
Handling a Freddie Mac BorrowSmartSM Loan

Procedure

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Document Information

Scope	<p>Production Loan Originator (LO) and Loan Originator Assistant (LOA)</p> <p>Transaction Management Transaction Coordinator (TC) and Client Advocate (CA)</p> <p>Retail/TPO Transaction Assistant (TA), Transaction Coordinator (TC/Processor) Processor</p> <p>Underwriting Underwriter</p> <p>Post Funding Investor Delivery</p>
Governing Policy	Compliance Mortgage Origination Policy
Tools and Systems	Octane Velocify

Overview

The Freddie Mac BorrowSmartSM program can help borrowers by providing non-repayable closing cost assistance for Moderate-Income Purchase (MIP), Low-Income Purchase (LIP) and Very Low-Income Purchase (VLIP) borrowers who complete housing counseling through HUD-approved counseling provider, Home Preservation Foundation. When a borrower is purchasing a property, loan originators follow the steps outlined in the procedure to determine if a borrower may be a good candidate for the program. The grant is available to be used in conjunction with a Freddie Mac Conforming Fixed 30 year purchase, a Freddie Mac Home Possible® or a Freddie Mac HomeOne product. The grant may be used to fund up to 100% of the borrower’s required cash to close.

Borrowers can use funds from other eligible sources including:

- Funds from family

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- Funds from eligible nonprofits or government agencies
 - Funds from Employer Assisted Homeownership programs and Affordable Seconds

Note: The additional eligible assistance is added as an asset in Octane.

Program Requirements

To be eligible for the BorrowSmartSM program, the borrower must meet Freddie Mac Conforming Fixed, Freddie Mac Home Possible®, or Freddie Mac HomeOne Guidelines as well as additional income requirements. For a complete list of the terms and conditions refer to the following snapshots on the HUB:

Retail

- [Freddie Mac Conforming Fixed and ARM Product Snapshot](#)
- [Freddie Mac Home Possible Product Snapshot](#)
- [Freddie Mac HomeOneSM Product Snapshot](#)

TPO

- [Freddie Mac Conforming Fixed and ARM Product Snapshot](#)
- [Freddie Mac Home Possible Product Snapshot](#)
- [Freddie Mac HomeOne Product Snapshot](#)

The BorrowSmartSM program is available in [all states](#) and must meet the following requirements:

- Purchases only
- Owner occupied
- Primary Residence
- Eligible Properties

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- 1-4 Units
 - Condos
 - Planned Unit Developments (PUD)
 - Manufactured Homes (See guidelines for requirements)
 - Area Median Income (AMI) limits apply. Eligibility can be validated using the [Home Possible Income & Property Eligibility Tool](#).

Getting Started

1. Sign in to [Octane](#) and [Velocify](#).
2. In the left menu of Octane, navigate to the **Workflow Queues** screen.

Determining Whether the Borrower is Pre-Qualified

Loan Originators must determine borrower(s) eligibility using the standard loan application or pre-approval process which includes following the steps in the [Completing a Loan Application](#) procedure, selecting the applicable product, adding the grant, and obtaining acceptable Loan Product Advisor (LPA) findings.

Pricing and Locking the Loan

After the application has been completed, select the loan program.

1. To access rates, navigate to the **Terms** screen and select **Get Rates** at the bottom of the screen.

Terms	
Terms Locks Lender Concessions Eligibility	
General	
Loan Purpose	Purchase
Property Use	Primary Residence
Doc Level	Full Doc
Structure	Standalone 1st
Lead Source *	CRL_OutsideLead_R494
Effective Property Value	\$350,000 Sale Price
Tax & Insurance Escrow	Hazard Insurance - Yes
Loan Terms	
Program ID	
Program Name	
Sale Price	\$350,000 .00
Base Loan Amount	\$280,000 .00
Down Payment <input checked="" type="checkbox"/>	20.000 %
Down Payment Amount	\$70,000.00
MI, MIP, Funding Fee Financed	\$0
Total Loan Amount	\$280,000.00
Note Rate	0.000 %
Price	0.000 % Details
Qualifying Rate	0.000 % (Note Rate)
Initial P&I	\$0.00
Balloon Payment <input type="checkbox"/>	No
Borrower Dashboard	
<input type="button" value="Get Rates"/> <input type="button" value="Process Changes"/> <input type="button" value="Lock"/> <input type="button" value="Save"/>	

2. Select one of the following products, using [Community Lending Overview | BorrowSmart](#) as a guide if needed:

- Home Possible

- HomeOne

Note: This option is available for Moderate Income Grant only.

