Leading the Future of Home
Speaker Introduction

David Mendez
Affordable Lending Manager

David facilitates and delivers sustainable lending opportunities and access to credit to the low- to moderate-income buyers and families in underserved market areas.
Making Home Possible for 50 Years

- Freddie Mac was chartered by Congress in 1970 and operates in the Secondary Mortgage Market.

- Mission to promote liquidity, stability, and affordability in housing – nationwide, in all economic conditions.

- Community mission
  - Stabilize communities
  - Prevent foreclosures
  - Expand credit responsibly
  - Educate future homebuyers and counsel homeowners
  - Support affordable rental housing

- Three main business lines
  - Single-Family (1- to 4-unit for-sale properties)
  - Multifamily (5+-unit for-rent properties)
  - Capital Markets
The Secondary Mortgage Market

A continuous cycle involving trillions of dollars to make home possible
The Affordable Ecosystem

It takes many hands to make home possible. Partnership and collaboration across the affordable ecosystem are critical to drive both business opportunities and making the dream of home a reality for families.
State of the Housing Market
Economy Overview

Macroeconomy

• As large swathes of the U.S. economy shut down to battle the COVID-19 pandemic, it faces its greatest challenge in over a decade.

• Since March 2020, unemployment has reached historic levels and overall spending has precipitously declined.

• Still, there is optimism for an economic rebound as states begin to open businesses.

• Reduced economic growth will keep inflation in check.

Housing

• Housing inventory continues to be scarce, home sales and new home starts have declined.

• Government and Freddie Mac response to COVID-19 will help to offer forbearance to homeowners and pause evictions of some homeowners and renters.

• The fiscal stimulus provided by the CARES Act will mute the impact that the economic shock has on house prices.

Source: Freddie Mac Housing and Economic Research report April 2020
Mortgage Rates Have Been Declining

Freddie Mac Primary Mortgage Market Survey®
30-year FRM (%), U.S. Weekly Average through 5/7/2020

Source: Freddie Mac Primary Mortgage Market Survey 5/11/2020
House Price Appreciation Slowing Down

Annual Percent Change in Freddie Mac House Price Index

Source: Freddie Mac House Price Index, December 2019 Economic and Housing Research Outlook
Note: Shaded bars indicate forecasted data.
Home Price Performance by State – April 2018 to November 2019

Significant Variability by Region and State since 2018

United States: 3.6%

Source: Freddie Mac

1 The Freddie Mac House Price Index for the U.S. is a value-weighted average of the state indexes where the value weights are based on Freddie Mac’s single-family credit guarantee portfolio. Other indices of home prices may have different results, as they are determined using different pools of mortgage loans and calculated under different conventions. The Freddie Mac House Price Index for the U.S. is a non-seasonally adjusted monthly series. Percent changes were rounded to nearest whole percentage point.
Household Demographics

**Household formations**
- 2013: 653K
- 2019: 1.2M

**Millennials living with parents**
- ~25%

**Millennial households**
- 2015: 16M
- 2035: 49.8M (projected)

**Minorities share of households**
- 75%

Households growth projected between 2015 and 2025

**Households aged 65+**
- Growth projected between 2015 and 2025
- 31M

Source: Joint Center for Housing Studies of Harvard University’s “2019 State of the Nation’s Housing”
2018 First-Time Homebuyer Demographics

- Share at 33% in 2018 – A decrease from 34% in 2017 and 35% in 2016
- Median age – 33; Median income - $75,000
- Down payment sources – 78% savings; 24% gifts from friends or relatives
- 26% used FHA loans, 12% used VA
- Typical FTHB home: 1,600 sq. ft., cost - $203,700
- FTHBs plan to stay in homes for 10 years
Time to Save for "Mortgage Ready" Population by Race/Ethnicity

