

Next steps to make home possible for more borrowers!

Opportunity to use a borrower's positive cash flow to potentially impact the Loan Product Advisor[®] (LPASM) risk assessment

Loan Product Advisor's borrower cash flow assessment uses a borrower's account (asset) data to identify certain patterns in the transaction history. You can submit an asset verification report and LPA will assess the inflows and outflows present in the account data and changes in account balances month-over-month. When positive cash flow is identified, it may positively impact the credit risk assessment.



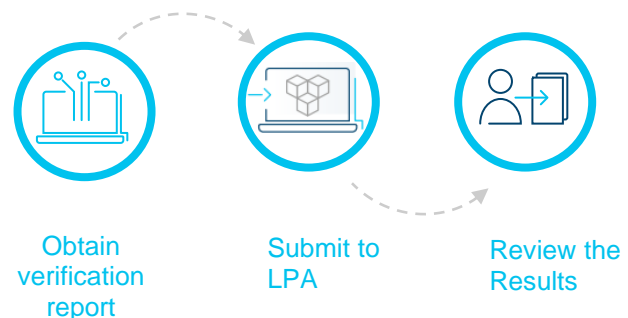
Benefits

- Expanding to include borrowers without a credit score (available May 5, 2024).
- Opportunity for more Accepts for qualified borrowers with positive cash flow.
- You can leverage the same verification report to identify rent payment history, and for Freddie Mac's asset and income modeler (AIM) offerings.

How it Works

It's easy!

You obtain an **asset verification report*** with the borrower's linked accounts (e.g., checking, savings, investment accounts). Simply **submit** the loan to LPA with the report unique **identifier**. LPA will **assess** the account data. When positive cash flow is identified, it may positively impact the risk assessment. Review the feedback certificate for specific **messages**.



*If an asset verification report was not obtained, LPA will also provide messaging when the transaction may benefit by ordering the asset verification report and resubmit to LPA.

Did you know?

The borrower's cash flow assessment will not adversely affect the credit risk assessment and will not affect the debt payment-to-income ratio or related documentation requirements.

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The following chart provides the requirements that must be met for LPA to consider a borrower's positive cash flow in the credit assessment. Refer to the *Freddie Mac Single-Family Seller/Servicer Guide* (Guide) [Section 5201.1](#).

Topics	Requirements
Borrower Eligibility	<p>Effective May 5, 2024: It is no longer a requirement that at least one borrower must have a credit score.</p> <p>For LPA Accept mortgages, if positive cash flow is identified and no borrower has a credit score, the feedback message will indicate that the Seller is not required to document additional payment references.</p> <p>Note: When a mortgage is submitted to LPA where no borrower has a credit score, LPA will apply the transaction, occupancy, maximum LTV/TLTV/HTLTV ratio and product eligibility requirements, as stated in Guide Section 5201.1(c)(ii).</p>
Eligible Financial Accounts	<p>Checking, savings, investment and retirement accounts with at least a 12-month history.</p> <p>To take advantage of this assessment capability obtain asset reports on accounts used for funds to close, direct deposits, savings and investments.</p>
Verification Report	<p>The verification report must be obtained by a designated service provider*, refer to the Appendix.</p> <p>You must:</p> <ul style="list-style-type: none"> ✓ Confirm that each asset on the verification report is owned by at least one borrower and such borrower has access to the funds. ✓ Ensure the most current version of the verification report is used by LPA. If you obtain an updated report, you must resubmit the loan for LPA to re-review. ✓ All assets shown on the verification report are in U.S. dollars located in a U.S. or State-regulated financial institution. ✓ There are no outstanding loans secured by any of the asset accounts included on the verification report. ✓ Maintain the verification report in the loan file for transactions where the Feedback Certificate includes a feedback message that positive borrower cash flow was identified. <p>*A lender may use a verification report (Freddie Mac financial institution verification report) produced by Freddie Mac using the approved financial institution's data transmitted to LPA through an application programming interface (API). You must first obtain Freddie Mac's approval.</p> <p>Note: Your asset verification report will display your requested 30-, 60-, 90-day history, as applicable. LPA will analyze additional account data, as applicable, behind the scenes.</p>
Loan Product Advisor	<p>Submit:</p> <ul style="list-style-type: none"> ✓ Unique report identifier (e.g., Report ID, Reference Number, Portfolio ID) from the verification report). <p>Refer to the Feedback Messages, for a list of the applicable borrower cash flow feedback messages.</p>

