

This document provides information to assist you in originating and delivering mortgages secured by income-based resale restricted properties to Freddie Mac. Mortgages secured by properties subject to income-based resale restrictions must meet the requirements of Guide [Chapter 4406](#).

First things first

What are income-based resale restrictions?

Affordable housing programs use income-based resale restrictions to create affordable housing opportunities. These affordable housing programs are often based on State or local inclusionary housing policies, which typically require a specified number or percentage of properties in a designated area to be dedicated as housing individuals and households with very low-, low- or moderate-incomes. These resale restrictions are typically administered by a subsidy provider or program administrator.

How does it work?



The income-based resale restrictions **restrict** the initial sales price and subsequent resale price of properties subject to such restrictions.



The resale restricted price provides a **form of subsidy** to the homebuyer in an amount equal to the difference between the sales price and the market value of the property without resale restrictions.



The restrictions must be **stated** in a separate covenant, restriction, easement, or condition in a deed or other instrument executed by or on behalf of the owner of the land or property and must be recorded against that land or property.



These restrictions may be **in effect** for a certain number of years or continue in perpetuity.

This information is not a replacement or substitute for the requirements in the Freddie Mac *Single-Family Seller/Service Guide* or any other contractual agreements. This information does not constitute an agreement between Freddie Mac and any other party.

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Eligibility Requirements

Topic	Requirements
Borrower Eligibility	Borrowers must meet the program eligibility requirements established by the subsidy provider or program administrator, which may differ from the mortgage eligibility requirements.
Property and Occupancy Types	1- or 2-unit primary residence that is not a manufactured home, unless the manufactured home is a CHOICEHome®.
Loan Purpose	<ul style="list-style-type: none">▪ Purchase▪ Refinance* (cash-out and “no cash-out”) <p>*Refinance transactions are permitted with prior written approval of the transaction from the subsidy provider or program administrator. The mortgage file must contain evidence of the required approval and the approved amount of the proceeds that the borrower may receive.</p>
Ineligible Mortgages	<ul style="list-style-type: none">▪ Construction Conversion and Renovation Mortgages▪ CHOICERenovation® Mortgages▪ GreenCHOICE Mortgages® <p>Additionally, if the income-based resale restrictions terminate upon foreclosure (or expiration of any applicable right of first refusal period) or recordation of a deed-in-lieu of foreclosure, the following mortgages are not eligible for sale to Freddie Mac.</p> <ul style="list-style-type: none">▪ Financed Permanent Buydown Mortgages▪ Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages▪ Mortgages with capitalized balances as described in Chapter 4403▪ FHA and VA Mortgages▪ Section 502 GRH Mortgages▪ Section 184 Native American Mortgages▪ Freddie Mac Enhanced Relief Refinance® Mortgages



Reviewing the Restrictive Covenants

There are no limits on the time period in which the resale restrictions may remain in place on the property.

The resale restrictions must be binding on current and subsequent property owners, and remain in effect (i.e., survive) until they are formally removed or modified, or terminate automatically in accordance with their terms such as:

- Upon completion of foreclosure or recordation of a deed-in-lieu of foreclosure, and
- If necessary, upon recordation of the associated deed transferring the property to Freddie Mac or a third-party purchaser.

Documentation for mortgages secured by properties subject to resale restrictions

Freddie Mac allows use of the Grounded Solutions Network (GSN) 2021 Model Declaration of Affordability Covenants with Refinance and Resale Restriction and Purchase Option and 2021 Model Subordinate Program Mortgage. Collectively, these documents are referred to as the “Model Declaration” and may be found [here](#). The Model Declaration was developed to promote best practices and standardization for deed restricted affordable housing programs while also providing flexibility in program design. GSN also provides Commentary on the 2021 Model Declaration of Affordability Covenants with Refinance and Resale Restriction and Purchase Option, which may be found [here](#).

Note: If a subsidy provider is a non-profit entity, the mortgage file must contain the Internal Revenue Code 501(c) determination letter that allows for federal tax exemption of the non-profit entity.

Restrictions Survive Foreclosure or Recordation of a Deed-In-Lieu of Foreclosure

Appraising a resale restricted property

The appraisal must reflect the impact the restrictions have on value and, when available, be supported by comparable sales with similar restrictions.

Determining value to calculate loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios on properties that are subject to resale restrictions.

- **Purchase transaction:** When an appraisal is obtained, value is the lesser of the appraised value or the purchase price.
- **Refinance transaction:** When an appraisal is obtained, use the appraised value of the mortgaged premises.

Refer to [Guide Section 4406.6\(a\)](#) and [4406.7\(a\)](#).

Restrictions Terminate upon Foreclosure or Recordation of a Deed-In-Lieu of Foreclosure

Appraising a resale restricted property

The appraisal must reflect the market value of the property without resale restrictions by using comparable sales that are not resale restricted.

Determining value to calculate LTV, TLTV and HTLTV ratios on properties that are subject to resale restrictions.

For purchase and refinance transactions, value is the appraised value of the mortgaged premises without resale restrictions as determined in accordance with the appraisal requirements of [Guide Section 4406.6\(b\)](#).

Refer to [Guide Section 4406.6\(b\)](#) and [4406.7\(b\)](#).



Underwriting Instructions: Loan Product Advisor®

The mortgage may be submitted to Loan Product Advisor® (LPASM).