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>&quot;Time to Save&quot; (year)</th>
<th>Monthly Net Income</th>
<th>Median House Price (SFH)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20% down</td>
<td>5% down</td>
<td>3% down</td>
</tr>
<tr>
<td>Non-hispanic Whites</td>
<td>14.4</td>
<td>3.6</td>
<td>2.2</td>
</tr>
<tr>
<td>African Americans</td>
<td>15.4</td>
<td>3.8</td>
<td>2.3</td>
</tr>
<tr>
<td>Hispanic</td>
<td>24.5</td>
<td>6.1</td>
<td>3.7</td>
</tr>
<tr>
<td>Asians</td>
<td>23.5</td>
<td>5.9</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source: Freddie Mac calculations using anonymized credit bureau data for Sep 2018. Time to Save is calculated by dividing down payment requirements by monthly savings. According to Bureau of Economic Analysis, average personal savings rate is 6.7% of disposable income in 2018. We estimate disposable income by net income that is calculated by subtracting both federal and state taxes from pre-tax income at the individual-level.

- While Whites and African Americans have lower time to save, Hispanics and Asians have higher time to save.
  - Hispanics and Asians are more concentrated in high-cost areas.
Time To Save For 3% Down (by county)

 Typically, high cost areas need more time to save and can benefit from low down payment programs such as Home Possible and Home One.

Source: Freddie Mac calculations using anonymized credit bureau data for Sep 2018
Freddie Mac COVID-19 Response

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Freddie Mac Single-Family
To protect those affected, either directly or indirectly, by the novel coronavirus, known as COVID-19, the mortgage and housing industry has taken numerous actions.
For Freddie Mac Single-Family, These Actions Include:

- Nationwide suspension of foreclosures and evictions of borrowers living in homes owned by Freddie Mac.

- Additional disaster related loan modifications available for Servicers.

- Mortgage relief options for impacted borrowers.
Who Do These Measures Apply To?

Borrowers who are affected, either directly or indirectly, by COVID-19.

Borrowers who are unable to make their mortgage payments due to hardship related to COVID-19.

Affected borrowers regardless of whether their property is owner occupied, a second home or an investment property.
Freddie Mac Mortgage Relief Options for Borrowers Impacted By COVID-19:

- Provide borrowers with payment relief for up to 12 months.
- Allow Servicers to offer borrowers additional loss mitigation options.
- Suspend borrower late charges and penalties.
Borrowers Experiencing Financial Challenges Are Encouraged To:

1. Contact their mortgage Servicers (the company they send their monthly mortgage payment to).

2. Explore one of the Freddie Mac workout options with their mortgage Servicer, including:
   - Loan modifications.
   - Payment relief.
   - Keeping the payment the same post the forbearance period.
Freddie Mac Corporate COVID-19 Page

Our COVID-19 Response
We are taking action to protect our employees, customers, homeowners and renters.

Freddie Mac staff is working to ensure that our employees, customers and borrowers are protected from the direct and indirect impacts of coronaviruses (COVID-19). We are actively tracking the situation and making decisions based on guidance from public health authorities.

Providing Assistance to Borrowers
We are taking action to help make sure homeowners with Freddie Mac-owned mortgages who are directly or indirectly impacted by COVID-19 are able to stay in their homes during this challenging time. This includes offering the following mortgage relief options for those who are unable to make their mortgage payments due to a decrease in income:
- Providing mortgage forbearance for up to 12 months.
- Waiving assessments of penalties and late fees.
- Holding off foreclosure sales and evictions of borrowers in Freddie Mac-owned homes until at least May 17, 2020.
- Suspending reporting of credit bureau default status related to forbearance.
- Offering loan modification options that lower payments or keep payments the same after the forbearance period.

Visit our consumer page on My Home by Freddie Mac to learn more about our mortgage relief options to help homeowners.

Guidance for Lenders and Servicers
We are also providing additional guidance to our customers in both our Single-Family and Multifamily businesses.