Best Practice: Encourage your borrower to link as many bank accounts as they can. The more complete the picture of the borrower's cash flow, the more precise our assessment.



Did you know?

You can leverage the same verification report to:

- ✓ Identify rent payment history to be considered in LPA's credit assessment (first-time homebuyers).
- ✓ Assess sufficiency of assets and eligibility for representation and warranty relief.
- ✓ Assess income using direct deposit data and eligibility for representation and warranty relief.
- ✓ Meet the 10-day Pre-Closing Verification (PCV).

How to Get Started

Steps for LPA to include borrower cash flow in the credit assessment

1

You must order an asset report from a designated service provider or provide the account data through an API for approved financial institutions. Refer to the [Appendix](#).

2

Obtain the borrower's authorization to receive their asset transaction information from the service provider and share that information with LPA.

3

Order the verification report and reconcile the report for any inconsistencies.

4

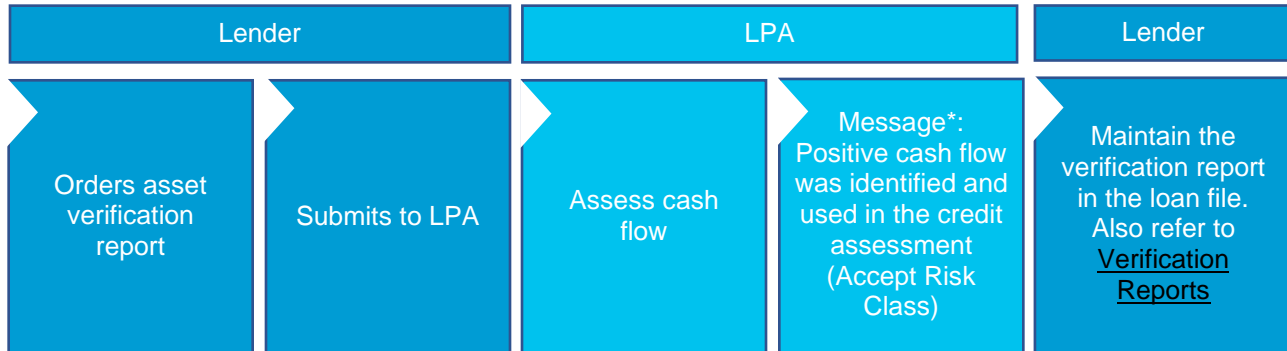
Complete loan data entry in your loan origination system and provide LPA the verification report unique identifier (e.g., Report ID, Reference Number, Portfolio ID), submit to LPA and review the Results.

Reviewing the Results

The following scenarios will guide you on how to interpret the results and take advantage of using positive borrower cash flow in the LPA credit assessment.



Scenario 1: An asset verification report was obtained by the lender and positive borrower cash flow was successfully identified, resulting in the Risk Class changing from a Caution to an Accept.



Message Code	*Feedback Message
FCL0426	Positive borrower cash flow was successfully identified from the "ThirdPartyAssetReports" that expires "mm/dd/yyyy", resulting in a Risk Class of Accept. Retain the verification of asset(s) report(s) in the loan file.

