

HomeOneSM

Three percent down payment financing for first-time homebuyers with no geographic or income restrictions

BACKGROUND AND PURPOSE

Freddie Mac HomeOneSM mortgages provide lenders with a way to reach rapidly growing first-time homebuyer markets. Features of HomeOneSM include low down payments, fixed-rate mortgages, reduced mortgage insurance coverage levels, and no cash-out refinancing. HomeOneSM mortgages are eligible to first-time homebuyers with no geographic or income restrictions.

Despite offering low down payments, HomeOneSM mortgages include risk management features to promote responsible lending.

BORROWER CRITERIA

Income limits: No income or geographic restrictions apply.

Credit: HomeOneSM mortgages must be underwritten through Loan Product Advisor[®] and must receive a risk class of "Accept." At least one borrower on the transaction must have a usable credit score. Manually underwritten mortgages are not permitted.

First-time homebuyers: At least one borrower must be a first-time homebuyer when the mortgage is a purchase transaction. A borrower with no ownership interest in a residential property in the last three years is considered a first-time homebuyer. A displaced homemaker or single parent whose only ownership interest in the last three years has been a joint ownership in the marital residence is also considered a first-time homebuyer.

PROGRAM NAME	HomeOne SM
AGENCY	Freddie Mac
EXPIRATION DATE	Not Applicable
APPLICATIONS	No program-specific application is required. For information on becoming a Freddie Mac seller, see http://www.freddiemac.com/singlefamily/doingbusiness/
WEB LINK	http://www.freddiemac.com/singlefamily/factsheets/sell/pdf/homeone.pdf
CONTACT INFORMATION	institutional_eligibility@freddiemac.com (ask for a call back in your email)
APPLICATION PERIOD	Continuous
GEOGRAPHIC SCOPE	National

Occupancy and ownership of other properties: The property must be all borrowers' primary residence, but ownership of other properties is permitted. For example, if there is only one borrower, that borrower cannot have an ownership interest in another property during the three-year period preceding the date of purchase. However, if there is more than one borrower, ownership of another property may be permitted under certain conditions, but it cannot be the borrower claiming to be a first-time homebuyer.

Special populations: Special population status does not confer an advantage.

Property type: One-unit properties, including fee simple homes, condominiums and planned unit developments are eligible property types. Manufactured housing units are not eligible.

LOAN CRITERIA

Loan limits: FHFA publishes Freddie Mac's conforming loan limits annually. See Resources for a link to the current limits.

Loan-to-value limits: The HomeOneSM maximum LTV is 97 percent, or up to 105 percent total LTV with Affordable Seconds[®], which are subordinate liens used for down payment assistance and to pay for closing costs. Affordable Seconds[®] must be provided by a duly authorized authority or agency of the federal, state, local, or municipal government, a housing finance agency, a nonprofit organization, a regional Federal Home Loan Bank under one of its affordable housing programs, or the borrower's employer.

Adjustable-rate mortgages: ARMs are not allowed.

Down payment sources: No minimum contribution from the borrower's personal funds is required.

Homeownership counseling: When all borrowers are first-time homebuyers, at least one borrower must participate in homeownership education. Homeownership education programs developed by mortgage insurance companies are allowed, as well as internet-based programs such as Freddie Mac's free financial literacy curriculum, CreditSmart[®].

Mortgage insurance: Standard mortgage insurance of 35 percent is required when over 95 percent LTV. Custom MI rates may apply.

Debt-to-income ratio: Qualifying debt-to-income ratios are determined by Loan Product Advisor[®], Freddie Mac's automated underwriting tool. In the event that the borrower has student loan debt and the payment amount is provided on the credit report, that amount can be used for qualifying purposes. If the monthly payment amount reported on the credit report is zero, use 0.5 percent of the outstanding balance, as reported on the credit report.

POTENTIAL BENEFITS

HomeOneSM may allow community banks to expand their first-time homebuyer customer base.

With no geographic or income limits, HomeOneSM offers first-time homebuyers broad access to low-down payment financing.

HomeOneSM may help community banks access the secondary market, providing greater liquidity to enhance their lending volume.

POTENTIAL CHALLENGES

Lenders must have a way to access the program, whether through direct sales or a correspondent arrangement, as discussed in the introduction to this section. Depending on the arrangement, community banks may need to acquire or develop new expertise and infrastructure in order to participate.

Temporary interest rate buy downs: Temporary interest rate buy downs are permitted in accordance with the requirements of the Freddie Mac Guide. The borrower must be qualified using monthly payments calculated at the note rate.

Refinance: No cash-out refinance is allowed. For a no cash-out refinance mortgage, the mortgage being refinanced must be owned or securitized by Freddie Mac unless it has secondary financing that is an Affordable Second.

Delivery fee: Standard delivery fees apply.

Reserve requirements: Reserve requirements are determined by Loan Product Advisor®.

Potential Benefits

- HomeOneSM may allow community banks to expand their first-time homebuyer customer base.
- With no geographic or income limits, HomeOneSM offers first-time homebuyers broad access to low-down payment financing.
- HomeOneSM may help community banks access the secondary market, providing greater liquidity to enhance their lending volume.
- The guarantee provided by Freddie Mac under this program may help reduce exposure to credit risk.
- HomeOneSM offers competitive pricing and terms.
- Loans originated through the HomeOneSM may receive favorable consideration under the CRA, depending on the geography or income of the participating borrowers.

Potential Challenges

- Lenders must have a way to access the program, whether through direct sales or a correspondent arrangement, as discussed in the introduction to this section. Depending on the arrangement, community banks may need to acquire or develop new expertise and infrastructure in order to participate.

SIMILAR PROGRAMS

- Fannie Mae HomeReady™
- FHA 203(b) Mortgage Insurance Program
- Freddie Mac Home PossibleSM

RESOURCES

Direct access to the following web links can be found at <https://www.fdic.gov/mortgagelending>.

HomeOneSM fact sheet

<http://www.freddiemac.com/singlefamily/factsheets/sell/pdf/homeone.pdf>

FHFA Conforming loan limits

<http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx>

Affordable Seconds[®] Program

<http://www.freddiemac.com/singlefamily/expmkts/affsec.html>

CreditSmart[®] Program

<http://www.freddiemac.com/creditsmart/>

Delivery fees

<http://www.freddiemac.com/singlefamily/pdf/ex19.pdf>