

HFA Advantage Mortgage:

Maximum 97% LTV / 105% TLTV
HFA income limits
All credit fees in price waived
Charter-level mortgage insurance

...available exclusively through
**Washington State Housing
Finance Commission**



Freddie Mac's HFA Advantage Mortgage®

Presenter: Tom Ward
July 2019



NOTE: This document is not a replacement or substitute for the information found in the Freddie Mac *Single-Family Seller/Service Guide*, and/or terms of your Master Agreement and/or other Pricing Identifier Terms.

Objective: Familiarize you with the benefits, key features and requirements for Freddie Mac's low down payment mortgage offering: HFA Advantage

General Requirements

Features and Benefits

Underwriting and Processing Tips

Resources



HFA ADVANTAGE

HOME
POSSIBLE

Loan Product Advisor®

Income limits
established by
Washington
State HFC:
\$145,000
state-wide

- 97% LTV / 105% TLTV (Affordable Seconds® only)
- No Minimum LTV
- No Minimum Borrower Contribution
- Purchase transactions only
- First-time homebuyers, repeat buyers

- 1- unit primary residence* (Detached / attached, PUDs, Condominiums)
- **All borrowers must occupy the mortgaged premises as their primary residence – no non-occupying co-borrowers allowed**
- Occupying Borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date**.

** Manufactured homes are not eligible*

- No reserves required
- Fixed rate only

Qualifying Income / Income Limits



V. MONTHLY INCOME AND COMBINED HO			
Gross Monthly Income	Borrower	Co-Borrower	Total
Base Empl. Income*	\$	\$	\$
Overtime			
Bonuses			
Commissions			
Dividends/ Interest			
Net Rental Income			
Other (before completing, see the notice in "describe other income," below)			
Total	\$	\$	\$

- Must use income used to qualify the borrower to establish that the income limits are not exceeded.
- Washington State Housing Finance Commission HFA will determine income eligibility, which is \$145,000 state-wide

HFA Advantage

Additional Features & Benefits

Mortgage Insurance:

LTV Ratio	HFA Advantage Mortgage Insurance Coverage (Fixed rate only)	Standard Mortgage Insurance Coverage (Fixed rate, term > 20 years)
Greater than 80% up to 85%	6%	12%
Greater than 85% up to 90%	12%	25%
Greater than 90% up to 95%	16%	30%
Greater than 95% up to 97%	18%	35%

Lender-paid MI is not allowed.



HFA Advantage[®] vs. FHA: A Side-by-Side Comparison with 3% Down Payment Assistance (DPA)

Assumptions:

- Purchase price = \$270,000
- 30-year fixed rate mortgage
- FICO used for all scenarios: 700
- 18% MI coverage (minimum coverage)
- \$300 monthly taxes & insurance
- Two or more borrowers and DTI ≤ 45%

	Scenario 1	Scenario 2	FHA
	<ul style="list-style-type: none"> ✓ Borrower paid monthly MI premium ✓ 97% LTV ✓ Rate 5.500% 	<ul style="list-style-type: none"> ✓ Non-refundable single premium 2.05%** ✓ 97% LTV ✓ Rate 5.500% 	<ul style="list-style-type: none"> ✓ FHA Upfront and monthly MI ✓ 96.5% LTV ✓ Rate 5.500%
Base Loan Amount	\$261,900	\$261,900	\$260,550
Upfront MI Cost	\$0	\$5,369**	\$4,560 (1.75%)
Total Loan Amount	\$261,900	\$261,900	\$265,110
Down Payment	\$8,100	\$8,100	\$9,450
Monthly MI (\$ & %)	\$120 / .55%**	N/A	\$185 / .85%
Principal & Interest	\$1,487	\$1,487	\$1,505
Taxes & Insurance	\$300	\$300	\$300
Total Monthly Payment (Year 1)	\$1,907	\$1,787	\$1,990
Monthly Cost/Savings Compared to FHA	\$ 83	\$ 203	N/A
MI Cost Over 5 Years (60 payments + any upfront MI)	\$7,200	\$5,369	\$15,242 (upfront MI + 60 est. monthly MI payments)
5-Year MI Savings Compared to FHA	\$8,042	\$9,883	-
60 monthly payments (P&I, est. monthly MI and upfront MI)	\$96,420	\$94,589	\$105,542

The scenarios are intended for illustrative purposes only and should not be relied upon for actual rate quotes, loan estimates or other borrower disclosures. Comparisons are at the highest LTV ratio allowed for the product and figures rounded to the nearest dollar.

