Freddie Mac

We Open Doors®

*Expanding Markets*Ò

Freddie Mac's Section 8 Homeownership Program

Affordable and accessible homeownership opportunities expanded for low-income individuals receiving Section 8 rental subsidies

Every day, Freddie Mac strives to provide new and innovative avenues for affordable homeownership to underserved communities, minorities and low-income families. Consistent with the new Section 8 Homeownership Final Rule issued by the United States Department of Housing and Urban Development (HUD) on September 12, 2000, Freddie Mac is working together with Public Housing Authorities (PHAs), lenders and nonprofit organizations to use Section 8 rental subsidies for mortgage payments.

The Freddie Mac Section 8 Homeownership Program is flexible and is designed to fit the needs of local governments and PHAs that administers a Section 8 voucher program. Working with local PHAs and our lenders, Freddie Mac will purchase mortgages originated under this negotiated program combining the requirements of the Section 8 program with Freddie Mac's underwriting requirements.

Benefits

- Help individuals and families currently receiving Section 8 rental subsidies to realize the dream of homeownership
- With special approval by Freddie Mac of the Section 8 voucher program, 1% or $1000 minimum out-of-pocket contribution from the borrower, depending on the price of the home
- Flexible total debt payment-to-income ratio of 38-42% and no housing expense-to-income ratio
- Flexibility in use of automated or manual underwriting, depending upon the mortgage product used
- Direct deduction of the Housing Assistance Payments (HAPs) from the principal, interest, taxes and insurance (PITI) increases purchasing power
- HAP can be made directly from the Section 8 administrator to the mortgage servicer or to the borrower, depending on local needs
- Create a new avenue to homeownership for a new market segment of prospective homebuyers

Key Features:

- **Flexibility in use of HAP subsidy**
- **Minimal down payment required**
- **Flexible sources of funds for down payment and closing costs, including Family Self Sufficiency escrows**

Looking for More Affordable Products That Will Help Low- and Moderate- Income Borrowers?

Visit www.freddiemac.com for more information on:

- **Affordable Gold® Alt 97**
- **Affordable Gold 97**
- **Affordable Gold 3/2**
- **Affordable Gold 5**
- **Community Gold®**

See reverse for underwriting and other additional details

Eligible Property Types

- 1-unit Primary Residences, including single-family dwellings, condominiums and Planned Unit Developments (PUDs)
- Manufactured Homes in accordance with Freddie Mac's *Single-Family Seller/Servicer Guide* (Guide)

Eligible Mortgages

- 30-year fixed-rate, fully amortizing mortgages
- Purchase transactions only
- Maximum Loan-to-Value (LTV): 97%
- Maximum Total Loan-to-Value (TLTV) with Affordable Seconds®: 105%
- All Affordable Gold mortgages in accordance with the Guide or negotiated Community Gold mortgages

Secondary Financing

- Affordable Seconds are permitted

Borrower Eligibility Requirements

- Automated and manual underwriting permitted per the product requirements
- Monthly debt payment-to-income ratio should not be greater than 38 to 40%; it may be as high as 42% with Community Gold mortgages
- Comprehensive pre- and post- purchase counseling along with early delinquency intervention is required and must be provided by a Freddie Mac pre-approved counseling agency
- Section 8 requires that a borrower have full-time work experience for a minimum of one year prior to entering into the homeownership program
- Reserves may be waived for Community Gold mortgages

Down Payment, Closing Costs, Financing Costs & Prepaids/Escrows

Minimum down payment and remaining funds needed to close must meet the requirements of the affordable product used and may include all sources of cash and other equity as outlined in the Guide and

- Funds from the Family Self Sufficiency (FSS) escrow account may be considered as part of the borrowers' assets in addition to other acceptable sources of funds for all of the Affordable Gold products and Community Gold
- Cash on Hand in accordance with the Guide
- Property seller contributions up to 3%

Special Underwriting Requirements – Borrower and Income Qualification Options

- If there is only a first lien mortgage or if there is a first lien mortgage with an Affordable Second that has no payments due until the sale or transfer of the property, the HAP may be:
  - ⇒ <u>Deducted from the PITI</u>
    When calculating ratios, the HAP may be deducted from PITI. The resulting housing expense-to-income ratio is then calculated using the "net housing obligation" of the borrower. The qualifying ratios are based on the applicable affordable product/program guidelines.
  - ⇒ <u>Added to Borrower Income</u>
    When the tax-exempt HAP is added to income, it may be grossed up and added to stable monthly income prior to calculating ratios.
- <u>Two Mortgage Option</u>
  Under this option, a traditional first mortgage is used with an Affordable Seconds mortgage. The borrower is qualified using the PITI payment of the first mortgage while the HAP is used to pay the P&I of the second mortgage. This structure is acceptable if the term of the Affordable Second does not exceed 15 years.

Additional PHA Section 8 Housing HAP Plan Requirements

The PHAs must ensure that the Section 8 Homeownership Program developed is consistent with HUD's final rule adopted on September 12, 2000 and as amended when appropriate.

In addition, Freddie Mac will assist the PHAs to:

- Identify lending partners to participate in the program
- Identify counseling agencies to provide pre- and post-purchase counseling that includes early default intervention

Learn more about Freddie Mac's Section 8 Homeownership Program:

- For a list of Freddie Mac's Community Development Lending Managers, visit our website: **www.freddiemac.com/sell/expmkts/index.html**
- For more information on this program or other affordable housing initiatives, contact your local Community Development Lending Manger.