- Additional Relief for Homeowners Impacted by COVID-19
- Increased Flexibility for Buy and Sell Under COVID-19

VISIT: http://www.freddiemac.com/about/covid-19.html

Resource Page
Includes:
- Summary COVID-19 Business Updates
- Resource Links
Support for Housing Finance Agencies (HFAs)
HFA Advantage® Mortgage

- The HFA Advantage® mortgage is our enhanced product for housing finance agencies, which includes:
  - Up to 97% LTV, 105% TLTV (1-unit)
  - Charter level mortgage insurance coverage
  - No minimum borrower contribution, no reserve requirement (subject to HFA Guidelines)
  - No credit fees in price for Area Median Income less than 80% (aka: pricing adjustments)
  - Borrowers can own one other property
- Ideal for borrowers with limited funds for down payment and closing costs
- A competitive alternative to FHA financing
HFA Advantage® Mortgage

One-unit primary residence
Purchase and no cash-out refinancing
Maximum 97% LTV and 105% TLTV ratios
Flexible funding options for down payment and closing costs
No reserves required

High loan-to-value (LTV) conventional offering that’s an excellent alternative to FHA lending requirements and mortgage premiums
Adopts the requirements of Home Possible® but with added flexibilities for HFAs.

HFA-established income limits
Available to first-time homebuyers, repeat buyers, and borrowers seeking no cash-out refinances
Loan Product Advisor®, manual UW, or alternative UW system subject to prior approval
Flexible MI options available
# HFA Advantage® Mortgage – Mortgage Insurance

<table>
<thead>
<tr>
<th>LTV Ratio</th>
<th>Mortgage Insurance Coverage For Borrowers Earning ≤ 80% AMI</th>
<th>Mortgage Insurance Coverage For Borrowers Earning &gt; 80% AMI*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 80% up to 85%</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>Greater than 85% up to 90%</td>
<td>12%</td>
<td>25%</td>
</tr>
<tr>
<td>Greater than 90% up to 95%</td>
<td>16%</td>
<td>30%</td>
</tr>
<tr>
<td>Greater than 95% up to 97%</td>
<td>18%</td>
<td>35%</td>
</tr>
</tbody>
</table>

*Custom MI options may be available; consult with your HFA
Why Choose HFA Advantage® Over FHA?

### HFA Advantage Mortgage
- MI for 1-units ends when LTV < 80%
- Conventional MI: monthly premium
- MI only required if the LTV is 80% or higher
- No upfront MIP

### FHA
- MI stays for the life of the loan
- FHA: Upfront AND monthly premiums
- MI required regardless of the LTV
- Upfront MIP added to principal AND amortized

**WHAT THIS MEANS:** With more funds applied toward the principal up front, a Home Possible mortgage with PMI lets the borrower build equity faster.

Mortgage Insurance (MI)
Submitting Freddie Mac HFA Advantage® Mortgage Loans in Loan Product Advisor®

ALL FOR HOME

June 2020
Credit reputation, Capacity and Collateral are often called the "three Cs" of underwriting.

If one of these components is not acceptable or if there is excessive layering of risk across components, the mortgage may not be acceptable for sale to Freddie Mac.
The 3 C’s of Underwriting Used in LPA

Credit Reputation
- Credit Score
- Foreclosures, bankruptcies, liens and/or judgments
- Mortgage delinquencies
- Credit delinquencies, repossessions, collections, or charge-offs
- Credit accounts: type, age, limits, usage and status of revolving accounts
- Borrower’s request for new credit in last 12 months

Capacity
- Debt ratios: Qualifying monthly housing expense-to-income ratio or monthly debt payment-to-income ratio
- Salaried versus self-employed borrower
- Cash reserves
- Number of borrowers
- Loan Characteristics:
  - Product: a 15-, 20-, and 30-year fixed rate, an adjustable rate mortgage
  - Purpose of Loan: purchase or refinance (cash-out or no cash-out)

Collateral
- Borrower's total equity or down payment
- Property type: a 1-unit or 2- to 4- unit detached property, Condominium Unit or Manufactured Home
- Property use: Primary Residence, Second Home or Investment Property
Select the Correct Product

Depending on your loan origination software (LOS), the HFA Advantage mortgage product may be identified as “HFA Advantage”, “Home Possible Advantage for HFAs”, or the code 251. Select any of these options in the “Offering Identifier” field in your LOS.