- Conforming Fixed 30 (FHLMC Conforming Fixed 30)

Note: This option is available for Moderate Income Grant only when the subject property is a manufactured home.

Note: It is not required to lock the loan at this time to continue to the Intent to Proceed workflow.

Grant Options and Requirements

Review the following table for grant options and their respective requirements.

Grant Options and Requirements		
Grant Amount	Octane Grant Name	Eligibility Requirements
\$1,500.00	CFGRANTVLI - Cardinal Financial Grant - VLIP	<p>Borrower(s) whose qualifying income is less than or equal to 50% of county area median income can qualify:</p> <ul style="list-style-type: none"> \$2500 for any loan application taken through May 31, 2023 \$1500 for any loan application taken on or after June 1, 2023 <p>Note: Ineligible for HomeOne</p>
\$500.00	CFGRANTLI - Cardinal Financial Grant - LIP	<p>Borrower(s) whose qualifying income is greater than 50% and less than or equal to 80% of county area median income.</p> <ul style="list-style-type: none"> \$1250 for any loan application taken through May 31, 2023 \$500 for any loan application taken on or after June 1, 2023 <p>Note: Ineligible for HomeOne</p>
\$1,000.00	CFGRANTMI - Cardinal Financial Grant - MIP	<p>Borrower(s) whose qualifying income is greater than 80% and less than or equal to 100% of county area median income can qualify for \$1,000. Assistance available only if:</p> <ul style="list-style-type: none"> A property in high needs areas in designated rural tracts or A manufactured home titled as real property. <p>Note: Manufactured Homes are ineligible for HomeOne. The Moderate Income option is only permitted for AMI over 80% and may not be paired with the Freddie Mac Home Possible which is limited to qualifying income at or below 80% AMI. Use these product snapshots for Manufactured Homes:</p> <ul style="list-style-type: none"> Freddie Mac Conforming Fixed and ARM Product Snapshot Freddie Mac Conforming Fixed and ARM Product Snapshot

Adding the Grant to the Loan Program

Perform the steps outlined below to add the grant to the loan program.

1. Use the [Home Possible Income & Property Eligibility Tool](#) to confirm the borrower's eligibility for the BorrowSmartSM program.
2. Enter the borrower's full property address.
3. Validate the borrower's Area Median Income Ratio to validate the grant amount.
 - a. On the left menu in Octane, click on the **Income** page.
 - b. Open the **Job** tab.
 - c. Select **AMI**.
4. Review [Handling Community Lending Programs and Products](#) for further instructions to add a grant in Octane.
5. Add the grant to the loan as a new asset.
 - a. On the left menu in Octane, click on the **Assets** page.
 - b. Click **Grants** from the tabs at the top of the **Assets** page.
 - c. At the bottom of the **Grants** tab, click the **Add Grant** button.
6. In the **Program** section of the **Grants** tab, select the appropriate Cardinal Financial Grant based on the borrower's monetary eligibility.



Program	Amount
CRGRANTLI (Cardinal Financial Grant - Low Income)	\$1,000.00
CRGRANTMI (Cardinal Financial Grant - Moderate Income)	\$1,000.00
CRGRANTVLI (Cardinal Financial Grant - Very Low Income)	\$1,500.00

7. Type the corresponding grant amount of one of the following \$500.00, \$1,000.00 or \$1,500.00 into the **Grant Amount** field based on the AMI ratio.

Assets > Grants > New

Program ▼

Grant Amount

Assets > Grants > CFGRANTLI (Cardinal Financial Grant - LIP)

Program ▼

Grant Amount

Donor Type

Donor Name

Donor Phone

Donor Address

Program EIN

Income

Total Income to AMI Ratio		Total Income	
76.786%		\$5,893.33	
Showing all income grouped by earners			
Source	Dates	Duration	Amount
Primary Job	05/05/11 - Present	9 Years 10 Months	\$5,893.33

8. Submit the loan to the Loan Product Advisor (LPA) on the **AUS** screen.

- The LPA Feedback Certificate Affordable Lending and Access to Credit Messages provides messages about qualifying income and requirements. The LPA message should support eligibility for the corresponding grant type and amount within the message verbiage.

