SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Condominium Project and Planned Unit Development (PUD) insurance – August 1, 2016

- Elimination of certain insurance coverage requirements for Condominium Projects that are reviewed under the streamlined project review type, PUDs and fee simple landowners/lessors of ground lease communities
- Specificity about other insurance coverage requirements for Condominium Projects and PUDs

Reporting of quality control, fraud, suspected fraud or other Suspicious Activity findings

- Revisions to the reporting processes for quality control, fraud, suspected fraud or other Suspicious Activity findings

Additional Guide updates

- Further updates and revisions as described in the “Additional Guide Updates” section of this Bulletin.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

CONDOMINIUM PROJECT AND PUD INSURANCE

Effective August 1, 2016, but Sellers are encouraged to implement immediately

In Bulletin 2016-3, we updated Condominium Project and PUD insurance requirements, effective August 1, 2016. After further evaluation of our requirements, and in response to feedback from our Seller/Servicers, we have further revised the requirements effective August 1, 2016, to no longer require liability insurance for PUDs and fee simple landowners/lessors of ground lease communities.

We are also no longer requiring Seller/Servicers to determine the existence or adequacy of:

- Fidelity or employee dishonesty insurance coverage for Condominium Projects that are reviewed under the streamlined project review type
- Liability insurance for Condominium Projects that are reviewed under the streamlined project review type

Additionally, we updated Guide Section 8202.2 to specify that a master or blanket insurance policy covering multiple affiliated projects is acceptable.

To assist Sellers in determining applicable condominium insurance requirements, we are including requirements in revised Section 8202.2(c), instead of referring Sellers to the PUD requirements in Section 8202.2(b).

Guide impacts: Sections 8202.2, 8202.5 and 8202.6
REPORTING OF QUALITY CONTROL, FRAUD, SUSPECTED FRAUD OR OTHER SUSPICIOUS ACTIVITY FINDINGS

We are streamlining the reporting processes for quality control, fraud, suspected fraud or other Suspicious Activity findings by:

- Eliminating redundant reporting requirements and clarifying the types of findings that must be reported and to whom those findings are reported
- Consolidating reporting of all origination-based fraud or suspected fraud to Freddie Mac’s Quality Control department
- Changing the time frame for reporting quality control findings from 30 to 60 days

Additionally, we are deleting Directory 2 and requiring Seller/Servicers to submit quality control findings via the following e-mail addresses:

- For postclosing quality control findings that must be reported to Freddie Mac Quality Control, Seller/Servicers must e-mail Seller_Servicer_QC_Reporting@freddiemac.com
- For postclosing quality control findings that must be reported to Freddie Mac Compliance, Seller/Servicers must e-mail Corporate_Compliance@freddiemac.com

Guide impacts: Sections 3201.2, 3402.6 and 3402.10 and the Directory

ADDITIONAL GUIDE UPDATES

REO Glossary definition

We are updating the Glossary definition of REO to move the statement regarding what REO includes for purposes of calculating fidelity and mortgagee’s errors and omissions insurance coverage into Sections 2101.7 and 2101.8 for ease of Seller/Servicer reference.

Guide impacts: Sections 2101.7 and 2101.8 and the Glossary

Uniform Loan Delivery Dataset (ULDD)

We are updating the Note for ULDD Data Point Per Change Rate Adjustment Effective Date (Sort ID 123) to refer to the correct Glossary term.

Guide impact: Section 6302.7

Exhibits 4 and 5

Effective August 1, 2016

We are updating Guide Exhibits 4 and 5 to reflect updated Pennsylvania State-specific Uniform Instruments announced in February 2016 on Freddie Mac’s Uniform Instruments web page. Sellers may begin using the updated Uniform Instruments as of the announcement date; however, their use will be required on August 1, 2016.

For more information, visit Freddie Mac’s Uniform Instrument News & Updates web page.

Guide impact: Exhibits 4 and 5

Forms 16SF and 1107SF

We are updating cross-references in Guide Forms 16SF and 1107SF to reflect the new locations in the reorganized Guide. Additionally, Form 1107SF has been made fillable for Seller convenience.

Guide impact: Forms 16SF and 1107SF
NAVIGATING THE GUIDE ON ALLREGS® TRAINING

Sellers are encouraged to visit the Freddie Mac Learning Center to register for the new “Navigating the Guide with AllRegs” webinar.

GUIDE UPDATES SPREADSHEET AND GUIDE POSITION SUMMARY


As a reminder, the Guide Position Summary (GPS) is available as a reference to show where the former Guide content is now located in the reorganized Guide.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE.

Sincerely,

Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management
SUBJECT: FREDDIE MAC PRINCIPAL REDUCTION MODIFICATION

This Bulletin announces the Freddie Mac Principal Reduction Modification. This temporary offering, which was designed at the direction of FHFA, significantly leverages the existing Freddie Mac Streamlined Modification with minor eligibility adjustments incorporated specifically to assist Borrowers who are most at risk of foreclosure. Under this initiative, the Servicer will send each eligible Borrower a Streamlined Modification Trial Period Plan and a solicitation letter that commits the Servicer, and therefore Freddie Mac, to forgive principal following the Borrower’s successful completion of a Streamlined Modification Trial Period Plan and settlement of the modification. After the Trial Period Plan is completed and the Mortgage has converted to a permanent modification, the Servicer will forgive all forbearance amounts created as a result of the Streamlined Modification, unless the Borrower chooses to opt out of principal reduction (e.g., due to tax considerations). As described in more detail below, Borrowers in Active Trial Period Plans during the term of this temporary offering, including those that are not Streamlined Modification Trial Period Plans, may also be eligible.

This Bulletin contains the requirements for the Principal Reduction Modification, including the eligibility, Borrower notification, evaluation hierarchy, and processing and reporting requirements.

For the purposes of this Bulletin, an “Active Trial Period Plan” is any Trial Period Plan (other than a Principal Reduction Trial Period Plan sent to a Borrower within 15 days following Servicer implementation) with the first Trial Period Plan payment due on or after May 1, 2016 and on or before December 1, 2016, regardless of whether the Trial Period Plan has been completed or if it is still in process.

SERVICER IMPLEMENTATION

Servicers must evaluate their Servicing portfolios using the criteria described in the Eligibility Requirements and Exclusions section of this Bulletin no later than October 1, 2016. All required solicitations for this modification must be sent on or before December 31, 2016. Servicers may implement the Principal Reduction Modification prior to October 1, 2016 if they are able to do so.

REVISIONS TO THE GUIDE

The Guide will not be updated to include these requirements. Servicers should refer to this Bulletin to ensure compliance with Principal Reduction Modification requirements.

ELIGIBILITY REQUIREMENTS AND EXCLUSIONS

General eligibility requirements and exclusions

Eligibility for the Principal Reduction Modification will be determined in two stages. First, Freddie Mac will provide the Servicer with a list of Mortgages that, based on loan origination data provided to us at Mortgage delivery and/or by the Servicer, meet certain criteria described in the “As of March 1, 2016” row in the Principal Reduction Modification Eligibility Requirements table below. This list will be available on the Servicer Performance Profile web site under the following path:

Additional Resources -> Additional Portfolio Analysis -> Other Reports -> Principal Reduction Modification Starting Population List

The list will serve as a starting population for the Principal Reduction Modification. If the Servicer needs access to the Servicer Performance Profile web site, it should contact its user administrator or call Customer Support at (800) FREDDIE and select option four for Servicing.
The Servicer must conduct additional evaluations of the starting population to determine final eligibility in accordance with the “As of the Servicer evaluation date” row in the Principal Reduction Modification Eligibility Requirements table below. Mortgages that have any of the characteristics described in the Principal Reduction Modification Eligibility Exclusions table below are not eligible for a Principal Reduction Modification. Servicer evaluations may begin as soon as is feasible, and must be conducted no later than the mandatory effective date of October 1, 2016.

