

# Elevate the Borrower Homebuying Experience

Discover solutions to streamline  
the process while uncovering  
loan opportunities and savings.



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# Introduction

**The process of buying a home** is a daunting undertaking, with a myriad of steps (and paperwork) requiring meticulous attention to details, frequent communication between the homebuyer and industry professionals and seamless, nimble coordination from qualification to closing. Since speedy digital solutions are common in everyday life, from shopping to banking, borrowers have increasingly high expectations for a swift and effortless homebuying experience.

From lessening documentation to leveraging technology to identify the borrower's comprehensive financial picture and close the loan more quickly, identifying methods to navigate the homebuying process with speed and precision is a win for all. We're here to help lenders double down on savings and efficiency while providing a smoother experience for homeowners, with less hassle and guesswork, lower costs and a clearer path to home.



# Reduce the Documentation Burden

Sifting through a borrower's financial documentation to verify income, assets and employment is often one of the more frustrating parts of the lending experience. Automating this process is an impactful way to close with speed, precision and confidence.



## Manual review

- × Paper chase
- × Back and forth communication gaps
- × Entering data by hand
- × Manually verifying employment



## Digital verification

- ✓ Direct and instant data
- ✓ Focused feedback
- ✓ Consistent rules applied
- ✓ Automated checks

Digitally mature organizations showcase higher benefits and efficiencies than their tech-hesitant counterparts. In fact, the top cost-effective companies, which have further leaned into technology adoption, originate loans at nearly half the cost of the industry average and

**~2.8 times faster  
than the bottom  
25% performers.**

Source: Freddie Mac Cost to Originate Analysis

# The Digital Path to Home



**Loan Product Advisor® (LPA®)** is Freddie Mac's automated underwriting system (AUS) that simplifies the origination process and provides greater confidence that loans meet our eligibility requirements. LPA helps Sellers close loans faster to deliver a superior borrower experience.

Use LPA's digital capabilities such as **asset and income modeler (AIM)** to fully automate tasks, provide insights and gain a competitive edge.

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Save \$1,700 per loan

Maximizing the use of  
LPA digital capabilities

[Freddie Mac Cost to Originate Analysis](#)

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AIM

Verify

income, assets and employment

View

representation and warranty relief  
(R&W) eligibility

Check

opportunities for credit expansion





## Handle a Variety of Income Scenarios

AIM is one of several options to accurately assess income, and it provides flexibility with documentation sources.

- **Wage Earners (paystubs and W-2s):** Income types supported include base, bonus, overtime and commission.
- **Self-Employment (tax data—returns and transcripts):** Business types supported include Sole Proprietorship (Schedule C), Partnership and S Corporation.
- **Direct Deposits:** An innovative, data-driven approach helps instantly identify income streams for mortgage qualification.



## How to Verify Income, Assets and Employment Using AIM

### Step 1: Order a Verification Report

- Ensure that borrowers understand the benefit of digital verification by emphasizing ease of use, shorter cycle times and faster approvals.
- Determine the income type for each borrower and explore which AIM submission fits best.
- Prepare digital reports and walk borrowers through the digital verification process.