The screen shot below is from Loan Product Advisor (LPA).
Enter the following types of down payment assistance (DPA) in the “Total Gift Fund” field located in the “Assets and Reserves” section in your LOS or LPA:

- An Affordable Second® that doesn’t require a payment within the first 60 months
- A grant that is not required to be repaid

Refer to the Single-Family Seller/Servicer Guide (Guide) Section 4204.2: Special requirements for Affordable Seconds

Example
Purchase Price = $100,000
5% Affordable Second DPA = $5,000
Total Gift Funds = $5,000
If monthly payments are required and begin before the 61st monthly payment under the first-lien mortgage, these monthly payments must be included in the borrower’s monthly housing expense-to-income ratio and monthly debt payment-to-income ratio. Enter the monthly payment in the “Other Financing P&I” field in the “Monthly Housing Expense Breakdown” section of your LOS or LPA.

### Monthly Housing Expense Breakdown

<table>
<thead>
<tr>
<th>Proposed Monthly Housing Expense (for the subject property)</th>
<th>Other Financing P&amp;I</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Mortgage P&amp;I</strong></td>
<td>$ 43.80</td>
</tr>
<tr>
<td>$ 528.15</td>
<td></td>
</tr>
<tr>
<td><strong>Hazard Insurance</strong></td>
<td>$</td>
</tr>
<tr>
<td>$ 20.21</td>
<td></td>
</tr>
<tr>
<td><strong>Mortgage Insurance</strong></td>
<td>$</td>
</tr>
<tr>
<td>$ 50.00</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>$</td>
</tr>
<tr>
<td>$</td>
<td></td>
</tr>
<tr>
<td><strong>Real Estate Taxes</strong></td>
<td>$ 83.33</td>
</tr>
<tr>
<td><strong>Homeowner Association Dues</strong></td>
<td>$</td>
</tr>
<tr>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>
In addition to entering the monthly payment in the “Other Financing P&I” field in the “Monthly Housing Expense Breakdown” section, enter the total amount of the amortizing subordinate loan in the “Subordinate Financing” field in the “Details of Transaction” section of your LOS or LPA.
HFA Advantage does not require reserves unless LPA determines reserves are necessary to offset other underwriting factors. TIP: because reserves are a compensating factor in LPA decisions, it is always advisable to verify a borrower’s reserves and include them in the “Assets and Reserves” section of your LOS or LPA.

Refer to Guide Section 5501.2: Reserves
The LPA Feedback Certificate will indicate “Eligible” Purchase Eligibility and “Accept” Risk Class upon successful submission of an HFA Advantage loan.
In the “Mortgage Information” section of the LPA Feedback Certificate, verify that the “Offering Identifier” field is populated with “HFA Advantage” or “Home Possible Advantage for HFAs”.