To be eligible for the Principal Reduction Modification, the following eligibility requirements must be met:

<table>
<thead>
<tr>
<th>Date</th>
<th>Requirements</th>
</tr>
</thead>
</table>
| As of March 1, 2016         | • The Mortgage must have a UPB less than or equal to $250,000, before capitalizing eligible arrearages  
• The Mortgage must be at least 90 days delinquent  
• The property securing the Mortgage must not have been an Investment Property at origination  
NOTE: Freddie Mac will provide the Servicer with a list of Mortgages that, based on data provided to us at delivery and/or by the Servicer, meet the above criteria and will serve as a starting population. The Servicer may validate occupancy status as of the evaluation date. The Servicer must validate that the Mortgages in the starting population meet the delinquency and UPB requirements described above, and must evaluate them using the additional eligibility criteria as of the Servicer evaluation date, described below. |
| As of the Servicer evaluation date | • The Mortgage must have a post-modification mark-to-market loan-to-value (MTMLTV) ratio greater than 115% (determined in accordance with Guide Section 9206.10)  
• The property may be vacant or condemned  
• The Mortgage must have been originated at least 12 months prior to the evaluation date for the Modification  
• The Principal Reduction Modification must result in a principal and interest (P&I) payment that is less than or equal to the pre-modification P&I payment (determined in accordance with Section 9206.10)  
• If the Mortgage is secured by a leasehold estate, the term of the lease must not terminate earlier than five years after the maturity date of the proposed modified Mortgage. If the current term of the lease terminates earlier than five years after the maturity date, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the Borrower a Trial Period Plan.  
• The Mortgage must be a conventional First Lien Mortgage currently owned or guaranteed in whole or in part by Freddie Mac  
• If the Borrower made monthly mortgage payments after March 1, 2016 to become less than 90 days delinquent, the Borrower must be at least 30 days delinquent on the evaluation date |
The Mortgage may be subject to an unexpired offer to the Borrower for another modification provided the Borrower is eligible to be converted to a permanent Principal Reduction Modification in accordance with the Eligibility Requirements for a Modification in Progress section in this Bulletin.

The Borrower may be performing under another Trial Period Plan provided the Borrower is eligible to be converted to a permanent Principal Reduction Modification in accordance with the Eligibility Requirements for a Modification in Progress section in this Bulletin.

### Principal Reduction Modification Eligibility Exclusions

The following **eligibility exclusions** apply for the Principal Reduction Modification:

- The Borrower was previously offered but failed to comply with the terms of a Streamlined Modification or Streamlined Modification Trial Period Plan
- The Mortgage was previously modified with Freddie Mac Standard Modification terms and the Mortgage became 60 or more days delinquent within 12 months of the Modification Effective Date.
- The Borrower failed to comply with the terms of a previous Trial Period Plan within 12 months of its evaluation date and the terms of the Trial Period Plan were determined in accordance with the Standard Modification.
- The Mortgage is subject to an approved short sale or deed-in-lieu of foreclosure transaction.
- The Mortgage is insured by the FHA or guaranteed by the VA or RHS.
- The Mortgage has previously been modified three or more times.
- The Mortgage is subject to an indemnification or recourse agreement.

### Eligibility requirements for a modification in progress in the interim between May 1, 2016 and December 1, 2016

To assist more eligible Borrowers, Servicers must evaluate Borrowers who are in, or who have completed, Active Trial Period Plans for the Principal Reduction Modification in accordance with the eligibility requirements in this section. For such eligible Borrowers, the terms of the existing modification offer (i.e., the MyCity Modification, Home Affordable Modification Program (HAMP®) modification, Standard Modification or Streamlined Modification terms) will be honored, except that the forbearance amount calculated in accordance with the terms of that specific program will be forgiven after the mortgage modification takes effect and settles on Freddie Mac’s systems.

Active Trial Period Plans that are in process or that have been completed are eligible for the Principal Reduction Modification, provided that:

- The Mortgage is on the starting population list provided by Freddie Mac, which is comprised of Mortgages that, as of March 1, 2016, meet the following conditions:
  - Prior to capitalization, the UPB of the Mortgage is less than or equal to $250,000, and
  - The Mortgage is at least 90 days delinquent, and
  - At origination, the property securing the Mortgage was not an Investment Property. (NOTE: The Servicer may validate occupancy status as of the evaluation date, and in these instances the Mortgage may not be on the starting population list, and the Servicer must ensure that all eligibility requirements are met.)
- The post-modification MTMLTV ratio is greater than 115% as of the Servicer evaluation date.
The Trial Period Plan has a first Trial Period Plan payment due date on or after May 1, 2016, and on or before December 1, 2016

The Borrower successfully complies with the terms of the Trial Period Plan

The mortgage modification agreement is executed and returned by the Borrower in a timely manner (in accordance with Section 9206.16 or 9205.9, as applicable)

In these instances, Servicers are not required to send a Principal Reduction Modification Solicitation Letter ("solicitation letter") but must send all such eligible Borrowers a Principal Reduction Modification Opt-Out Letter ("opt-out letter"), as described in the Sending an Offer to the Borrower section below, to provide Borrowers with the opportunity to opt out of the Principal Reduction Modification.

SENDING AN OFFER TO THE BORROWER

The Servicer must solicit each eligible Borrower in accordance with the following requirements:

<table>
<thead>
<tr>
<th>Principal Reduction Modification Solicitation Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trial Period Plan Status</strong></td>
</tr>
<tr>
<td>The Borrower is not in an Active Trial Period Plan as of October 1, 2016</td>
</tr>
<tr>
<td>The Borrower is in an Active Trial Period Plan as of October 1, 2016</td>
</tr>
</tbody>
</table>

The Servicer may continue to solicit the Borrower for a Principal Reduction Modification throughout the foreclosure process up to 60 days prior to a foreclosure sale date for a judicial foreclosure or 30 days prior to a foreclosure sale date for a non-judicial foreclosure, provided that all solicitations cease on or before December 31, 2016.

The Servicer must send the following documents to eligible Borrowers who are not in an Active Trial Period Plan as of October 1, 2016:

- The solicitation letter
• The Streamlined Modification Trial Period Plan Notice (Review based on MTMLTV Ratio Greater than or Equal to 80%) provided in Guide Exhibit 93

If the Servicer receives a complete Borrower Response Package after the date the solicitation letter is sent to the Borrower and prior to sending the modification agreement, the Servicer must acknowledge receipt of the package and comply with applicable law with respect to evaluation of that package.

<table>
<thead>
<tr>
<th>Additional Streamlined Modification Solicitation Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>If...</strong></td>
</tr>
<tr>
<td>The Servicer has not implemented the Principal Reduction Modification as of July 15, 2016</td>
</tr>
<tr>
<td>The Servicer has implemented the Principal Reduction Modification as of July 15, 2016</td>
</tr>
</tbody>
</table>

**EVALUATION HIERARCHY**

Prior to Servicer implementation of the Principal Reduction Modification, there will be no changes to the existing Freddie Mac loss mitigation evaluation hierarchy. As described in this Bulletin, under certain circumstances, Servicers must evaluate Borrowers who are in Active Trial Period Plans for principal reduction.

If an eligible Borrower is in an Active Trial Period Plan prior to Servicer implementation and the Mortgage meets the requirements described in the Eligibility Requirements for a Modification in Progress section of this Bulletin, the Servicer should process the modification in accordance with existing Guide requirements related to that specific modification offering. The Servicer must also submit the Principal Reduction Modification request through Workout Prospector® as described in the Processing and Reporting section of this Bulletin.

