

Home Possible AdvantageSM

Very similar to the Home Possible[®] Program with lower down payments for first-time homebuyers

BACKGROUND AND PURPOSE

Freddie Mac Home Possible AdvantageSM mortgages provide lenders with an easy and convenient way to reach rapidly growing markets of low- and moderate-income (LMI) first-time homebuyers. Features of Home Possible AdvantageSM include low down payments, stable monthly payments through fixed-rate mortgages, reduced mortgage insurance (MI) coverage levels, flexible closing cost funding options, and no cash-out refinancing. Home Possible AdvantageSM offers first-time homebuyers a higher loan-to-value (LTV) ratio if they meet additional requirements, such as homeownership counseling.

BORROWER CRITERIA

Income limits: The borrowers' annual income cannot exceed 100 percent of the area median income or a higher percentage in designated high-cost areas. No

income limits apply if the mortgaged premises are located in an underserved area.

Credit: Credit scores as low as 660 for one-unit, fixed-rate mortgage purchase transactions, and 680 for one-unit, fixed-rate, no cash-out refinances. Nontraditional credit is not allowed when using Home Possible AdvantageSM but is allowed under Home Possible[®].

First-time homebuyers: Only first-time homebuyers may participate in this program. A borrower with no ownership interest in a residential property in the last three years is considered a first-time homebuyer. A displaced homemaker or single parent whose only ownership interest in the last three years has been a joint ownership in the marital residence is also considered a first-time homebuyer.

PROGRAM NAME	Home Possible Advantage SM
AGENCY	Freddie Mac
EXPIRATION DATE	Not Applicable
APPLICATIONS	No program-specific application is required. For information on becoming a Freddie Mac seller, see http://www.freddiemac.com/singlefamily/doingbusiness/
WEB LINK	http://www.freddiemac.com/homepossible/hp.html
CONTACT INFORMATION	institutional_eligibility@freddiemac.com (ask for a call back in your email)
APPLICATION PERIOD	Continuous
GEOGRAPHIC SCOPE	National

Occupancy and ownership of other properties: The property secured by the Home Possible AdvantageSM mortgage must be all borrowers' primary residence. Ownership of other properties is not allowed.

Special populations: Special population status does not confer an advantage.

Property type: One-unit properties only. Fee-simple homes, condominiums, co-ops, and planned unit developments are eligible property types. Manufactured housing that is eligible for Home Possible[®] is not eligible.

LOAN CRITERIA

Loan limits: FHFA publishes Freddie Mac's conforming loan limits annually. For 2016, a one-unit property has a loan limit ranging from \$417,000 to \$625,500 depending on geography. Certain high-cost areas are also taken into consideration (www.fhfa.gov).

Loan-to-value limits: The Home Possible AdvantageSM maximum LTV is 97 percent or up to 105 percent combined loan-to-value (CLTV) with an Affordable Seconds[®] mortgage. Affordable Seconds[®] are subordinate liens for down payment assistance, closing costs, or renovations. Affordable Seconds[®] funds must be provided by a unit of state or local government, housing finance agency, nonprofit organization, regional Federal Home Loan Bank under one of its affordable housing programs, or employer. Affordable Seconds[®] with deferred payments for five years are considered gifts in the automated underwriting system. USDA's Rural Housing Service Leveraged Seconds are not permitted.

Adjustable-rate mortgages: ARMs are not allowed when using Home Possible AdvantageSM.

Down payment sources: No minimum contribution from personal funds is required.

Reserve requirements: No reserves are required.

Homeownership counseling: Homeownership education is required for at least one borrower if all borrowers are first-time homebuyers. Internet-based homeownership education programs, such as Freddie Mac's CreditSmart[®] program, are allowed. Lenders must provide (at no cost to the borrower) early delinquency counseling to all borrowers who experience problems meeting their mortgage obligations.

Mortgage insurance: Home Possible AdvantageSM 95-97 percent LTV requires minimum MI coverage of 18 percent.

Debt-to-income ratio: Qualifying debt-to-income ratios are determined by Loan Prospector[®], Freddie Mac's automated underwriting system; for manually underwritten mortgages, there is a 43 percent maximum.

POTENTIAL BENEFITS

The guarantee provided by Freddie Mac under this program may help reduce exposure to credit risk.

Home Possible AdvantageSM offers competitive pricing and terms.

POTENTIAL CHALLENGES

Lenders must have a way to access the program, whether through direct sales or a correspondent arrangement. Depending on the arrangement, community banks may need to acquire or develop new expertise and infrastructure in order to participate.

A limited pool of borrowers is eligible for this program due to specific income limits and other limited flexibilities for borrower and loan characteristics.

In the event the borrower has student loan debt and is not yet in repayment, as is the case for current students, Freddie Mac's policy is to include 1 percent of the total student loan balance in the debt-to-income calculation. For example, if the student has a current debt of \$20,000, then Freddie Mac would add \$200 to the DTI calculation.

Temporary interest rate buy downs: Temporary interest rate buy downs are permitted. For fixed-rate mortgages, the borrower must be qualified using monthly payments calculated at the note rate.

Refinance: No cash-out refinance is allowed.

Delivery fee: Home Possible AdvantageSM fees vary with the borrower's credit score.

Potential Benefits

- The guarantee provided by Freddie Mac under this program may help reduce exposure to credit risk.
- Home Possible AdvantageSM offers competitive pricing and terms.
- Loans originated through Home Possible AdvantageSM may be positively considered under the Community Reinvestment Act, depending on the geography or incomes of the participating borrowers.
- Home Possible AdvantageSM may allow community banks to expand their customer base in low- and moderate-income communities.
- Home Possible AdvantageSM may help community banks access the secondary market, providing greater liquidity to enhance their lending volume.

Potential Challenges

- Lenders must have a way to access the program, whether through direct sales or a correspondent arrangement, as discussed in the introduction to this section. Depending on the arrangement, community banks may need to acquire or develop new expertise and infrastructure in order to participate.
- A limited pool of borrowers is eligible for this program due to specific income limits and other limited flexibilities for borrower and loan characteristics.

Similar Programs

- Fannie Mae Standard 97 Percent Loan-to-Value Mortgage
- FHA 203(b) Mortgage Insurance Program
- Freddie Mac Home Possible[®]

RESOURCES

Underwriting guidance Chapter A 34

<http://www.allregs.com/tpl/Viewform.aspx?formid=00046790&formtype=agency>

Designated high-cost areas

<http://ww3.freddie.mac.com/ds2/sell/affgold.nsf/vwFormsByKey/IER?OpenDocument>

Low-income and disaster area definitions and data

<http://www.fhfa.gov/DataTools/Downloads/Pages/Underserved-Areas-Data.aspx>

CreditSmart® Program

<http://www.freddie.mac.com/creditsmart/tutorial.html>

Delivery fees

<http://www.freddie.mac.com/singlefamily/pdf/ex19.pdf>