When entering the data into your loan origination system (LOS) or accessing using Freddie Mac Loan Advisor® single sign-on portal, you must either select “Income Based Deed Restrictions Survive” or “Income Based Deed Restrictions Terminate” as the Loan Program Identifier/Program Identifier. Once you select the **Program Identifier** the **Deed Restriction Length Period** displays. Enter the months.

Loan Product Advisor: Program Identifier Field

Program Identifier(s)

Select

- Community Land Trust
- GreenCHOICE
- HeritageOne
- Income Based Deed Restrictions Survive
- Income Based Deed Restrictions Terminate

NOTE: Work with your loan origination system (LOS) software partner on how to identify income-based deed restricted properties.

Deed Restriction Length Period * (Months)

Loan Product Advisor Feedback Certificate:

Review the Loan Product Advisor Feedback Certificate.

FreddieMac Loan Product Advisor® Feedback Certificate

Assessment Summary

Attention: Loan meets Home Possible® income limits. To assess eligibility, resubmit with program identifier.

Details			Affordable Product Information	
BORROWER NAME	NUMBER OF SUBMISSIONS	LP KEY NUMBER	AREA MEDIAN INCOME	AREA MEDIAN INCOME (%)
ALICE FREDDIE	5		\$105,000.00	60.58%

Assessment Summary		Representation & Warranty Relief		
PURCHASE ELIGIBILITY	RISK CLASS	COLLATERAL R&W* RELIEF	INCOME R&W* RELIEF	ASSET R&W* RELIEF
ELIGIBLE	ACCEPT	NOT ELIGIBLE	NOT ELIGIBLE	NOT ELIGIBLE

Loan Details

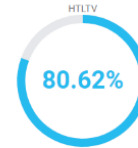
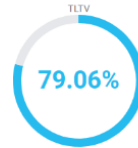
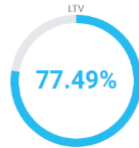
BORROWER NAME	APPRAISAL IDENTIFIER	LENDER LOAN NUMBER	MORTGAGE TYPE
ALICE FREDDIE	N/A	L104231	Conventional

DOCUMENTATION LEVEL	PROPERTY ADDRESS
Streamlined Accept	PERRY, IA 50066

PROGRAM IDENTIFIER(S)
Income Based Deed Restrictions Survive



Loan-to-Value Ratios



- **Loan Details Section:** Confirm the correct **Program Identifier**. In this example: “Income Based Deed Restrictions Survive”.
- **Loan-to-Value Ratios Section:** If “Income Based Deed Restrictions Survive” or “Income Based Deed Restrictions Terminate” is selected, LPA applies the LTV/TLTV/HTLTV ratios calculations per Guide Section [4406.7](#).

Note: Recurring monthly payments associated with the financial subsidy provided when the property was purchased **must be included** in the monthly housing expense-to-income ratio.

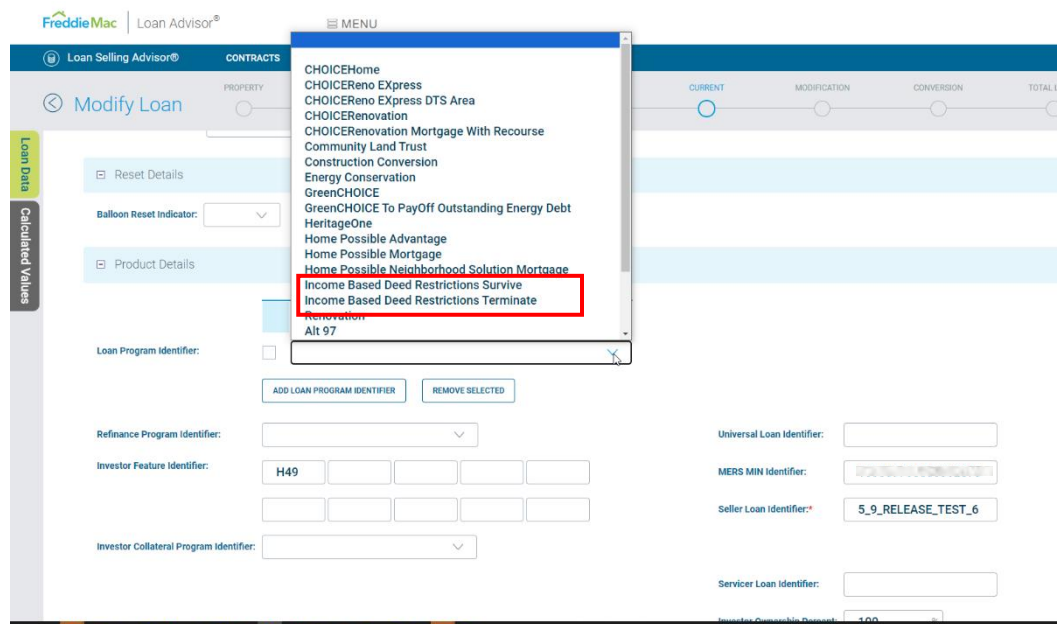


Delivery Instructions: Loan Selling Advisor®

Special delivery requirements for mortgages secured by properties subject to resale restrictions can be found in Guide Section [6302.37](#).

Loan Selling Advisor: Loan Program Identifier

When delivering a mortgage secured by a property subject to resale restrictions in Loan Selling Advisor, you **must either** select “Income Based Deed Restrictions Survive” or “Income Based Deed Restrictions Terminate” as the **Loan Program Identifier**.



Servicing

See Guide Section [8104.9](#) for servicing requirements for mortgages secured by properties subject to resale restrictions.

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