After the Servicer has implemented the Principal Reduction Modification in its systems and processes, the Servicer must solicit all eligible Borrowers for the Principal Reduction Modification, including Borrowers who would have otherwise been eligible for the MyCity Modification. Servicers must suppress the MyCity Modification solicitation letter and send the solicitation letter and Streamlined Modification Trial Period Plan instead.

If a Borrower is solicited for the Principal Reduction Modification and he or she subsequently submits a Borrower Response Package, the Servicer must evaluate the Borrower for all options in accordance with the existing loss mitigation evaluation hierarchy. If the Borrower is eligible for a Principal Reduction Modification and instead accepts another mortgage modification offer, the Borrower remains eligible for principal reduction, provided that the Mortgage is on the starting population list provided by Freddie Mac (refer to the Eligibility Requirements for a Modification in Progress section in this Bulletin for the requirements for a Mortgage to be on this list). In these
instances, the Servicer must also send the Borrower an opt-out letter and convert forbearance to principal reduction as described in this Bulletin.

BORROWER OPT-OUT PERIOD

The Servicer must send an opt-out letter to provide eligible Borrowers the opportunity to opt-out of the Principal Reduction Modification. The Servicer may send the opt-out as early as the date the solicitation letter is sent, but no later than the deadline described in the Principal Reduction Modification Solicitation Requirements section above. The opt-out letter must explain how the Principal Reduction Modification will work, inform the Borrower of possible tax consequences and describe what action the Borrower must take to opt out of the Principal Reduction Modification.

If the Servicer sends the opt-out letter prior to determining the final deferred principal balance, the Servicer must specify that the amount of deferred principal provided in the opt-out letter is an estimate, and the precise amount of deferred principal will be stated in the modification agreement when the Mortgage is permanently modified.

A Borrower must call or write the Servicer within 30 days of the date of the opt-out letter in order to exercise his or her right to opt out of the Principal Reduction Modification.

PROCESSING AND REPORTING

For Borrowers who are not in Active Trial Period Plans, the Servicer will determine the modification terms and process the Principal Reduction Modification as a Streamlined Modification in its proprietary systems through the completion of the Trial Period Plan. For all eligible Borrowers, once the modification has settled, the Servicer must submit the terms to Freddie Mac to have the deferred principal written off and the Borrower released from liability with respect to that amount.

Workout Prospector

The Servicer must use the following steps when submitting a Principal Reduction Modification to Freddie Mac:

1. Determine eligibility and terms per the Principal Reduction Modification requirements described in this Bulletin
2. Once the Borrower successfully completes the Trial Period Plan and executes the modification agreement, enter the terms of the modification and data for all required fields using the Workout Prospector Court-Mandated Modification/Litigation exception path. Enter forborne principal in the Court-Mandated Modification Write-off field.
3. In the comments section of Workout Prospector:
   - Label as a Principal Reduction Modification
   - Provide a breakdown of the terms, including rate, term, forbearance amount, interest-bearing UPB, interest rate change date (effective date of the modification), first payment due date and forbearance/forgiven amount.
4. Submit Guide Form 1128, Loss Mitigation Transmittal Worksheet, to NPL_Settlement@freddiemac.com

Credits for forgiven amounts will be issued after successful settlement of the workout. If the Borrower opts out of the principal reduction post-settlement option, the Servicer must notify Freddie Mac by submitting Form 1205, Post Settlement Correction Request, to Post_settlement_correction@freddiemac.com.

Note: For Borrowers who are in Active Trial Period Plans, once the Borrower successfully completes the Trial Period Plan, the Servicer must update the modification terms in Workout Prospector and save the modification in Trial Period Approved status. Once the Servicer receives the executed modification documents, the Servicer must submit the modification via the Court Mandated Modification/Litigation exception path following the instructions above. HAMP modifications should be processed and settled via the existing HAMP process as described in Section 9205.9. After settlement, submit Form 1205 to Post_settlement_correction@freddiemac.com to request that the forborne principal be forgiven.
Reporting
The Servicer must provide Freddie Mac a list of approved Trial Period Plans by the third Business Day of the month after solicitations are sent and continue reporting appropriate updates by the third Business Day of each month. The report must be sent to Shortsales@freddiemac.com and include the following fields:

- Title: Principal Reduction Modification Trial Report
- Freddie Mac Loan Number
- Servicer Loan Number
- Servicer Name
- Date Trial Approved (the date the solicitation offer was sent to the Borrower)
- Forgiven Amount
- Date Final Modification Settled
- Opt-out – Yes or No

Except for Borrowers in Active Trial Period Plans, the Servicer must report Principal Reduction Modification Trial Period Plan activity using default action code TM – “Alternative Modification Trial Period” in accordance with the requirements in Section 9206.13. Servicers must report Borrowers who are in Active Trial Period Plans for other modifications according to existing reporting requirements.

OTHER REQUIREMENTS
Other requirements for the Principal Reduction Modification include:

- If the Mortgage is subject to mortgage insurance, the Servicer must obtain approval of the Principal Reduction Modification from the MI prior to offering principal reduction to a Borrower
- Mortgage payoffs do not include the impact of the principal reduction under the Principal Reduction Modification until the modification agreement has been signed by the Borrower and the Servicer
- Except as otherwise provided in this Bulletin, Servicers must process a Principal Reduction Modification in accordance with, and subject to, the same requirements that are otherwise applicable to processing a Streamlined Modification as described in Section 9206.3. If a Borrower who is in an Active Trial Period Plan has the forbearance waived, the Servicer should process and report the modification as a HAMP modification, MyCity Modification, Standard Modification or Streamlined Modification, as applicable.
- Except as otherwise provided in this Bulletin, Servicers must not write-off or permanently reduce the UPB, delinquent interest or other non-interest arrearages of the Mortgage as required in Section 9206.1
- The Servicer will be eligible to receive an incentive payment in accordance with the Standard and Streamlined Modification tiered payment structure described in Exhibit 96
- For situations where a Borrower does not meet the eligibility requirements for a Principal Reduction Modification, and the Servicer believes it to be the best option for addressing the Delinquency, the Servicer may submit a recommendation to Freddie Mac for review
- Use of the solicitation letter template and the opt-out letter template is optional; however, these templates reflect the minimum amount of information and level of specificity that complies with the requirements within this Bulletin. Servicers that use the templates must revise them as necessary to comply with applicable law.

ADDITIONAL RESOURCES
We encourage Servicers to:

- Review the list of Frequently Asked Questions for the Principal Reduction Modification
Visit the Freddie Mac Learning Center for updates. A reference guide and tutorial on the Principal Reduction Modification will be available by April 30, 2016.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE and select option four for Servicing.

Sincerely,

Yvette W. Gilmore
Vice President
Servicer Performance Management
Dear [Borrower Name(s)]:

**Act Now for a Principal Reduction Modification**

We are pleased to inform you that you are eligible for a loan modification, which includes the opportunity to reduce the overall amount you owe on your mortgage. In addition to modifying the terms of your loan after you successfully complete the enclosed three-month trial period plan, we will cancel a portion of the principal balance of your loan.

**But you have to act now.**

The enclosed trial period plan requires that you make three consecutive monthly payments in the amount of [XX]. The trial period plan payment approximates the monthly payment you will pay under the terms of your modified mortgage. Many people in your community have benefitted from loan modifications in recent years. Under this modification, we will change the terms of your mortgage to allow you to make modified monthly mortgage payments over a 40-year period at a low fixed interest rate. We have attached more information on the terms of the program for your review.

