Expanding Homeownership Responsibly
National Federation of Community Development Credit Unions

Sandra Heidinger
September 2017
A Better Freddie Mac

…and a better housing finance system

For families
...innovating to improve the liquidity, stability and affordability of mortgage markets

For customers
...competing to earn their business

For taxpayers
...reducing their exposure to mortgage risks
Offering financing solutions to help qualified borrowers become homeowners
  » For low- and moderate-income households
  » For first-time homebuyers

Supporting underserved markets
  » Rural housing
  » Manufactured housing

Working with housing finance agencies

Forming alliances across the industry to create ownership opportunities

Conducting education and outreach

Providing resources, training, and tools
Freddie Mac Products & Offerings to Help with Your Purchase Business
Home Possible Features and Benefits

High LTV mortgage for qualified first-time homebuyers, low- and moderate-income borrowers and move up buyers

<table>
<thead>
<tr>
<th>Borrower Profile</th>
<th>Key Features</th>
<th>Borrower Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ First-time homebuyers</td>
<td>▪ Maximum LTV/TLTV:</td>
<td>▪ Low down payment</td>
</tr>
<tr>
<td>▪ Repeat homebuyers</td>
<td>▪ Home Possible Advantage - 97% LTV / 105% TLTV</td>
<td>▪ No minimum borrower contribution from personal funds for 1-unit residences</td>
</tr>
<tr>
<td>▪ Families in underserved areas</td>
<td>▪ Home Possible – 95% LTV / 95% TLTV</td>
<td>▪ Flexible down payment and closing cost funding options</td>
</tr>
<tr>
<td>▪ Multi-cultural buyers</td>
<td>▪ Eligible annual income of up to 100% of Area Median Income (higher in high cost areas)</td>
<td>▪ Reduced mortgage insurance coverage levels (25% coverage when LTV &gt; 90%)</td>
</tr>
<tr>
<td>▪ Empty Nesters</td>
<td>▪ No income limit in Underserved Areas</td>
<td>▪ No reserves required on 1 unit owner-occupied properties (2 months reserves on 2-4 units)</td>
</tr>
<tr>
<td>▪ Very low and low- to moderate-income borrowers</td>
<td>▪ Homebuyer education only required for one borrower when all borrowers are First-Time Homebuyers</td>
<td>▪ Homebuyer education available at no cost to the borrower</td>
</tr>
<tr>
<td></td>
<td>▪ Loan Product Advisor or Manual Underwrite</td>
<td></td>
</tr>
</tbody>
</table>
## Home Possible Mortgages Eligibility Criteria*

<table>
<thead>
<tr>
<th>Eligibility Criteria</th>
<th>Home Possible (95% LTV / 95% TLTV)</th>
<th>Home Possible Advantage (97% LTV / 105% TLTV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Mortgages</td>
<td>- Purchase and no cash out refinance</td>
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</tr>
<tr>
<td></td>
<td>- 15-, 20- and 30-year fixed</td>
<td>- 15-, 20- and 30-year fixed</td>
</tr>
<tr>
<td></td>
<td>- 5/1, 7/1 and 10/1 CMT- and LIBOR-indexed ARMS</td>
<td>- Construction Conversion and Renovation Mortgages</td>
</tr>
<tr>
<td></td>
<td>- Construction Conversion and Renovation Mortgages</td>
<td></td>
</tr>
<tr>
<td>Occupancy</td>
<td>Primary residence</td>
<td>Same</td>
</tr>
<tr>
<td>Property Type</td>
<td>- 1- to 4- units: Single-family, Condos, PUDs</td>
<td>- 1-unit: Single-family, Condo, PUD</td>
</tr>
<tr>
<td></td>
<td>- Manufactured Housing (1-unit primary residences only)</td>
<td></td>
</tr>
<tr>
<td>Underwriting Method</td>
<td>Loan Product Advisor or Manual</td>
<td>Same</td>
</tr>
<tr>
<td>Other Income</td>
<td>Boarder income (1-unit properties only) up to 30% of qualifying income from this source allowed if 12 months documentation of recent rent payments and continued rental arrangement included</td>
<td>Same</td>
</tr>
<tr>
<td>Fund Sources for Down Payment &amp; Closing Costs</td>
<td>Gifts, grants, Affordable Seconds</td>
<td>Same</td>
</tr>
<tr>
<td>No Credit Score Borrowers</td>
<td>Borrowers with no credit score can be evaluated through Loan Product Advisor</td>
<td>Not Available</td>
</tr>
</tbody>
</table>

The Borrower’s eligible annual income* ... 