*FHA includes an upfront MIP (1.75%) and monthly premium (.85%). Private MI premiums adjust based upon loan transaction features (e.g., Fixed Rates vs. ARMs, loan-to-value ratios, loan purpose, loan term, MI coverage required, FICO scores, DTI ratios and number of borrowers, etc.).

**Private MI premium rates from Essent M in effect as of June y 2019. Check premium rates with your preferred MI provider(s). For Washington State Housing Finance Commission only (not posted on Freddiemac.com)



Are the HFA Advantage Mortgage offerings available only to first-time homebuyers?



No, the borrower does not have to be a first-time homebuyer



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 and Escrows

Borrower Personal Funds

- Depository accounts
 - Cash on hand
 - Securities
 - Retirement accounts
 - Government bonds
 - Loan secured by borrower's assets
 - Sale of borrower's real property
 - Sale of borrower's assets
 - Borrower's real estate commission
 - Funds from a trust
 - Pooled funds
 - Individual Development Account (IDA): *include matching funds only if not subject to recapture tax*
 - Community Savings-Borrower contribution
 - Cash value of life insurance policy
 - Trade equity
 - Rent Credits
-  Credit card charges, cash advances or unsecured line of credit: to pay fees associated with the mortgage application process

Other Eligible Sources of Funds

- Gift funds or gift of equity: Related Person
- Gift funds: wedding gift
- Gift/Grant: Agency*
- Gift/Grant from Seller as originating lender*
- **Affordable Seconds**
- Employer-Assisted Homeownership Benefit
- IDA: matching funds subject to recapture tax
- Unsecured loan: Agency/Related Person, or Community Savings Systems (For Community Savings funds in excess of Borrower's contribution)
- Sweat equity

*Gifts or grants from the Seller as the originating lender will be permitted only after a contribution of at least 3% of value is made from Borrower personal funds and/or other eligible sources of funds



Homeownership Education Program

All borrowers must complete the home buyer education, commission-sponsored, in-person seminar prior to reservation of funds¹

*A copy of a **Homeownership Education Certification**, or another document with comparable information, to be retained in the mortgage file – **prior to reservation of funds!***

¹ NOTE: Must not be provided by an interested party to the transaction, the originating lender or Seller

Underwriting & Processing Tips

Loan Product Advisor



Instructions for Entering an HFA Advantage® loan into Loan Product Advisor.

Select “HFA Advantage (eligible users only)” in the “Offering Identifier” field within the “Mortgage Type and Loan Terms” section of Loan Product Advisor. See screen below. If using a Loan Origination Software (LOS) system, please contact them to verify what field and value to enter. Some LOS systems may have you enter “251”.

Loan Application Data

SAVE

SUBMIT

Mortgage Type And Loan Terms

Mortgage Type *

Conventional

Base Loan Amount (exclude PMI, MIP, Funding Fee financed) *

\$ 270,000

Amortization Type *

Fixed Rate

Lien Priority *

First Lien

Offering Identifier

HFA Advantage (eligible users only)