Sample Feedback Certificate: Assessment Summary and Credit and Liabilities Messages Sections Only

Freddie Mac Loan Product Advisor® Feedback Certificate

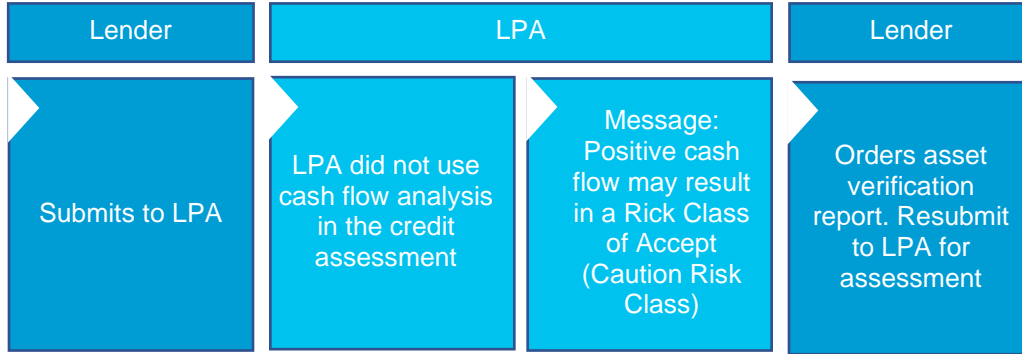
Assessment Summary

BORROWER NAME Mom Freddie	NUMBER OF SUBMISSIONS 1	LP KEY NUMBER [REDACTED]
Assessment Summary	Representation & Warranty Relief	
PURCHASE ELIGIBILITY ELIGIBLE	RISK CLASS ACCEPT	ASSET R&W* RELIEF ELIGIBLE
	COLLATERAL R&W* RELIEF NOT ELIGIBLE	INCOME R&W* RELIEF NOT ELIGIBLE
		N/A

FCL0426	Positive borrower cash flow was successfully identified from the [REDACTED] Report: [REDACTED]_Mock1] expiring 02/01/2023, resulting in a Risk Class of Accept. Retain the verification of asset(s) report(s) in the loan file.
FCL0417	Rent payment history was successfully identified from the [REDACTED] Rep [REDACTED]_Mock1] report that expires 02/01/2023, resulting in a Risk Class of Accept. Retain the verification of asset(s) report(s) in the loan documentation.



Scenario 2: An asset verification report was not obtained by the lender and a Caution Risk Class is received. Obtaining a report and identifying borrower positive cash flow may have a positive impact on the credit assessment (e.g., an Accept Risk Class may be received).



Message Code	*Feedback Message
FCL0421	Identifying positive cash flow may result in a Risk Class of Accept. Obtain verification of asset(s) report(s) and resubmit.

Sample Feedback Certificate: Assessment Summary and Credit and Liabilities Messages Sections Only

Assessment Summary

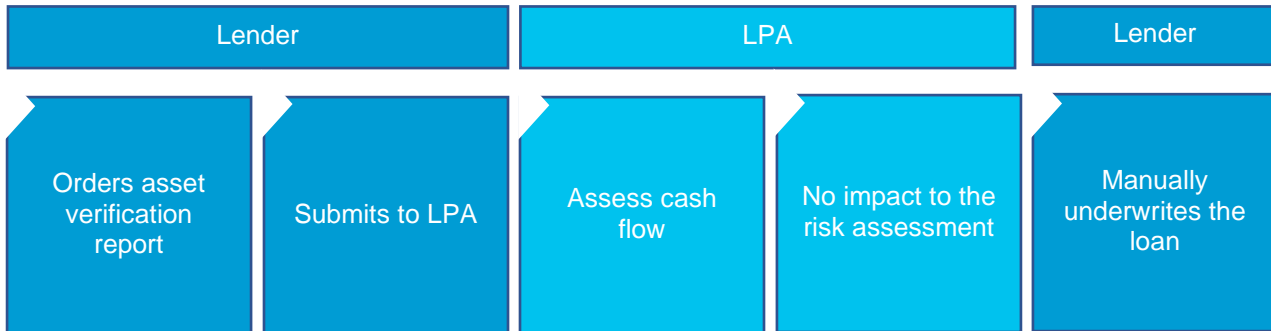
<p><small>BORROWER NAME</small> Mom Freddie</p> <p><small>Assessment Summary</small></p> <p><small>PURCHASE ELIGIBILITY</small> ✓ ELIGIBLE</p>	<p><small>RISK CLASS</small> ⚠ CAUTION</p>	<p><small>Representation & Warranty Relief</small></p> <p><small>COLLATERAL R&W* RELIEF</small> ✗ NOT ELIGIBLE</p> <p><small>INCOME R&W* RELIEF</small> N/A</p> <p><small>ASSET R&W* RELIEF</small> ✗ NOT ELIGIBLE</p>
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Credit And Liabilities Messages

