

Freddie Mac Home Possible Mortgage: 2024 Guidelines

Freddie Mac's 3% down mortgage

Today's home buyers face plenty of obstacles. You might be worried about buying a house with low income or saving for a down payment. Maybe your credit score isn't perfect.

If you're dealing with any of these roadblocks, a Freddie Mac Home Possible loan could be the perfect solution.

The Home Possible mortgage program requires as little as 3% down and has looser lending requirements than some other loan types. So, it could be ideal for many first-time buyers who need an extra boost.

What is the Home Possible loan program?

Some mortgage loan programs require you to put anywhere from 10 to 20% down on a home, have a preferred credit score, and meet strict income requirements.

These are among the reasons why many first-time home buyers — and even homeowners looking to refinance — don't think they can qualify for mortgage financing.

Fortunately, there are a few different programs intended to help these borrowers. Whether you need a small down payment, loose credit requirements, or income flexibility, there are options to help.

One such program is called Home Possible, and it's backed by government-sponsored enterprise Freddie Mac.

About the Freddie Mac Home Possible mortgage

The Home Possible mortgage is aimed at borrowers with lower incomes who might not otherwise qualify for mortgage financing.

This program makes homeownership more accessible because it lowers the barriers to entry: Namely, you only need only a 3% down payment and 660 credit score with a Home Possible loan.

Freddie Mac Home Possible offers more options to fit a variety of borrower situations. This program is intended to help people whose income is 80% or less of the area median income by providing low down payment options and flexible sources of down payment funds.

With Home Possible, you don't have to cover the 3% down payment out of pocket.

Funds could come from a **down payment assistance program** or even a **gift from a family member**.

Note that although Freddie Mac backs this loan program, Freddie is not a lender.

Home Possible loans originate through private lenders, so borrowers can shop around for their mortgage lender and compare interest rates.

Who is eligible for a Home Possible loan?

To qualify for a Home Possible mortgage loan, you have to meet eligibility requirements set by Freddie Mac and your lender. Briefly, you'll need:

- A 660 or higher credit score
- A 3% down payment
- A DTI below 43%
- Stable income and steady employment
- Household income no higher than 80% of your area's median
- You'll live in the home as a primary residence

Home Possible is available to anyone who makes less than 80% of the average monthly income for the ZIP code they will be buying in.

Additionally, the property needs to be owner-occupied by at least one of the applicants on the loan, and a minimum FICO credit score of 660

is required for all loan applicants. The program is also only available for single-family residences.

Other requirements for Home Possible loans include:

- A debt-to-income (DTI) ratio of 43% or less if the loan is approved through Freddie Mac's automated underwriting system. Or a DTI of 45% or less if the loan is manually underwritten
- A loan-to-value (LTV) ratio of 97% or less (meaning you put at least 3% down). If you have multiple home loans or a second mortgage — used to cover the down payment, perhaps — the LTV max is 105%

While first-time home buyers can access this program, individuals who have owned a home in the past or who have an interest in an additional financed residential property can qualify as long as their income is 80% of the area median income and at least one borrower resides in the home as their primary residence.

The loan officer will run the application through Freddie Mac's automated underwriting system to confirm the loan meets the qualification requirements or will submit the application as a manual underwriter if the lender allows it.

Another perk? You can also qualify with a co-signer on the loan.

Non-occupant co-clients are allowed in this program, which means you can qualify with the income of a parent or other individual who agrees to co-sign the loan with you.

Note that at least one borrower must participate in a homeownership education program if all occupying borrowers will be first-time buyers, or if all borrowers' credit history is determined using **nontraditional payment records**.

Home Possible income limits

Since mid-2019, Freddie Mac has required that a borrower's qualifying income, converted to an annual basis, must not exceed 80% of the area median income (AMI) for the location of the mortgaged home.

Despite the program's minimal down payment requirements, Home Possible mortgages contain risk control measures that encourage prudent financing. That's why your yearly income cannot exceed this threshold.

To better determine if you qualify, use the [Home Possible income and property eligibility tool](#).

Home Possible interest rates and mortgage insurance

Home Possible mortgage interest rates are competitive with other **low-down-payment conventional loans**. That means borrowers can access today's low mortgage rates via the Home Possible program.

Of course, the interest rate you qualify for will depend on many factors, including your lender, loan term, and credit score.

Be aware that you will also be required to pay private mortgage insurance (PMI) on a Home Possible loan. This will increase your monthly mortgage payments.