**Principal Reduction**

After you receive a permanent change to the terms of your loan, we will reduce a portion of your mortgage balance. We will do so by canceling your “deferred principal amount.” The deferred principal amount is described in the attached trial period plan and the precise amount of deferred principal will be stated in your modification agreement. **Reducing the principal balance you owe may have tax implications. Please consult your tax advisor to discuss those implications.**

You will receive written instructions on how to decline the principal reduction if you do not want your principal balance reduced. You may also decline the principal reduction by calling us at [SERVICER PHONE NUMBER] or by writing to the address provided below. It’s not too late. Get in touch with us today to learn more about your options.

We want to help. Call us today or simply send your first payment. You have options but you need to act now. If you do not respond by [DATE – 14 days from date of this letter], foreclosure actions on your home may commence or continue.

Sincerely,
Customer Support

[Servicer Name]
[Servicer Logo]

[Borrower 1 Name] [Borrower 2 Name] [Date]
(Address 1) [Reference: [LOAN NUMBER] [Address 2] [City, State Zip Code]

Dear [Borrower Name(s)]:

**Important Mortgage Notification – Principal Reduction**
We are pleased to inform you that we are reducing the principal balance of your mortgage loan. Because the amount you owe significantly exceeds the value of your home and you meet other eligibility requirements, we are canceling the deferred principal balance of your loan. The amount of the deferred principal balance will be provided in your modification agreement. You will never have to pay that amount back and no further action by you is needed. Reducing the principal balance you owe may have tax implications. Please consult your tax advisor to discuss those implications.

**Principal Reduction Amount**
The table below shows how your principal balance will be reduced.

[The Servicer must use the following language if the actual amount of the deferred principal balance has not been determined when the Servicer sends this opt out letter:]

The table below shows how your principal balance will be reduced. **The amounts provided are based on an estimate of your deferred principal balance.** The precise amount of the deferred principal balance will be stated in your modification agreement when the loan is permanently modified.

<table>
<thead>
<tr>
<th>Current Total Principal Balance:</th>
<th>Amount Reduced (deferred principal balance):</th>
<th>New Principal Balance:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$[XXX,XXX.XX]</td>
<td>$[XX,XXX.XX]</td>
<td>$[XX,XXXX.XX]</td>
</tr>
</tbody>
</table>

All other terms of your modification agreement, including the amount of your monthly principal and interest payment, will remain unchanged. Your monthly statement will reflect the new principal balance after cancelation of the deferred principal balance as a result of the modification. Please keep a copy of this letter with your mortgage documents, for your records.

**How to Decline Principal Reduction**
If you do not want us to reduce the principal balance of your mortgage loan, you must contact us at [SERVICER PHONE NUMBER] or in writing at the address provided below within [XX] days of the date of this letter. If you choose to decline the principal reduction, the deferred principal balance will be due and payable according to the terms of your modification agreement.

**Questions?**
If you have any questions about this notice, or you do not want us to reduce your principal balance, please contact us at [SERVICER PHONE NUMBER] or in writing at the address provided below within [XX] days of the date of this letter.

Sincerely,

Customer Support
[Servicer Name]
TO: Freddie Mac Sellers

May 4, 2016 | 2016-8

SUBJECT: HOME POSSIBLE® MORTGAGE DELIVERY FEE CAP STRUCTURE

This Guide Bulletin announces updates to the postsettlement delivery fee (“delivery fee”) cap structure for Home Possible and Home Possible Advantage® Mortgages (collectively referred to as “Home Possible Mortgages”), announced in Bulletin 2015-21.

In response to Seller feedback regarding challenges in implementing the previously announced delivery fee cap structure, and to expand affordability to more Borrowers, we are simplifying and broadening the application of the delivery fee cap structure. We are doing so by removing the delivery fee cap eligibility requirements based on area median income (AMI) or the location of the Mortgaged Premises in an Underserved Area.

Effective for Home Possible Mortgages with Settlement Dates on or after July 1, 2016, the delivery fee cap structure will apply to all Home Possible Mortgages as reflected in the following table:

<table>
<thead>
<tr>
<th>Product</th>
<th>LTV Ratios</th>
<th>Credit Score</th>
<th>Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Eligible Product</td>
<td>&gt; 80%</td>
<td>≥ 680</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>&lt; 680</td>
<td></td>
<td>1.50%</td>
</tr>
<tr>
<td></td>
<td>≤ 80%</td>
<td>All</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

While eligibility for the delivery fee cap structure will no longer be determined based on delivery of Investor Feature Identifier (IFI) 140, Sellers must deliver IFI 140 when income used to qualify the Borrower, converted to an annual basis, does not exceed 80% of the applicable AMI, or the Mortgaged Premises is located in an Underserved Area.

All other changes in Bulletin 2015-21 remain in effect as announced.

Guide impact: Exhibit 19

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE and select option three for loan delivery.

Sincerely,

Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management
SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Homeownership education and delinquency counseling

- The option for Servicers to refer Borrowers to a HUD-approved counseling agency for Early Delinquency Counseling for Home Possible® Mortgages – October 1, 2016 (New)

EDR for Mortgages in repayment plans – July 1, 2016

- The extension of the deadline for implementation of previously announced revisions to repayment plan reporting requirements and elimination of a reporting requirement for repayment plans

Additional Guide updates and reminders

- Further updates and revisions as described in the “Additional Guide Updates and Reminders” section of this Bulletin

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

HOMEOWNERSHIP EDUCATION AND DELINQUENCY COUNSELING

Effective October 1, 2016

Currently, the Servicer may use the services of a nonprofit third-party homeownership counseling agency to conduct counseling when offering Early Delinquency Counseling to Borrowers with Home Possible Mortgages, including Home Possible Advantage® Mortgages. Alternatively, the Servicer may conduct the counseling provided it has policies and procedures in place to offer the same kind of comprehensive counseling, budgeting and advising as a counseling agency.

As part of Freddie Mac’s continuing commitment to improve the effectiveness of the housing counseling network and to provide more flexibility to Servicers offering Early Delinquency Counseling for Home Possible Mortgages, we are providing Servicers the additional option to use the services of a HUD-approved nonprofit national counseling agency specified by Freddie Mac, without charge to the Servicer.

To refer a delinquent Borrower for counseling services provided by an agency, the Servicer must complete the “Counseling Agency-Servicer Referral” template in accordance with the instructions tab provided in the template. The instructions provide details for carrying out referrals to the agencies as well as a list of Mortgages that are ineligible for referral under the “Exclusions” section. The Servicer must send the referral via secure e-mail to Freddie Mac at FM_Counseling_Outreach@Freddiemac.com. After Freddie Mac receives the referral, Freddie Mac and the agency will contact the Borrower to offer counseling services to the Borrower.

For more information about the network of national counseling agencies, Servicers should visit http://myhome.freddiemac.com/mortgage-help/trusted-advisors.html.

Guide impacts: Guide Sections 9101.2 and 9102.4
EDR FOR MORTGAGES IN REPAYMENT PLANS

Effective July 1, 2016

Bulletin 2016-2 announced revised repayment plan reporting requirements with a mandatory implementation date of June 1, 2016. However, Servicers were encouraged to implement the revised requirements as early as possible.

In an effort to provide Servicers adequate time to prepare for these reporting changes, and in response to industry feedback, we are extending the previously announced mandatory date for implementing the repayment plan reporting requirements from June 1, 2016 to July 1, 2016. Servicers are still encouraged to implement the revised requirements as early as possible.

Additionally, we are removing the requirement that Servicers must report default action code 43 (Referred to foreclosure (EDI Term: Foreclosure Started)) if the Borrower fails to make payments due under the repayment plan. As a reminder, Servicers must discontinue reporting default action code 12 (Repayment Plan) if the Borrower fails to make payments due under the plan.

