

Freddie Mac Home Possible Program



A division of HomeBridge Financial Services, Inc.

7-12-19

- Freddie Mac's Home Possible program is available for all of the following types of borrowers:
 - First-time homebuyers,
 - Move-up borrowers,
 - Retirees,
 - Families in underserved areas, and
 - Very low and low-to-moderate income borrowers

- Purchase and rate/term refinance transactions
- Home Possible: 1-4 unit owner-occupied properties; 1-unit only > 95% LTV
- Fixed rate only with 15, 20, or 30 year terms
- Maximum 97% LTV/97% CLTV/HCLTV/105% CLTV
 - 95.01% to 97% CLTV/HCLTV standard subordinate financing eligible, including HELOC
 - 97.1% to 105% CLTV subordinate financing must be Affordable Second and HELOC ineligible

NOTE: Refinance at 97% LTV: Current loan does **not** have to be owned by Freddie Mac

- Lower MI coverage at 90.01%-97% LTV: 25% (standard requires 30%/35%)
- LPA “Accept” Finding required; manual underwriting **ineligible**
- Homeownership education/counseling must be completed by at least one borrower on purchase transactions prior to the Note date only when **all borrowers are first time homebuyers**
- Landlord counseling must be completed by at least one borrower prior to the Note date when purchasing a 2-4 primary residence
- Borrowers allowed to own other property with no restrictions

- Borrower own funds contribution requirements:
 - 1-unit: borrower own funds **not** required for down payment
 - 2-4 units: 3% borrower own funds required for down payment
- > 95% LTV: Conforming loan amounts only
- ≤ 95% LTV: Conforming and Super Conforming loan amounts eligible
- Transactions where no borrower has a credit score are **ineligible**
- Sweat equity is eligible as a source of funds to cover the funds needed for a down payment and/or closing costs. The credit for sweat equity must be fully explained and documented

- Home Possible LLPA cap:
 - 0.00 if LTV is $> 80\%$ and the FICO is ≥ 680
 - All other combinations LLPA cap is 1.50

NOTE: The above excludes loan amount, escrow, state, and LPMI adjustors

■ Income Eligibility

- The borrower's total annual qualifying income cannot exceed 80% of the area medium income (AMI) of where the property is located (**including** property located in low-income census tracts)
- The total income from all borrowers on the transaction is included when determining if the borrower meets the income requirements, including a non-occupant co-borrower (if applicable)

NOTE: If rental (aka boarder) income is received it must be included when determining if the borrower's income is below the maximum AMI where the property is located

Income Eligibility: LPA or Eligibility Tool Indicates Income Eligibility



- Loan Product Advisor
 - ✓ LPA will automatically indicate income eligibility
- Income eligibility may also be determined by entering the complete address of the subject property in Freddie Mac's Home Possible Income & Property Eligibility tool at:

www.freddiemac.com/homepossible/eligibility.html

- **95.01% to 97% LTV subject to specific eligibility requirements:**
 - ✓ 1-unit purchase or rate/term refinance transaction
 - ✓ Eligible for first time **and** non-first time homebuyers
 - ✓ 97.01% - 105% CLTV eligible using funds from an Affordable Second only; HELOCs ineligible
 - ✓ 95.01% - 97% CLTV eligible using standard subordinate financings, including HELOC
 - ✓ Refinance of loan **not** currently owned by Freddie Mac is eligible at 97% LTV
 - ✓ Manufactured housing ineligible

NOTE: The Affordable Second must be Homebridge approved

- Rental income (aka boarder income) from a renter **who intends to live with the borrower** for a minimum of 12 months is eligible subject to the following:
 - ✓ The renter/boarder is **not** required to be a family member
 - ✓ The renter must provide documentation of 12 months residency with the borrower (e.g. driver's license, bank statement, bill, etc.)
 - Purchase transactions: In a property other than the subject
 - Refinance transactions: Subject property
 - ✓ The rental income has been received for the previous 12 months documented with copies of cancelled checks, **or**
 - ✓ Rental income received for a minimum 9 months; income must be averaged over 12 months and documented with cancelled checks

Rental Income: 1-Unit Properties (cont.)



