

Bulletin

NUMBER: 2004-5

TO: All Freddie Mac Sellers and Servicers

December 14, 2004

SUBJECTS

Requirements amended in this Bulletin:

■ Selling and Servicing

Freddie Mac is:

- Increasing the maximum original loan amounts for Home Mortgages eligible for sale to Freddie Mac
- Expanding functionality of the Freddie Mac Selling System (Selling System) by adding fixed-rate Guarantor program capabilities
- Updating the *Single-Family Seller/Servicer Guide* (Guide) to provide revised income limits for Affordable Gold[®] Mortgages and to refer to an “Underserved Area” instead of a “Concentrated Area” to describe those limits. We are also providing instructions on how to determine income eligibility.
- Updating Guide language to reflect the retirement of the Gold Cash Xtra[®] (GCX) software system
- Providing Sellers with direction on how to include title policy endorsements when using an American Land Title Association (ALTA) short form title policy
- Providing Guide replacement pages supporting the revisions to our requirements in response to the passage of antipredatory lending legislation in Massachusetts, as announced in our October 1 Industry Letter
- Revising contact information on the Form 987, Wire Transfer Authorization for a Cash Warehouse Delivery, and the Form 996, Warehouse Lender Release of Security Interest
- Revising Exhibit 57, 1–4 Unit Property Approved Expense Amounts, to increase allowable fees for title work in Utah

EFFECTIVE DATES:

All of these changes are effective immediately except:

- **November 7, 2004**—Our requirements for the purchase of Mortgages secured by Mortgaged Premises in Massachusetts were effective for Mortgages with Note Dates on or after this date.
- **January 1, 2005**—Seller/Servicers may deliver Mortgages up to the new loan limits to us after this date; Mortgages up to the new loan limits that are sold through the Selling System may have Funding and Settlement Dates after this date.

WHY WE'RE MAKING THESE CHANGES AND HOW THEY AFFECT YOU

Selling Changes

New loan limits

Increases in Freddie Mac's loan limits are tied to the October-to-October increase in the average purchase price of one-family conventionally financed homes as reported by the Federal Housing Finance Board (FHFB). For 2005, Freddie Mac has raised its conforming loan limits by 7.78%. The higher loan limits will make lower-cost Mortgages available to more homebuyers, particularly those purchasing homes in high-cost areas.

Seller/Servicers may begin originating Mortgages with these new loan limits immediately and enter into commitments to sell these Mortgages to Freddie Mac. However, these Mortgages may not be delivered to us before January 1, 2005; or for Sellers using the Selling System, these Mortgages may not have Funding or Settlement Dates before January 1, 2005. Mortgages with the new loan limits may be submitted to Loan Prospector beginning December 1, 2004.

We have revised Chapter 23 to reflect the new loan limits.

Fixed-rate Guarantor program through the Selling System

Freddie Mac is pleased to announce that we have further expanded the functionality of the Selling System, our single-platform web-based system for selling Mortgages. Now, Sellers can sell eligible fixed-rate Mortgages to Freddie Mac in exchange for Gold PCs under the fixed-rate Guarantor program through the Selling System.

By expanding the Selling System to include Guarantor executions for eligible fixed-rate Mortgages, Freddie Mac is providing more crucial real-time, on-line information for Guarantor contracts, including a PC Pool Number and CUSIP Number and a real-time conversion process. Sellers can select a four-day Settlement Cycle or the traditional five-day Settlement Cycle.

Seller must receive separate, specific and express approval from Freddie Mac to sell fixed-rate Mortgages under the Guarantor program through the Selling System.

We have added Chapter B15, which contains information and requirements for the fixed-rate Guarantor program through the Selling System, and we have also revised Chapter 15 to incorporate this new information.

In addition, we have revised the web site location for the Selling System to reflect its functionality beyond the Cash program. The Selling System URL is now <https://sell.freddiemac.com>. For the time being, the Selling System will also be accessible via the original URL, <https://sell.freddiemac.com/cash>.

Revised affordable housing income limits terminology

We are changing our Affordable Gold Mortgage income restrictions and including the modified income limit requirements in the definition of a new term, “Underserved Area,” which replaces the term “Concentrated Area.” We are also adding instructions on how to determine income eligibility.

We have revised Chapter 34, Exhibit 26 and the Glossary to reflect these changes.

Retirement of Gold Cash Xtra (GCX) software

As noted in Bulletins 2004-2, 2004-3 and 2004-4, GCX functionality for cash transactions has been retired, and no further GCX commitments will be taken. Therefore, in this Bulletin we are updating the Guide language to reflect the retirement of GCX. Sellers should be aware that the Selling System Servicing Released Sales Process now offers functionality comparable to that of the GCX software system.

Information on previous GCX transactions is available through the GCX software system until December 31, 2004. If you have any problems retrieving data on past transactions, you may contact the Cash Desk at (800) 366-2353.

We have revised Chapters 2, 8, 9, 17 and 56; Exhibits 8, 17, 19 and 28; Forms 11 and 13SF; and the Glossary to reflect the retirement of GCX. We have also deleted Exhibit 27 and Form 960G.

American Land Title Association (ALTA) short form title policy

We are making changes to provide direction to Sellers on how to include title policy endorsements when using either the ALTA Short Form Residential Loan Policy One- to Four-Family (adopted October 21, 2000) or the ALTA Short Form Expanded Coverage Residential Loan Policy One- to Four-Family (adopted October 22, 2003).

The ALTA short form title insurance policy does not have endorsements attached; instead, it provides a list of endorsements that are incorporated into the short form title policy. We have updated Chapter 39 to address this difference.

