

# First-Generation Homebuyer Mortgage Fact Sheet

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Intergenerational wealth refers to the financial assets passed by one generation of a family to another. Wealth disparities among historically underserved consumers are often linked to the absence of, or interruption of, intergenerational wealth accumulation that is primarily achieved through homeownership. First-generation homebuyers are less likely to receive financial assistance from parents to help with the down payment and other upfront costs. A lack of generational wealth through homeownership also contributes significantly to the perpetuation of wealth disparities nationwide.

The concept of a “first-generation homebuyer” – the borrower and their parents do not and/or have not owned a property – is not new. There are many programs in the market that offer down payment or other assistance for eligible participants with varying definitions of what constitutes a first-generation homebuyer.

Freddie Mac and Fannie Mae (the GSEs) engaged with state and local housing finance agencies that are already using a first-generation homebuyer classification for mortgage eligibility, or down payment and closing costs assistance, that aim to increase homeownership rates and to close homeownership gaps for historically underserved consumers. The GSEs, under the guidance of the Federal Housing Finance Agency (FHFA), have created a definition with the intent of helping establish an industry standard to foster growth, adoption and greater utilization of programs in the conventional mortgage market.

A first-generation homebuyer mortgage is one in which each borrower meets the following requirements:

- Is purchasing the mortgaged premises
- Will reside in the mortgaged premises as a primary residence
- Has had no ownership interest (sole or joint) in another property during the last three years preceding the note date
- One of the following must also apply:
  - No parent of the borrower has had an ownership interest (sole or joint) in a property in the last three years preceding the note date.
  - The borrower has aged out of foster care.
  - The borrower has become emancipated.

The following information provides answers to questions frequently asked about our jointly developed first-generation homebuyer mortgage definition.

**Q1. If only one borrower on the mortgage application meets the first-generation homebuyer requirements, is the mortgage considered a first-generation homebuyer mortgage?**

No, all borrowers must meet the first-generation homebuyer requirements for the mortgage to be considered a first-generation homebuyer mortgage.

**Q2. How does a borrower certify their status for a mortgage to be considered a first-generation homebuyer mortgage?**

All borrowers on the mortgage must complete and sign Form 1109, *First-Generation Homebuyer Certification*, to attest to their status. The lender must keep the executed form(s) in the mortgage file.

**Q3. The certification provides only for two borrowers. What if there are more than two borrowers on the mortgage application?**

The lender should provide the borrowers with additional copies of the certification, as needed. All borrowers must complete and sign the certification for the mortgage to be considered a first-generation homebuyer mortgage.

**Q4. Who is considered a parent?**

We consider a parent to be a biological or a legally adoptive parent.

**Q5. Why doesn't the GSE definition of a first-generation homebuyer mortgage reference borrower's legal guardian in addition to parent?**

We recognize that other first-generation homebuyer definitions consider prior property ownership of a legal guardian; however, the GSEs concluded that individuals under a legal guardianship (or previously under a legal guardianship) are less likely to have access to the guardian's inter-generational wealth. Additionally, we want to minimize the potential confusion for borrowers that no longer have a legal guardian but may have previously had one. Therefore, the GSEs are not requiring a legal guardian's property ownership status or history to be considered.

**Q6. Would a borrower qualify as a first-generation homebuyer if the borrower or the parent has ownership rights in a property, but the property is heirs' property (i.e., the borrower or the parent has joint ownership with other descendants of a deceased individual whose estate did not clear probate)?**

The borrower could still meet the requirements of first-generation homebuyer, provided that all other requirements are met. This is also notated on the First-Generation Homebuyer Certification for the borrower.

**Q7. What does ownership interest in a property include or not include?**

As indicated in the certification form (Form 1109), ownership interest in a property includes real property owned in or outside of the United States. It does not include heir's property, undeveloped land, a manufactured home or mobile home titled as personal property or a contract for deed. The lender can rely on the borrower's completion of the Uniform Residential Loan Application, Section 5 Declaration, 5a., which presumes ownership in another property is residential in nature based on the response to question 5.a (1), primary residence, FHA secondary residence, second home or investment property.

**Q8. Why does the certification require the borrower to provide the name and address of their parents?**

By requiring this information, the GSEs aim at addressing possible misrepresentation without overburdening the borrowers. Furthermore, this information will lay the groundwork for verification of first-generation status in the future if first-generation mortgage offerings are introduced.

**Q9. Is the lender required to verify the parent's property ownership status or address information on the certification?**

No, there is no requirement for the lender to verify the parent's information provided by the borrower on the certification.

**Q10. Is the lender responsible for representations and warranties related to the delivery of the IFI for a first-generation homebuyer mortgage?**

When delivering the IFI for a first-generation homebuyer mortgage, the lender is representing and warranting that all borrowers have completed the certification, and the certification(s) is in the mortgage file.

**Q11. There are programs in the market that have different criteria for defining a first-generation homebuyer mortgage. If a lender originates a mortgage that meets a different definition and sells that mortgage to Freddie Mac under their standard Guide requirements, is the IFI still required?**

If the mortgage was originated under a program with different criteria for a first-generation homebuyer mortgage, the lender should only deliver the IFI if the mortgage also meets the GSE definition of a first-generation homebuyer mortgage, and the lender has the completed certifications for all borrowers in the mortgage file.

**Q12. Why are the GSEs publishing this definition and requesting an IFI if the definition is not being used for mortgage eligibility, pricing or MBS disclosures?**

We believe we can help establish an industry standard by publishing an aligned definition. It also gives us the opportunity to understand adoption and any implementation challenges for the industry before we apply it to any products or use cases.

To learn more about First-Generation Homebuyer Mortgages, visit Freddie Mac's [Equitable Housing Finance Plan](#) page or Fannie Mae's [Equitable Housing Finance Plan page](#), or contact your account representative.