Guide impacts: Sections 9203.6 and 9203.11

ADDITIONAL GUIDE UPDATES AND REMINDERS

State foreclosure timeline compensatory fee supplemental assessments

In Bulletin 2016-5, we announced that:

- The temporary suspension of the assessment and billing of State foreclosure timeline compensatory fees in the District of Columbia, Massachusetts, New Jersey, New York and New York City had ended
- We would notify impacted Servicers via a supplemental assessment of State foreclosure timeline compensatory fees accrued for foreclosure sales that occurred from January 1, 2015 through February 29, 2016 (the “Suspension Period”), based on the retroactive State foreclosure timelines for these States outlined in Bulletin 2016-5

Earlier this month we notified impacted Servicers of the first of two State foreclosure timeline compensatory fee supplemental assessments. We then posted the supplemental assessments for the impacted Servicers on their Prior Year Compensatory Fee Analysis Reports. These reports display compensatory fees resulting from foreclosure sales in these States in 2015 (January 1, 2015 – December 31, 2015). If a Servicer does not find a supplemental assessment on its Prior Year Compensatory Fee Analysis Report, it is not subject to any compensatory fees for this period.

In the near future, we will notify impacted Servicers of the second (and final) supplemental assessment for compensatory fees resulting from foreclosure sales in these States in 2016 (January 1, 2016 – February 29, 2016). We will then post the final supplemental assessments for the impacted Servicers on their Year-to-Date Compensatory Fee Analysis Reports.

Reporting and notification requirements for the transfer of Freddie Mac Default Legal Matters

We are updating Section 9501.13(a) to provide that, for the transfer of Freddie Mac Default Legal Matters, once a Servicer has determined the eligible law firm(s) that will receive such file transfers, the notification to Freddie Mac must include:

- Servicer name and the six-digit Seller/Servicer number
- The nine-digit Freddie Mac loan number
- Servicer loan number
- Date of transfer
- Original law firm name
- New law firm name
• Freddie Mac Default Legal Matter being transferred (e.g., foreclosure, bankruptcy proof of claim (POC) or bankruptcy motion for relief (MFR)) to the new law firm (New)

• The State in which the Mortgaged Premises is located (New)

Guide impacts: Section 9501.13 and Directory 1

REO Glossary definition
We are updating the Glossary definition of REO to reflect that an REO may, in addition to being acquired by Freddie Mac through foreclosure or a deed-in-lieu of foreclosure, be acquired by Freddie Mac as a result of a legal process, such as a court order or judgment, in which a secured lender acquires title to real estate securing the mortgage debt.

Guide impact: Glossary

Reporting quality control, fraud, suspected fraud and other Suspicious Activity findings
As announced in Bulletin 2016-6, we have deleted Directory 2. Seller/Servicers must now submit postclosing quality control findings as follows:

• For findings that must be reported to Freddie Mac Quality Control as described in Section 3402.10, Seller/Servicers must e-mail Seller_Servicer_QC_Reporting@freddiemac.com

• For findings that must be reported to Freddie Mac Compliance as described in Section 3402.10, Seller/Servicers must e-mail Corporate_Compliance@freddiemac.com

Seller/Servicers must submit fraud, suspected fraud and other Suspicious Activity findings as follows:

• For all origination-based misrepresentation identified in Section 3402.10, Seller/Servicers must e-mail Freddie Mac Quality Control at Seller_Servicer_QC_Reporting@freddiemac.com

• For all other fraud, suspected fraud and suspicious activity identified in Section 3201.2(a), as well as Suspended Counterparty program list matches, Seller/Servicers must submit Freddie Mac’s Mortgage Fraud Reporting Form – Servicing, located at http://www.freddiemac.com/singlefamily/preventfraud/, or submit the information required in the form to the Freddie Mac Financial Fraud Investigation Unit (see Directory 1)

Guide impacts: Sections 3201.2, 3402.6 and 3402.10 and Directory 2

Condominium Project and Planned Unit Development (PUD) insurance requirements
Effective August 1, 2016
As announced in Bulletin 2016-6, we are revising certain Condominium Project and PUD insurance requirements. While these revisions impact Sellers, Servicers should familiarize themselves with the changes and note that Guide Chapter 8202 has been updated.

Guide impacts: Sections 8202.2, 8202.5 and 8202.6

NAVIGATING THE GUIDE ON ALLREGS® TRAINING
Servicers are encouraged to visit the Freddie Mac Learning Center to register for the new “Navigating the Guide with AllRegs” webinar, which provides:

• Information on the structure and features of the Guide

• Strategies for effectively searching the Guide

• Instructions for printing Guide content

• Best practices for using the Guide on AllRegs
CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE and select option four for Servicing.

Sincerely,

[Signature]

Yvette W. Gilmore
Vice President
Servicer Performance Management
SUBJECT: SERVICING UPDATES
This Guide Bulletin announces:

Home Affordable Modification Program
- Revisions related to the expiration of the Home Affordable Modification Program (HAMP®)

Lender-Placed Insurance
- The extension of the mandatory effective date for Lender-Placed Insurance (LPI) deductibles for certain Servicers that use American Modern Insurance Group as their LPI provider

Reporting a short sale to the Internal Revenue Service
- The requirement for Servicers to use Internal Revenue Service (IRS) Form 1099-C when reporting a cancellation of debt in connection with a short sale

EFFECTIVE DATE
All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

HOME AFFORDABLE MODIFICATION PROGRAM EXPIRATION
Treasury Supplemental Directives 16-02 and 16-03 updated certain requirements related to the expiration of HAMP. In response to those directives, we are revising our HAMP requirements as follows:

<table>
<thead>
<tr>
<th>HAMP Requirements</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category</strong></td>
<td><strong>Requirements</strong></td>
</tr>
<tr>
<td>Borrower eligibility</td>
<td>A Borrower must submit a complete Borrower Response Package on or before December 30, 2016 in order to be evaluated for a HAMP modification.</td>
</tr>
</tbody>
</table>
## HAMP Requirements

<table>
<thead>
<tr>
<th>Category</th>
<th>Requirements</th>
</tr>
</thead>
</table>
| **Borrower solicitation** | As of **September 1, 2016**, Servicers are no longer required to, and on and after **November 1, 2016**, Servicers must not:  
  - Include Guide Form 710A in Borrower Solicitation Packages  
  - Refer to HAMP or HAMP-related programs, except:  
    - As required under applicable law, such as for a Borrower’s evaluation and denial of a mortgage modification Trial Period Plan  
    - With respect to an upcoming interest rate adjustment under HAMP  
  - Refer to HAMP “Pay for Performance” incentives in written solicitation materials sent to Borrowers, except with regard to:  
    - Notifications of upcoming interest rate adjustments under HAMP  
    - Required notices to Borrowers pertaining to the HAMP Year Six Pay for Performance incentive  
  However, Servicers must retain references to the Homeowners HOPE™ Hotline (888-995-HOPE™) and, if requested by a Borrower, must provide all information necessary for the Borrower to apply for a HAMP modification.  
  In addition, if a Borrower submits a complete Borrower Response Package on or before December 30, 2016 and the Servicer determines that the Borrower is eligible for HAMP, the Servicer must attempt to collect government monitoring data by mailing Form 710A to the Borrower, or via alternate communication with the Borrower (e.g., telephone contact). |
| **Servicer evaluation in connection with Freddie Mac Streamlined Modification Trial Period Plans and offers** | On or after **December 31, 2016**, the Servicer may, but is not required to, consider a Borrower who submitted a complete Borrower Response Package on or before **December 30, 2016** for a HAMP modification, if the Borrower:  
  - Accepted a Streamlined Modification Trial Period Plan or  
  - Received a Streamlined Modification offer but has yet to accept the offer and for which the acceptance period has not yet expired |
## HAMP Requirements