Amortization Months *

360

PMI, MIP, Funding Fee Financed

\$ 0.00

Loan Amount

\$ 270,000

Interest Rate *

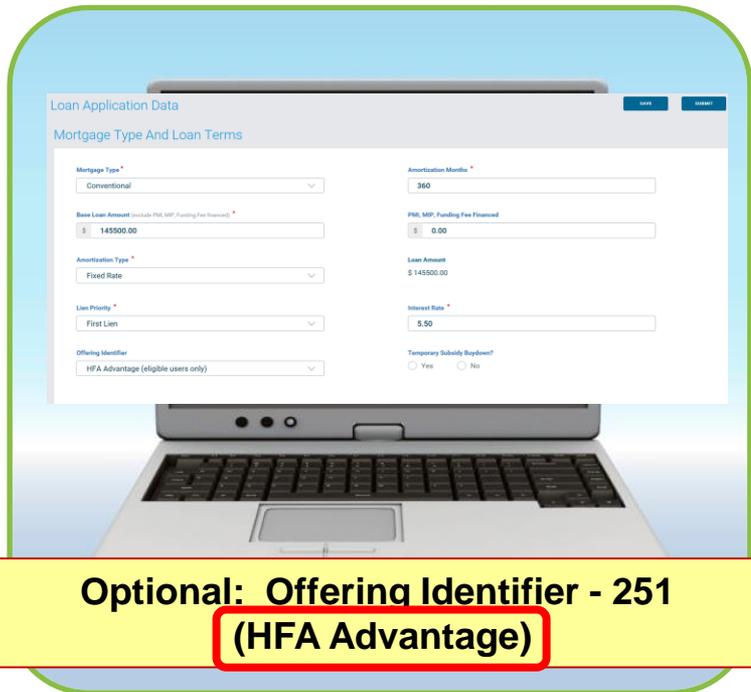
5.50

Temporary Subsidy Buydown?

Yes No

HFA Advantage

- **May be submitted to Loan Product Advisor**
 - » Only Accept Risk Class permitted
 - » Minimum Credit Score: 620
 - » Maximum Debt-to-Income Ratio: 50%
 - » Maximum term: 30 years



Loan Application Data

Mortgage Type And Loan Terms

Mortgage Type *	Amortization Months *
Conventional	360
Base Loan Amount (includes PHE, MIP, Funding Fee Financed) *	PHE, MIP, Funding Fee Financed
\$ 145500.00	\$ 0.00
Amortization Type *	Loan Amount
Fixed Rate	\$145500.00
Lien Priority *	Interest Rate *
First Lien	5.50
Offering Identifier	Temporary Subsidy Required?
HFA Advantage (eligible users only)	<input type="radio"/> Yes <input checked="" type="radio"/> No

**Optional: Offering Identifier - 251
(HFA Advantage)**

- **A Manually Underwritten Mortgage***
 - At least one borrower must have a usable Credit Score and an Indicator Score must be established and must meet the required limits. An HFA Advantage Mortgage where none of the borrowers have a usable Credit Score is not eligible
 - Minimum credit score: 660 – purchase
 - Maximum debt-payment to income ratio (DTI) is 45%
 - Minimum reserves requirement: \$0.00

*Manually Underwritten Mortgages must meet the requirements of Chapter 4501 and Chapters 5100 through 5500, including but not limited to, the requirement that each borrower individually, and all borrowers collectively, have an acceptable credit reputation.

Loan Product Advisor Feedback Certificate

Evaluation Summary

PURCHASE ELIGIBILITY

 **ELIGIBLE**

RISK CLASS

 **ACCEPT**

COLLATERAL R&W* RELIEF

 **UNAVAILABLE**

ASSET R&W* RELIEF

 **UNAVAILABLE**

Loan Product Advisor Feedback Certificate



Verify the loan was submitted correctly by ensuring the value entered in the “Offering Identifier” field is showing **HFA Advantage (eligible users only)** as shown below:

Mortgage Information

PRODUCT TYPE 30 Year Fixed Rate	AMORTIZATION TYPE Fixed	AMORTIZATION MONTHS 360
INTEREST RATE 5.5000%	PURPOSE OF LOAN Purchase	PURCHASE PRICE \$150,000.00
LOAN AMOUNT \$145,500.00	ESTIMATED VALUE OF PROPERTY N/A	APPRAISED VALUE OF PROPERTY \$150,000.00
PROPERTY TYPE Single Family Detached	INTENDED USE OF PROPERTY Primary Residence	NUMBER OF UNITS 1
AFFORDABLE PRODUCT TYPE N/A	CASH OUT AMOUNT N/A	TEMPORARY SUBSIDY BUYDOWN N/A
OFFERING IDENTIFIER HFA Advantage	SUBORDINATE AMOUNT \$0.00	SALES CONCESSIONS N/A
NEW CONSTRUCTION N/A	PURPOSE OF REFINANCE N/A	LENDER SUBMITTED RESERVES N/A

