



## Fact Sheet for Mortgage Lenders

### Community Seconds®

A Community Seconds mortgage is a subordinate mortgage that is used in connection with a first mortgage delivered to Fannie Mae. Although Fannie Mae does not *purchase* Community Seconds, we provide eligibility requirements for the subordinate Community Seconds product.

Fannie Mae generally does not evaluate specific Community Seconds or Community Seconds providers or confirm or comment on the eligibility of Community Seconds providers.

### Benefits

- Community Seconds mortgages permit Fannie Mae lenders to leverage public, nonprofit, and employer funds to finance a down payment and/or closing costs, thus helping more families achieve homeownership.
- For most purchase transaction mortgages delivered to Fannie Mae, no minimum contribution from the borrower's own funds is required on one-unit properties. A Community Seconds loan may provide the necessary funds for all or part of the down payment, closing costs, and property renovations.

### Eligibility

- To be eligible, Community Seconds funds must be provided by a federal agency, a municipality, state, county, state or local housing finance agency, nonprofit organization, a regional Federal Home Loan Bank under one of its affordable housing programs, a Native American tribe or its sovereign instrumentality, or an employer.
- The property must be a principal residence.
- The Community Seconds mortgage may not be funded in any way through the first mortgage, such as premium pricing. Premium pricing refers to situations when a borrower elects to pay a higher interest rate on a mortgage loan in exchange for a lender credit provided at closing (also referred to as premium financing)<sup>1</sup>. See [Selling Guide B5-5.1-02](#) Community Seconds Loan Eligibility for additional information and eligibility requirements for Community Seconds loans, and [B2-1.4-02](#) Mortgage Loan Eligibility for additional information about premium pricing.
- Community Seconds can be used with any standard (non-community lending) product or with HomeReady®; some restrictions may apply.
  - The combined loan-to-value (CLTV) can be up to 105%.
  - Loans may have more than one Community Seconds mortgage (i.e., a third lien) up to the maximum 105% CLTV.
  - [Desktop Underwriter®](#) (DU®) may be used to originate loans accompanied by Community Seconds.
  - For conventional first mortgage loans under the Rural Development (RD) Section 502 Leveraged (Blended) Loan Program that are combined with a direct, low interest rate subordinate Section 502 lien from RD, the subordinate lien is considered eligible under the Community Seconds program.
- Lenders are responsible for ensuring that mortgage loans sold to Fannie Mae with Community Seconds meet Fannie Mae requirements, including individual Community Seconds provider requirements, per the [Selling Guide](#). Refer to the [Community Seconds Checklist](#) – a list of guidelines to assist lenders in evaluating the Community Seconds program.
  - The standard review of Community Seconds programs is not required; however, if the subordinate lien is a Section 502 lien under the Leveraged (Blended) Loan Program, the lien must meet all RD guidelines.

### Other Information

- Special approval is not required to deliver the first mortgage included in a Community Seconds transaction.
- An exception to the restriction on premium pricing has been granted to certain eligible Housing Finance Agencies for the HFA Preferred products.
  - Eligible HFAs may use premium pricing to fund a Community Seconds program provided by unaffiliated correspondent lenders. Please see the [HFA Preferred Fact Sheet](#) for further information.

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<sup>1</sup> Please note that a lender credit cannot be used to fund any portion of the borrower's down payment, and should not exceed the amount needed to offset the borrower's closing costs.

- A list of eligible providers of HFA Preferred products is available on our [website](#).
- At loan delivery, Special Feature Code (SFC) 118 must be provided, and the amount of the Community Seconds mortgage(s) must be included in the CLTV.
- SFCs 118 and 220 must be reported when the first mortgage is delivered to Fannie Mae in connection with a Section 502 Leveraged (Blended) subordinate lien as a Community Seconds.
- A subordinate financing loan-level price adjustment (LLPA) does not apply if the subordinate mortgage is a Community Seconds.

## **Resources**

- [Community Seconds Checklist](#)
- [How to Originate Loans with Community Seconds Mortgages Tutorial](#)
- *Selling Guide* ([B5-5.1-01](#), [B5-5.1-02](#), and [B5-5.1-03](#))
- [Fannie Mae Mortgage Products](#)