Introduction

As part of achieving homeownership, 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. This resource outlines the Loan Product Advisor® (LPA℠) data submission requirements for Freddie Mac Affordable Seconds®. For complete requirements on gifts, grants, and Affordable Seconds refer to the Seller/Servicer Guide.

What are Gifts, Grants and Affordable Seconds

Recognizing there are various terms used in the industry, the information provided below is a high-level overview of the defined terms used in this resource when gifts, grants, and Affordable Seconds are used to assist with down payment and closing costs.

Gift
- Provided by:
  - Related persons
  - Wedding gifts
  - Graduation gifts
  - An Agency
  - A Seller (Home Possible® Mortgages only)
- No lien is created
- Not a loan
- Repayment is not expected or implied

Grant
- Provided by:
  - An Agency
  - A Seller (Home Possible® Mortgages only)
- May have qualification expectations
- May have recapture options

Affordable Second
- Lien is created
- Forgivable or repayable
- Provided by an Agency, credit union, community development financial institution, or a Seller may be eligible if certain requirements are met*
- Borrower executes a note and deed of trust (DOT)/mortgage, or
- Agreement with borrower is recorded as part of the land records, or addendum is added and recorded to the DOT/mortgage

*Refer to Guide Section 4204.2(a)(i) for eligibility requirements for non-Seller and Seller funded Affordable Seconds.

Find the Affordable Seconds job aid here.

For definitions of “Affordable Seconds” and “Agency” access Freddie Mac Glossary and Seller/Servicer Guide Section 4204.2.

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Note: Vertical revision bars "|" are also used in the margin of this reference to highlight these new requirements and significant changes.
The information below provides step-by-step guidance on how to enter data through LPA.

**Gifts and Grants**

- A subordinate lien is **not** created.

**Tip:** To submit to LPA, select “Cash gift” or “Grant” from the **Account Type** field.

Below is an example of the **Account Type** field displayed in LPA via Freddie Mac Loan Advisor® single sign-on portal. For system-to-system LPA users, refer to your loan origination system (LOS).

**Source Type Field**

In addition to the **Account Type** also select the **Source Type**.

**Deposited** Indicator: If you select “Yes” the gift and/or grant has been **deposited** and is included in the value of an asset account entered in the Assets section, LPA will exclude the gift amount entered in Other Assets You Have, **Cash or Market Value** field, since it is already deposited into a submitted depository account.
Source Type Field (cont’d)

When Source Type selected is “Lender” or “Non-originating Lender” additional data fields will display: Grant Closing Cost Amount and Grant Down Payment Amount. LPA will require a distribution of lender or non-originating lender grant amounts reported by the borrower as assets. You must enter the portion(s) of the grant to be used for the down payment and/or closing costs.

Note: The sum of the value(s) provided from the grant amount towards closing costs and/or down payment must equal the value provided for the grant amount entered in the Cash or Market Value data field.

![Image of Source Type Field](image)

**Affordable Seconds - No Repayment Within the First 5 Years**

A subordinate lien is created.

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

**Tip:**

Select, “Yes/True” (refer to your loan origination system (LOS)) 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 LPA via Loan Advisor single sign-on portal.
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.

**Affordable Seconds – Repayment Within the First Five Years**

A subordinate lien is created.

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

**Tip**

Select, “Yes/True” (refer to your LOS), for the following question:

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

Select, “No/False” (refer to your LOS), 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 LPA via Loan Advisor single sign-on portal.
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.

For more information on Affordable Seconds:

Did you know we have a free online resource to help you quickly find, understand and match down payment assistance (DPA) programs for borrowers?

Introducing DPA One®, down payment assistance programs all in one place. DPA One is an innovative new tool that aggregates and showcases down payment assistance programs in a single, standardized, insights-rich tool so lenders can quickly and efficiently access and compare programs to help make home possible for more families. Click here to learn more.

- Affordable Seconds Defined and Tips for Data Submission into Loan Product Advisor.
- For Data Quality and System Messages tips and best practices refer to Data Quality and System Messages – Cause Resolution job aid.
- For tools and techniques to correctly deliver loans with Affordable Seconds, go to ULDD Data Delivery Tips.
- Mortgages secured by a manufactured home with an Affordable Second are eligible if they meet the additional requirements in Guide Section 5703.3(e).
- Attend: Down Payment Assistance: Solutions for Helping Borrowers with Funds for Closing webinar.

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