- ✓ If rental income is received it must be included when determining if the borrower's income is below the maximum AMI where the property is located
- ✓ The rental income cannot exceed 30% of the total gross income used for qualifying
- ✓ A written statement, signed by the borrower, confirming the source of the rental income and the person providing the income intends to continue residing with the borrower for the foreseeable future, required

- Cash-on-hand is eligible for down payment, closing and financing costs, prepaid items, and reserves (if applicable)
- Cash-on-hand is subject to the following verification and documentation requirements:
 - ✓ The underwriter must be able to reasonably conclude the borrower typically uses cash for expenses, the cash-on-hand is not borrowed and could have been reasonably saved by the borrower, **and**
 - ✓ The underwriter must complete Freddie Mac Exhibit 23 Monthly Budget and Residual Analysis Form to confirm the total monthly residual income available for savings is a positive number, **and**
 - ✓ There can be no indication the borrower typically uses checking, savings or similar accounts, and

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Document with:

- ✓ Copies of 6 months' cash receipts or other alternative documentation (e.g. direct verifications, wire transfers) to verify the borrower customarily pays cash for recurring obligations (rent, utilities, etc.) including the payment of any revolving and installment debt, **and**
- ✓ Copies of 3 months' statements for any open revolving account to document the source of the cash-on-hand is not from a cash advance is required. If any cash advances are shown, the borrower must explain and document the reason for the cash advance (e.g. funds were used for an emergency situation), **and**

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- ✓ The credit report obtained at time of loan application validates the borrower's limited or no use of credit and does not show more than 3 tradelines, ***and***
- ✓ An **updated credit report**, obtained approximately 1 week prior to loan closing, that does not show any new accounts or a substantial increase to an existing account that is near or exceeds the amount of cash on hand provided by the borrower, ***and***
- ✓ Evidence the funds were deposited in a financial institution or acceptable escrow **prior to loan closing** is required

- Mortgage insurance coverage is lower on the Home Possible programs for 90.01% to 97% LTVs:
 - ✓ 25% coverage for LTVs 90.01% - 97% (standard requires 30%-35%)
 - ✓ Standard MI coverage for LTVs 90% or less
 - 80.01% to 85% LTV: 6% / 12% (determined by loan term)
 - 85.01% to 90% LTV: 12% / 25% (determined by loan term)
 - ✓ Homebridge will use **Radian** as the mortgage insurance provider on the Home Possible program
 - ✓ 3-4 units MI eligible from **Radian** (min. FICO 700, DTI p/LPA) **or Genworth** (min. FICO 720 max. DTI 45%)
 - ✓ Custom MI is **not** eligible

- **Purchase transactions:** When all borrowers on the transaction are first time homebuyers at least one borrower on the loan is required to complete homeownership counseling **prior to the Note date**
- There are 3 counseling options:

1. Freddie Mac's free online *CreditSmart – Steps to Homeownership Tutorial*.

Borrower is required to complete all of the following modules:

- ✓ Your Credit and Why it is Important
- ✓ Managing Your Money
- ✓ Thinking Like a Lender
- ✓ Becoming a Homeowner
- ✓ Preserving Homeownership – Protecting Your Home Investment

Homeownership Counseling Requirement (cont.)



2. An education/counseling program developed by:
 - ✓ A course from a HUD-approved non-profit housing agency. HUD approved housing counseling agencies are available at [HUD.GOV](https://www.hud.gov), or
 - ✓ Housing Finance Agencies (HFAs), or
 - ✓ Community Development Financial Institutions (CDFIs)
3. Homeownership education programs developed by mortgage insurance companies or other provider programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com)

NOTE: Counseling **must be** from one of these options

■ Option 1 or 2:

- ✓ If the borrower completes one of the programs listed under Options 1 or 2 completion must be documented by:
 - Freddie Mac Exhibit 20 Homeownership Education Certification or similar document, signed by the counselor and the borrower