The good news is that mortgage insurance on 1-unit properties can be canceled after your loan balance drops below 80% of the home's appraised value and cancellation criteria are met. Also, mortgage insurance coverage requirements are lowered for LTV ratios above 90% (meaning you put down 10% or more).

Alternatives to Freddie Mac's Home Possible Loan

Of course, the Home Possible loan isn't your only option for a low-down payment. You may also qualify for other home loan programs, including:

- **FHA loan** — Requirements: 3.5% down, 580 FICO credit score minimum, 43% DTI ratio maximum

- **Conventional 97 loan** — (offered by Fannie Mae/Freddie Mac). Requirements: 3% down, 620-660 FICO credit score minimum, 50% DTI maximum, 97% LTV ratio maximum
- **Fannie Mae Home Ready loan** — Requirements: 3% down, 620-680 FICO credit score minimum, 50% DTI maximum, 97% LTV maximum, annual income can't exceed 100% of median income for that area
- **VA Home Loan** — Requirements: 0% down, 580-660 FICO credit score minimum, 41% DTI maximum, must be a veteran, active-duty service member, or spouse of a veteran
- **USDA loan** — Requirements: 640 FICO credit score minimum, 41% DTI maximum, annual income can't exceed 115% of the area median income, must buy in eligible rural areas.

An FHA loan would probably be your next best option if you don't qualify for or pursue a Home Possible loan.

The former is guaranteed by the [Federal Housing Administration] and available to low- to moderate-income borrowers, and it has a lower minimum down payment and credit score requirement than many conventional loans.

The HomeReady loan is another good option backed by Fannie Mae.

In many ways, HomeReady is like Home Possible. But as a bonus, you can use income from non-borrower household members to help you qualify. For instance, if you have a parent or roommate living with you — but not applying for the mortgage — their income could still help you qualify for the loan.

Freddie Mac Home Possible FAQ

What is Home Possible?

Home Possible is a loan program offered through Freddie Mac designed to help borrowers with lower incomes achieve homeownership or refinance. With a Home Possible loan, you need as

little as 3 percent down, although your income cannot exceed 80 percent of the area median income in the ZIP code where you want to purchase a home.

What is the minimum credit score for Home Possible?

According to Freddie Mac's requirements, you'll need a FICO score of 660 or higher to qualify for a Home Possible loan.

What's the maximum DTI for Home Possible?

Qualifying debt-to-income ratios are typically determined by Freddie Mac's automated underwriting tool. However, this ratio can be as high as 45 percent for manually underwritten mortgages.

What's the maximum loan-to-value ratio for Home Possible?

The maximum loan-to-value (LTV) ratio for a Home Possible loan is 97 percent. Or, with Freddie Mac's Affordable Seconds — a second mortgage that can help cover the down payment and closing costs — a combined LTV of 105 percent is allowed.

Do I have to be a first-time home buyer for Home Possible?

No, you do not have to be a first-time purchaser to qualify for a Home Possible loan. Repeat buyers and homeowners looking to refinance can also be eligible.

Can you refinance with a Home Possible loan?

You can use a Home Possible loan to do a rate-and-term refinance without taking cash out. This might be an option if you have very little equity in the home. You can also refinance out of a Home Possible loan into a different loan program, provided you qualify.

Does Home Possible allow cash-out refinancing?

No, you cannot take cash out with a Home Possible refinance loan. Only rate-and-term refinancing is allowed.

What's the difference between HomeOne and Home Possible?

Freddie Mac also offers a different loan program called HomeOne. Like Home Possible, it offers loans for as little as 3 percent down. But unlike Home Possible, at least one borrower must be a first-time homebuyer when the HomeOne mortgage is a purchase loan.

What's the difference between HomeReady and Home Possible?

Fannie Mae offers a loan program called HomeReady that is similar to Home Possible. Both let you borrow up to 97 percent of the property value with a first mortgage. But each loan comes with different rules and benefits. For instance, HomeReady has a minimum credit score requirement of 620 versus Home Possible's minimum credit score requirement of 660, according to Embrace Home Loan's Jared Maxwell.

How do I qualify for a 3 percent down mortgage?

There are a variety of 3-percent-down mortgage programs available via Fannie Mae and Freddie Mac. Requirements vary but expect to need a credit score of at least 620-660 and a debt-to-income ratio below 45 percent. You will typically need to occupy the home as your primary residence. And you may also need to be within local income limits.