Loan Product Advisor Feedback Certificate



General Messages

CODE	MESSAGES
TV	Loan Product Advisor Assessment Expiration Date for JOHN FREDDIE is 08/31/2019.
LX	The Proposed Monthly Housing Expense includes Homeowner's Association (HOA) dues greater than zero; however, the subject property is not submitted as a unit in a Planned Unit Development (PUD) or Condominium or Cooperative Project. Review for accuracy.
81	Only Freddie Mac seller/servicers with a negotiated commitment may deliver HFA Advantage mortgages. Ensure the annual qualifying income (\$36,000.00) falls within the maximum HFA-established income limits.
K9	The Area Median Income (AMI) is (\$117,200.00) for the address submitted.
EW	Seller is responsible for documenting and underwriting all Mortgages in accordance with the requirements of the Single-Family Seller/Servicer Guide and/or Master Agreement.
KS	At least one borrower must participate in a homeownership education program that meets the National Industry Standards for Homeownership Education and Counseling, or is provided by the HFA, a HUD-approved counseling agency or a Mortgage Insurer, or complete Freddie Mac's CreditSmart Steps to Homeownership Tutorial prior to the Note Date. Retain the Homeownership Education Certificate or comparable document in the Mortgage file.
4D	The net purchase price is calculated by subtracting the sales concessions from the gross purchase price.
D2	Based on the annual qualifying income (\$36,000.00) and the Area Median Income (AMI) (\$117,200.00) where the property is located, the loan meets the housing goal qualifications for a Very Low-Income Purchase (VLIP) since the income is at or below 50% AMI (\$58,600.00). Additionally, the loan meets the Low-Income Purchase (LIP) housing goal which requires income of less than or equal to 80% AMI (\$93,760.00).

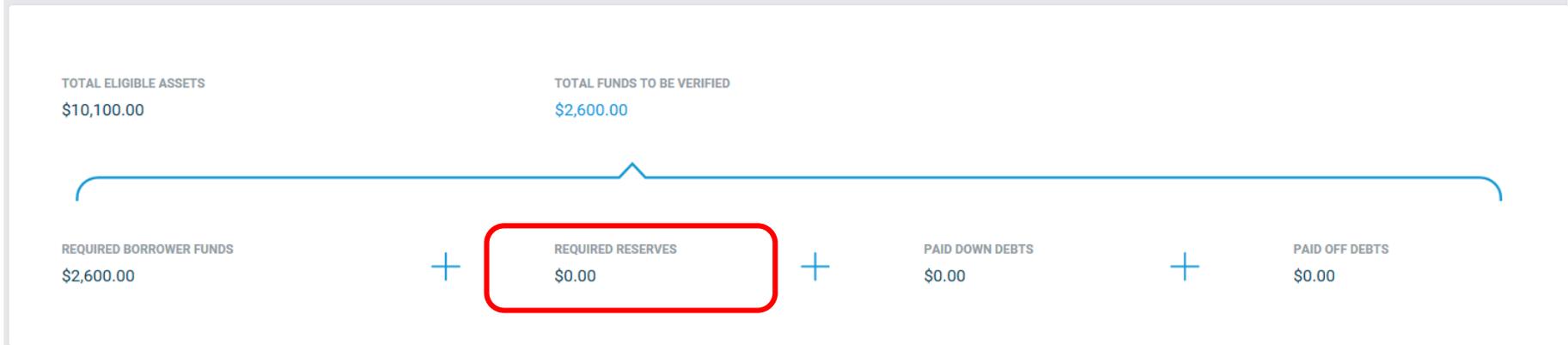
Mortgage Insurance & Fees

CODE	MESSAGES
ZI	This HFA Advantage mortgage requires 18% MI coverage.