<table>
<thead>
<tr>
<th>Mortgage Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRODUCT TYPE</strong></td>
</tr>
<tr>
<td><strong>INTEREST RATE</strong></td>
</tr>
<tr>
<td><strong>LOAN AMOUNT</strong></td>
</tr>
<tr>
<td><strong>PROPERTY TYPE</strong></td>
</tr>
<tr>
<td><strong>AFFORDABLE PRODUCT TYPE</strong></td>
</tr>
<tr>
<td><strong>OFFERING IDENTIFIER</strong></td>
</tr>
<tr>
<td><strong>OFFERING IDENTIFIER</strong></td>
</tr>
<tr>
<td><strong>NEW CONSTRUCTION</strong></td>
</tr>
<tr>
<td><strong>AMORTIZATION TYPE</strong></td>
</tr>
<tr>
<td><strong>AMORTIZATION MONTHS</strong></td>
</tr>
<tr>
<td><strong>PURPOSE OF LOAN</strong></td>
</tr>
<tr>
<td><strong>PURCHASE PRICE</strong></td>
</tr>
<tr>
<td><strong>ESTIMATED VALUE OF PROPERTY</strong></td>
</tr>
<tr>
<td><strong>APPRaised VALUE OF PROPERTY</strong></td>
</tr>
<tr>
<td><strong>INTENDED USE OF PROPERTY</strong></td>
</tr>
<tr>
<td><strong>NUMBER OF UNITS</strong></td>
</tr>
<tr>
<td><strong>CASH OUT AMOUNT</strong></td>
</tr>
<tr>
<td><strong>SUBORDINATE AMOUNT</strong></td>
</tr>
<tr>
<td><strong>PURPOSE OF REFINANCE</strong></td>
</tr>
<tr>
<td><strong>SALES CONCESSIONS</strong></td>
</tr>
<tr>
<td><strong>LENDER SUBMITTED RESERVES</strong></td>
</tr>
</tbody>
</table>
In the “General Messages” section of the LPA Feedback Certificate, review the following messages:

- **Message 81**: verify the borrower’s qualifying income meets the HFA program’s income limits
- **Message K9**: states the area median income (AMI) for the area in which the subject property is located
- **Message D2**: compares the borrower’s qualifying income to the AMI and indicates if it is ≤ 80% AMI or ≤ 50% AMI
In the “General Messages” section of the LPA Feedback Certificate, **Message KU** prompts you to verify the HFA’s homebuyer education requirements are met before loan closing.

### General Messages

<table>
<thead>
<tr>
<th>CODE</th>
<th>MESSAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>Loan Product Advisor Assessment Expiration Date for JOHN FREDDIE is 09/05/2020.</td>
</tr>
<tr>
<td>81</td>
<td>Only Freddie Mac seller/servicers with a negotiated commitment may deliver HFA Advantage mortgages. Ensure the annual qualifying income ($34,992.00) falls within the maximum HFA-established income limits.</td>
</tr>
<tr>
<td>K9</td>
<td>The Area Median Income (AMI) is ($71,700.00) for the address submitted.</td>
</tr>
<tr>
<td><strong>KU</strong></td>
<td>Since there is at least one borrower who is not a First-Time Homebuyer, homebuyer education is required only if specified by the HFA.</td>
</tr>
<tr>
<td>D2</td>
<td>Based on the annual qualifying income ($34,992.00) and the Area Median Income (AMI) ($71,700.00) 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 ($35,850.00). Additionally, the loan meets the Low-Income Purchase (LIP) housing goal which requires income of less than or equal to 80% AMI ($57,360.00).</td>
</tr>
</tbody>
</table>
Verify Down Payment Assistance

In the “Assets & Reserves” section of the LPA Feedback Certificate, review the following messages:

- If applicable, **Message B8** identifies the amount of DPA entered in the “Total Gift Fund” field and any documentation required for the loan file
- If applicable, **Message NW** prompts you to obtain from the HFA documentation evidencing the DPA entered in the “Total Gift Fund” field
- If applicable, **Message GS** prompts you to verify borrower funds and subordinate financing