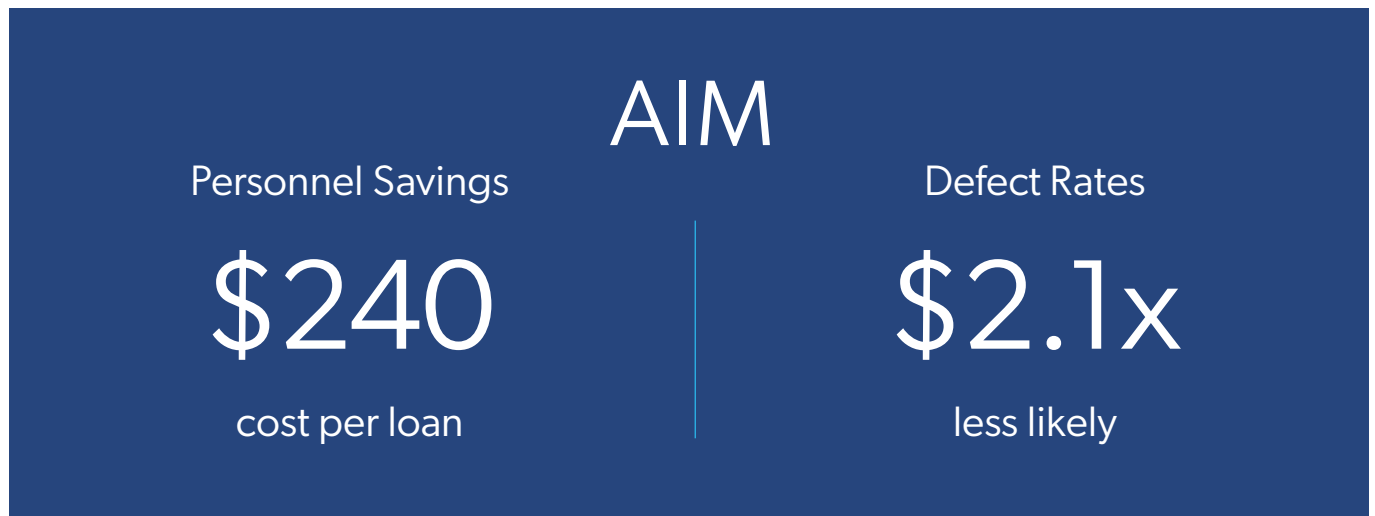
### Step 2: Submit the Report ID to LPA

- Don't collect unnecessary documentation. Follow LPA prompts as directed and keep your borrower's level of effort low.
- Avoid mistakes in the details by confirming your report ID entry is correct so you don't order duplicate reports.

### Step 3: Review the LPA Feedback Certificate

Check key feedback messages and take necessary steps:

- **Income/Assets:** Messages verify if they're sufficient or couldn't be digitally assessed, and whether they're eligible for R&W relief.
- **Employment:** Messages verify if the borrower's current employment is confirmed and provides information around the 10-day pre-closing requirements.
- **Credit expansion:** Messages verify if rent payment history and positive cash flow was successfully identified or if they could positively impact the risk assessment.



Sources: Freddie Mac Cost to Originate analysis and 2023 Freddie Mac Digital Innovation Drives Loan Quality Study

## Leave Uncertainty Behind

Automating income, assets and employment not only alleviates the paper chase, it helps reduce income-related defects and provides R&W relief eligibility. As the loan moves through the process, you'll have confidence it meets certain *Single-Family Seller/Servicer Guide* (Guide) requirements.

## Another Option to Calculate Income

The [Freddie Mac Income Calculator](#) is a user-friendly option to calculate income with ease and precision. Mortgage professionals at any level can use the free online tool to enter borrowers' income data from paystubs, W-2s and certain tax data and get instant results on calculation transparency and R&W relief eligibility. Results can be used independently or with LPA loan submission.

The Freddie Mac Income Calculator joins our broad spectrum of income assessment options to help Sellers calculate income with ease, allowing them to potentially reduce defects in income calculations.

1/3  
of loan defects are  
income-related

Source: [2023 Freddie Mac Digital Innovation Drives Loan Quality Study](#)

## Resources

1. [Discover the basics of AIM](#)
2. [Learn about the power of one asset verification report](#)
3. [Optimize LPA feedback messages](#)



# Get to Closing With Speed

Automating income, asset and employment assessment is one way to boost efficiency. When paired with [automated collateral evaluation \(ACE\)](#), the time and cost savings significantly increase — for you and the borrower. ACE is an LPA capability that leverages proprietary models, historical data and public records to allow lenders to underwrite certain loans without an appraisal.

ACE removes friction in homebuying by:

- Cutting origination costs.
- Skipping the appraisal fee.
- Providing a shorter rate lock period, potentially saving thousands of dollars over the life of the loan.
- Speeding up the underwriting process.
- Reducing lender repurchasing risk.

## AIM + ACE

Cycle Time Savings  
**About 7 days**

Personnel and Cost of Funds Savings  
**\$610 cost per loan**

Defect Rates  
**~4x less likely**

Sources: Freddie Mac Cost to Originate analysis  
2023 Digital Innovation Drives Loan Quality



# A Spectrum of Valuation Options

## No Appraisal Needed



### Automated Collateral Evaluation (ACE)

Loan Product Advisor models and data determine the acceptability of the value and assess the condition and marketability risks.



### ACE + PDR

ACE with a property data report performed by a trained data collector to collect property characteristics and photographs.

## Appraisal Needed



### Desktop Appraisal

Appraiser develops appraisal using reliable data sources without inspecting the property.



### Hybrid Appraisal

Appraiser develops appraisal using a PDR and other reliable data sources.



### Traditional Appraisal

Appraiser performs interior and exterior inspection and uses reliable sources to develop appraisal.

## Check for ACE Eligibility Early

When your organization uses LPA v6.0, you can submit a reduced number of data points and see whether the loan will receive an Accept risk class and ACE eligibility.