Loan Product Advisor Feedback Certificate



Asset Information

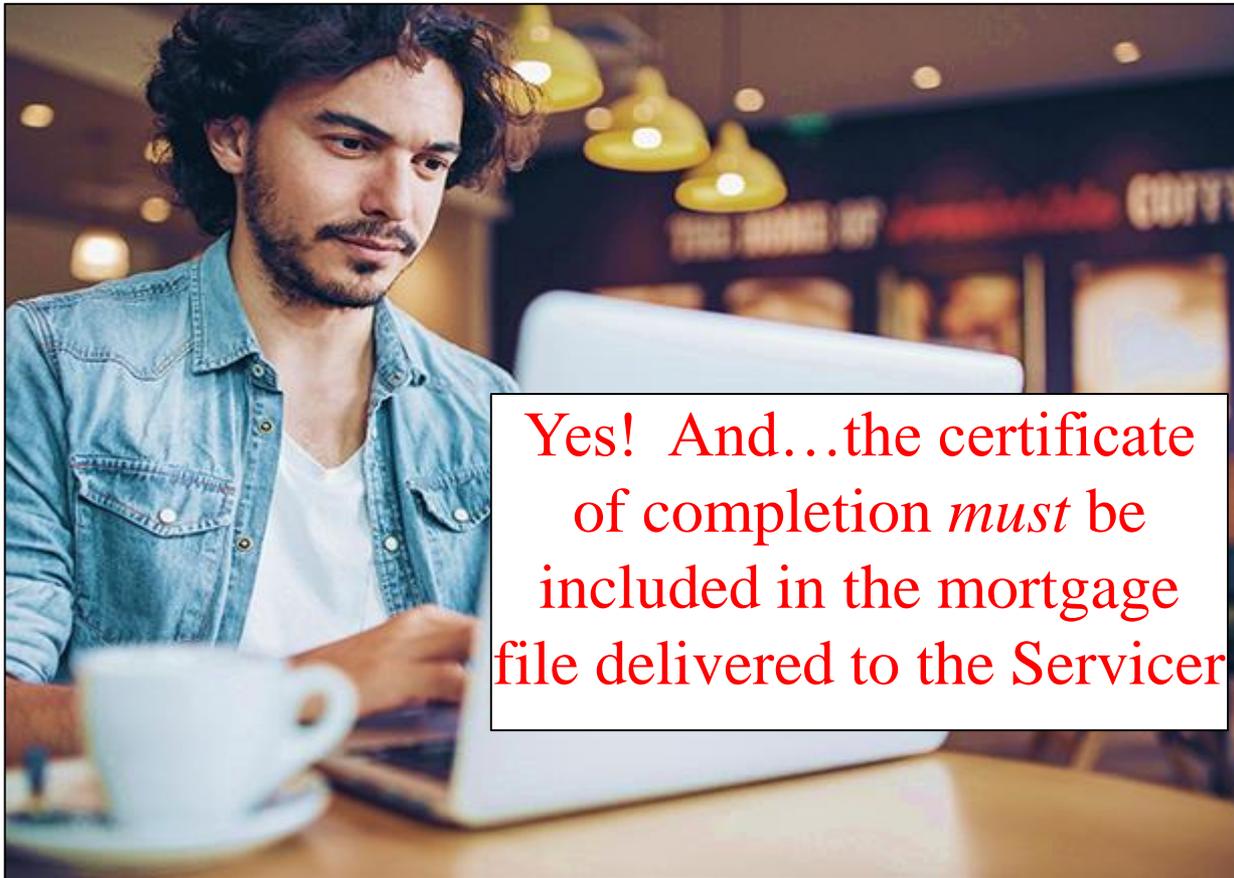


Calculated Values





Does the Homeownership Education Course need to be completed prior to reservation of funds?



Yes! And...the certificate of completion *must* be included in the mortgage file delivered to the Servicer



Affordable Lending

Solutions



Find an Affordable Mortgage Solution

Grow your Affordable Mortgage origination opportunities by offering Freddie Mac products to help meet the needs of your borrowers and the communities you serve.

Filter By Property Type Mortgage Type View Summary Details

Compare these products

Home Possible®

The Freddie Mac Home Possible® mortgage offers more options and credit flexibilities than ever before to help your very low- to moderate-income borrowers attain the dream of owning a home.

HomeOne™

Available to qualified first-time homebuyers for a low down payment of just 3%, HomeOne™ is a low down payment option that serves the needs of many first-time homebuyers.

CHOICEHome™ Mortgages

CHOICEHome™ is our innovative, affordable mortgage initiative that offers conventional site-built financing for real-property factory-built homes, that are built to the HUD Code and have the features of a site-built home.

<https://sf.freddiemac.com/working-with-us/affordable-lending/solutions>

GreenCHOICE Mortgages™

Our GreenCHOICE Mortgage™ offering helps families facilitate the financing of

HFA Advantage® Program

The Freddie Mac HFA Advantage® Program offers Housing Finance

Affordable Seconds®

Freddie Mac Affordable Seconds® is designed to help meet the needs of

Origination & Underwriting

Mortgage Products ▾

Affordable Seconds

Freddie Mac Affordable Seconds® is designed to help meet the needs of borrowers who require flexible secondary financing options to increase their homeownership opportunities.

These affordable lending mortgage products are supplemented by subsidized secondary financing that comes 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.

Originating with Affordable Seconds helps you strengthen your community investment by leveraging public funds to originate more loans; increase your originations for low- and moderate-income borrowers; reduce your processing costs for secondary financing programs; support collaborations with public agencies and nonprofit organizations.