Affordable Lending And Access To Credit Messages	
CODE	MESSAGE
FAL0003	Based on the annual qualifying income (\$26,652.00) and the Area Median Income (AMI) (\$54,400.00) 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 (\$27,200.00). Additionally, the loan meets the Low-Income Purchase (LIP) housing goal which requires income of less than or equal to 80% AMI (\$43,520.00).
FAL0011	The Area Median Income (AMI) is (\$54,400.00) for the address submitted.
FAL0005	This loan meets the Home Possible income limits.
FAL0029	For each grant used for qualification, obtain documentation that the funds were provided by an Agency with an established grant program, that the funds do not have to be repaid and were received by the borrower or by the Seiler 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. The agency must not be an interested party.

VLIP Example

Prepare the Borrower for their BorrowSmartSM Eligibility Assessment

Once the prequalification steps are complete and the borrower remains an eligible candidate, inform the borrower of the eligibility assessment and counseling requirements and introduce [Homeownership Preservation Foundation \(HPF\)](#). Inform the borrower of the nexts steps in the process in preparation for the eligibility assessment for the Homeownership Preservation Foundation (HPF).

- During the application process ensure the borrower:
 - is available for 10-15 minutes to complete the counseling
 - Is aware of their mortgage application date as this will be requested in order to begin their eligibility screening.
 - Has a method of payment available for the one time \$99.00 home counseling fee. The fee will be collected by HPF at the onset of the counseling call.
- Determine whether the borrower can be transferred, based on their responses to the conversation.

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- If the borrower is available for the required time and has payment ready, transfer the call.
 - If the borrower does not have the time and payment, or if the borrower wishes to complete the counseling on a future date and time, provide them with the HPF contact information.

Completing the Warm Transfer to Home Preservation Foundation

HPF provides borrower support and performs the following key components of the program:

- Provides program eligibility and homebuyer readiness assessment of the mortgage applicant(s)
- Collects \$99.00 counseling fee from borrower via telephone
- Engagement with consumers and lenders, compliant with RESPA
- Manages all data reporting and quality standards with the participating housing counseling agencies to track consumer progress and homebuyer readiness
- Provides program administration function, manages housing counseling agencies and disbursement of funds

Transfer the borrower to HPF.

1. Use 844-440-5577 to warm transfer clients to the Homeownership Preservation Foundation for counseling.
 - Hours of Operation Eligibility Screening Hours (1st Call) 9am to 7pm EST (Monday-Friday).
 - Initial Call duration is 5-10 minutes.
2. After connecting to a HPF employee, provide the following information:
 - Your name and role at Cardinal

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- The company name Cardinal Financial Company, Limited Partnership
 - Reference the BorrowSmartSM program
 - Total qualifying gross income for applicable borrowers. This information is in Octane in the **Gross Income** tab of the **Income** menu.
 - Type of home purchasing (Single Family Residence or Manufactured Home). During the warm transfer process to HPF, loan originators will be required to notify HPF if the property is a manufactured home.

Uploading the Certificate of Eligibility - BorrowSmartSM

The borrower receives the Eligibility Certificate once the Freddie Mac BorrowSmartSM eligibility screening has been completed. The borrower's eligibility is based on the county of the selected home and the income provided. The Certificate of Eligibility is provided to the borrower before the pre-purchase counseling is completed. If the loan team is unable to obtain the certificate from the borrower, email BorrowSmart@greenpath.com for assistance in obtaining a copy of the certificate.

1. All borrowers using income to qualify must be listed on the Eligibility Certificate.
2. Ensure that the borrower provides the Certificate of Eligibility.

Note: The borrower receives the certificate in their personal online portal. The LO or other team member may request the document from the borrower if it is not received.

Upload the Eligibility Certificate to Octane Smart Document **Certificate of Eligibility - BorrowSmartSM**.

1. In Octane, open **Documents** from the left menu.
2. Select **Certificate of Eligibility - BorrowSmart** in **Documents**.
3. Open **Assets**, then select the **Grants** tab.
4. In the **Grant Amount** field, type the **Potential Award** amount listed on the certificate.
5. The loan team is responsible for adding the grant amount as outlined within [Handling Community Lending Programs and Products](#) once the borrower has completed the eligibility

assessment. The Underwriter is responsible for providing a decision on Smart Document Certificate of Eligibility - BorrowSmart and will verify that the corresponding grant amount matches the borrower's eligibility.

Note: Only the Eligibility Certificate should be placed in the Certificate of Eligibility - BorrowSmartSM smart document folder.