CODE	MESSAGE
FCL0383	Caution Factor: Credit History Length. Based on the credit report(s), there is short credit history length that impacted the risk class.
FCL0175	Caution Factor: Credit History. Based on the credit report(s), a combination of credit history factors impacted the risk class.
FCL0421	Identifying positive borrower cash flow may result in a Risk Class of Accept. Obtain verification of asset(s) report(s) and resubmit.

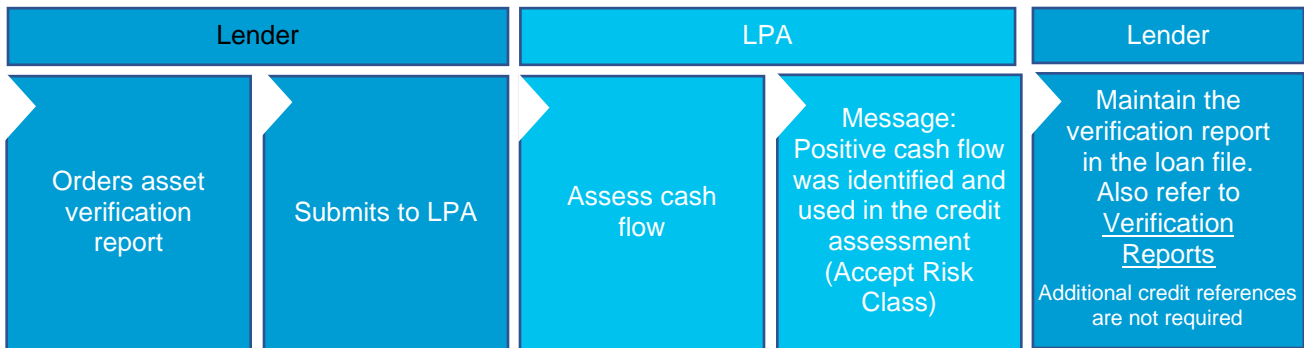


Scenario 3: An asset verification report was obtained by the lender, however, it did not impact the Caution Risk Class



In this scenario, LPA was unable to verify positive cash flow, or the positive cash flow assessment did not impact the risk assessment. A feedback message is not returned.

Scenario 4: The borrower(s) does not have a credit score. An asset verification report was obtained by the lender and positive borrower cash flow was successfully identified. The lender is not required to document additional payment references.



Message Code	Feedback Message
FCL0429	No credit scores for any borrower – The minimum credit history requirements in Section 5201.1(c)(ii) are not required to be met for this loan.
FCL0430	Positive borrower cash flow was successfully identified from the Vendor Report: 123abc that expires 9/2/2024. Retain the verification of asset(s) report(s) in the loan file.



(Scenario 4 cont'd)

Sample Feedback Certificate: Assessment Summary and Credit and Liabilities Messages Sections Only

The screenshot displays the 'Loan Product Advisor Feedback Certificate' for Alice Freddie. The 'Assessment Summary' section includes an attention message: 'Attention: Loan meets Home Possible® income limits. To assess eligibility, resubmit with program identifier.' Below this, a table provides details: Borrower Name (ALICE FREDDIE), Number of Submissions (24), LP Key Number (AA123456), Area Median Income (\$105,000.00), and Area Median Income (%) (46.86%). Eligibility status is shown as 'ELIGIBLE' for purchase, 'ACCEPT' for risk class, 'NOT ELIGIBLE' for collateral relief, 'N/A' for income relief, and 'ELIGIBLE' for asset relief.