<table>
<thead>
<tr>
<th>Category</th>
<th>Requirements</th>
</tr>
</thead>
</table>
| **HAMP Trial Period Plan offers** | On or after December 31, 2016, the Servicer must not offer a new HAMP Trial Period Plan to a Borrower who was performing under the terms of the previous HAMP Trial Period Plan prior to entering into:  
- An unemployment forbearance plan, unless the complete Borrower Response Package used to evaluate the Borrower for a new Trial Period Plan was submitted on or before December 30, 2016  
- A state Housing Finance Agency’s unemployment mortgage assistance program unless the complete Borrower Response Package used to evaluate the Borrower for a new Trial Period Plan was submitted on or before December 30, 2016  
- A disaster-related forbearance plan unless the original Borrower Response Package used to evaluate the Borrower for the original HAMP Trial Period Plan was submitted on or before December 30, 2016 |
| **Modification Effective Date** | All HAMP modifications must have a Modification Effective Date on or before December 1, 2017. Servicers may include a condition in the HAMP Trial Period Plan that the Borrower must meet all Trial Period Plan requirements no later than November 30, 2017 to be eligible for a HAMP Modification Agreement that takes effect on December 1, 2017. |

Guide impacts: Guide Sections 8404.6, 9102.5, 9205.2, 9205.4, 9206.3 and 9211.1

### LENDER-PLACED INSURANCE DEDUCTIBLES

On February 22, 2016, American Modern Insurance Group, Inc. (AMIG) announced it was exiting the LPI business. For Servicers that will be unable to meet our new LPI deductible requirements under Section 8202.12 for policies effective by July 1, 2016 because of AMIG’s exit, Freddie Mac has extended this effective date to LPI policies issued and renewing with an effective date on or after July 1, 2017. Impacted Servicers that use this extension must provide evidence of compliance to Freddie Mac upon request.

### REPORTING A CANCELLATION OF DEBT IN CONNECTION WITH A SHORT SALE

Our previous short sale reporting requirements instructed Servicers to use IRS Form 1099-A when reporting a cancellation of debt in connection with a short sale. However, IRS 2016 instructions for filing IRS Forms 1099-A and 1099-C specify that short sales must be reported using IRS Form 1099-C. As a result, we are updating the Guide to require Servicers to use IRS Form 1099-C when reporting a cancellation of debt in connection with a short sale.

Guide impacts: Sections 8106.4, 8303.11 and 8601.10
CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE and select option four for Servicing.

Sincerely,

Yvette W. Gilmore
Vice President
Servicer Performance Management
TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

**Financed mortgage insurance premiums – July 25, 2016**
- Updates to our requirements for financed mortgage insurance premiums

**Restructured Mortgages**
- Removing the restriction against the purchase of Restructured Mortgages

**Home Possible® Mortgages**
- Updates to our requirements for homeownership and landlord education – October 3, 2016
- Removing the requirement for the delivery of Investor Feature Identifier (IFI) 140

**Mortgages secured by properties with resale restrictions – June 27, 2016**
- Updates to our requirements, including expanding purchase eligibility to Mortgages secured by properties with income-based resale restrictions that survive foreclosure

**Additional Guide updates**
- Further updates and revisions as described in the “Additional Guide Updates” section of this Bulletin

**EFFECTIVE DATE**

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

**FINANCED MORTGAGE INSURANCE PREMIUMS**

**Effective for Mortgages with Settlement Dates on or after July 25, 2016**

As part of our continued efforts to expand homeownership opportunities to more Borrowers, we are revising our requirements for Mortgages with financed mortgage insurance premiums. These changes include the following:

<table>
<thead>
<tr>
<th>Requirements for Mortgages with financed mortgage insurance premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current requirements</strong></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>For Accept Mortgages, the Base LTV ratio, as defined in Guide Section 4701.2, must not exceed the lesser of 95% or the LTV ratio specified in Section 4203.4</td>
</tr>
<tr>
<td>For Caution and Non-Loan Prospector Mortgages, the Base LTV ratio must not exceed the lesser of 90% or the LTV ratio specified in Section 4203.4</td>
</tr>
</tbody>
</table>
### Requirements for Mortgages with financed mortgage insurance premiums

<table>
<thead>
<tr>
<th>Current requirements</th>
<th>Revised requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>For all Mortgages, the Gross LTV ratio, as defined in Section 4701.2, must not exceed 95%</td>
<td>• For all Home Possible Advantage® Mortgages, the Gross LTV ratio must not exceed 97%</td>
</tr>
<tr>
<td></td>
<td>• For all other Mortgages, the Gross LTV ratio must not exceed 95%</td>
</tr>
<tr>
<td>For Primary Residences, permitted for Mortgages secured by 1-unit properties only</td>
<td>For Primary Residences, permitted for Mortgages secured by 1- to 4-unit properties</td>
</tr>
<tr>
<td>Not permitted for super conforming Mortgages</td>
<td>Permitted for super conforming Mortgages</td>
</tr>
</tbody>
</table>

Loan Prospector® and the Selling SystemSM will be updated by July 25, 2016 to reflect these changes.

Guide impacts: Sections 4603.3 and 4701.2

### RESTRUCTURED MORTGAGES

Previously, Restructured Mortgages were not eligible for purchase unless delivered to Freddie Mac through a negotiated sales transaction through the bulk sales unit. Due to changing market conditions, we are removing this restriction. There are no longer any requirements specific to Restructured Mortgages, and as a result we are deleting the Glossary term “Restructured Mortgage” and removing all other Guide references to these Mortgages.

Guide impacts: Sections 1301.11, 4201.5, 4301.2, 4302.2, 4303.2, 4402.1 and the Glossary

### HOME POSSIBLE MORTGAGES

#### Homeownership and landlord education

**Effective October 3, 2016**

In response to feedback from housing advocacy groups and agencies, we have evaluated our requirements and as a result are updating our homeownership and landlord education requirements for Home Possible and Home Possible Advantage Mortgages as follows:

<table>
<thead>
<tr>
<th>Requirements for Home Possible Mortgage education</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current requirements</strong></td>
</tr>
<tr>
<td>Homeownership education can be provided by the originating lender or by the Seller, as long as it is not provided by someone directly involved in the loan origination, processing or approval process</td>
</tr>
</tbody>
</table>
## Requirements for Home Possible Mortgage education

<table>
<thead>
<tr>
<th>Current requirements</th>
<th>Revised requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acceptable homeownership education programs include:</td>
<td>Acceptable homeownership education programs include:</td>
</tr>
<tr>
<td>- Internet (on-line) homeownership education programs that have been developed by mortgage insurance companies</td>
<td>- Programs developed by HUD-approved counseling agencies, Housing Finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs)</td>
</tr>
<tr>
<td>- Homeownership education programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (<a href="http://www.homeownershipstandards.com">www.homeownershipstandards.com</a>)</td>
<td>- Homeownership education programs developed by mortgage insurance companies or other providers' programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (<a href="http://www.homeownershipstandards.com">www.homeownershipstandards.com</a>)</td>
</tr>
<tr>
<td>- Certain programs using Freddie Mac CreditSmart®</td>
<td>Alternatively, programs using Freddie Mac's financial literacy curriculum, CreditSmart, meet the homeownership education requirement provided:</td>
</tr>
<tr>
<td></td>
<td>- The Borrower completes the on-line <a href="#">CreditSmart – Steps to Homeownership Tutorial</a>, which includes the specific modules listed in Section 4501.12</td>
</tr>
<tr>
<td></td>
<td>- The financial literacy curriculum is not provided by an interested party to the transaction, the originating lender or by the Seller</td>
</tr>
</tbody>
</table>

| No restrictions on who can provide landlord education in connection with Mortgages secured by 2- to 4-unit Primary Residences | Landlord education, in connection with Mortgages secured by 2- to 4-unit Primary Residences, may not be provided by an interested party to the transaction, the originating lender or by the Seller |

Loan Prospector will be updated by October 3, 2016 to reflect these changes.

