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/Servicer 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
Key Features: HFA Advantage

- 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

Income limits established by Washington State HFC: $145,000 state-wide
Qualifying Income / Income Limits

- 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

<table>
<thead>
<tr>
<th>V. MONTHLY INCOME AND COMBINED HC</th>
<th>Borrower</th>
<th>Co-Borrower</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Monthly Income</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Base Empl. Income*</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Overtime</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonuses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends/Interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Rental Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(before completing, see the notice in “describe other income,” below)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
HFA Advantage
Additional Features & Benefits
### Mortgage Insurance:

<table>
<thead>
<tr>
<th>LTV Ratio</th>
<th>HFA Advantage Mortgage Insurance Coverage (Fixed rate only)</th>
<th>Standard Mortgage Insurance Coverage (Fixed rate, term &gt; 20 years)</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>

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
- 18% MI coverage (minimum coverage)
- FICO used for all scenarios: 700
- Two or more borrowers and DTI ≤ 45%
- 30-year fixed rate mortgage
- $300 monthly taxes & insurance
- FHA Upfront and monthly MI
- 96.5% LTV
- Rate 5.50%

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>FHA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Loan Amount</strong></td>
<td>$261,900</td>
<td>$261,900</td>
<td>$260,550</td>
</tr>
<tr>
<td><strong>Upfront MI Cost</strong></td>
<td>$0</td>
<td>$5,369**</td>
<td>$4,560 (1.75%)</td>
</tr>
<tr>
<td><strong>Total Loan Amount</strong></td>
<td>$261,900</td>
<td>$261,900</td>
<td>$265,110</td>
</tr>
<tr>
<td><strong>Down Payment</strong></td>
<td>$8,100</td>
<td>$8,100</td>
<td>$9,450</td>
</tr>
<tr>
<td><strong>Monthly MI ($ &amp; %)</strong></td>
<td>$129 / .55%**</td>
<td>N/A</td>
<td>$185 / .85%</td>
</tr>
<tr>
<td><strong>Principal &amp; Interest</strong></td>
<td>$1,487</td>
<td>$1,487</td>
<td>$1,505</td>
</tr>
<tr>
<td><strong>Taxes &amp; Insurance</strong></td>
<td>$300</td>
<td>$300</td>
<td>$300</td>
</tr>
<tr>
<td><strong>Total Monthly Payment (Year 1)</strong></td>
<td>$1,907</td>
<td>$1,787</td>
<td>$1,990</td>
</tr>
<tr>
<td><strong>Monthly Cost/Savings Compared to FHA</strong></td>
<td>$83</td>
<td>$203</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>MI Cost Over 5 Years (60 payments + any upfront MI)</strong></td>
<td>$7,200</td>
<td>$5,369</td>
<td>$15,242 (upfront MI + 60 est. monthly MI payments)</td>
</tr>
<tr>
<td><strong>5-Year MI Savings Compared to FHA</strong></td>
<td>$8,042</td>
<td>$9,883</td>
<td>-</td>
</tr>
<tr>
<td><strong>60 monthly payments (P&amp;I, est. monthly MI and upfront MI)</strong></td>
<td>$96,420</td>
<td>$94,589</td>
<td>$105,542</td>
</tr>
</tbody>
</table>

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 premium 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.
Sources of Funds

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.
Borrower Eligibility - Homeownership Education

Homeownership Education Program

All borrowers must complete the home buyer education, commission-sponsored, in-person seminar prior to reservation of funds\(^1\)

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
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

Mortgage Type And Loan Terms

- **Mortgage Type**: Conventional
- **Base Loan Amount**: $270,000
- **Amortization Type**: Fixed Rate
- **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
Underwriting Path:

**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

- 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.
Evaluation Summary

- **PURCHASE ELIGIBILITY**: ELIGIBLE
- **RISK CLASS**: ACCEPT
- **COLLATERAL R&W* RELIEF**: UNAVAILABLE
- **ASSET R&W* RELIEF**: UNAVAILABLE
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

