

Community Seconds checklist

Community Seconds®

- Are a powerful tool in helping borrowers address the upfront costs of buying a home.
- Can be used to fund all or part of the down payment and closing costs.
- May include terms that limit homebuyer/transferee income or the purchase price of the home to help maintain affordable entry-level housing.

Community Seconds are subordinate mortgages that can help make homeownership more accessible to borrowers. Although Fannie Mae does not purchase Community Seconds mortgages, we do require that they meet certain criteria when they are subordinate to first mortgages purchased by Fannie Mae. Lenders can use this checklist as a guide to determine whether a Community Seconds mortgage meets Fannie Mae's requirements by answering Yes to all the following questions.

A checkmark in the box indicates “YES, the statement is true.”

Community Seconds funds are provided by any one of the following, so long as it is not the property seller or other interested party:

- A federal agency.
- A municipality, state, county, or state or local housing finance agency (HFA).
- A nonprofit organization.
- A regional Federal Home Loan Bank under one of its affordable housing programs.
- A federally recognized Native American tribe or its sovereign instrumentality.
- An employer.

Except for Community Seconds with resale restrictions permitted under the *Selling Guide*, the Community Seconds mortgage is subordinate in priority to Fannie Mae, i.e., it allows the holder of the first mortgage to foreclose and acquire clear title to the property free of all interests of the Community Seconds mortgage provider.

The Community Seconds mortgage is not funded in any way through the first mortgage, such as through higher interest rates. See [Premium Pricing Doesn't Mix with Community Seconds](#) for more information.

Proceeds from the Community Seconds mortgage are only being used for the following purposes:

- Down payment assistance.
- Payment of closing costs.
- Payment for renovations (including energy-related improvements).
- Funding a permanent interest rate buydown.

If the Community Seconds mortgage has a balloon payment, it is not payable until the earlier of:

- The maturity date of the first mortgage loan; or
- 15 years from the note date of the first mortgage loan.

The interest rate for the Community Seconds mortgage does not exceed the interest rate of the first mortgage loan sold to Fannie Mae by more than 2 percentage points. (For example, if the interest rate on the first lien is 5%, then the Community Seconds interest rate may not exceed 7%.)

The Community Seconds mortgage does not allow negative amortization, unless it meets the additional requirements in *Selling Guide*, [B5-5.1-02, Community Seconds Loan Eligibility](#).

If the Community Seconds mortgage includes resale restrictions, they comply with the *Selling Guide* requirements in [B5-5.2](#).

The Community Seconds mortgage does not allow the provider to share in the property appreciation or it complies with shared appreciation requirements in [B5-5.1-02](#) (in Provider's Share in Appreciation in Value).

This document is incorporated by reference into the Fannie Mae *Selling Guide*.