

First-Generation Homebuyer Fact Sheet

April 23, 2025

Generational wealth refers to the financial assets passed by one generation of a family to another. Wealth disparities among consumers are often linked to the absence of, or interruption of, generational wealth accumulation that is primarily achieved through homeownership. First-generation homebuyers are less likely to receive financial assistance from parents to help with the downpayment and other upfront costs. A lack of generational wealth through homeownership also contributes significantly to the perpetuation of wealth disparities nationwide.

The concept of a “first-generation homebuyer” – the borrower and their parents do not and/or have not owned a property – is not new. There are many programs in the market that offer down payment or other assistance for eligible participants with varying definitions of what constitutes a first-generation homebuyer.

Fannie Mae and Freddie Mac (the GSEs) engaged with a number of state and local housing finance agencies that are already using a first-generation homebuyer classification for mortgage eligibility, or downpayment and closing costs assistance, that aim to increase homeownership rates and to close homeownership gaps for consumers. The GSEs, under the guidance of FHFA, have created a definition with the intent of helping establish an industry standard to foster growth, adoption, and greater utilization of programs in the conventional mortgage market.

A first-generation homebuyer loan is one in which each borrower meets the following requirements:

- Is purchasing the subject property,
- Will reside in the subject property as a principal residence,
- Has had no ownership interest (sole or joint) in another property during the last three years preceding the note date, and
- One of the following must also apply:
 - o No parent of the borrower has owned a property in the last three years preceding the note date,
 - o The borrower has aged out of foster care, or
 - o The borrower has become emancipated.

The following information provides answers to questions frequently asked about the jointly developed first-generation homebuyer loan definition.

Q1. If only one borrower on the loan application meets the first-generation homebuyer requirements, is the loan considered a first-generation homebuyer loan?

No, all borrowers must meet the first-generation homebuyer requirements for the loan to be considered a first-generation homebuyer loan.

Q2. How does a borrower certify their status for a loan to be considered a first-generation homebuyer loan?

All borrowers on the loan must complete and sign the *First-Generation Homebuyer Certification* (Form 1109) to attest to their status. The lender must keep the executed form(s) in the loan file.

Q3. The certification provides only for two borrowers. What if there are more than two borrowers on the loan application?

The lender should provide the borrowers with additional copies of the certification, as needed. All borrowers must complete and sign the certification for the loan to be considered a first-generation homebuyer loan.

Q4. What does ownership interest in a property include or not include?



As indicated in the Certification form, ownership interest in a property includes real property owned in or outside of the United States. It does not include heir's property, undeveloped land, a manufacture home or mobile home titled as personal property, or a contract for deed. The lender can rely on the borrower's completion of the Uniform Residential Loan Application, Section 5 Declaration, 5a., which presumes ownership in another property is residential in nature based on the response to question 5.a (1), primary residence, FHA secondary residence, second home, or investment property.

Q5. Who is considered a parent?

We consider a parent to be a biological parent or legally adoptive parent.

Q6. Why doesn't the GSE definition of a first-generation homebuyer loan reference borrower's legal guardian in addition to parent?

We recognize that other first-generation homebuyer definitions consider prior property ownership of a legal guardian; however, the GSEs concluded that individuals under a legal guardianship (or previously under a legal guardianship) are less likely to have access to the guardian's inter-generational wealth. Additionally, we want to minimize the potential confusion for borrowers that no longer have a legal guardian but may have previously had one. Therefore, the GSEs are not requiring a legal guardian's property ownership status or history to be considered.

Q7. Would a borrower qualify as a first-generation homebuyer if the borrower or the parent has ownership rights in a property, but the property is heirs' property (i.e., the borrower or the parent has joint ownership with other descendants of a deceased individual whose estate did not clear probate)?

The borrower could still meet the definition of first-generation homebuyer, provided that all other requirements under the definition are met. This is also notated on the *First-Generation Homebuyer Certification* for the borrower.

Q8. Why does the certification require the borrower to provide the name and address of their parents?

By requiring this information, the GSEs aim at addressing possible misrepresentation without overburdening the borrowers. Furthermore, this information will lay the groundwork for verification of first-generation status in the future if first-generation mortgage products are introduced.

Q9. Is the lender required to verify the parent's property ownership status or address information on the Certification?

No, there is no requirement for the lender to verify the parent's information provided by the borrower on the Certification.

Q10. Is the lender responsible for representations and warranties related to the delivery of the special feature code for a first-generation homebuyer loan?

When delivering SFC 886 for a first-generation homebuyer loan, the lender is representing and warranting that all borrowers have completed the Certification, and the Certification(s) is in the loan file. Beginning May 1, Loan Delivery will apply two fatal edits when SFC 886 is delivered – the loan must be a principal residence and a purchase transaction.

Q11. There are programs in the market that have different criteria for defining a first-generation homebuyer loan. If a lender originates a loan that meets a different definition and sells that loan to one of the GSEs under their standard Guide requirements, is the SFC still required?

If the loan was originated under a program with different criteria for a first-generation homebuyer loan, the lender should only deliver the SFC if the loan still meets the GSE definition of a first-generation homebuyer loan and the lender has the completed certifications for all borrowers in the loan file.



Q12. Why are the GSEs publishing this definition and requesting an SFC if the definition is not being used for loan eligibility, pricing, or MBS disclosures?

We believe we can help establish an industry standard by publishing an aligned definition. It also gives us the opportunity to understand adoption and any implementation challenges for the industry before we apply it to any products or use cases.

To learn more about first-generation homebuyer loans, contact your account representative.