



Bankers Advisory

COMPLIANCE MONITOR

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Freddie Mac Launches 3 Percent Down Payment Mortgages

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December 8, 2014, Freddie Mac launched ***Home Possible Advantage***, an affordable conforming, conventional mortgage with a three percent down payment requirement designed to make responsible homeownership accessible to more first-time buyers and other qualified borrowers with limited down payment savings.

In an effort to increase access to mortgage credit, this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin introduces Freddie Mac Home Possible Advantage, a Home Possible® offering with the additional flexibility of 97% maximum loan-to-value (LTV) and 105% maximum total LTV (TLTV) ratio limits.

Home Possible Advantage provides a responsible financing option for qualified low- and moderate-income Borrowers, including first-time homebuyers, who may lack funds for a larger down payment.

This new offering will be available for Mortgages with Freddie Mac Settlement Dates on or after March 23, 2015.

General requirements

Home Possible Advantage Mortgages must comply with the requirements for Home Possible Mortgages, including but not limited to, the following:

- The transaction must be a purchase or "no cash-out" refinance transaction
- All Borrowers must occupy the property as their Primary Residence
- For Manually Underwritten Mortgages, a minimum Indicator Score of 660 for purchase transactions or 680 for "no cash-out" refinance transactions
- The Borrower's annual qualifying income must not exceed 100% of the area median income or the income multipliers in the designated high-cost areas, as stated in Guide Section A34.7, *Eligible Borrowers*. There is no income limit if the Mortgaged Premises are located in an Underserved Area.
- At least one Borrower must participate in a homeownership education program when all of the Borrowers are First-Time Homebuyers (acceptable homeownership education program options, which include programs using Credit Smart® modules, are listed in Section A34.12, *Homeownership Education and Landlord Education*)
- The Servicing requirements in Sections 59.1, *Escrow for Taxes, Ground Rents, Assessments and Other Charges*, 63.2, *Collection Efforts*, and 64.5, *Collection Efforts*

The following additional requirements apply for Home Possible Advantage Mortgages

-The Mortgage must be a fixed-rate Mortgage secured by a 1-unit property other than a Manufactured Home

-Secondary financing must be an Affordable Second®

- For a Manually Underwritten Mortgage:
 - The monthly debt payment-to-income ratio must not exceed 43%, and
 - At least one Borrower must have a usable Credit Score and an Indicator Score must be established
- The required level of mortgage insurance coverage is 18% for a Home Possible Advantage Mortgage with an LTV ratio greater than 95%
- Loan Prospector® and Loan Quality Advisor® will be updated prior to the effective date of March 23, 2015 to support this offering. Sellers will be notified when these changes are implemented



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