

Make a Down Payment with Construction Skills Instead of Cash

Want to offer prospective homebuyers additional financing options for an affordable home purchase? With our enhanced, Home Possible® sweat equity parameters you can.

Borrowers can use their construction skills, instead of cash, to cover some or all of their down payment and closing costs without dipping into personal funds. This increases the pool of mortgage-ready customers for lenders.

Sweat equity refers to materials provided or labor completed by a borrower prior to closing on a property. The value of the labor they provide and the money they spend on materials to renovate the home is considered the equivalent to personal funds.

With our enhanced Home Possible® sweat equity parameters there's no limit on the amount of sweat equity that borrowers can apply to the down payment and closing costs, as long as it is documented in the contract and appraisal. They can use the value of the sweat equity for as little as three percent of the value, or they can complete a major renovation that would provide a significant down payment amount on the home purchase.

Benefits

With these enhanced sweat equity parameters, everyone wins.

Our offering:



Increases the pool of mortgage-ready customers for lenders.



Supports the renovation needs of aging housing stock in rural markets.



Provides an additional source of down payment.



Allows homebuyers who work with their hands to make their down payment with their construction skills instead of cash.

Snapshot of Our Home Possible Mortgage Enhanced Sweat Equity Parameters

We always offered the option to use sweat equity as a source of funds, but borrowers had to contribute five percent from personal funds towards their down payment. Not anymore.

Here's what we allow:

Sweat equity to be used for the entire amount of down payment and closing costs with maximum 97 percent LTV/105 percent total LTV (affordable seconds).

Sweat equity for manufactured homes up to a maximum LTV ratio of 95 percent.

Sweat equity as an eligible source of funds for:

- All repairs and improvements to be completed by the borrower that are listed in the sales contract and included in the appraisal report.
- Repairs or improvements that are reflected on the appraisal report that are outstanding at the time of the appraisal.

Sweat equity will be calculated as follows:

- Value of the labor performed must be estimated by the appraiser or a cost-estimating service and documented in the appraisal report or separately in the mortgage file.
- Value for materials furnished must either be estimated by the appraiser or a cost-estimating service, or be calculated using receipts from the purchase of the materials.

Please Note: Any labor performed must be completed in a skillful manner to support the appraised value and must be certified by an appraiser. Credit for work completed prior to the original property inspection by the appraiser is not eligible for sweat equity.

For More Information

View our *Duty to Serve Freddie Mac Single-Family Seller/Service Guide*

Visit the **Freddie Mac Learning Center** (FreddieMac.com/learn/) for additional information, training programs, job aids and/or reference documents to better understand the Home Possible sweat equity enhancements.

Visit our **Single-Family Duty to Serve** web page (www.freddiemac.com/singlefamily/duty-to-serve/) and click the Rural Housing tab.