Guide impact: Section 4501.12

**IFI 140**

In response to Seller feedback we are removing the requirement that IFI 140 must be delivered for Home Possible and Home Possible Advantage Mortgages if the income used to qualify the Borrower, converted to an annual basis, does not exceed 80% of the applicable area median income (AMI), or the property is located in an Underserved Area.

Guide impacts: Section 6302.14 and Exhibit 34
MORTGAGES SECURED BY PROPERTIES WITH RESALE RESTRICTIONS
Effective June 27, 2016

Currently, Freddie Mac only purchases Mortgages secured by properties with resale restrictions, other than age-based restrictions, that terminate at foreclosure. In response to Seller inquiries, we will now also purchase Mortgages secured by properties with income-based resale restrictions that survive foreclosure.

We are also revising requirements for Mortgages secured by properties with income-based resale restrictions to specify that:

- The Mortgage must be either a purchase transaction Mortgage or a 'no cash-out' refinance Mortgage
- The Mortgage must be secured by a 1-unit Primary Residence (not a Manufactured Home)
- Eligible property types are attached or detached dwelling units located on an individual lot or in a Condominium Project or Planned Unit Development (PUD)

Additionally, we have added new Guide Section 6302.37 that specifies two new IFIs required for delivery of Mortgages secured by properties subject to income-based resale restrictions:

- IFI 630 – to identify income-based resale restrictions that terminate upon foreclosure
- IFI 631 – to identify income-based resale restrictions that survive foreclosure

For all Mortgages secured by properties subject to resale restrictions (income-based and age-based), we are reducing the number of comparable sales required with similar resale restrictions from three to two.

Guide impacts: Sections 4201.17 and 6302.37 and Guide Exhibit 34

ADDITIONAL GUIDE UPDATES

Equity sharing

We are specifying that a provider of secondary financing or another party may not share in the appreciation of the Mortgaged Premises, except when the secondary financing is an Affordable Second®.

Guide impact: Section 4204.1

Title insurance

We identified and made minor edits related to restrictive agreements and covenants in Chapter 4702.

Guide impact: Sections 4702.1, 4702.3 and 4702.4

Forms 996E and 1034E updates

Effective June 27, 2016

Forms 996E and 1034E, generated by the Selling System, are being updated to reflect reorganized Guide cross-references. Additionally, Form 996E is being updated to reflect changes to delivery instructions announced in Bulletin 2015-20. As a result, the sample Forms 996E and 1034E are being updated to align with the forms in the Selling System available beginning June 27, 2016.

Guide impacts: Sample Forms 996E and 1034E

GUIDE UPDATES SPREADSHEET

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE.

Sincerely,

[Signature]

Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management
SUBJECT: SELLING AND SERVICING UPDATES

This Guide Bulletin announces:

ARM Lifetime Floor

- Revised Freddie Mac/Fannie Mae ARM Notes and Riders and Freddie Mac ARM Notes and Riders that impose a Lifetime Floor equal to the ARM’s Margin – October 1, 2016 (New)

Freddie Mac tools and systems

- Updates related to the use of Freddie Mac’s technology tools and systems, including:
  - A Master Systems License – July 11, 2016 (New)
  - Loan Prospector® to Loan Product AdvisorSM terminology updates – July 11, 2016

Home Possible Mortgages

- The removal of the requirement for Home Possible® Mortgages that Sellers obtain a signed Borrower consent form at or before closing to authorize release of information in the event of a Delinquency

- Updates to Loan Prospector and the Affordable Income & Property Eligibility tool to reflect the area median income estimates for 2016

Exhibit 4

- Updates to Exhibit 4

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

ARM NOTES AND RIDERS THAT IMPOSE A LIFETIME FLOOR

Sellers are encouraged to use the updated ARM Notes and Riders referenced below immediately, but must do so for Mortgages with Note Dates on or after October 1, 2016.

Uniform Instruments

To support industry standardization, Freddie Mac/Fannie Mae ARM Notes and Riders and Freddie Mac ARM Notes and Riders (“updated ARM Notes and Riders”) have been revised recently to include new language imposing a Lifetime Floor equal to the ARM’s Margin.

Guide Exhibits 4 and 5 have been updated to reflect revision dates for our updated ARM Notes and Riders. For more information, visit Freddie Mac’s Uniform Instrument News & Updates web page.

Guide impacts: Exhibits 4 and 5

Delivery requirements

We are encouraging Sellers that use the updated ARM Notes and Riders to deliver ULDD Data Point Floor Rate Percent (Sort ID 116); however, delivery of that Sort ID is not mandatory. We are revising the delivery instructions for ULDD Data Point Floor Rate Percent (Sort ID 116) to reflect that the Lifetime Floor must equal the ARM’s Margin. For ARMs with Note Dates on or after October 1, 2016, if the Seller does not deliver the Floor Rate Percent.
Percent (Sort ID 116) Freddie Mac will populate this ULDD Data Point with the Margin that the Seller delivers in ULDD Data Point Margin Rate Percent (Sort ID 119).

We are also removing the reference to ULDD Data Point Floor Rate Percent (Sort ID 116) from Guide Section 6302.24 as it is no longer necessary.

Document Custodian information

Except as set forth below regarding Fannie Mae ARM Notes and Riders, there will be no new verification elements for Document Custodians to certify ARMs with Lifetime Floors.

Document Custodians must verify that:

- ARMs with Note Dates before October 1, 2016 were originated on either the current (version 1/01) ARM Notes and Riders or the updated (version 1/01 rev. 6/16) ARM Notes and Riders,
- ARMs with Note Dates on or after October 1, 2016 were originated on the updated (version 1/01 rev. 6/16) ARM Notes and Riders

Fannie Mae Announcement SEL-2015-12 announced permission for lenders to add a lifetime interest rate floor equal to the ARM’s margin to Fannie Mae ARM notes and ARM riders to Security Instruments. Sellers delivering ARMs with Lifetime Floors on and after June 29, 2016 that are originated using Fannie Mae ARM documents amended to add a Lifetime Floor as authorized by Fannie Mae Announcement SEL-2015-12 should be aware that, as part of the Note certification process, their Document Custodian will verify that the value of the Lifetime Floor equals the value of the Margin; if it does not, the discrepancy will be reported as a documentation issue and the Note will not be certified for sale to Freddie Mac. For information regarding use of Fannie Mae ARM instruments to originate ARMs eligible for sale to Freddie Mac, refer to Section 4101.2(c)(ii).

The Guide Custody Procedures Handbook will be updated in the future to reflect this information.

Guide impacts: Sections 6302.7 and 6302.24

Additional related Guide updates

We are updating Sections 4401.4 and 4401.5 to reflect the new requirement that ARMs purchased by Freddie Mac have a Lifetime Floor equal to the ARM’s Margin.

We are also updating the Glossary definition of Lifetime Floor. We are adding language to Guide Exhibit 17S to reflect the new Lifetime Floor requirement and otherwise updating this exhibit to renumber footnotes and remove outdated text.

Servicing requirements are generally not impacted by the new requirement that ARMs purchased by Freddie Mac have a Lifetime Floor equal to the ARM’s Margin; however, we may announce updates to the Guide related to Servicing requirements in a future Bulletin.