Uploading the Certificate of Completion of Homeownership Counseling

Once the borrower has obtained the Eligibility Certificate, they must attend the BorrowSmartSM Homeownership Counseling session. The Counselor contacts the client at the time of appointment and completes the required BorrowSmartSM Pre-Purchase counseling session. Upon completion, Certificate of Completion of Homeownership Counseling is provided to the borrower only when the counseling session with a housing expert through Homeownership Preservation Foundation (HPF) is complete.

Freddie Mac BorrowSmartSM Program: Certificate of Completion of Pre-purchase Homeownership Counseling will be uploaded to Octane Smart Document **Certificate of Completion of Homeownership Counseling**. Pre-Purchase counseling will fulfill the Homeownership Education requirements for HomePossible.

Only one borrower is required to complete the certificate.

1. From the left menu in Octane, open **Documents**.
2. Upload the certificate in the **Certificate of Completion of Homeownership Counseling** field.
3. The Freddie Mac BorrowSmartSM Program Certificate of Completion of Pre-purchase Homeownership Counseling is the only document that can accepted the Certificate of Completion of Homeownership Counseling smart document folder.

Freddie Mac BorrowSmartSM Program: Certificate of Completion of Pre-purchase Homeownership Counseling

(To be completed by housing counselor)

Counselor Certification

By signing below, I certify that 1) I provided homeownership counseling and education services (as described below), as the housing counselor representative of the agency named in this form, to the Counseling Recipient (the "Client") named below. 2) The Client completed the counseling and education prior to the closing of their mortgage. 3) The counseling and education provided met or exceeded National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com), and included the items listed below, as applicable:

Standard Activities for Homeownership Counseling

<ul style="list-style-type: none"> Conducting intake to gather baseline information from the Client Conducting accurate needs assessment Documenting the household income and expenses Determining household debt level Reviewing the Client's credit report(s) Identifying credit challenges Determining and documenting household savings 	<ul style="list-style-type: none"> Developing a household budget Analyzing budget and recommending modification Conducting various calculations including affordability based on income and debt Developing a written action plan Providing the Client follow up Making referrals for additional services needed by the Client Providing Client information on delinquency/foreclosure services or information on a referral for these services
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Additional topics may include guidance on: down payment assistance and other housing related programs

Expected Counseling and Education Outcomes Include:

After counseling, the Client will be able to demonstrate an understanding of the following: preparing for homeownership (including assessing homeownership readiness and an overview of the home purchase process), budgeting and credit management, financing a home (including avoiding predatory loans, loan products and features comparison, purchase procedures and escrow and closing process), selecting a home (including understanding types of real estate professionals and understanding home inspections), maintaining a home and finances, sustaining homeownership (including avoiding predatory lending and scams, understanding costs and responsibilities of maintaining homeownership, including taxes, insurance, maintenance, homeowner/condo association fees) and avoiding delinquency and foreclosure. These topics are referenced in either the National Industry Standards for Homeownership Education and Counseling Guidelines or the HUD Housing Counseling Program Handbook. 05/2010)

Counseling Recipient (Client) Information

Counseling Recipient's Name

Uploading the Certificate of Completion of Homeownership Education

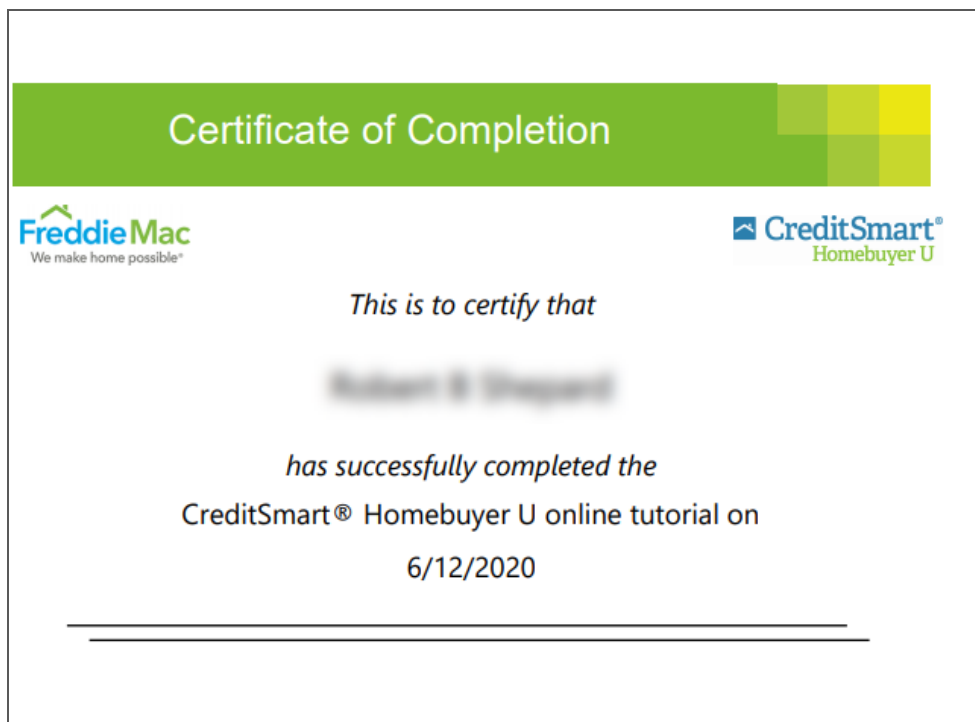
The Certificate of Completion will be provided by HPF or the applicable Freddie Mac education provider to the designated Cardinal team member and the borrower. Evidence Of Compliance | Certificate of Completion of Homeownership Education is the smart document used to satisfy the requirements of the first mortgage homeownership education.

