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Bulletin

TO: All Freddie Mac Sellers and Servicers

November 20, 2006

SUBJECT: Introducing origination and delivery requirements for Mortgages for Newly Constructed Homes **(with correction to Temporary Requirements section to add value calculation requirement for Construction Conversion Mortgage refinance transactions secured by Manufactured Homes made on November 30, 2006)**

As announced at the Mortgage Bankers Association's 93rd Annual Convention on October 23, 2006, Freddie Mac is pleased to introduce Mortgages for Newly Constructed Homes, a new offering to assist in Gulf Coast rebuilding and help Sellers accommodate for the uncertainties of new construction and renovation work schedules. Mortgages for Newly Constructed Homes expands on our existing offerings for newly constructed homes and for renovation financing, which will be retired May 1, 2007.

The offering, Mortgages for Newly Constructed Homes, includes:

- **Newly Built Home Mortgage**

This Mortgage is for newly constructed site-built homes or new Manufactured Homes when the Borrower applies for the Mortgage before construction is completed.

Definition: A Mortgage, the proceeds from which are used for the purchase of a newly constructed site-built home or newly purchased Manufactured Home when the Borrower takes title to both of the following, simultaneously at closing:

- The land,
and
- The completed new site-built improvements, or
- A permanently affixed new Manufactured Home that has been converted to real property.

- **Construction Conversion Mortgage**

This Mortgage provides a Permanent Financing option for new site-built homes or new Manufactured Homes when Interim Construction Financing is replaced by Permanent Financing.

Definition: A Mortgage, the proceeds from which are used for the Permanent Financing that replaces the Interim Construction Financing obtained by the Borrower to:

- Purchase or refinance, as applicable, the land on which the site-built home or Manufactured Home will be constructed or affixed,
and
- Construct a new site-built home, or
- Purchase and permanently affix to the site and convert to real property, a new Manufactured Home.

- **Renovation Mortgage**

This Mortgage is for renovations to existing site-built homes when Interim Construction Financing is replaced by Permanent Financing.

Definition: A Mortgage, the proceeds from which are used for the Permanent Financing that replaces the Interim Construction Financing obtained by the Borrower to purchase or refinance the land and an existing site-built home and to repair, restore, rehabilitate or renovate the site-built home.

IMPORTANT FEATURES – HOW THESE CHANGES AFFECT YOU

New Glossary terms

We have developed the following new Glossary definitions for use in connection with this offering:

- Construction Conversion Modification Agreement
- Construction Conversion Mortgage
- Credit/Construction/Settlement Period
- Effective Date of Permanent Financing
- Integrated Construction Conversion Documentation (Integrated Documentation)
- Interim Construction Financing
- Modification Construction Conversion Documentation (Modification Documentation)
- Mortgages for Newly Constructed Homes
- Newly Built Home Mortgage
- Permanent Financing
- Renovation Mortgage
- Seasoned Mortgage for a Newly Constructed Home
- Separate Construction Conversion Documentation (Separate Documentation)

The new Glossary definitions may be found in Exhibit A of this Bulletin.

Origination, underwriting and documentation requirements

We are providing complete origination, underwriting and documentation requirements for these Mortgages in new Guide Chapter K33 of the *Single-Family Seller/Service Guide* (Guide). This new chapter is provided as Exhibit B of this Bulletin.

To be eligible for purchase, Mortgages for Newly Constructed Homes must be First Lien Mortgages and may be any Mortgage Product or offering eligible under the Guide unless specifically designated as ineligible in Section K33.3, K33.6(b) and K33.8 (see Exhibit B of this Bulletin).

Sellers will now have 18 months to originate, underwrite, document, allow for construction or renovation and sell Mortgages for Newly Constructed Homes to Freddie Mac. The 18-month period begins with the oldest date of the Borrower's credit, capacity or collateral documents and ends with the Settlement Date for sales under the Freddie Mac Selling System (Selling System, or the Delivery Date for sales under MIDANET[®]).

In connection with this offering, we have developed a new seasoning definition that applies to a Mortgage for a Newly Constructed Home where the Settlement Date for sales under the Selling System, or Delivery Date for sales under MIDANET occurs more than 18 months after the oldest date a Borrower's credit, capacity or collateral has been documented. For more information about:

- The definition, see the Glossary Definitions in Exhibit A and Section K33.13 in Exhibit B
- The general seasoning requirements for Mortgages for Newly Constructed Homes, see new Guide Section 36.1.1 in Exhibit D of this Bulletin

- The related postsettlement delivery fee rate, see the section of this Bulletin below titled “Revisions to Exhibit 19, Post Settlement Delivery Fees,” and Exhibit E of this Bulletin

We are also permitting most refinance transactions, including cash-out refinances for Construction Conversion Mortgages and Renovation Mortgages. When the Borrower owns the land or the land and the improvements prior to the closing of the Interim Construction Financing, then the Mortgage is a refinance Mortgage and must be sold to Freddie Mac as either a “no cash-out” refinance or cash-out refinance Mortgage.

