

# Bulletin

NUMBER: 2009-3

TO: All Freddie Mac Sellers and Servicers

January 30, 2009

## SUBJECTS

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, Freddie Mac is announcing that we are increasing postsettlement delivery fees to address the additional risk associated with some Mortgages, particularly those that have been heavily impacted by the continued decline in home values.

Based on the S&P/Case-Shiller 20-City Composite Index, home prices have declined 18% over the 12 months ending November 30, 2008, with annual price declines as much as 33% in some areas. In addition, according to the Federal Housing Finance Agency’s Purchase-Only House Price Index, in the fourth quarter of 2008 home values fell 1.8% from October to November – the largest recorded month-to-month decline since the index began in 1991. All industry indicators point to these significant declines continuing through 2009.

Ongoing declines in home values are expected to increase default rates for mortgages with lower Indicator Scores or higher loan-to-value (LTV) ratios. These home loans historically default at a significantly higher rate than our typical flow deliveries. Mortgages with additional layered risk characteristics, such as cash-out refinance Mortgages, interest-only adjustable-rate Mortgages, and condominium unit Mortgages, pose an even higher default risk.

As we continue to use risk-based pricing to account for the increased costs associated with these Mortgages, we are increasing and/or introducing delivery fees associated with:

- Condominium Unit Mortgages
- Initial Interest<sup>SM</sup> adjustable-rate Mortgages (ARMs)
- Mortgages with certain Indicator Score/ loan-to-value (LTV) ratio combinations
- Cash-out Refinance Mortgages with certain Indicator Score/LTV ratio combinations

### Effective April 1, 2009

These changes are effective for all Mortgages sold under flow Purchase Contracts with Freddie Mac Settlement Dates on or after **April 1, 2009**.

## FEES FOR MORTGAGES WITH HIGHER RISK CHARACTERISTICS

For certain Mortgages, with higher risk characteristics, we are:

- Announcing a new 75 basis point delivery fee rate for certain Condominium Unit Mortgages with LTV ratios greater than 75%
- Increasing delivery fee rates by 25 basis points for Initial Interest ARMs
- Increasing the Indicator Score/Loan-to-Value delivery fee rate by 25, 50 or 75 basis points for Mortgages with certain Indicator Score/LTV ratio combinations
- Increasing the delivery fee rate by 25 or 50 basis points for Cash-out Refinance Mortgages with certain Indicator Score/LTV ratio combinations

## New Condominium Unit Mortgage delivery fee

The Condominium Unit Mortgage delivery fee discussed below will not apply to the following Mortgages:

- 15-year fixed-rate Mortgages
- Home Possible<sup>®</sup> Mortgages
- Section 184 Native American Mortgages
- Section 502 GRH Mortgages
- FHA/VA Mortgages

For other Condominium Unit Mortgages with LTV ratios greater than 75%, with Freddie Mac Settlement Dates on or after **April 1, 2009**, a 75 basis point delivery fee rate will be assessed.

Guide Chapter 42 will be updated in a future Bulletin to include the list of Mortgages that will not be subject to the Condominium Unit Mortgage delivery fee.

### *Mortgages sold through fixed-rate Cash – net price option*

For Sellers that sell fixed-rate Mortgages for cash through the Freddie Mac Selling System and participate in the net price option, the new Condominium Unit Mortgage Delivery Fee will not be netted out of the cash price when this fee becomes effective on **April 1, 2009**. Instead, for settlements on or after **April 1, 2009** and on or before **April 30, 2009**, this delivery fee will appear on the Seller's monthly invoice. For settlements on or after **May 1, 2009**, this fee amount will be deducted from the price paid to the Seller and will no longer appear on the invoice.

## Initial Interest ARMs

Effective **April 1, 2009**, we are:

- Adding a 25 basis point delivery fee rate for Initial Interest ARMs with LTV ratios less than or equal to 90%
- Increasing the delivery fee rate for Initial Interest ARMs with LTV ratios greater than 90% from 25 basis points to 50 basis points

## Indicator Score/Loan-to-Value delivery fee rates

We are increasing the Indicator Score/Loan-to-Value delivery fee rates for Mortgages with certain Indicator Score/LTV ratio combinations as follows:

INDICATOR SCORE / LOAN-TO-VALUE									
Effective for Settlements on or after April 01, 2009									
Product	Credit Score	LTV Ratios							
		≤ 60%	> 60% & ≤ 70%	> 70% & ≤ 75%	> 75% & ≤ 80%	> 80% & ≤ 85%	> 85% & ≤ 90%	> 90% & ≤ 95%	> 95%
	≥ 740	-0.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Not Eligible
	≥ 720 & < 740	-0.25%	0.00%	0.00%	0.25%	0.00%	0.00%	0.00%	
	≥ 700 & < 720	-0.25%	0.50%	0.50%	0.75%	0.50%	0.50%	0.50%	
	≥ 680 & < 700	0.00%	0.50%	1.00%	1.50%	1.00%	0.75%	0.75%	
	≥ 660 & < 680	0.00%	1.00%	2.00%	2.50%	2.25%	1.75%	1.75%	
	≥ 640 & < 660	0.50%	1.25%	2.50%	2.75%	2.75%	2.25%	2.25%	
	≥ 620 & < 640	0.50%	1.50%	2.75%	2.75%	2.75%	2.75%	2.75%	
	< 620	0.50%	1.50%	2.75%	2.75%	2.75%	2.75%	2.75%	

## Cash-out Refinance Mortgages Indicator Score/Loan-to-Value delivery fees

We are increasing the cash-out refinance Mortgages Indicator Score/Loan-to-Value delivery fee rates for cash-out refinance Mortgages with certain Indicator Score/LTV ratio combinations as follows:

CASH-OUT REFINANCE MORTGAGES INDICATOR SCORE / LOAN-TO-VALUE						
Effective for Settlements on or after April 01, 2009						
Product	Credit Score	LTV Ratios				
		All Eligible				
		≤ 60%	> 60% & ≤ 70%	> 70% & ≤ 75%	> 75% & ≤ 80%	> 80%
	≥ 740	0.000%	0.250%	0.250%	0.500%	0.625%
	≥ 720 & < 740	0.000%	0.625%	0.625%	0.750%	1.500%
	≥ 700 & < 720	0.000%	0.625%	0.625%	0.750%	1.500%
	≥ 680 & < 700	0.000%	0.750%	0.750%	1.375%	2.500%
	≥ 660 & < 680	0.250%	0.750%	0.750%	1.500%	2.500%
	≥ 640 & < 660	0.250%	1.250%	1.250%	2.250%	3.000%
	≥ 620 & < 640	0.250%	1.250%	1.250%	2.750%	3.000%
	< 620	1.250%	2.250%	2.250%	2.750%	3.000%

## REVISIONS TO THE GUIDE

Exhibit 19, Postsettlement Delivery Fees, has been updated to reflect the changes described in this Bulletin. As previously mentioned, Chapter 42 will be updated in a later Guide Bulletin to include the list of Mortgages that will not be subject to the Condominium Unit Mortgage delivery fee.

## CONCLUSION

If you have questions regarding changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,



Patricia J. McClung  
Vice President  
Offerings Management