Product Features

ELIGIBLE MORTGAGE PRODUCTS

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 105 percent.

SPECIAL REQUIREMENTS

- The Affordable Second must be provided by an agency under an established, ongoing, documented secondary financing or financial assistance program.
- The property seller or another interested party to the transaction may not be the source of the Affordable Second.
- The Affordable Second cannot be a HELOC.
- The terms of the Affordable Seconds must not require a balloon payment due before the maturity or payment in full of the first lien mortgage.
- Interest rate on the Affordable Second must not be more than 2 percent higher than the rate of the first mortgage.
- Interest accruals added to the principal may not increase the TLTV ratio beyond the maximum TLTV allowed for the first lien mortgage.
- **Scheduled payments on the Affordable Second**
 - If monthly payments on the Affordable Second begin before the 61st monthly payment under the first lien mortgage, such monthly payments must be included in the borrower's monthly housing expense-to-income ratio and monthly debt payment-to-income ratio.
 - If monthly payments on the Affordable Second begin on or after the 61st monthly payment under the first lien mortgage or if repayment of the entire Affordable Second amount is due only upon sale or default, the amount of the Affordable Second monthly payment may be excluded from both ratios.
- See Guide Section 4204.2 for additional requirement for mortgages with Affordable Seconds, related to:
 - Loan Product Advisor submissions
 - Participation in appreciation (equity sharing)
 - Land use restrictions

<https://sf.freddie.com/working-with-us/origination-underwriting/mortgage-products/affordable-seconds>

Source of Funds – Affordable Second Checklist

Origination & Underwriting

Mortgage Products ▾

Affordable Seconds

Freddie Mac secondary financing

These affordable seconds come from local or municipal government; the borrower's employer; the borrower's housing program

Originating with public funds; refinancing borrowers; refinancing with public agency

Checklist – Check off the true statements.



- The source of the secondary financing is 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 of the secondary financing is not the property seller or another interested party to the transaction.
- The total loan-to-value (TLTV) ratio for the first lien and the secondary financing does not exceed 95 percent (105 percent for Home Possible Advantage first liens).
- 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 secondary financing is used with a first lien mortgage that meets the following requirements:
 - Fixed-rate mortgage or an ARM with an initial fixed-rate period of five years or greater.
 - Purchase transaction or a "no cash-out" refinance.
 - One- to 4-unit primary residence.

Checklist continues on back

Loan Product Advisor Data Entry Option: If the payment begins on or after the 61st payment of the First Lien you may enter the amount into the "Total Gift Fund" field

- Do not include in qualifying ratios
- Manually calculate TLTV ratio

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



- The interest rate on the secondary financing is not more than 2 percent higher than the rate of the first 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.
- The secondary financing's interest accruals that are 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.

Loan Application Data

Asset Category

Depository Accounts

Reserves

\$

Asset Amount

\$ 10100.00

\$

\$

\$

\$

\$

Total Gift Fund

\$ 4500.00

- An Affordable Second[®] that does not require a payment within the first 60 months can be entered in the “Total Gift Fund” field.
- A Grant that does not require a repayment will also be included in the Total Gift Fund field.
- ~~Additional borrower subsidy (grant) should be included in the Total Gift Fund field.~~

- ***** Please ensure when the loan is delivered in Loan Selling Advisor that the secondary financing fields are completed accurately. *****

*How can HFA Advantage be **YOUR** affordable lending solution?*

General
Requirements

Features
and
Benefits

Underwriting
and
Processing
Tips

Resources

Origination & Underwriting

HFA Advantage®

The Freddie Mac HFA Advantage® Program offers Housing Finance Agencies a comprehensive program that enables you to diversify your portfolio while expending responsibly.

Whether you're a Freddie Mac Seller/Servicer or selling through a Master Servicing Program offers you outstanding flexibility for maximum financing.

