



Home Possible[®] Mortgage

Home Possible[®] offers outstanding flexibility to fit a variety of borrower situations. With Home Possible, we're helping you capitalize on opportunities to meet the home financing needs of very low- to low-income borrowers, including those looking for low down payment options and flexible sources of funds.

Origination and Underwriting Requirements

Eligible property types

- Primary residences only
- Units located in planned unit developments
- Condominiums
- Cooperative units
- Manufactured homes with additional requirements; see *Single-Family Seller/Service Guide (Guide) Section 5703*

Occupancy

- Owner-occupied
- Non-occupying borrowers permitted in accordance with Guide Section 4501.4(b) provided at least one borrower occupies the mortgaged premises as a primary residence

Eligible mortgages

- Purchase and "no cash-out" refinance transactions
- First lien mortgages that are fully amortizing
- Conventional mortgages
- Conforming loan amounts
- Fixed-rate mortgages
- 5/6-month, 7/6-month or 10/6-month ARMs
- Mortgages secured by manufactured homes must be fixed-rate mortgages or 7/6-month or 10/6-month ARMs
- Community land trust mortgages originated in accordance with Guide Chapter 4502
- CHOICEHome[®] mortgages originated in accordance with Guide Section 5703.12
- CHOICERenovation[®] mortgages originated in accordance with Guide Chapter 4607
- GreenCHOICE Mortgages[®] originated in accordance with Guide Chapter 4606



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| Minimum borrower contribution and reserves | <ul style="list-style-type: none">• See Guide Section 4501.7 for information on borrower contribution requirements.• Loan Product Advisor® (LPA®) determines minimum reserve requirements.• For manually underwritten mortgages, there is no minimum reserve amount. required on a 1-unit property. |
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| Acceptable sources of funds for down payment and closing costs | <ul style="list-style-type: none">• Eligible sources of funds for down payment and closing costs include, but are not limited to, gifts, grants, cash on hand.• Affordable Seconds®, sweat equity and Employee Assisted Housing (EAH) benefits.• For additional detail, refer to Guide Section 4501.7(c). |
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Borrower Income Requirements

- Total annual qualifying income limit is 80% of area median income (AMI). Eligible borrowers include:
 - » Very Low-Income Purchase (VLIP): borrower(s) whose qualifying income is less than or equal to 50% of AMI.
 - » Low-Income Purchase (LIP): borrower(s) whose qualifying income is less than or equal to 80% of AMI.
- Freddie Mac offers two tools that make it easy to determine if your borrower meets the income requirements: [LPA](#) determines product eligibility; and our map-based [Home Possible Income and Property Eligibility Tool](#) verifies if a borrower qualifies for a Home Possible mortgage based on the property location and the borrower's qualifying income.

Secondary Financing

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| Without Affordable Seconds | <ul style="list-style-type: none">• Any secondary financing that meets Freddie Mac requirements is allowed. |
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| With Affordable Seconds | <ul style="list-style-type: none">• Eligible Affordable Seconds can provide 100% of the borrower's down payment and could be used for both down payment and closing costs.• TLTV allowed up to 105% with eligible Affordable Seconds when the first lien is a fixed-rate mortgage.• The Affordable Second must be provided by an agency under an established, ongoing, documented secondary financing or financial assistance program. Eligible providers include:<ul style="list-style-type: none">• Federal agencies, municipal, state, county or local housing finance nonprofit organization.• Regional Federal Home Loan Bank under one of its affordable housing programs.• An employer through an Employer Assisted Housing (EAH) program.• The Affordable Second may not be funded by the property seller or any other interested party to the transaction. <p>For specific information on Affordable Seconds, refer to Guide Section 4204.2. A checklist for Affordable Seconds is available here.</p> |
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Maximum Ratios for 1-Unit Properties

Loan Type	Maximum LTV	Maximum TLTV	Maximum HTLTV
Fixed-rate	97%	105%*	97%
Fixed-rate with non-occupying borrowers**	95%	105%*	95%
Adjustable-rate (ARM)	95%	95%	95%
Manufactured homes	95%	95%	95%

* With Affordable Seconds® secondary financing when the first lien is a fixed-rate mortgage.

