



Seller-Owned Modified Mortgage

Meet your existing borrowers' refinance needs quickly and easily without another closing

These mortgages give you flexibility to build long-term borrower loyalty with requirements that help you easily sell mortgages you have held in your portfolio and, which are modified before delivery to Freddie Mac. Modifying loans in your portfolio expands your ability to meet existing refinance borrowers' needs without another closing – reducing loan runoff from your servicing portfolio.

> Borrower Profile

- Existing borrowers seeking to refinance their mortgage without another closing

> Key Features

- Must be manually underwritten
- Seasoned mortgages determined using the modification date and not the original note date
- Not available for mortgages held by Freddie Mac

> Borrower Benefits

- Borrowers can modify the terms of their existing mortgage without the costs and process of a new closing
- Time savings and convenience with fewer documentation and verification requirements

REQUIREMENTS RELATED TO THE MORTGAGE PRIOR TO MODIFICATION	
Eligible Property Types	<ul style="list-style-type: none"> ▪ 1- to 4-unit primary residence ▪ 1-unit second home
Eligible Mortgages	<ul style="list-style-type: none"> ▪ Occupancy type must not have changed since the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ Mortgage was a conventional, fully amortizing mortgage and had an original amortization term no greater than 30 years from the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ Mortgages must have met all underwriting and eligibility requirements on the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ LTV/TLTV/HTLTV ratios did not exceed limits in Guide Section 23.4 as of the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ The principal balance of the mortgage has not increased since the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes; loan amount of the mortgage prior to modification does not exceed the maximum loan amount in Guide Section 23.3 that was in effect on note date.
Mortgage Payment History	<ul style="list-style-type: none"> ▪ Mortgage was not in default and otherwise meets the requirements in Guide Section 22.9.
Ineligible Mortgages	<ul style="list-style-type: none"> ▪ Home Possible® Mortgages ▪ Initial Interest® Mortgages ▪ Alt 97® Mortgages ▪ Affordable Merit Rate® Mortgages ▪ Mortgages originated using Loan Prospector® Form 2070, <i>Condition and Marketability Report</i>, or other home value models ▪ Super conforming mortgages ▪ Restructured mortgages
SELLER-OWNED MODIFIED MORTGAGE REQUIREMENTS	
Borrower Eligibility Requirements	<ul style="list-style-type: none"> ▪ The borrowers are the same as the borrowers on the mortgage prior to modification, except that a borrower who contributed no qualifying income, assets or reserves may have been removed.
Underwriting Requirements	<ul style="list-style-type: none"> ▪ Mortgage must only be modified for the purpose of a reduction in interest rate of the first-lien mortgage. ▪ Mortgage must be manually underwritten and may not be submitted to Loan Prospector for evaluation. ▪ Mortgage must meet all eligibility and underwriting requirements in effect on the delivery date. ▪ The mortgage eligibility and underwriting requirements must be based on the loan purpose as of the note date. ▪ Mortgage is a conventional, fully amortizing mortgage and the mortgage term may not extend beyond 30 years from the note date or from the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ LTV/TLTV/HTLTV ratios may not exceed the limits in Guide Section 23.4 as of the delivery date. ▪ The mortgage must comply with the maximum original loan amounts stated in Guide Section 23.3 in effect on the delivery date. ▪ The borrower must be qualified using the modified terms meeting all Freddie Mac's eligibility, underwriting and documentation requirements. ▪ Required documentation includes, but is not limited to: <ul style="list-style-type: none"> o New Uniform Residential Loan Application. o New credit report meeting the requirements of Guide Section 37.10. o Verification of income and employment. ▪ Mortgage must meet minimum Indicator Score requirements in Exhibit 25 for the applicable mortgage product. <ul style="list-style-type: none"> o If the borrower doesn't have a usable credit score and as a result does not have an Indicator Score, the mortgage is not eligible for purchase as a Seller-Owned Modified Mortgage. ▪ Seller-Owned Modified Mortgages do not receive any representation and warranty relief relating to the evaluation of the mortgage being modified through Loan Prospector. ▪ Underwriting documentation must be obtained no more than 120 days prior to the modification date. ▪ Prepayment penalty may not be assessed in connection with the modification of the mortgage. ▪ The modified mortgage may not be an Initial Interest Mortgage, restructured mortgage or super conforming mortgage.
Collateral Assessment	<ul style="list-style-type: none"> ▪ Sellers must obtain a new appraisal with an effective date that is no more than 120 days prior to the modification date and that meets our requirements. ▪ Sellers must represent and warrant value, condition and marketability. (See Guide Section 44.11.)
Mortgage Insurance	<ul style="list-style-type: none"> ▪ Increasing existing mortgage insurance coverage is not required to comply with Guide Section 27.1 if Freddie Mac's minimum coverage amounts have increased between the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes and the delivery date. ▪ Sellers must represent and warrant that the modification hasn't altered or impaired mortgage insurance coverage. See instructions in Guide Section 32.3 (c) if you cannot warrant that the insurance policy has not been impaired. ▪ Lender-paid mortgage insurance is permitted. ▪ Flexible mortgage insurance options and financed mortgage insurance premiums are not permitted.
Loan Instruments	<ul style="list-style-type: none"> ▪ Mortgages must be originated on Uniform Instruments consisting of a Security Instrument and a new note and/or the original note with an attached loan modification agreement. ▪ The loan modification agreement must be recorded if necessary to establish that the Seller-Owned Modified Mortgage is a first-lien mortgage. ▪ A new note is required if the Seller-Owned Modified Mortgage is not a fixed-rate mortgage. If a new note is executed, the applicable Uniform Instrument Note is required for the modified mortgage product. See Guide Section 6.7.

DELIVERY REQUIREMENTS	
Eligible Executions	<ul style="list-style-type: none"> ▪ Fixed-Rate Cash (servicing-retained) ▪ WAC ARM Cash ▪ Fixed-Rate Guarantor ▪ WAC ARM Guarantor ▪ MultiLender Swap (non-seasoned mortgages only)
Delivery Requirements	<ul style="list-style-type: none"> ▪ The following special data must be delivered on Form 11, <i>Mortgage Submission Schedule</i> or Form 13SF, <i>Mortgage Submission Voucher</i>, as applicable: <ul style="list-style-type: none"> ○ Date of Note: The original note date ○ Original Loan Amount: The loan amount as of the modification date ○ Reference Code: 0003 ○ Modification/Conversion Date: The date on which modification documentation was effective ○ Credit Score Value (CSV): The Indicator Score ○ Credit Score Type (CST): The Indicator Score selection method, using a numeric value as listed on Form 11 or 13SF ○ Seller-Owned Converted Mortgages will be considered seasoned mortgages if the conversion date is more than 12 months prior to sale to Freddie Mac and may only be sold to Freddie Mac with prior approval through our bulk sales path.
Delivery Fees	<ul style="list-style-type: none"> ▪ Delivery fees may apply based on loan attributes such as loan purpose, mortgaged premises or seasoning, and include CS/LTV delivery fees for non-Loan Prospector mortgages. See Guide Exhibit 19 for more details or access Guide Exhibit 19 online at http://www.FreddieMac.com/singlefamily/pdf/ex19.pdf.

Learn more about Seller-Owned Modified Mortgages:

- Refer to Chapter 32 of the *Single-Family Seller/Service Guide*
- Call 800-FREDDIE
- Visit FreddieMac.com