Program Features

BORROWER ELIGIBILITY/BORROWER PROFILE

- Enhanced 97% LTV and 105% TLTV Mortgage
- HFA Income limits
- Homeownership Education – per HFA program or Home Possible® mortgages
- Use of Loan Product Advisor® recommended for broader product flexibility
- AUS alternatives in lieu of Loan Product Advisor® considered

PRICING

- Market competitive standard HFA Credit Fee in Yield reflecting market conditions and sales executions
- Loan-level credit fees in price exception for HFAs
- Cash & Guarantor executions
- Long-term contracts that may be amended subject to 90 days advance notice

CREDIT FEES IN PRICE

- Minimum mortgage insurance coverage required
- No MI (12 months recourse)

DELIVERY REQUIREMENTS

- Streamlined application process and less required documentation
- Dedicated Freddie Mac representative to assist you through the application process
- Reduced application fees

EXECUTION OPTIONS

- HFA-focused webinars
- Lender training materials and tutorials
- Available consumer-focused homebuyer education (e.g., CreditSmart®)
- Loan Advisor® tools:
 - Loan Product Advisor®
 - Loan Selling Advisor®
 - Loan Quality Advisor®

<https://sf.freddiemac.com/working-with-us/origination-underwriting/mortgage-products/hfa-advantage>

Growing Your Business

From valuable training and networking events to advanced tools and applications that help you work smarter, Freddie Mac has the resources you need to expand into new markets and grow your revenues.

Training & Events

Powerful applications and automated processes to help you work smarter and handle any eventuality.

Loan AdvisorSM

Loan AdvisorSM uncovers hidden value for your business. Our data and models reveal opportunity at every stage of the lending process.

The Seller/Servicer Guide

Everything you need to know to work with us is in the Seller/Servicer Guide and associated Guide Bulletins and Industry Letters.

Become a Seller/Servicer

Being a Freddie Mac client means you'll have access to a wide range of mortgage solutions to meet the diverse needs of your borrowers and your business, along with technology solutions that help you work smarter.

Resources for Borrowers

Reaching and educating borrowers – and helping them find the right mortgage – is essential for your business. Freddie Mac provides an array of materials you can share with your clients and business prospects.

CreditSmart[®]

CreditSmart[®] is a multilingual financial education curriculum and consumer outreach initiative designed to help consumers build and maintain better credit, make sound financial decisions.

Reaching Borrowers

Take advantage of the information we have gathered here to expand your efforts in reaching homebuyers in today's changing marketplace.

MyHome

Whether your borrowers rent, own, or plan to buy, we offer the resources to help make informed decisions and support their success.

Duty to Serve

Supporting underserved markets by financing more rural and manufactured housing and preserving more affordable housing for homebuyers nationwide.

Freddie Mac HFA Advantage[®] Mortgages

Freddie Mac HFA Advantage[®] mortgages offer outstanding flexibility for maximum financing. Learn more with this fact sheet.

Freddie Mac HFA Advantage[®] Program Details

View the HFA Advantage[®] terms specific to housing finance agencies.

HFA Advantage[®] vs. FHA: A Side-by-Side Comparison

View the comparison.

<https://sf.freddiemac.com/working-with-us/origination-underwriting/mortgage-products/hfa-advantage>



< Single-Family < Loan Advisor Suite

Loan Product Advisor



Loan Product Advisor

What's New

Get The Freddie Edge™ with [asset and income model \(AIM\)](#).

Access Freddie Mac Loan Product Advisor

Enhanced

Resources

- [Loan Product Advisor FAQs](#)
- [Loan Advisor Suite Demo](#)
- [Loan Advisor Suite FAQs](#)
- [Automated Collateral Evaluation Fact Sheet](#)
- [System-to-System Access Registration Form](#)
- [Web Access Maintenance Form for Existing Users](#)
- [Documentation Matrix \[PDF\]](#)
- [Participating Wholesale Lenders](#)
- [Technology Integration Vendors](#)
- [Mortgage Products](#)
- [Affordable Lending Products](#)
- [Hours of Operation](#)
- [Additional Resources](#)
- [Credit Reporting companies and/or Technical Affiliates](#)

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Everything you need to get started and get the most from our entire suite of products.

[Learn More](#)

http://www.freddiemac.com/singlefamily/crownpeak/loanadvisorsuite_loanproductadvisor.html

Call: 800-FREDDIE (800-373-3343)

Welcome to Freddie Mac. We make home possible. Your call may be monitored or recorded for quality assurance.

- If you are a Freddie Mac approved Seller Servicer or a Business Partner, please **press 1**.
- For underwriting guideline support, please **press 1**.
- For affordable lending, HFA advantage or home possible, please **press 1**.
- Please enter your six-digit Seller Servicer number or seven-digit third party originator number, followed by the pound sign.

***Please complete the online
evaluation before exiting
today's session***

Thank you for your participation!