- **100% AMI**
  - AMI Limit: The maximum allowed qualifying income based on the median income for the area in which the mortgaged premises is located

- **High Cost Area**
  - Can be higher based on the higher income limit in high cost areas
  - (Refer to Guide Section 4501.7)

- **Underserved Area**
  - Can exceed the AMI as the AMI requirements do not apply

*Borrower income: The Seller must attempt to verify all income reported on the Form 65, *Uniform Residential Loan Application*, in accordance with Chapters 5302 through 5307. All income reported on the Form 65 that has been verified and that meets the criteria for stable monthly income as described in Topic 5300 must be used to qualify the Borrower and submitted to Loan Product Advisor for Loan Product Advisor Mortgages. Any discrepancies, including underreported income, must be corrected before submitting the Mortgage to Loan Product Advisor.
What is an “Underserved” area?

- An Underserved Area is defined as any of the following:
  - **Low income tract**: Census tracts or block numbering areas in which median income does not exceed 80% of the AMI.
  - **Disaster area designation**: Disaster areas are designated at the county level by FEMA. A county will be treated as a designated disaster area for three years, beginning January 1 after the FEMA designation.
  - **Minority census tracts**: Census tracts that have a minority population of at least 30%.

- When a property is located in a designated Underserved Area, **AMI requirements do not apply**.
Home Possible Income & Property Eligibility Tool

Home Possible Income & Property Eligibility Tool Updates

The tool below has been updated to reflect 2017 area median income (AMI) data and usability upgrades. Learn more about the AMI updates in our Single-Family Seller/Servicer Guide (Guide) Bulletin 2017-8 (pdf) and use the tool to see the changes we’ve made to deliver faster, clearer results.

For best results, enter the complete property street address to see if a borrower can qualify for a Freddie Mac Home Possible® mortgage based on the property location and the borrower’s income.

Note: Search by County or Zip will return results for the most centrally located address. These results may not be the same as the relevant property.

www.FreddieMac.com/HomePossible/eligibility.html
Home Possible Income & Property Eligibility Tool – St. Louis, MO

Home Possible Income & Property Eligibility

For best results, enter the complete property street address to see if a borrower can qualify for a Freddie Mac Home Possible® mortgage based on the property location and the borrower’s income.

Note: Search by County or Zip will return results for the most centrally located address. These results may not be the same as the relevant property.

2017 Home Possible Income Limits by Census

St Louis, Saint Louis, MO, USA

FIPS Code 29510125600
Home Possible Income Limit: No Limit
No Income Limit reason: Low-Income, Minority tract
100% Median Income: $74,500
80% Area Median Income: $59,600
50% Area Median Income: $37,250

Zoom to
The loan meets Home Possible income limits based on the property location for address entered.

Employment & Income Section: Feedback message returned when either Home Possible or Home Possible Advantage Offering Identifier has been selected.

This loan meets Home Possible income limits based on property location for address entered. This loan must also meet all other Home Possible product requirements for delivery to Freddie Mac.
Flexible Down-payment & Closing-cost Sources

Flexible Sources of Funds*

- Financing Concessions
  - 3% LTV/TLTV ratio > 90%
  - 6% LTV/TLTV ratio > 75% ≤ 90%
  - 9% LTV/TLTV ratio < 75%
- Lender Credit
  - Unsecured Loan: Originating Lender
    (Refer to Guide Section 5501.4)

* Closing costs

Borrower Personal Funds*

(Minimum borrower contribution, if applicable)

- Depository accounts
- Sale of Borrower Asset
- **Cash on hand**
- Trust disbursement
- Pooled funds
- Loan secured by Financial Assets
- Securities
- Government bonds
- Retirement accounts
- Individual Development Account (IDA): include matching funds only if not subject to recapture tax
- Community Savings deposited by the Borrower
- Trade equity
- Rent Credits
- Cash value of life insurance
- Borrower’s real estate commission

Other Eligible Sources

- Gifts/Wedding Gift Funds/Gift of Equity
- Gift/Grant: Agency
- Secondary Financing
- **Affordable Seconds**
- Employer-Assisted Homeownership Benefit
- IDA: matching funds subject to recapture tax
- Unsecured loan: Agency/Related Person, or Community Savings Systems (funds in excess of Borrower’s contribution)
- **Sweat equity** (once 5% downpayment from personal funds has been met)

*Home Possible only: 2- to 4-unit Primary residence LTV >80% ≤ 95%: 3% of value
### Why choose Home Possible over FHA?