** For mortgages with a Loan Product Advisor® Accept risk class. For manually underwritten loans, ratios are 90% LTV and 105% TLTV.

Ownership of Other Properties

The occupying borrowers must not have an ownership interest in more than two financed residential properties, including the subject property, as of the note date, or for construction conversion and renovation mortgages, the effective date of permanent financing.

Credit Underwriting

- A borrower’s credit reputation is acceptable if the Home Possible mortgage receives a risk class of Accept.
- Borrowers without credit scores may be underwritten for up to 95% LTV.
- A Home Possible mortgage secured by a manufactured home must have a risk class of Accept if its term is greater than 20 years and LTV/TLTV/HTLTV ratios are greater than 90% but less than 95%.

Credit Underwriting—Manually Underwritten Mortgages

Mortgage Type for 1-Unit Properties	Minimum Indicator Score
Fixed-rate mortgage that is a purchase transaction	660
1-unit ARM or a 1-unit “no cash-out” refinance mortgage	680
Manufactured home	680

See Guide Section 4501.5 (b) for additional underwriting requirements for manually underwritten mortgages.



Requirements for Rental Income from the Subject 1-Unit Property

- Rental income from a 1- to 2-unit primary residence can account for up to 30% of qualifying income.
- The person providing the rental income must have resided with the borrower for at least one year and will continue residing with them in the new property.
- Rental income from a 1-unit primary residence must be provided by a person who:
 - Is not obligated on the mortgage and does not have an ownership interest in the mortgaged premises.
 - Is not the borrower’s spouse or domestic partner.
- Must include in the loan file:
 - » Evidence of residency
 - » Documentation of receipt of rental income for at least nine of the past 12 months
 - » Borrower statement affirming the source of rental income and the fact that the renter has resided with the borrower for the past year and intends to continue residing at the new residence for the foreseeable future
- Rental income that meets the above requirements may be generated from an accessory dwelling unit.
- For more information on using rental income when determining stable monthly income, see Guide Section 4501.6(b).

Specific Requirements for 2- to 4-Units Properties

Maximum Ratios for 2- to 4-Unit Properties

Loan Type	Maximum LTV	Maximum TLTV
2- to 4-unit fixed-rate and 2-unit ARM	95%	105%*
3- and 4-unit ARMs	75%	105%*

Additional Requirements for 2- to 4-Unit Properties

- Minimum contribution from borrower personal funds for LTV/TLTV and HLTIV ratios:
 - » <= 80% – none
 - » >80% <= 95% – 3% of value
 - » >95% – not applicable
- Minimum borrower reserves required will be determined by LPA. If the mortgage is manually underwritten, two months of reserves are required.
- Minimum indicator score for manually underwritten mortgages: 700
- Collateral evaluation for 4-unit primary residences: Use Form 72, Small Residential Income Property Appraisal Report.
- Landlord education: For purchase transactions, at least one qualifying borrower must participate in a landlord education program before the note date. For refinances, landlord education is not required but is recommended. It must not be provided by an interested party to the transaction, the originating lender or the mortgage seller. A certificate of completion must be retained in the mortgage file.
- Rental income from a 2- to 4-unit primary residence that meets requirements in Guide Chapter 5306 may be used as qualifying income.
- Refer to the Guide for additional requirements.



Mortgage Insurance (MI) Requirements

The standard required or custom MI coverage level for Home Possible mortgages are as follows:

Transaction Type	MI Coverage	LTV Ratio, 1-Unit Properties			
		>80% & ≤85%	>85% & ≤90%	>90% & ≤95%	>95% & ≤97%
Home Possible, fixed-rate, term < 20 years	Standard	6%	12%	25%	25%
	Custom	n/a	n/a	16%	18%
Home Possible, fixed-rate, term > 20 years; ARMs; and manufactured homes	Standard	12%	25%	25%	25%
	Custom	6%	12%	16%	18%

Seller must obtain Freddie Mac's approval to sell mortgages with annual or monthly premium lender-paid mortgage insurance to Freddie Mac. If custom MI is chosen, the custom MI fee applies regardless of any cap on credit fees in price. See Guide Section 4701.1 for additional MI requirements and options including custom MI.