Antipredatory lending

As announced in our October 1, 2004, Industry Letter, due to the enactment of the Massachusetts Predatory Home Loan Practices Act and amendments to related laws (the “Massachusetts Act”), we have revised our requirements for the purchase of Mortgages secured by Mortgaged Premises located in Massachusetts. The new purchase requirements were effective for Mortgages with Note Dates on or after November 7, 2004.

We have added Section 22.18.11 (“Mortgaged Premises located in Massachusetts”) to reflect these changes. Replacement pages for this section are included in this Bulletin. Because Section 22.18.11 is a Discretionary Provision under Section 12.13 of the Guide, we are also updating Exhibit 26.

Changes to contact information on Form 987, Form 996 and several Directories

As a result of a Freddie Mac department's move, we have revised the “Mail Instructions” information on Form 987, Wire Transfer Authorization for a Cash Warehouse Delivery, and both the “Mail Instructions” and “Fax Instructions” on Form 996, Warehouse Lender Release of Security Interest.

We have also revised Chapter 77 and Directories 7 and 20 to reflect this change.

Servicing

Adjustment of allowable expense amounts in Utah

We are revising Exhibit 57, 1–4 Unit Property Approved Expense Amounts, to increase the allowable expense amount for title work in Utah from \$200 to \$300.

REVISIONS TO THE *SINGLE-FAMILY SELLER/SERVICER GUIDE*

Descriptions of revised Guide text are located in Exhibit A of this Bulletin. The revisions include:

- Chapters 2, 8, 9, 15, A15, 17, 22, 23, 24, 34, 39, 56, 59 and 77
- New Chapter B15
- Exhibits 8, 12, 17, 18, 19, 26, 27, 28 and 57
- Forms 11, 13SF, 960G, 987 and 996
- Glossary
- Directories 7 and 20

At the end of this Bulletin, you'll find replacement pages for the Guide.

CONCLUSION

We believe that these changes support Freddie Mac's commitment to making the mortgage finance process simpler and more efficient. If you have any questions about the changes announced in this Bulletin, please call your Freddie Mac Account Manager or (800) FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "D. H. Stevens". The signature is fluid and cursive, with a large initial "D" and "S".

David H. Stevens
Senior Vice President
Single-Family Sourcing

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Exhibit A

Highlights of Revisions in this Package

Bulletin 2004-5 incorporates changes to the following chapters of the *Single-Family Seller/Servicer Guide* (Guide):

- **Chapter 2**—General Freddie Mac Policies—Removes language related to Gold Cash Xtra[®] (GCX). Revises language with respect to Exhibit 28, Loan Servicing Purchase and Sale Agreement.
- **Chapter 8**—General Purchase Program Requirements and Characteristics—Removes language related to GCX. Adds language related to Mortgages sold through the Freddie Mac Selling System (Selling System).
- **Chapter 9**—Cash Program for Fixed-Rate (Including Balloon/Reset) Mortgages—Removes language related to GCX.
- **Chapter 15**—Special Requirements for the Use of Freddie Mac's Web-Based System for Selling Mortgages—Adds language regarding the fixed-rate Guarantor program and special delivery instructions applicable to Mortgages sold under the Servicing Released Sales Process.
- **Chapter B15**—Fixed-Rate Guarantor Program Through the Selling System—New chapter that adds requirements for fixed-rate Mortgages sold under the fixed-rate Guarantor program through the Selling System.
- **Chapter 17**—Mortgage Delivery and Settlement Processing—Removes language related to GCX.
- **Chapter 22**—General Mortgage Eligibility—Adds new section regarding Mortgages secured by Mortgaged Premises located in Massachusetts.
- **Chapter 23**—Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios—Revises loan limit amounts.
- **Chapter 34**—Special Eligibility Requirements for Affordable Gold[®] Mortgages—Revises Borrower income limits by referring to the new term “Underserved Area” and removing the term “Concentrated Area.” Adds instructions on how to determine income eligibility.
- **Chapter 39**—Title Insurance—Updates language related to the American Land Title Association (ALTA) short form title policy and incorporated endorsements.
- **Chapter 56**—Transfers of Servicing—Revises language related to GCX.

Exhibits

We've revised the following Exhibits:

- **Exhibit 8**—Delivery Balance Examples
- **Exhibit 17**—Offer Product and Offer Program Numbers

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- **Exhibit 18**—Loan Prospector[®] Price Structure
 - **Exhibit 19**—Postsettlement Delivery Fees
 - **Exhibit 26**—Discretionary Provisions
 - **Exhibit 28**—Loan Servicing Purchase and Sale Agreement
 - **Exhibit 57**—1-4 Unit Property Approved Expense Amounts

We've deleted the following Exhibit:

- **Exhibit 27**—Gold Cash Xtra Agreement

Forms

We've revised the following Forms:

- **Form 11**—Mortgage Submission Schedule
- **Form 13SF**—Mortgage Submission Voucher
- **Form 987**—Wire Transfer Authorization for a Cash Warehouse Delivery
- **Form 996**—Warehouse Lender Release of Security Interest

We've deleted the following Form:

- **Form 960G**—Agreement of Concurrent Transfer of Servicing of Single-Family Mortgages Through Gold Cash Xtra

Glossary

We've revised the following term:

- **GoldWorks[®]**

We've added the following term:

- **Underserved Area**

We've deleted the following terms:

- **Area Median Income**
- **Concentrated Area**

Directory

We've revised the following Directories:

- **Directory 7**
- **Directory 20**