

Affordable Seconds[®] Checklist

Expand access to credit for your qualified borrowers with Affordable Seconds[®]. Use the checklist below to help you determine if your secondary financing meets Freddie Mac's requirements for Affordable Seconds.

If all of the statements below are true and the secondary financing otherwise meets Freddie Mac's requirements in the *Freddie Mac Single-Family Seller/Servicer Guide* (Guide), the related first lien mortgage may be eligible for delivery if the first lien mortgage satisfies Freddie Mac's eligibility criteria and underwriting requirements. This checklist does not apply to Affordable Seconds used to subsidize the sales price of a resale restricted property. Refer to Guide Sections 4204.2 and 4406.2 for those requirements.

For complete requirements and steps on how to underwrite a first lien mortgage with an Affordable Second, refer to Guide Sections 4204.1 and 4204.2.

Checklist – Check off the true statements.



Source of Secondary Financing

- The source is an Agency, typically a 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.
- The source is not the property seller or another interested party to the transaction unless it meets the special requirements in the box below.

Seller-Funded Affordable Seconds - Special Requirements

The Seller

- Is a depository institution.
- Has an established Affordable Second program that supports the Community Reinvestment Act (CRA) mandates.
- Does not participate in the appreciation of the Mortgaged Premises.

Checklist continues on back



The Affordable Second

- Is not funded in any way through the mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans.
- May be forgivable or repayable.
- May be used toward the minimum down payment requirement.

The First Lien Mortgage

- Is a purchase transaction mortgage secured by a 1-unit Primary Residence only.
- Is a Home Possible® mortgage submitted to Loan Product Advisor® and receives a risk classification of Accept.
- Is a Retail Mortgage.

- For a mortgage secured by a 1-unit property, the total loan-to-value (TLTV) ratio for the first lien and the secondary financing does not exceed 95%. For Affordable Seconds, the maximum TLTV ratio is 105% when the first lien mortgage is a Home Possible or Home OneSM mortgage secured by a 1-unit property.
- The proceeds from the secondary financing will be used for down payment assistance and/or payment of closing costs.
- The secondary financing will not result in a priority lien.
- The interest rate on the secondary financing is not more than 2 percentage points higher than the rate of the first lien mortgage.
- The terms of the secondary financing do not require a balloon payment before the maturity or payment in full of the first lien mortgage.
- The secondary financing is not a Home Equity Line of Credit.
- Interest accruals when added to the principal do not increase the TLTV ratio beyond the maximum TLTV ratio allowed for the first lien mortgage at any time during the term of the first lien mortgage.

Checklist – Check off the true statements. *Continued from the front*



- If the terms of the secondary financing so permit, an Agency or subsidy provider may share in the appreciation of the Mortgaged Premises. For-profit entities may not participate in the appreciation.

- If the terms of the secondary financing permit the Agency or subsidy provider to share in the appreciation of the Mortgaged Premises, at the time of origination of the Affordable Second, the Agency's or subsidy provider's share of appreciation, as a percentage, does not exceed the principal amount of the Affordable Second divided by value unless it meets Freddie Mac's requirements in [Section 4204.2 \(a\) \(vi\)](#).

More Information

Refer to Guide Bulletin 2019-22. Guide Section updates effective March 1, 2020.

Freddie Mac Guide Section 4204.2, Special Requirements for Affordable Seconds.

Affordable Lending Sources : sf.freddiemac.com/homepossible sf.freddiemac.com/affordableseconds