



Fact Sheet for Mortgage Lenders

Community Seconds®

September 2016

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.

Benefits

- Community Seconds mortgages permit Fannie Mae lenders to leverage limited public, nonprofit, and employer funds to finance a down payment and/or closing costs, thus helping more families achieve homeownership.
- For most Fannie Mae purchase loans, 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; or an employer.
- The property must be a principal residence.
- 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®](#) 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 delivered 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.
- 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.
- Special Feature Codes 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 \(B5-5.1-01\)](#)
- [Fannie Mae Mortgage Products](#)