The 'Credit and Liabilities Messages' section contains a table with the following entries:

CODE	MESSAGE
FCL0407	Since the established credit reputation uses only noncredit payment references, participation in a homeownership education program or completion of Freddie Mac's CreditSmart(R) Homebuyer U is required prior to the note date. Retain the Homeownership Education Certification or comparable document in the mortgage file. See Guide Section 5103.6 for complete requirements.
FCL0002	No Loan Product Advisor Indicator Score from Trans Union for ALICE FREDDIE.
FCL0429	No credit scores for any borrower - The minimum credit history requirements in Section 5201.1(c)(ii) are not required to be met for this loan.
FCL0430	Positive borrower cash flow was successfully identified from the [REDACTED]_Mock5] that expires 07/30/2024. Retain the verification of asset(s) report(s) in the loan file.
FCL0003	The Credit Scores for ALICE FREDDIE are TRW (Experian) 0, Equifax 0, Trans Union 0. The Underwriting Score is Trans Union 0.

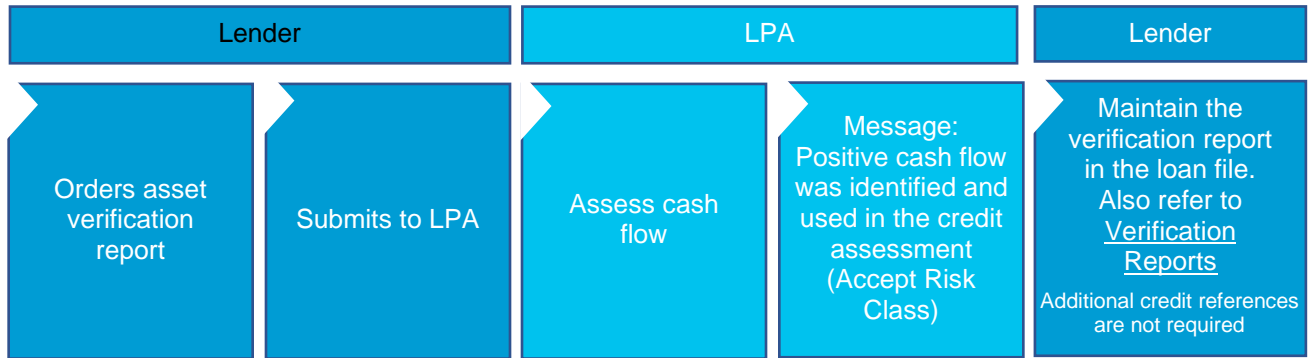
Scenario 5: The borrower(s) does not have a credit score. A Caution Risk Class is received. The below message is provided informing you that submitting an asset report may result in a risk class of accept if positive borrower cash flow is identified. Obtain a report and resubmit to LPA.

Message Code	Feedback Message
FCL0421	Identifying positive cash flow may result in a Risk Class of Accept. Obtain verification of asset(s) report(s) and resubmit.

An asset verification report was obtained by the lender and positive borrower cash flow was successfully identified. The lender is not required to document additional payment references.



(Scenario 5 cont'd)



Message Code	Feedback Message
FCL0426	Positive borrower cash flow was successfully identified from the Vendor Report:123abc that expires 9/2/2024, resulting in a Risk Class of Accept. Retain the verification of asset(s) report(s) in the loan file.
FCL0429	No credit scores for any borrower – The minimum credit history requirements in Section 5201.1(c)(ii) are not required to be met for this loan.

