



Community Seconds® Checklist

A Community Seconds® provider or a lender may use this checklist to determine whether a subordinate mortgage program complies with Fannie Mae's guidelines for Community Seconds. For additional information, see the Fannie Mae *Selling Guide*.

If the answer to each of the following questions is “No,” the subordinate mortgage program complies with Fannie Mae guidelines, and the related first mortgage may be delivered to Fannie Mae provided the first mortgage otherwise satisfies Fannie Mae’s mortgage eligibility criteria and underwriting guidelines.

#	Item	Yes	No
1.	Does the combined loan-to-value ratio for the first and subordinate mortgages exceed 105%?		
2.	Is the provider other than a federal agency, a municipality, state, county, state or local housing finance agency, a nonprofit organization, a regional Federal Home Loan Bank under one of its affordable housing programs, or an employer?		
3.	Will the subordinate mortgage documents constitute a lien that is a prior lien to the first mortgage?		
4.	Will the proceeds from the subordinate mortgage be used for purposes other than down payment assistance, payment of closing costs, payment for renovations, or to fund a permanent interest rate buydown?		
5.	Does the subordinate mortgage provide for a payment that <ul style="list-style-type: none"> • is larger than the periodic payment required to amortize the subordinate loan and • becomes due and payable before the date which is the earlier of (a) 15 years after the date of the subordinate loan, or (b) the maturity date of the first mortgage (for example, a balloon payment)? 		
6.	If interest is charged on the subordinate mortgage, is the rate higher than two percentage points above the interest rate of the first mortgage?		
7.	Does the subordinate mortgage provide for negative amortization (accrual of interest during a period when payments on the loan are otherwise deferred) that is not exempted per the exception in the <i>Selling Guide</i> that states: negative amortization will be acceptable as long as: <ul style="list-style-type: none"> • interest is accrued on a simple-interest basis at a rate that is not more than 75% of the rate of the related first-lien mortgage loan, and the accrued interest is fully deferred until sale or transfer of the property, cash-out refinance, limited cash-out refinance, or other full repayment of the first-lien mortgage loan, or declaration of an event of default under the subordinate note or the security instrument; or • the accrued interest is assessed only as a penalty upon declaration of an event of default under the subordinate note or the security instrument? 		
8.	Are there any covenants or restrictions recorded against the property (including, but not limited to, provisions in the subordinate mortgage documents) that restrict the use and resale of the property, and which do not otherwise comply with Fannie Mae’s policies on resale restrictions?		
9.	If the subordinate mortgage provides for the provider to share in any appreciation in the value of the property, is interest also charged on the subordinate mortgage?		
10.	If the subordinate mortgage provides for the provider to share in any appreciation in the value of the property, does the provider’s share exceed the percentage calculated by dividing the original principal balance of the subordinate mortgage by the value of the property (as it was determined in connection with the origination of the first mortgage)?		

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