NOTE: A sample is provided on the HomeBridge website

■ Option 3:

- ✓ If the borrower completes Freddie Mac's CreditSmart – Steps to Homeownership tutorial the Certificate of Completion generated once the borrower successfully completes the quiz is required

NOTE: Counseling **cannot** be provided by any interested to the transaction

- **Purchase Transactions:** Borrowers purchasing a 2-4 unit primary residence a minimum of one borrower on the transaction is required to complete landlord education prior to the Note date.
 - ✓ A copy of the Completion Certificate must be provided
 - ✓ Eligible landlord education providers:
 - Genworth
 - Radian

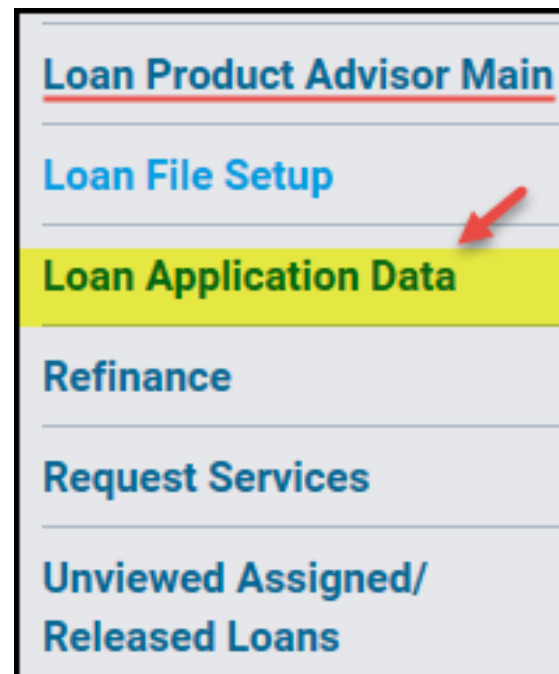
NOTE: HomeBridge will be required to register the borrower for landlord training in order for the borrower to receive the Completion Certificate

 - ✓ Landlord education **cannot** be provided by any interested party to the transaction
- **Refinance Transactions:** Not required however Freddie Mac recommends landlord education if the borrower has not previously received

Entering Home Possible Data in Loan Product Advisor



- To identify the loan as a Home Possible transaction in Loan Product Advisor (LPA):
 - ✓ Select “Loan Application Data” located on the LPA Main Menu

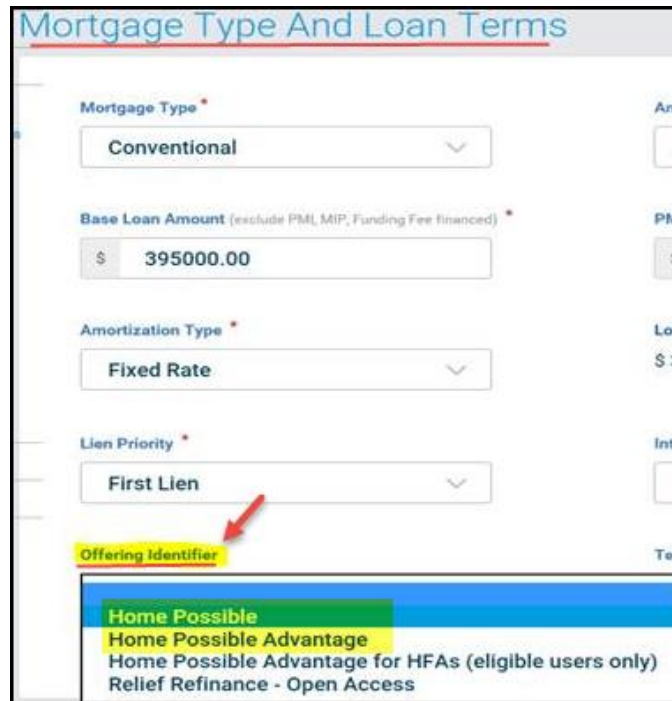


Entering Home Possible Data in Loan Product Advisor (cont.)