#### Mortgage Insurance

<table>
<thead>
<tr>
<th>Home Possible</th>
<th>FHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ends when LTV &lt; 80%</td>
<td>Stays for the life of the loan</td>
</tr>
<tr>
<td>Conventional MI: monthly OR single premiums</td>
<td>FHA: Upfront AND monthly premiums</td>
</tr>
<tr>
<td>Only required if the LTV is 80% or higher</td>
<td>Required regardless of the LTV</td>
</tr>
<tr>
<td>Down payment funds applied to principal</td>
<td>Down payment funds applied to principal AND upfront PMI</td>
</tr>
</tbody>
</table>

**WHAT THIS MEANS:** With more funds applied toward the principal upfront, a Home Possible mortgage with PMI lets the borrower build equity faster.
Affordable Seconds

A funding option for low- and moderate-income borrowers

Important Note

This page reflects the requirement changes effective on May 11, 2015, as announced in Single-Family Seller/Servicer Guide Bulletin 2015-4 [PDF].

Freddie Mac Affordable Seconds® is designed to help you meet the needs of borrowers who require flexible secondary financing options and sell affordable lending mortgage products that are supplemented by subsidized secondary financing. Affordable Seconds must come from one of the following sources: any duly authorized authority or agency of the federal, state, local or municipal government, a nonprofit community or religious organization other than a credit union, the borrower's employer, or a regional Federal Home Loan Bank under one of its affordable housing programs.

Freddie Mac does not purchase the Affordable Second. Freddie Mac purchases eligible first lien mortgages with Affordable Seconds that meet our criteria.

Product Features

<table>
<thead>
<tr>
<th>Feature</th>
<th>Requirements</th>
</tr>
</thead>
</table>
| Eligible First Lien Mortgages | • A fixed-rate mortgage or an ARM with an initial fixed-rate period of five years or greater.  
                               | • Purchase or "no cash-out" refinance transactions.  
                               | • Secured by a 1- to 4-unit primary residence.                                         |
| Maximum TLTV Ratios         | • Multiple Affordable Seconds may be used, but within TLTV limits.  
                               | • The maximum TLTV for a Home Possible Mortgage is 106 percent.                        |
Down Payment Resource Website* - Helps connect borrowers with homeownership programs that can help with down payment.

Down Payment Resource Website

Down payment money is out there.
We’ll help you find it.

Let’s see if you’re eligible

"I never knew these programs existed, but I found the down payment help we needed and we bought a home near family."

— Anna Rendell

* Available on FreddieMac.com
**Purchase Transactions Required:**

- When all borrowers are first-time homebuyers, at least one qualifying borrower must participate in a homeownership education program before the Note Date*
  - A copy of a *Homeownership Education Certification*, or another document with comparable information, to be retained in the mortgage file

- 2- to 4-unit primary residence (Home Possible only): At least one qualifying Borrower must participate in a landlord education program before the Note Date*
  - A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file

*NOTE: Must not be provided by an interested party to the transaction, the originating lender or Seller

*This requirement stresses the importance of utilizing a curriculum that contains the minimum core content specified by the National Industry Standards for Homeownership Education and Counseling. These standards help ensure quality education and counseling is delivered with fairness and respect to homebuyers and homeowners*

*or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages*
Proposing ways to help address some of society’s most persistent housing challenges

- **What** - Support 3 underserved markets
  - Rural housing
  - Manufactured housing
  - Affordable housing preservation

- **Why**
  - Support very low-, low-, and moderate-income households nationwide
  - Address communities’ needs in sustainable ways that – over time – will benefit our country for generations to come
### Duty to Serve - Single Family Core Activities

HERA established a duty for the GSEs to serve three historically underserved markets:

- **Manufactured Housing**
- **Rural Housing**
- **Affordable Housing Preservation**

Specifically, the GSEs are to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing for **very low-, low-, and moderate-income families in these underserved markets**.