Save borrowers  
up to

# \$600

in closing costs

Source: Freddie Mac Cost to Originate analysis

 **Tutorial:**  
[Navigating Collateral  
Alternatives](#)

Assessment Summary	
RISK CLASS	 <b>ACCEPT</b>
Representation & Warranty Relief	
COLLATERAL	 <b>ELIGIBLE</b> <b>ACE</b>



# Uncover Every Chance to Make a Loan

Not every loan receives an Accept risk class with the first submission to LPA. When a loan receives a Caution, don't consider it a hard stop; with additional information, it's an opportunity to potentially turn your loan into an Accept.

***Use the LPA feedback certificate as your co-pilot for these common borrower scenarios:***

## Need a Low Down Payment Option? Look for Home Possible® Eligibility

In today's market, homebuyers are shopping for a lender that can provide them with low down payment offerings. The Freddie Mac Home Possible® mortgage offers unique flexibility and a low, 3% down payment option. Utilizing Home Possible's credit fee cap and mortgage insurance (MI) coverage levels can lower borrowers' debt-to-income (DTI) ratio, increasing the likelihood of acceptance.

### Assessment Summary

RISK CLASS



ACCEPT

## QUICK TIPS

- In the Opportunity Messages section of the Feedback Certificate, locate the message code FAL0037, which indicates the loan meets Home Possible income limits.
- Resubmit the loan in LPA or your loan origination system, including the Home Possible loan program identifier.

## Data-Driven Opportunity

The Home Possible Opportunities dashboard in [ECO®](#), Freddie Mac's business data and analytics tool, can help identify loan applications that qualify for Home Possible along with those that successfully took advantage of this offering.



## Not Enough Income or Sources of Funds? Know Exactly How Much

LPA Choice® feedback messages offer tailored, specific and actionable feedback. The messages use dynamic data points for three specific loan characteristics: DTI ratio, loan-to-value (LTV) ratio and reserves.

### QUICK TIPS

- Look in the Opportunity Message section for LPA Choice messages.
- Consider a few things to help flip the Caution to Accept:

#### **FCL0434 (DTI)**

*Consider:*

Is total income disclosed?

Can borrower add a co-borrower or pay off debts?

#### **FCL0435 (LTV)**

*Consider:*

Can borrower add to the down payment with gifts, grants, additional cash or down payment assistance (DPA)?

#### **FCL0436 (Reserves)**

*Consider:*

Are all of the borrower's available reserves disclosed (investments, retirement, securities, joint accounts, eligible gifts etc.)?



## Data-Driven Opportunity

Use the **Run with Opportunity dashboard** in [ECO](#) to help identify LPA submissions that received an LPA risk class of Caution along with messages that provide more information about purchase requirements and actionable feedback.

# ~29%

Caution to Accept conversion rate for resubmissions that used LPA Choice specific feedback

January – September 2025





## Limited Borrower Credit History? Try Using Rent Payment History

Check if the borrower's rent payment history qualifies to be used in the risk assessment, which could turn a Caution into an Accept:

### QUICK TIPS

- Look in the Opportunity Messages section for message FCL0421, which indicates if the loan may benefit from a positive rent payment history.
- Order an asset verification report and submit the loan to LPA, making sure to include the reference number with your submission.

## Traditional Credit Not Sufficient? Go With the Borrower Cash Flow

Check if the borrower's cash flow qualifies to be used in the risk assessment. (Note: no credit score is needed.)

### QUICK TIPS

- Look in the Opportunity Messages section for message FCL0421, which indicates if the loan may benefit from a positive cash flow.
- Order an asset verification report and submit the loan to LPA, making sure to include the reference number with your submission.

Caution loans turn into Accept loans

~24%

when borrower cash  
flow is used

March – September 2025

~13%

of the time when rent  
payment history is used

March – September 2025



**Never Miss an  
Opportunity with Loan  
Product Advisor® (LPA®):  
Using Caution Messages  
to Your Advantage**

## Data-Driven Opportunity

Use the **Expanding Credit Opportunities dashboard** in ECO to help identify LPA submissions that could benefit from the borrower's positive cash flow or rent payment history.

# Conclusion



Freddie Mac's tools can simplify and expedite the homebuying process. LPA helps you qualify more borrowers by including positive rent payment history and cash flow in its assessment, while feedback messages give clear direction to address areas of concern and provide actionable next step to help close loans.

The tool can also help you quickly identify automated solutions that can save time and help you deliver a better homebuying experience. When you run LPA, you run with efficiency, opportunity and savings, giving you a chance to elevate how you grow your business.