- ✓ Select “Mortgage Type and Loan Terms” from the “Loan Application Data” menu



- ✓ Select “Home Possible” from the “Offering Identifier” drop down menu
(Reminder: Home Possible **Advantage** is no longer a valid option)



A screenshot of the "Mortgage Type And Loan Terms" form. The form contains several fields: "Mortgage Type" (Conventional), "Base Loan Amount" (\$ 395000.00), "Amortization Type" (Fixed Rate), and "Lien Priority" (First Lien). Below these fields is the "Offering Identifier" dropdown menu, which is highlighted in yellow. The dropdown menu is open, showing four options: "Home Possible" (highlighted in green), "Home Possible Advantage" (highlighted in yellow), "Home Possible Advantage for HFAs (eligible users only)", and "Relief Refinance - Open Access". A red arrow points to the "Offering Identifier" dropdown menu.

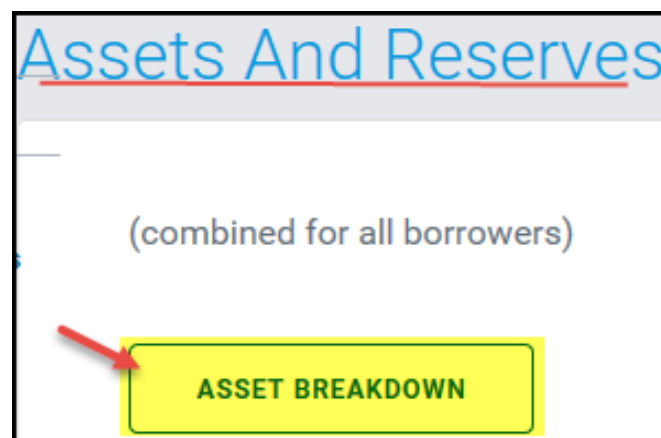
Entering Home Possible Data in Loan Product Advisor (cont.)



- ✓ Home Possible loans with an Affordable Second select “Assets and Reserves” from the “Loan Application Data” menu



- ✓ Select “Asset Breakdown” under Assets and Reserves



Entering Home Possible Data in Loan Product Advisor (cont.)



- ✓ From the “Asset Type” drop down menu under “Asset Breakdown” select “Gift”

A screenshot of a software interface titled "Asset Breakdown". Below the title is a yellow instruction bar that says "Select Asset Type to add an asset". Below this is a dropdown menu. The menu is open, showing a list of asset types. The "Gift" option is highlighted with a blue background. A red arrow points to the "Gift" option. The list of options includes: Cash Deposit Towards Purchase, Checking Account, Savings Account, Certificate of Deposit / Time Deposit, Stock, Bond, Money Market Fund, Mutual Fund, Secured Borrowed Funds Not Deposited, Trust Account, Life Insurance, Bridge Loan Not Deposited, Cash On Hand, Gift, Net Equity Sale of Real Estate, Other Liquid Assets, Retirement Fund, Net Worth of Business Owned, Automobile, and Other Non-Liquid Assets.

Asset Breakdown

Select Asset Type to add an asset

Cash Deposit Towards Purchase
Checking Account
Savings Account
Certificate of Deposit / Time Deposit
Stock
Bond
Money Market Fund
Mutual Fund
Secured Borrowed Funds Not Deposited
Trust Account
Life Insurance
Bridge Loan Not Deposited
Cash On Hand
Gift
Net Equity Sale of Real Estate
Other Liquid Assets
Retirement Fund
Net Worth of Business Owned
Automobile
Other Non-Liquid Assets

Entering Home Possible Data in Loan Product Advisor (cont.)



- ✓ Under Gift enter the amount of the of the Affordable Second in the “Cash Value” field and the name of the provider of the funds in the “Assets Holder Name” and select “Save”

A screenshot of a web form titled "Gift" in a green box. Below the title is a blue "SAVE" button with a red arrow pointing to it. Underneath are two yellow input fields: "Cash Value" with a "\$" icon and "Asset Holder Name".

