# Lender Partner Announcement

**(LP Announcement 2026-04)**

We have recently experienced an increase in loans submitted to Virginia Housing for delivery with seller-provided secondary financing that does not comply with Government-Sponsored Enterprise (GSE) guidelines. Virginia Housing is available as a resource to ensure that loans involving secondary financing comply with guidelines. It is critical that Originating Lenders engage with Virginia Housing ***prior to loan closing*** to confirm eligibility. Attempting to deliver a loan that does not comply with Virginia Housing guidelines without approval from Virginia Housing prior to loan closing will result in a purchase refusal.

Originating Lenders are reminded of the following guidelines and documents that address seller-provided secondary financing.

## Virginia Housing Origination Guide – Section 2: Eligibility Requirements

**Section 2: Eligibility Requirements – 2.3 B: Secondary financing**

- Eligible Sources: Federal, State, Local Government or Non-Profit agencies administering funds of such entities or through an employment assistance program.

## Virginia Housing Exhibit – LL: Affordable Housing Program and Secondary Financing Virginia Housing Certification of Eligibility

Exhibit LL is the attestation from the Originating Lender Underwriter that any programs or secondary financing meet the requirements and conditions outlined in the document.

On Exhibit LL, under **Secondary Financing - 3: Eligible Providers,** the Originating Lender Underwriter is attesting that "Secondary financing providers must be a Federal, state or local government or a non-profit organization administering funds for such an entity or an employer through an employer assisted program. Secondary financing provided by interested party in the transaction (including Seller or Realtor) is not acceptable without prior approval of Virginia Housing."

## Virginia Housing Purchase Agreement for Single Family Mortgage Loans

Virginia Housing Originating Lenders with delegated authority agree to the following in Section 4(b) of the Virginia Housing Development Authority Purchase Agreement for Single Family Mortgage Loans:

"If Virginia Housing delegates to the Originating Lender the authority to originate, underwrite, close and post-close Mortgage Loans under the Virginia Housing's delegated procedures, the Originating Lender will perform such duties in accordance with the provisions in the Origination Guide for such delegated procedures and any other property standards, underwriting guidelines and criteria, administrative procedures and instructions issued, amended and modified by Virginia Housing from time to time. If so authorized, Originating Lender shall complete and submit to Virginia Housing a form to appoint authorized individuals to act on its behalf in the performance of the delegated procedures;"

## Fanne Mae Selling Guide – Section B5-5.1-02, Community Seconds Loan Eligibility (05/03/2023)

Fannie Mae's Selling Guide provides the following guidance for Community Seconds, which explicitly notes that "A Community Seconds provider must not be the property seller or other interested party in the transaction, except when they are the provider of a shared equity program or sweat equity program." The excerpt from Section B5-5.1-02 is below:

A Community Seconds loan must only be funded by one of the following entities:

- a federal agency, state, county, or similar political subdivision of a state;
- any city, town, village, or borough of a state that
  - has a local government and that has been created by a special legislative act,
  - has been otherwise individually incorporated or chartered pursuant to state law, or
  - is recognized as such under the constitution or by the laws of the state in which it is located;
- a housing finance agency as defined in 24 C.F.R. §266.5;
- a nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;
- a regional Federal Home Loan Bank under one of its affordable housing programs;
- an employer where a borrower is an employee (see B3-4.3-08, Employer Assistance);
- a lender, only in connection with an employer-guaranteed Community Seconds loan as part of its affordable housing program; or
- an Indian tribe on the most current list published by the Secretary of the Interior pursuant to 25 U.S.C.§5131.

**Note:** A corporation or other legal entity created by or owned in whole or in part by such an Indian tribe is not eligible unless it qualifies as a Tribally Designated Housing Entity, as defined in 25 U.S.C.§4103(22).

A Community Seconds provider must not be the property seller or other interested party in the transaction, except when they are the provider of a shared equity program or sweat equity program.

## Freddie Mac Seller/Servicer Guide – Chapter 4204: Secondary Financing and Other Financing Arrangements

Freddie Mac's Seller/Servicer Guide provides the following guidance for Affordable Seconds, which explicitly notes that "The Affordable Second must not be funded by the property seller or another interested party to the transaction, except as permitted in Section 4204.2(a)(i)(B), Section 4406.10 for Mortgages secured by properties subject to income-based resale restrictions or Section 4502.3(a) for Community Land Trust Mortgages." The excerpt from Chapter 4204(A)(i)((B) is below:

A Seller may be the source of an Affordable Second if the following requirements are met:

- If the Seller is not a CDFI, the Seller must:
  - Be a depository institution
  - Have an Affordable Seconds program that supports its affordable lending and/or mission focused program(s), or a program designed to broadly support its Community Reinvestment Act (CRA) requirements
- If the Seller is a credit union that is not required by law to participate in the CRA, the credit union must have an Affordable Seconds program that supports its affordable lending and/or mission-focused program

- If the Seller is a CDFI, the Seller may be a non-depository institution if the established Affordable Seconds program supports affordable lending and the credit needs of prospective homebuyers in the Seller's market(s)
- The First Lien Mortgage must be:
    - A Home Possible® Mortgage
    - A fixed-rate Mortgage or an ARM with an initial fixed-rate period of five years or more
    - An Accept Mortgage
    - A purchase transaction Mortgage
    - Secured by a 1-unit Primary Residence, and
    - A Retail Mortgage

**References to Fannie Mae Selling Guide and Freddie Mac Seller/Servicer Guide are not all-encompassing. Originating lenders must reference the complete guidelines to ensure compliance with all secondary financing requirements.