#### Core Activities

### Housing in Rural Areas

- **Activities that Serve High Needs Rural Regions** (areas of persistent poverty):
  - Middle Appalachia, Lower Mississippi Delta, Colonia
  - A tract located in a persistent poverty county

- **Activities that Serve High-Needs Rural Populations**:
  - Members of a federally recognized Native American tribe located in an Indian area
  - Agricultural workers

- Financing by small financial institutions of owner-occupied housing

### Manufactured Housing

- Real estate-financed units
- Chattel-financed units (including both pilot and ongoing initiatives)

### Affordable Housing Preservation

#### Energy Efficiency Improvements on First-lien Properties

- Projections that improvements financed will reduce energy or water consumption by the homeowner or tenant by at least 15 percent; and
- The utility savings generated over an improvement’s expected life must exceed the cost of installation

#### Distressed Properties

- Purchase or rehab of certain distressed properties
  - Homes eligible for short sale, foreclosure
  - Sale, REO

#### Shared Equity

- Homeownership Programs with long-term affordability administered by community land trusts, other non-profits or state/local governments or instrumentalities
- Preservation of Housing Stock via:
  - Deed-Restricted Programs, or
  - Ground Leases, or
  - Shared Appreciation Loans
Resources to Support Your Business
Tools for You and Your Client
Home Possible® Mortgages

Underwrite Borrow Product Advisor®
You can now underwrite mort. Advisor® with settlement dates as little as 5 percent. Learn more.

Freddie Mac

Single-Family Business

Home Possible® Mortgages

Easy to Print References
- AllRegs User Guide - For Use with the Single-Family Seller/Servicer Guide [PDF]
- Home Possible: At a Glance [PDF]
- Mortgage Products Training and Education Resources [PDF]

Online Self-study
- Home Possible Mortgages - Your Affordable Lending Solution Tutorial [Video] - 17 min

Training Events
- Workshop - 90 min
- Navigating the Single-Family Seller/Servicer Guide with AllRegs [Video] - 90 min

Additional Online Resources
- Home Possible Income & Property Eligibility
- Home Possible Mortgages Resource Center
- Home Possible Online Marketing Kit

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Purchase Market Resource Center

Grow Your Purchase Market Business

Rev Up Your Purchase Market With Condominiums
From affordability to convenience, condos can be the right choice for certain buyers.

Now is the right time to energize your purchase market efforts. With the Purchase Market Resource Center you have access to the tools and resources you need to learn about Freddie Mac products, reach potential borrowers, and connect with business sources. Take advantage of the information we have gathered here to expand your efforts in reaching homebuyers in today's changing marketplace.

Reach First-Time Homebuyers
Use our marketing tools and educational resources to help show your customers the benefits of responsible homeownership.
Learn More ➤

Help Homeowners Sell and Buy a Home
Gather tips to share with homeowners on selling an existing home and buying a new one in today's market.
Learn More ➤

Discover Affordable Lending Opportunities
Explore our affordable lending options to reach first-time and low-income homebuyers.
Learn More ➤

Explore Down Payment Assistance Options
Understand down payment and closing cost assistance options to generate sustainable financing and quality originations.
Learn More ➤

Navigate the Short Sale Purchase Process
Learn the fundamentals behind a short sale, including the preparation process, requirements, benefits, and challenges.
Learn More ➤

Resources
- Spanish Language Materials
- Freddie Mac Blog
- Training Opportunities
- Single-Family News Center
- Economic & Housing Research
- Learn about the growing Hispanic homebuying market [PDF]

www.FreddieMac.com/purchasemarket/index.html
Community Lender Resource Center

Your one-stop hub for information on products, tools and other useful content to make it easier to do business with Freddie Mac. Stay competitive.

3% Down – And a Lot More

What makes a Home Possible mortgage ideal for low-to moderate-income borrowers? Three percent down – but a lot more.

FreddieMacCONNECT

Join us at the 2nd Annual FreddieMacCONNECT, September 17-19 in Baltimore.

Community Lender News Room

Help homeowners finance energy-efficient improvements. Read the article.

Resources and Information

Access the latest on hot topics, tools, economic insights and more.

Community Classroom

New training coming soon!

Expanding Homeownership Webinar Series

Access webinar presentations here.

Upcoming Events

August 20-23
The Mortgage Collaborative 2017 Summer Conference

September 9
National Association of Hispanic Real Estate Professionals (NAHREP) Elevate Mortgage Summit

September 10-12
National Association of Hispanic Real Estate Professionals (NAHREP) National Convention 2017

September 13-15
New England Mortgage Bankers Conference

September 17-19
FreddieMacCONNECT

Subscribe for Updates

Subscribe to receive emails with information important to community lenders.
Duty to Serve Web Link:

www.FreddieMac.com/corporate/company_profile/dutytoserve.html

Supporting affordable housing and access to credit for very low-, low- and moderate-income households is an integral part of Freddie Mac’s mission. Duty to Serve is an important extension of our comprehensive efforts to reach more families in underserved markets across the country. Today these efforts include, among other things, our work to meet our affordable housing goals and our contributions to national affordable housing funds.