Temporary Subsidy Buydowns

- Allowed for mortgages secured by 1- to 2-unit properties that are not manufactured homes. (See Guide Section 4204.3.)
- If a mortgage with a temporary subsidy buydown plan is subject to secondary financing, including an Affordable Second, the secondary financing must have a fixed interest rate.

Mortgage Credit Certificates

- Mortgage Credit Certificates (MCCs) may be considered as qualifying income, provided the requirements in Guide Sections 5301.1 and 5305.1 are met.
- The amount used as qualifying income must be calculated as follows: (mortgage amount) x (note rate) x (MCC rate %) divided by 12.

Homeownership Education

- For a purchase transaction, if all occupying borrowers are first-time homebuyers, at least one occupying borrower must receive homeownership education.
- Homeownership education is also required for any transaction when the credit reputation for all borrowers is established using only noncredit payment references.
- Homeownership education must be completed prior to the note date. Eligible homeownership education must meet the National Industry Standards for Homeownership Education and Counseling or be provided by an eligible source, such as a HUD-approved counseling agency, mortgage insurer, housing finance agency (HFA) or Community Development Financial Institutions (CDFIs).
- Eligible homeownership education must meet the National Industry Standards for Homeownership Education and Counseling or be provided by an eligible source, such as a HUD-approved counseling agency, mortgage insurer, housing finance agency (HFA) or Community Development Financial Institutions (CDFIs).
- Homeownership education must not be provided by an interested party to the transaction, the originating lender or the mortgage seller.
- Certificate of completion must be retained in the loan file.



Collateral Evaluation

- 1-unit primary residences: Use Form 70, Uniform Residential Appraisal Report.
- Condominiums: Use Form 465, Individual Condominium Unit Appraisal Report.
- Manufactured housing: Use Form 70B, Manufactured Home Appraisal Report.

Credit Fees

- All applicable Exhibit 19 credit fees are subject to the Home Possible credit fee cap with the exception of the custom MI credit fee and/or any applicable credits for credit fees in fixed dollars, which must be added to the cap.
- For more details, refer to Exhibit 19, *Credit Fees* and Exhibit 19A, *Credit Fee Cap Eligibility Criteria*.

Delivery Requirements

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| Eligible executions | <ul style="list-style-type: none">• Fixed-rate Guarantor• WAC ARM Guarantor• ARM Cash• Servicing-Retained Cash• Cash-Released XChange®• MultiLender Swap |
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There are no special pooling requirements for the Home Possible mortgage. Mortgages may be pooled with non-Home Possible mortgages. Refer to Guide Chapter 6202 for pooling requirements.

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| Delivery requirements | <p>See Guide Section 6302.14(b) for special delivery instructions for the Home Possible mortgage and Guide Section 6304.34 for applicable secondary financing delivery requirements. In addition, Sellers must provide the applicable information, as outlined in Guide Section 6302.14(b), for down payment, closing costs, automated underwriting system and borrower counseling. Sellers must deliver the following ULDD Data Points:</p> <ul style="list-style-type: none">• Loan Affordable Indicator: "true"• Loan Program Identifier: "Home Possible Mortgage"• If applicable, Sellers must deliver the following Investor Feature Identifiers (IFI) in ULDD Data Point IFI 532 if mortgage satisfies the minimum number of payment reference requirements using noncredit payment references. |
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The information in this document is not a substitute for information found in the Single-Family Seller/Service Guide and/or terms of your Master Agreement and/or Pricing Identifier Terms

Questions?

Contact the Customer Support Contact Center (800-FREDDIE).
SF.FreddieMac.com/homepossible