

Introduction

As part of achieving home ownership, potential buyers may not have the means or opportunity to save for a large down payment and closing costs. To help bridge this gap there are options available to assist qualifying borrowers with down payment and closing costs. Affordable Seconds is one of these financing options. This resource focuses on Affordable Seconds from a Loan Product Advisor data submission perspective. The terminology used in this tool will help you to understand how to correctly input information into Loan Product Advisor. For a brief overview refer to the [Affordable Seconds and Loan Product Advisor](#) clip.

The following Topics are included:

[What Are Affordable Seconds](#)

[Affordable Seconds Eligibility Guidelines](#)

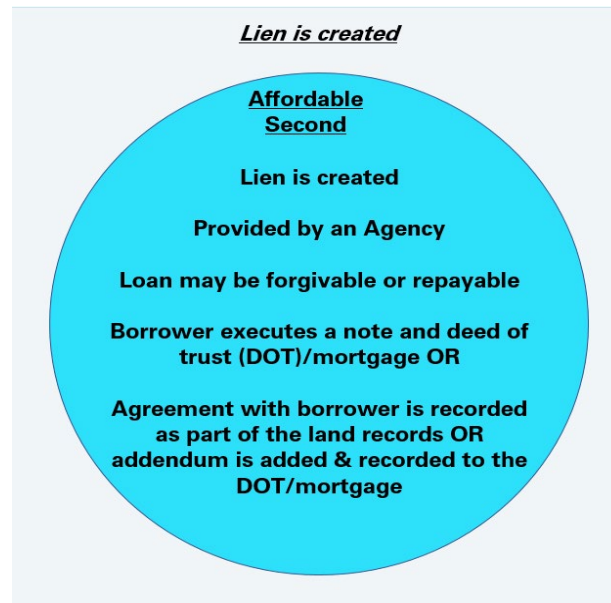
[Loan Product Advisor Data Submission Tips](#)

[Best Practices for Affordable Seconds](#)

What are Affordable Seconds

Freddie Mac Affordable Seconds is a financing option designed to meet the needs of borrowers who require flexibility on sources for down payments and closing costs. Affordable Seconds are provided by an agency and create a subordinate lien on the subject property. Affordable Seconds require data to be submitted into Loan Product Advisor following specific rules, [Tips for Loan Product Advisor Data Submission](#).

Tip: The agency providing the subordinate financing may use the term 'grant' – but Freddie Mac is focused on one primary questions, “does it create a subordinate lien against the property?” submit to Loan Product Advisor, select Cash gift or Grant from the Account Type field.





Affordable Seconds Eligibility Guidelines

Topic	Detail
Source of Subordinate Financing	<ul style="list-style-type: none"> 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. Is NOT the property seller or other interested party to the transaction. <ul style="list-style-type: none"> If the Seller is the source, certain requirements must be met as described in Guide Section 4204.2. <p>Note: The property seller may be the source if the mortgage is secured by a property subject to income-based resale restrictions.</p>
Total Loan-to-Value (TLTV)	<ul style="list-style-type: none"> 105% TLTV if the subordinate financing is an Affordable Second and the first mortgage is a Home Possible® mortgage or a HomeOneSM mortgage*. 95% TLTV if the first mortgage is a Freddie Mac standard, conventional mortgage. Subordinate financing's interest accruals that are 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. <p>*HomeOne mortgage: For LTV/TLTV requirements for a no cash-out refinance mortgage refer to Guide Section 4506.2.</p>
Use of Subordinate Financing	<ul style="list-style-type: none"> Can be used for down payment and closing costs Is NOT a Home Equity Line of Credit
Subordinate Lien	<ul style="list-style-type: none"> Creates a subordinate lien, NOT a priority lien
First Lien Mortgage Eligibility	<ul style="list-style-type: none"> Fixed-rate or an ARM with an initial fixed-rate period of five years or greater Purchase transaction or a "no cash-out" refinance One-to four-unit primary residence. Note: Mortgages secured by a manufactured home with an Affordable Second are eligible if they meet the additional requirements in Guide Section 5703.3(e).
Interest Rate	Is NOT more than 2 percent higher than the rate of the first mortgage.
Payment	<ul style="list-style-type: none"> If monthly payments on the Affordable Second are required and begin before the 61st monthly payment under the First Lien Mortgage, such monthly payments must be included in the Borrower's monthly housing expense-to-income ratio and monthly debt payment-to-income ratio. If monthly payments on the Affordable Second begin on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the entire Affordable Second amount is due only upon sale or default, the amount of the Affordable Second monthly payment may be excluded from both ratios. Does NOT require a balloon payment before the maturity or payment in full of the first lien mortgage.

For full description see Guide [Section 4204.2](#).



Loan Product Advisor Data Submission Tips

No Repayment Within the First 5 Years



A subordinate lien is created

To submit to Loan Product Advisor, enter the Affordable Second terms in the **Other New Mortgage Loans on the Property You are Buying or Refinancing** section.

Tip:

Select “Yes” 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?

Below is an example of the **Other New Mortgage Loans on the Property You are Buying or Refinancing** section displayed in Loan Product Advisor via Freddie Mac Loan Advisor® single sign-on portal. For system-to-system Loan Product Advisor users, refer to your loan origination system (LOS).

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**.



Repayment Within the First 5 Years



A subordinate lien is created

To submit to Loan Product Advisor, enter the Affordable Second terms in the **Other New Mortgage Loans on the Property You are Buying or Refinancing** section.

Tip

Select “Yes” for the following question:

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

Select “No” 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?**

Below is an example of the **Other New Mortgage Loans on the Property You are Buying or Refinancing** section displayed in Loan Product Advisor via Loan Advisor single sign-on portal. For system-to-system Loan Product Advisor users, refer to your loan origination system (LOS).

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

0 / 3

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.



Best Practices for Affordable Seconds

- Use this [checklist](#) to review the eligibility of the Affordable Second.
- An agency 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](#).

This document is not a replacement or substitute for the information found in the *Freddie Mac Single-Family Seller/Service Guide* or terms of your Master Agreement or other Pricing Identifier Terms.

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