### Assets & Reserves

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>G9</td>
<td>This loan was submitted with $3,276.00 in depository accounts (checking, savings and/or money market).</td>
</tr>
<tr>
<td>3X</td>
<td>Document the source of funds for any single deposit that exceeds $1,458.00, which is 50% of the total monthly qualifying income OR reduce the asset amount by the unverified deposit and resubmit.</td>
</tr>
<tr>
<td>CN</td>
<td>Depository accounts: For each account (checking, savings, money market, CDs, and other depository accounts) used to qualify the borrower, obtain an account statement covering a 1-month period or a direct verification.</td>
</tr>
<tr>
<td>B8</td>
<td>Loan was submitted with $5000.00 in gift funds. For Gifts/Grant of Equity from Related Person, obtain gift letter per Guide Section SS01.3. Provide evidence of transfer of gift funds from the donor's account to the Borrower's, or from the donor's account to the closing agent. A Gift of Equity must appear on Settlement/Closing Disclosure Statement. For wording of requirements, refer to Guide Section SS01.3.</td>
</tr>
<tr>
<td>NW</td>
<td>For gift or grant from an Agency: obtain documentation establishing funds were provided by an Agency with an established gift/grant program, that the funds do not have to be repaid and were received by the borrower or by the Seller on the borrower’s behalf. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower.</td>
</tr>
<tr>
<td>GS</td>
<td>Required Borrower Funds are calculated as $0.00 based on information submitted: purchase price ($100,000.00) + alterations, improvements and repairs ($0.00) - loan amount ($97,000.00) + transaction costs ($0.00) - proceeds from subordinate financing ($5,000.00).</td>
</tr>
</tbody>
</table>
In the “Assets & Reserves” section of the LPA Feedback Certificate, review the following messages:

- If applicable, **Message G0** indicates the amount entered as Reserves (remember: although not required, Reserves are a compensating factor in LPA decisions)
- If applicable, **Message CN** prompts you to obtain account statements documenting the Reserves for the loan file

### Assets & Reserves

<table>
<thead>
<tr>
<th>Message</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>G0</td>
<td>This loan was submitted with $3,276.00 in depository accounts (checking, savings and/or money market).</td>
</tr>
<tr>
<td>CN</td>
<td>Depository accounts: For each account (checking, savings, money market, CDs, and other depository accounts) used to qualify the borrower, obtain an account statement covering a 1-month period or a direct verification.</td>
</tr>
<tr>
<td>B8</td>
<td>Loan was submitted with $5000.00 in gift funds. For Gift/Gift of Equity from Related Person, obtain gift letter per Guide Section 5501.3. Provide evidence of transfer of gift funds from the donor’s account to the Borrower’s, or from the donor’s account to the closing agent. A Gift of Equity must appear on Settlement/Closing Disclosure Statement. For wedding gift requirements, refer to Guide Section 5501.3.</td>
</tr>
<tr>
<td>NW</td>
<td>For gift or grant from an Agency: obtain documentation establishing funds were provided by an Agency with an established gift/grant program, that the funds do not have to be repaid and were received by the borrower or by the Seller on the borrower’s behalf. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower.</td>
</tr>
</tbody>
</table>
YOU Are the Critical Link

• **YOU** are the critical link to helping well qualified homebuyers achieve their homeownership objectives:
  - Provide access to credit; originate loans to the full extent of Freddie Mac's credit box
  - Utilize your mortgage finance expertise
  - Explain the process and dispel the 20% down payment myth
  - Identify and match available financial resources in your area (government, nonprofit, private sources) with a sustainable mortgage solution
  - Take advantage of Freddie Mac training and resources for yourself and your borrower

• Homebuyer dream realized—and more business for you—if you know your market and where to find those affordability gap solutions

Freddie Mac is here to help!
Next Steps to Connecting with HFAs

David Mendez
Lender Engagement Manager
David_Mendez@FreddieMac.com
Mobile: 818-919-6241

Sam Noel
Lender Engagement Manager
Samuel_Noel@FreddieMac.com
Mobile: 404-405-0013

Jim Hall
Lender Engagement Manager
James_Hall@FreddieMac.com
Mobile: 609-790-6212
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.

Specialists trained in HFA Advantage

Review individual loan scenarios

Assist with LPA Feedback
Thank You