1. From the left menu in Octane, select **Documents**.

2. Upload the **Homeownership Education Certificate of Completion** to the **Evidence of Compliance | Certificate of of Completion of Homeownership Education** Smart Document field.

Fannie Mae Framework is an acceptable Homeowner Education Provider.

Note: All borrowers using the BorrowSmart program must complete a counseling session with HPF. Some products such as HomePossible require education and the completed counseling through HPF fulfills this education requirement. This clarification is intended to communication that the BorrowSmartSM Pre-purchase counseling fulfills the HomePossible education requirements, but the HomePossible education does not fulfill the BorrowSmartSM requirements.



Note: All HomePossible or HomeOne Requirements still apply.

Investor Delivery

See the [Handling the Agency Delivery for Freddie Mac](#) procedure for investor delivery requirements that will be followed by the post funding team to deliver Borrower Smart transactions properly.

1. Provide the IFI code in the Freddie Mac Selling System upon delivery. Examine the following to determine which code is correct:
 - Certificate of Eligibility
 - Asset Screen in Octane.

Assets > Grants > New	
Program	CFGRANTLI (Cardinal Financial Grant - LIP) ▼
Grant Amount	\$500.00

2. Complete the following ULDD data fields in the Freddie Mac selling system at the time of loan delivery:
 - CounselingConfirmationType = UDAprovedCounselingAgency
 - CounselingFormatType = Individual

References

Reference List
Community Lending Overview BorrowSmart
Completing a Loan Application
Handling the Agency Delivery for Freddie Mac

Freddie Mac BorrowSmartSM Program
Freddie Mac Home Possible Product Snapshot - Retail
Freddie Mac HomeOneProduct Snapshot - Retail
Freddie Mac Conforming Fixed and ARM Product Snapshot - Retail
Freddie Mac Home Possible Product Snapshot - TPO
Freddie Mac HomeOne Product Snapshot - TPO
Freddie Mac Conforming Fixed and ARM Product Snapshot - TPO
Home Possible[®] FAQ
Home Possible Income & Property Eligibility Tool
Handling Community Lending Programs and Products
Resource Scripts for Handling a BorrowSmart Loan
US Department of Housing and Urban Development Counseling Agencies

Revision History

Revision History is to be used as a reference only and will only provide a summary of document changes. For complete versioning, refer to the Google Docs versioning functionality, which is the system of record. Versioning has been captured as of 10.1.20.

Date	Version	Description	Approver
6.21.23	V7	Immaterial Change. Fixed broken link in References table.	-
6.20.23	V6	Document Certification. New Google document created due to file corruption. For references to the previous file, click here .	Shannon Ames Erica Price
5.30.23	V5	Updated Grant amounts for VLIP and LIP.	Kristen Bellon
2.14.23	V4	Immaterial change: Updated link to the Home Possible Income & Property Eligibility Tool.	Katrina Djekovic
8.10.21	V3	Added temporary Grant availability for VLIP in the amount of \$2500.	Kristen Bellon

3.26.21	V2	Annual recertification with full review. Updated formatting and newly instituted criteria as determined by the investor.	Erica Price
5.22.20	-	See Google Version History for previous updates.	