Loan Prospector[®] assessment

Loan Prospector has been enhanced to update the options available in the “New Construction” field to include “Newly Built” and “Construction Conversion” options. Sellers will use the Construction Conversion option to assess Renovation Mortgages. Until May 1, 2007, Sellers may continue to assess one closing and two closing construction to permanent Mortgages in Loan Prospector under our existing Guide requirements.

Delivery requirements

For Mortgages for Newly Constructed Homes, we are requiring Sellers to deliver a new set of special characteristics codes (SCC), as well as a new reference code for certain modification/conversion Mortgages on the Form 11, Mortgage Submission Schedule, and Form 13SF, Mortgage Submission Voucher. For more information regarding delivery requirements, see new Guide Section 17.38.1 (see Exhibit C of this Bulletin).

General seasoning requirements

New Guide Section 36.1.1 has been added to reflect the requirements for Seasoned Mortgages for Newly Constructed Homes. This new Guide section includes applicable underwriting and documentation provisions and applicable delivery requirements. See Exhibit D of this Bulletin for more information about these requirements.

Revisions to Exhibit 19, Postsettlement Delivery Fees

Exhibit 19 has been revised to reflect that a Seasoned Mortgage for a Newly Constructed Home (identified with SCC D53) will have a special postsettlement delivery fee rate of 25 basis points. See Exhibit E of this Bulletin for more information about the special postsettlement delivery fee rate.

Modification Agreements

We are introducing examples of construction conversion modification agreements that are to be used for documenting the conversion/modification of Interim Construction Financing to Permanent Financing in different circumstances. See Exhibit F of this Bulletin for more information about documentation. The construction conversion modification agreement forms will be posted on the Freddie Mac Uniform Instrument website (<http://www.freddiemac.com/uniform/>).

EFFECTIVE DATES

The requirements provided in this Bulletin for Mortgages for Newly Constructed Homes are effective immediately.

Effective May 1, 2007, we will retire existing Guide requirements relating to (i) home construction and renovation financing and (ii) interim construction financing for Manufactured Homes. Until then, we will continue to purchase Mortgages originated, underwritten and documented in accordance with our existing Guide requirements for these features provided the Mortgages are delivered in accordance with the instructions in Sections 17.38 and 17.39. Sellers may not sell Mortgages originated under our existing underwriting and documentation requirements under our new offering unless these Mortgages meet the requirements of the new offering.

Effective May 1, 2007, Loan Prospector will no longer assess one closing and two closing construction to permanent Mortgages.

Temporary Requirements

Certain enhancements to Freddie Mac's delivery systems and Loan Prospector necessary to support this offering have not been completed. In order to allow Sellers to immediately originate Mortgages under the requirements announced in this Bulletin on a temporary basis, and until further notice, for Construction Conversion or Renovation Mortgage refinance transactions secured by site-built homes where the land has been owned for less than 12 months at the time of the closing date of the Interim Construction Financing, we are instructing Sellers to calculate value using the appraised value of the Mortgaged Premises. ***[The following sentence was inserted as a correction made on 11/30/2006]. For Construction Conversion Mortgage refinance transactions secured by Manufactured Homes, regardless of the length of ownership, the value must be calculated using the appraised value of the Mortgaged Premises*** (see Section K33.12 in Exhibit B). When the enhancements to Freddie Mac's systems supporting this new offering have been fully completed, Sellers will be notified and this temporary requirement will be rescinded.

In addition, new Guide Section 17.38.1 requires Sellers to enter a unique SCC for Renovation Mortgages, in addition to the SCC D51 used for both Construction Conversion and Renovation Mortgages. On a temporary basis, and until further notice, Sellers do not have to enter the additional unique SCC for Renovation Mortgages. We will advise you of that unique SCC, and when you must deliver it, in a future Guide Bulletin.

BULLETIN EXHIBITS

The following Exhibits in this Bulletin contain the requirements for Mortgages for Newly Constructed Homes:

Exhibit A – Glossary Definitions

Exhibit B – Guide Chapter K33

Exhibit C – Guide Section 17.38.1 – Delivery Instructions

Exhibit D – Guide Section 36.1.1 – General Seasoning Requirements

Exhibit E – Exhibit 19 – Postsettlement Delivery Fees

Exhibit F – Guide Exhibit 4 – Construction Conversion Modification Agreements

REVISIONS TO THE GUIDE

Applicable Guide chapters, Glossary terms and Exhibits will be revised in a future Guide Bulletin to reflect the changes announced in this Bulletin.

CONCLUSION

Freddie Mac will continue to work with our Sellers and Servicers to adapt to changing housing markets and identify solutions that help you meet the needs of Borrowers seeking permanent financing for the construction and renovation of their single-family homes.

For answers to questions about the requirements contained in this Bulletin, Freddie Mac Seller/Servicers should contact their Freddie Mac representative or call (800) FREDDIE.

Sincerely,



Patricia J. McClung
Vice President
Offerings Development