- ✓ Return to the Loan Application Data menu and select “Details of Transaction” and enter the subordinate financing amount in the “Subordinate Amount” field

A screenshot of a web form titled "Subordinate Financing" in a green box. Below the title is a yellow input field labeled "Subordinate Amount" with a "\$" icon.

Entering Home Possible Data in Loan Product Advisor (cont.)

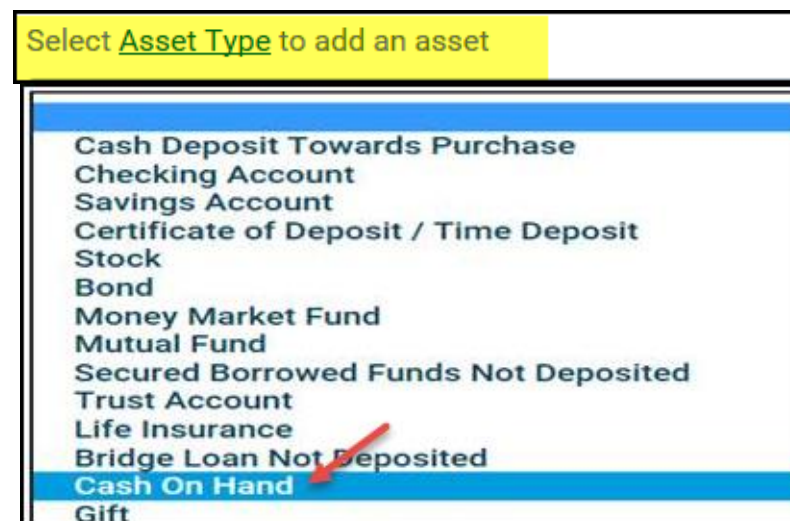


■ Cash-on-Hand

- ✓ If cash-on-hand is being utilized on the transaction select “Assets and Reserves” from the Loan Application Data menu.



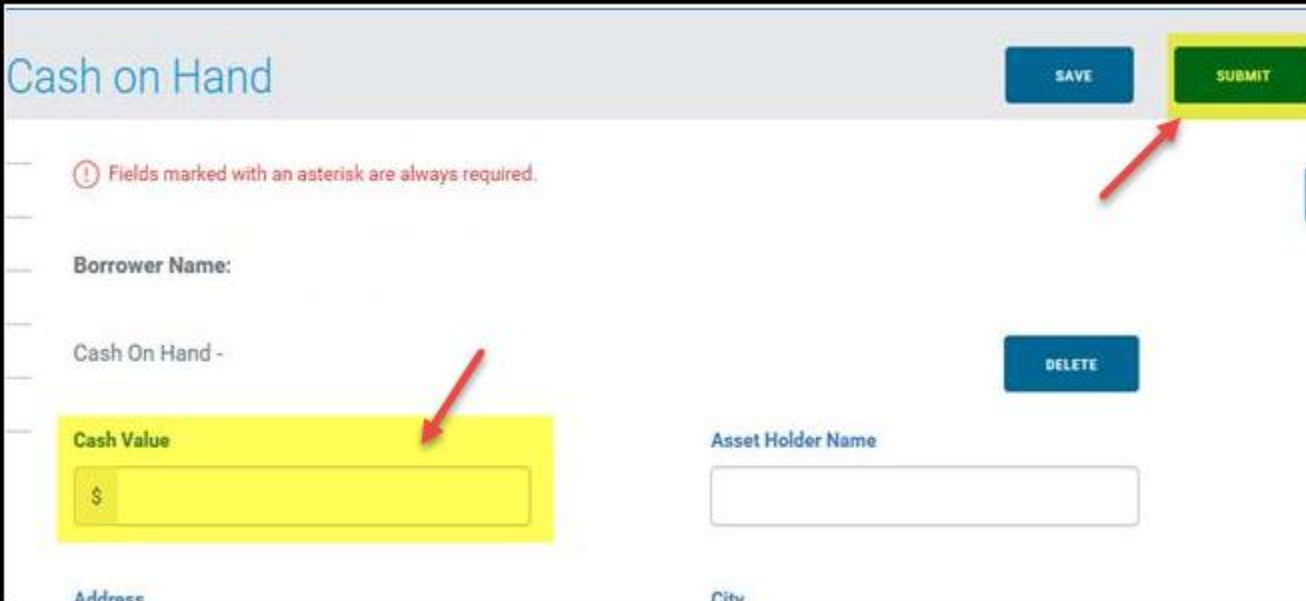
- ✓ Select “Asset Breakdown” and from the drop down menu under “Asset Type” select “Cash On Hand”