Guide impacts: Sections 4401.4 and 4401.5, Exhibit 17S and the Glossary

FREDDIE MAC TOOLS AND SYSTEMS

Master Systems License and System-Specific Licenses

Effective July 11, 2016

Freddie Mac Loan Advisor SuiteSM (“Suite”), our end-to-end technology solution, will be available this summer. The Suite includes Loan Product Advisor, Loan Quality AdvisorSM, Loan Collateral AdvisorSM, Loan Closing AdvisorSM, Selling System®, Loan Coverage Advisor® and Business Intelligence, which are accessible through a single sign-on portal.

We are creating a Master Systems License in Guide Chapter 2401 to streamline various technology licenses for Freddie Mac tools and systems, including new and existing tools and systems that are part of the Suite. We are also consolidating certain user agreements into an updated Chapter 2402 (the chapter containing Selling System provisions (currently Chapter 2402) will become Chapter 2403). The Master Systems License reduces the need
for individual user agreements in separate Guide exhibits and other provisions by aligning common terms in a single umbrella license governing the use of Freddie Mac technology tools.

Chapters 2401 and 2402 have a simplified structure as outlined below:

- Chapter 2401 contains terms that apply broadly to most Freddie Mac technology platforms
- Section 2402.1 governs system specifications shared with Seller/Servicers that develop their own systems integrations to a Freddie Mac platform
- Section 2402.2 contains license terms for the collection of systems comprising the Suite
- Sections 2402.3 through 2402.8 contain system-specific license terms for Loan Product Advisor, Loan Quality Advisor, Loan Coverage Advisor, the Selling System, HVE® and Quality Control Information Manager

As a result of the new Master Systems License and System-Specific Licenses, Exhibits 15, 16, 18, 29, 32, 37, 38 and 39 will be deleted.

As discussed in our June 16, 2016 Single-Family News Center article, current access to existing Freddie Mac tools and systems that are part of the Suite will still work; however, we are updating Forms 900, 901, and 906, (which are used to add, modify and remove administrators and users of the Selling System and Loan Coverage Advisor) to reflect the creation of the Master Systems License and System-Specific Licenses. We are also updating these forms to remove language regarding counterparty rights and responsibilities that is addressed in those licenses. On and after July 11, 2016, Seller/Servicers must use the updated forms to authorize users and to add, delete, modify or confirm an individual’s existing user roles.

Guide impacts: Chapters 2401, 2402, and 2403, Sections 1501.4, 2202.2, 2406.2, 2406.3, 4302.2, 4302.5, 4303.3, 4303.6, 5101.1, 6203.1, 6203.8, 6204.1, 6204.8, 6205.1, 6205.8, 6302.3, 6302.4 and 6305.4, Exhibits 15, 16, 18, 29, 32, 37, 38 and 88, Forms 900, 901 and 906

**Impact to Servicers**

**Effective immediately**

We have added “Servicing Tool” as a defined term to the Glossary and have updated Exhibit 88 to identify additional Servicing Tools already available to Servicers. Consistent with current Chapter 2401, the Master Systems License does not apply to any Servicing Tool that is governed by a separate license, user agreement or similar document, except for Loan Coverage Advisor, HVE and Quality Control Information Manager, which are governed by the Master Systems License and their respective System-Specific Licenses set forth in Sections 2402.5, 2402.7 and 2402.8. Servicing Tools that have separate licenses, user agreements or similar documents that are not set forth in Chapter 2402 continue to be governed by those licenses, user agreements or similar documents. Servicing Tools that are not governed by Chapter 2402 or any separate licenses, user agreements or similar documents will be governed by the new Chapter 2401.

We also are updating Section 9501.10 to include a reference to the Attorney Data Reporting (ADR) System. As announced in our Single-Family News Center article dated October 29, 2015 and Bulletin 2016-2, Servicers may obtain access to ADR in order to monitor their law firms’ reporting progress by completing the ADR Servicer Access Request Form available on the Freddie Mac Default-Related Legal Services web page at http://www.freddiemac.com/singlefamily/service/default_legal_services.html.

Guide impacts: Sections 2404.1, 3403.1, 8101.1, 8601.3, 8601.7, 9205.1, 9205.7, 9205.9, 9206.7, 9206.17, 9401.8, 9501.3, and 9501.10, Exhibit 88 and the Glossary

**Loan Product Advisor terminology changes**

**Effective July 11, 2016**

In anticipation of the launch of our new Suite this summer, our automated underwriting system, Loan Prospector, will evolve into Loan Product Advisor, which is a part of the new Suite. As a result, we are updating Guide references from Loan Prospector to Loan Product Advisor.

While we have replaced the majority of Guide references, there are still some references to Loan Prospector in the Guide and other Purchase Documents. For example, since the Selling System will not be updated
immediately, the Loan Prospector references in Chapter 6302 are not being changed now. Any such reference to Loan Prospector in existence on and after July 11, 2016 is to be deemed a reference to Loan Product Advisor, as defined in the Glossary.

Guide impacts: See **Bulletin 2016-12 (Selling and Servicing) Guide Updates Spreadsheet**

**Notice of changes to negotiated provisions**

Pursuant to Section 1501.2, negotiated provisions in Master Agreements and/or Master Commitments are amended such that all references to Loan Prospector are deemed to be references to Loan Product Advisor as defined in the Glossary.

**Additional tool and system-related Guide updates**

**Definition of HVE**

We are revising the Glossary definition of HVE to more accurately reflect the function of the tool.

**Removal of Guide Form 2070**

Effective October 1, 2016

We no longer offer the Property Inspection Alternative option in Loan Prospector and, as a result, are removing the obsolete Form 2070, *Loan Prospector Condition and Marketability Report*.

Guide impacts: Section 4302.2 and Form 2070

**HOME POSSIBLE MORTGAGES**

**Borrower consent form**

In response to feedback from the industry and to facilitate more efficient affordable lending processes, we are eliminating our requirement, for Home Possible Mortgages that Sellers obtain, at or before closing, a signed consent form from the Borrower, authorizing the release of the Borrower’s information to a counseling agency in the event of a Delinquency. This change will not restrict, limit or discourage Servicers from making referrals for Borrowers in need of counseling and Freddie Mac continues to support and encourage counseling when applicable.

Guide impacts: Sections 4501.12, 9101.2 and 9102.4

**Area median income estimates**

The FHFA has issued the area median income estimates for 2016.

Loan Prospector and the [Affordable Income & Property Eligibility tool](https://www.freddiemac.com/income) will be updated on June 30, 2016 to reflect the 2016 area median income estimates. Because many of the 2016 estimates are lower than the area median income estimates for 2015, Home Possible Mortgages underwritten using the 2015 area median income limits may no longer be eligible for sale. If a Home Possible Mortgage received an “Accept-Eligible” evaluation prior to June 30, 2016, but receives an “Accept-Ineligible” when resubmitted to Loan Prospector on or after June 30, 2016 due only to the new area median income estimates (that is, no other purchase restriction/reason for ineligibility applies), we will honor the original Feedback Certificate for the “eligibility” and purchase the Mortgage as long as there is no change to the Borrower’s income and/or the address of the Mortgaged Premises. In these instances, the original Feedback Certificate (pre-June 30, 2016) must have been returned by Loan Prospector no more than 120 days before the Note Date and both Feedback Certificates must be retained in the Mortgage file.

**EXHIBIT 4 UPDATE**

Exhibit 4, *Single-Family Uniform Instruments*, has been updated to reflect changes that are included on Freddie Mac's Uniform Instruments web page for Wisconsin. For more information visit Freddie Mac's [Uniform Instrument News & Updates](https://www.freddiemac.com/income) web page.
GUIDE UPDATES SPREADSHEET

CONCLUSION
If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE.

Sincerely,

Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management