□ **If the Seller is a CDFI**, it may be a non-depository institution, if the established Affordable Seconds program supports affordable lending and the credit needs of prospective homebuyers in their respective market(s).

The First Lien Mortgage must be:

- A Home Possible® mortgage.
- A fixed-rate mortgage or an ARM with an initial fixed-rate period of five years or greater.
- Submitted to Loan Product Advisor® in accordance with Guide Chapter 5101 and receive a Risk Classification of Accept.
- A purchase transaction.
- Secured by a 1-unit primary residence.
- A retail mortgage.

Properties Subject to Income-based Resale Restrictions - Special Requirements

The Source:

- May be a government agency or a non-profit entity that acts as the program administrator for the government agency. The non-profit entity may also act as the property seller on behalf of the government agency.
- May be a non-profit entity that is also the property seller but is not affiliated with a government agency; provided:
 - Mortgage file contains the Internal Revenue Code 501(c) determination letter.
 - Non-profit entity has the financial capacity to provide the Affordable Second.
 - Affordable Second meets all other applicable Guide requirements.

The Affordable Seconds:

- May be used to provide financial assistance by subsidizing the property's sales price. The difference between the market sale price and the resale-restricted price represents the subsidy amount.
 - May be either no payments or deferred payments and the entire outstanding balance may be forgiven at some specified point in time.
 - Does not restrict Freddie Mac's sale or transfer of a property once Freddie Mac has acquired title to the property as an REO.
- See Guide Sections 4406.12 - 4406.18 for additional requirements.

General Affordable Seconds Requirements

- For a mortgage secured by a 1-unit property, the total loan-to-value (TLTV) ratio for the first lien and the secondary financing does not exceed 95%. For Affordable Seconds, the maximum TLTV ratio is 105% when the first lien mortgage is a Home Possible mortgage secured by a 1-to-4-unit primary residence.
- For Affordable Seconds, the maximum TLTV ratio is 105% when the first lien mortgage is a HomeOne® mortgage as secured by a 1-unit primary residence.
- The proceeds from the secondary financing will be used for down payment assistance and/or payment of closing costs.
- The secondary financing will not result in a priority lien.
- The interest rate on the secondary financing is not more than 2 percentage points higher than the rate of the first lien mortgage.
- The terms of the secondary financing do not require a balloon payment before the maturity or payment in full of the first lien mortgage.
- The secondary financing is not a Home Equity Line of Credit.
- Interest accruals when 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.
- If the terms of the secondary financing so permit, an Agency or subsidy provider may share in the appreciation of the mortgaged premises. For-profit entities may not participate in the appreciation.
- If the terms of the secondary financing permit the Agency or subsidy provider to share in the appreciation of the mortgaged premises, at the time of origination of the Affordable Seconds, the Agency's or subsidy provider's share of appreciation, as a percentage, does not exceed the principal amount of the Affordable Seconds divided by value unless it meets Freddie Mac's requirements in Section 4204.2 (a) (vi).

Learn more about Affordable Seconds®

- Freddie Mac Guide Section 4204.2, Special Requirements for Affordable Seconds®.
- Affordable Lending Sources: sf.freddiemac.com/homepossible
sf.freddiemac.com/affordableseconds

The information in this document is not a replacement or substitute for information found in the Guide and/or the terms of your Master Agreement and/or Master Commitment.