<table>
<thead>
<tr>
<th>PRODUCT TYPE</th>
<th>AMORTIZATION TYPE</th>
<th>AMORTIZATION MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Year Fixed Rate</td>
<td>Fixed</td>
<td>360</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTEREST RATE</th>
<th>PURPOSE OF LOAN</th>
<th>PURCHASE PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.5000%</td>
<td>Purchase</td>
<td>$150,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LOAN AMOUNT</th>
<th>ESTIMATED VALUE OF PROPERTY</th>
<th>APPRAISED VALUE OF PROPERTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>$145,500.00</td>
<td>N/A</td>
<td>$150,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>INTENDED USE OF PROPERTY</th>
<th>NUMBER OF UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family Detached</td>
<td>Primary Residence</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AFFORDABLE PRODUCT TYPE</th>
<th>CASH OUT AMOUNT</th>
<th>SUBORDINATE AMOUNT</th>
<th>PURPOSE OF REFINANCE</th>
<th>LENDER SUBMITTED RESERVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>$0.00</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OFFERING IDENTIFIER</th>
<th>NEW CONSTRUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>HFA Advantage</td>
<td>N/A</td>
</tr>
</tbody>
</table>
# 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 08/31/2019.</td>
</tr>
<tr>
<td>LX</td>
<td>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.</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 ($36,000.00) falls within the maximum HFA-established income limits.</td>
</tr>
<tr>
<td>K9</td>
<td>The Area Median Income (AMI) is ($117,200.00) for the address submitted.</td>
</tr>
<tr>
<td>EW</td>
<td>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.</td>
</tr>
<tr>
<td>KS</td>
<td>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.</td>
</tr>
<tr>
<td>4D</td>
<td>The net purchase price is calculated by subtracting the sales concessions from the gross purchase price.</td>
</tr>
<tr>
<td>D2</td>
<td>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).</td>
</tr>
</tbody>
</table>
Loan Product Advisor Feedback Certificate

Mortgage Insurance & Fees

<table>
<thead>
<tr>
<th>CODE</th>
<th>MESSAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z1</td>
<td>This HFA Advantage mortgage requires 18% MI coverage.</td>
</tr>
</tbody>
</table>
Loan Product Advisor Feedback Certificate

Asset Information

- **TOTAL ELIGIBLE ASSETS**: $10,100.00
- **TOTAL FUNDS TO BE VERIFIED**: $2,600.00

- **REQUIRED BORROWER FUNDS**: $2,600.00
- **REQUIRED RESERVES**: $0.00
- **PAID DOWN DEBTS**: $0.00
- **PAID OFF DEBTS**: $0.00

Calculated Values

- **LTV**: 97.00%
- **TLTV**: 105.00%
- **HTLTV**: 105.00%
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.
Sources of Funds: Affordable Seconds®

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.

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 origination for low- and moderate-income borrowers; reduce your processing costs for secondary financing programs; support collaborations with public agencies and nonprofit organizations.

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

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

- 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. ***
Wrap Up

How can HFA Advantage be YOUR affordable lending solution?

General Requirements

Features and Benefits

Underwriting and Processing Tips

Resources
# HFA Advantage®

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

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

## Program Features

<table>
<thead>
<tr>
<th>BORROWER ELIGIBILITY/BORROWER PROFILE</th>
<th>Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced 97% LTV and 105% TLTV Mortgage</td>
<td>Market competitive standard FHA Credit Fee in Yield reflecting market conditions and sales executions</td>
</tr>
<tr>
<td>HFA Income Limits</td>
<td>Loan-level credit fees in price exception for HFAs</td>
</tr>
<tr>
<td>Homeownership Education – per HFA program or Home Possible® mortgages</td>
<td>Cash &amp; Guarantor executions</td>
</tr>
<tr>
<td>Use of Loan Product Advisor® recommended for broader product flexibility</td>
<td>Long-term contracts that may be amended subject to 90 days advance notice</td>
</tr>
<tr>
<td>AUS alternatives in lieu of Loan Product Advisor® considered</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CREDIT FEES IN PRICE</th>
<th>DELIVERY REQUIREMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum mortgage insurance coverage required</td>
<td>Streamlined application process and less required documentation</td>
</tr>
<tr>
<td>No MI (12 months recourse)</td>
<td>Dedicated Freddie Mac representative to assist you through the application process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXECUTION OPTIONS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HFA-focused webinars</td>
<td>Reduced application fees</td>
</tr>
<tr>
<td>Lender training materials and tutorials</td>
<td></td>
</tr>
<tr>
<td>Available consumer-focused homebuyer education (e.g., CreditSmart®)</td>
<td></td>
</tr>
<tr>
<td>Loan Advisor® tools:</td>
<td></td>
</tr>
<tr>
<td>Loan Product Advisor®</td>
<td></td>
</tr>
<tr>
<td>Loan Selling Advisor®</td>
<td></td>
</tr>
<tr>
<td>Loan Quality Advisor®</td>
<td></td>
</tr>
</tbody>
</table>

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 Advisor™
Loan Advisor™ 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.

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.

Resources

Loan Product Advisor

What's New
Get The Freddie Edge™ with asset and income model (AIM).

Enhanced
Access Freddie Mac Loan Product Advisor

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!