Partners for the Path Ahead

Entering Home Possible Data in Loan Product Advisor (cont.)

- ✓ Enter the cash value in the “Cash Value” field and click “Submit”



Cash on Hand

SAVE SUBMIT

Fields marked with an asterisk are always required.

Borrower Name:

Cash On Hand -

Cash Value

Asset Holder Name

Address City

DELETE

Q. What are the benefits of Home Possible?

A. Some of the benefits include:

- ✓ Lower down payment
- ✓ Flexibility in income sources (rental income on 1- unit primary)
- ✓ Lower MI coverage required at 90.01%-97% LTV
- ✓ Financing up to 97% LTV on an owner-occupied purchase and rate term transactions (first time homebuyers AND non-first time homebuyers)
- ✓ 105% CLTV on 1-unit purchase transactions with eligible Affordable Seconds
- ✓ Cash-on-hand eligible with certain requirements
- ✓ Non-occupant co-borrower eligible on 1-unit properties

Q. Is there a minimum credit score for the program?

A. No, credit score eligibility is determined by LPA

Q. Is manual underwriting allowed?

A. While Freddie Mac allows manual underwriting, Homebridge requires all Home Possible loans be run through LPA and receive an “Accept” Finding

Q. Is a borrower with non-traditional credit eligible?

A. No

Income Eligibility

Q. Who determines income eligibility?

A. Generally, LPA determines income eligibility. Additionally, the property address may also be entered in Freddie Mac's Home Possible Income & Property Eligibility tool

Q. What income is used when determining program income eligibility?

A. The borrower's total qualifying income is considered.

Q. Is income from a renter/boarder or a non-occupant co-borrower included when determining program income eligibility?

A. Yes

Rental Income

Q. What are the requirements to use rental income (aka boarder income) on a 1-unit property?

A. The renter/boarder must have lived with the borrower for a minimum of 12 months and made payments for 12 months. Payments must be documented (cancelled checks, etc.). If the income has been received for a minimum of 9 months it is allowed however it must be averaged over 12 months

Q. Does the rental income need to be listed on Schedule E?

A. No

Q. Is the renter required to be related to the borrower?

A. No

Cash-on-Hand

Q. What can cash-on-hand be used for?

A. Cash-on-hand is eligible for down payment, funds to close, pre-paid items, and reserves

Q. Can cash-on-hand still be used if is not deposited into a bank account?

A. No. Cash-on-hand must be deposited (financial institution or acceptable escrow account) **prior to loan closing**

Homeownership Education/Counseling

Q. Do all transactions require homeownership education/counseling?

A. No, homeownership education/counseling is only required for first time homebuyers on purchase transactions

Q. Do all borrowers on the transaction have to take the education/counseling course?

A. No, only one borrower must complete the course

Q. Can the borrower use any counseling course?

A. No, only one of the options for homeownership counseling allowed by Freddie Mac is eligible

Q. Is landlord education required?

A. Yes, when purchasing a 2-4 unit primary residence landlord education is required

Q. Where can I find more information on Home Possible?

A. Freddie Mac has several documents that provide additional information on the program.

- ✓ [Freddie Mac's Home Possible Mortgages](#)
- ✓ [Home Possible Income & Property Eligibility Tool](#)
- ✓ [Freddie Mac Home Possible Fact Sheet](#)
- ✓ [Home Possible At-a-Glance](#)