In the years ahead, we look forward to continued growth and innovation – and our partnerships with a wide variety of industry stakeholders – to meet the needs of underserved markets with expanded access to manufactured housing, rural housing and affordable housing preservation.

We welcome your input as we look to build upon our current activities outlined below.

Support for Homeownership

Our Home Possible low down payment mortgage – designed for qualified first-time homebuyers and low- and moderate-income borrowers – continues to grow in popularity. Our five percent downpayment option allows people to buy homes with one to four units as well as condos, planned-unit developments and manufactured homes. We have ongoing efforts to expand relationships with active participants in the manufactured housing industry, affordable housing preservation, high needs rural regions and high needs rural populations. And we’re exploring pilot programs to determine the best ways to adapt to changing demographics, household formation differences and other considerations that traditional underwriting methods don’t typically address. We also finance energy efficient and renewable energy home improvements in many circumstances. Along with the housing counseling provided by our network of 14 Borrower Help Centers around the U.S. and the national Freddie Mac Borrower Help Network, we’re helping homeowners avoid foreclosure and helping more people become “mortgage ready” borrowers.

Support for Rental Housing

Freddie Mac Multifamily helps ensure an ample supply of affordable rental housing by purchasing and securitizing mortgages on apartment buildings nationwide. Of its record-setting $56.8 billion in loan purchase and bond guarantee volume in 2016, roughly 90 percent supports rental units for low- and moderate-income households. In addition to conventional and small balance loans, Freddie Mac finances workforce and manufactured housing, as well as senior, student and state- or federally-subsidized properties. The Freddie Mac Green Advantage can be used with our other multifamily loan products.
CreditSmart – Steps to Homeownership Tutorial

Are you a first-time homebuyer required to take a homeownership education course as a qualification for Home Possible® Mortgages? This free, interactive tutorial is a smart solution that will teach you how to achieve your financial and homeownership goals. You will receive a certificate after successful completion of the course.

Highlights of the Course

- This self-paced tutorial outlines the steps to homeownership from the importance of good credit to qualifying for a loan and selecting a lender, with a special emphasis on protecting your investment once you own a home.
- There are five lessons in this course, including:
  - Your Credit and Why It is Important
  - Managing Your Money
  - Thinking Like a Lender
  - Becoming a Homeowner
  - Preserving Homeownership – Protecting Your Home Investment
- Successful completion of this tutorial satisfies the Home Possible Mortgages homeownership education requirement. After you complete the tutorial in its entirety, you will be able to print a course completion certificate for your records. You can also save the certificate as a PDF so that you can send it directly to your lender, if needed.
- There is no date or time restriction for completion of this course. You can take this course any time, at your own pace. It is estimated to take approximately two hours to complete all of the lessons and receive your course completion certificate.
- You can stop studying at any time and return to the course at your convenience, as long as you are logged in from the same computer.
Borrower Help Centers and Network

- Work with trusted national nonprofit intermediaries
- Support Freddie Mac’s ongoing commitment of:
  - preparing prospective buyers for responsible homeownership
  - helping struggling borrowers with Freddie Mac-owned mortgages avoid foreclosure
- HUD-Approved Agencies
- 14 locations across the country
- Work with Lenders in minority and underserved communities

FreddieMac.com/singlefamily/housingpros/help_centers.html
What will the borrower find on My Home? A wealth of information to help the borrower decide whether to rent or buy, understand the mortgage process and who to contact for help if they are struggling to pay their mortgage. All of this, plus:

- Tutorials
- “Meet the Experts” video series
- Calculators
- Quizzes
- Worksheets
- Brochures
- Infographics
- “What home means to me” photo essay

Developed to educate borrowers on renting, buying and owning a home
YOU are the critical link to helping well-qualified homebuyers achieve their homeownership objectives:

» **Provide access to credit;** originate loans to the full extent of Freddie Mac’s credit box

» Utilize your **mortgage finance expertise**

» Explain the process and **dispel the 20% down payment myth**

» **Identify and match available financial resources** in your area (government, nonprofit, private sources) with a sustainable mortgage solution

» **Take advantage of Freddie Mac training and resources** for both you and your borrower

**First-time homebuyer dream realized**—and more business for you—if you know your market and where to find those affordability gap solutions

**Freddie Mac is here to help**