Sample Feedback Certificate: Assessment Summary and Credit and Liabilities Messages Sections Only

Assessment Summary

<p><small>BORROWER NAME</small> Mom Freddie</p> <p><small>ASSESSMENT SUMMARY</small> PURCHASE ELIGIBILITY</p> <p><small>RISK CLASS</small> ACCEPT</p>	<p><small>NUMBER OF SUBMISSIONS</small> 1</p> <p><small>LP KEY NUMBER</small> [REDACTED]</p> <p><small>REPRESENTATION & WARRANTY RELIEF</small> COLLATERAL R&W* RELIEF: NOT ELIGIBLE INCOME R&W* RELIEF: N/A ASSET R&W* RELIEF: NOT ELIGIBLE</p>
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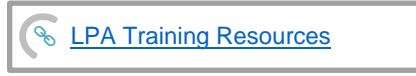
Credit and Liabilities Messages

CODE	MESSAGE
FCL0426	Positive borrower cash flow was successfully identified from the [REDACTED]_Mock5] that expires 07/30/2024, resulting in a Risk Class of Accept. Retain the verification of asset(s) report(s) in the loan file.
FCL0407	Since the established credit reputation uses only noncredit payment references, participation in a homeownership education program or completion of Freddie Mac's CreditSmart(R) Homebuyer U is required prior to the note date. Retain the Homeownership Education Certification or comparable document in the mortgage file. See Guide Section 5103.6 for complete requirements.
FCL0002	No Loan Product Advisor Indicator Score from Trans Union for MOM FREDDIE.
FCL0429	No credit scores for any borrower - The minimum credit history requirements in Section 5201.1(c)(ii) are not required to be met for this loan.
FCL0003	The Credit Scores for MOM FREDDIE are TRW (Experian) 0, Equifax 0, Trans Union 0. The Underwriting Score is Trans Union 0.



Resources

Refer to the following [resources](#) for additional information:



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Before you can participate in the LPA enhancement to include borrower cash flow in the credit assessment you must first have an account established with a Freddie Mac designated third-party service party (service provider) or be an approved financial institution. If you are not already an existing customer with a service provider and would like to get started refer to the information provided below.

Service Providers		
• AccountCheck® by Informative Research	• Blend	• Plaid
• Fincity®	• PointServ	

NOTE: Freddie Mac does not endorse, or make any representations or warranties to lenders regarding, any service provider. Each lender is solely responsible for the decision of whether to engage a given provider, and on what terms, and for ensuring that the providers it engages have in place and maintain controls, processes, and procedures that satisfy the lender's business, operational, risk, legal and regulatory requirements.

Account Check by Informative Research Contact Information

Before using AccountChek by Informative Research as your service provider, you must first have an account established with AccountChek. If you are not already an existing customer and would like to sign up with AccountChek, please register on the AccountChek website at <https://www.informativeresearch.com/accountchek>.

Fincity, a Mastercard Company, Contact Information

Fincity is a Mastercard company, if you are not already an existing customer and would like more information please use Fincity's contact URL for a mortgage specialist to help.

- Contact URL: <https://fincity.com/contact>
- Email: Business.Development@fincity.com



Blend Contact Information

If you are not already an existing customer and would like to sign up with Blend, please reach out using one of the following methods:

- Email: sales@blend.com
- Phone: (650) 550-4810
- Request a product demo from blends website: <https://blend.com/product/request-demo/>
- Blend website: <https://blend.com/>

Note: You **must** elect to turn on long history with Blend, so that Freddie Mac may receive required data.

PointServ Contact Information

If you are not already an existing customer and would like to sign up with PointServ, please register using the following methods:

- PointServ website: www.pointserv.com
- Email: sales@pointserv.com
- Contact Form: www.pointserv.com

Note: You **must** elect to turn on long history with PointServ, so that Freddie Mac may receive required data.

Plaid Contact Information

If you are not already an existing customer and would like to sign up with Plaid, please register using the following methods:

- Plaid website: <https://plaid.com/contact/>
- Email: contact@plaid.com
- Quick Start Process: <https://plaid.com/docs/quickstart>

Note: You **must** elect to turn on long history with Plaid, so that Freddie Mac may receive required data.

Also refer to the *Appendices* section in the [AIM for Assets](#) job aid for more detailed information on the asset verification process.

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