

# Bulletin

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TO: All Freddie Mac Sellers and Servicers

May 29, 2008

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## SUBJECTS

With this *Single-Family Seller/Servicer Guide* (Guide) Bulletin, Freddie Mac is providing the new requirements and effective dates related to the elimination of our declining markets policy announced in our May 16, 2008 Single-Family Advisory e-mail.

With respect to that announcement, we are making the following changes to our Selling requirements:

- Eliminating the requirement to reduce the maximum loan-to-value (LTV)/total LTV (TLTV)/home equity line of credit TLTV (HTLTV) ratio when a property is located in a market with declining property values
- Announcing that we will no longer purchase Mortgages with LTV/TLTV/HTLTV ratios greater than 95%, except for FHA/VA Mortgages, Section 502 GRH Mortgages, Section 184 Native American Mortgages and Home Possible® Mortgages with LTV and TLTV ratios greater than 95%, subject to all existing requirements for these Mortgages
- Reducing the maximum LTV and TLTV ratios for Home Possible Mortgages secured by 2-unit properties, and the maximum TLTV ratios for Home Possible Mortgages secured by 3- and 4-unit properties
- Reducing the maximum LTV/TLTV/HTLTV ratios for certain cash-out refinance Mortgages and Investment Property Mortgages
- Updating Exhibit 19, Postsettlement Delivery Fees, to reflect the reduced LTV/TLTV/HTLTV ratios

## Effective Dates

The changes in this Bulletin apply to all Mortgages with application dates on or after **June 1, 2008**. Mortgages originated under the declining markets policy and requirements in effect prior to June 1, 2008 are eligible for sale to Freddie Mac if they comply with all requirements in effect prior to this Bulletin, including the appropriate application of our declining markets policy to maximum financing amounts, and have Freddie Mac Settlement Dates on or before **August 31, 2008**.

Except as set forth below, Sellers with Master Agreements dated prior to **May 29, 2008** that deliver and sell Mortgages to Freddie Mac in conformity with the changes announced in this Bulletin must comply with all of the changes; that is, a Seller may not disregard the declining markets requirements and originate Mortgages with the maximum LTV/TLTV/HTLTV ratio requirements that were effective prior to **June 1, 2008**.

## NOTICE OF CHANGES TO NEGOTIATED CREDIT TERMS

### Broad changes

This paragraph serves as notice to Sellers with Master Agreements containing a provision that permits Freddie Mac to amend, supplement, revise or terminate a negotiated credit provision in a Purchase Document if such amendment, supplement, revision or termination is consistent with broad changes

implemented by Freddie Mac, that such Sellers must comply with the Guide changes announced in this Bulletin and that such negotiated provisions are amended to reflect the changes announced in this Bulletin.

### **Specific negotiated credit provisions**

This paragraph serves as notice to Sellers with Master Agreements containing negotiated credit provisions that permit Freddie Mac to amend, supplement, revise or terminate such provision, that such credit provisions are amended to reflect the changes announced in this Bulletin, in accordance with the Master Agreement terms.

## **SELLING CHANGES**

### **For Mortgages with applications dated on or after June 1, 2008, eliminating the requirement to reduce maximum financing for properties located in declining markets**

As announced in our May 16, 2008 Single-Family Advisory e-mail, in order to simplify our requirements for originating Mortgages, Freddie Mac will no longer require Sellers to take a five percentage point reduction in the maximum LTV/TLTV/HTLTV ratios, as applicable, for Mortgages originated in areas where property values are declining.

### **For Mortgages with applications dated on or after June 1, 2008, announcing we will no longer purchase Mortgages with LTV/TLTV/HTLTV ratios greater than 95%, except as noted below**

As a result of the elimination of our declining markets policy, Freddie Mac will no longer purchase Mortgages with LTV/TLTV/HTLTV ratios greater than 95%, except for FHA/VA Mortgages, Section 502 GRH Mortgages, Section 184 Native American Mortgages and Home Possible Mortgages with LTV ratios and TLTV ratios greater than 95%, subject to all existing requirements for these Mortgages. Among those requirements and as previously announced, Home Possible Mortgages with an LTV/TLTV ratio greater than 97% must have an Indicator Score greater than or equal to 700.

Also as a result of this change, for Alt 97<sup>®</sup> Mortgages with application dates on or after **June 1, 2008**, the maximum LTV and TLTV ratios are reduced to 95%. For Alt 97 Mortgages with secondary financing, the maximum LTV ratio is reduced to 90%. Since Guide Chapter D33 is a Discretionary Provision, this change applies to all Sellers, including those with negotiated Master Agreements and Master Commitment Contracts.

### **Reducing the maximum LTV and TLTV ratios for Home Possible Mortgages secured by 2- to 4-unit properties with applications dated on or after June 1, 2008**

Freddie Mac continues to provide 100% financing for low- and moderate-income Borrowers and Borrowers in Underserved Areas through our Home Possible Mortgage offering.

With this Bulletin, we are reducing the maximum LTV and TLTV ratios for Home Possible Mortgages secured by 2-, 3- and 4-unit properties as follows:

- For 2-unit properties, the maximum LTV ratio is reduced to 95%, and the maximum TLTV ratio is reduced to 100%, and
- For 3- and 4-unit properties, the maximum LTV ratio remains at 95%, and the maximum TLTV ratio is reduced to 100%

Since Chapter A34 is a Discretionary Provision, this change applies to all Sellers, including those with negotiated Master Agreements and Master Commitment Contracts.

To help ensure that Borrowers are using Home Possible Mortgages with flexible LTV and TLTV requirements to purchase homes they can afford and keep, as previously announced, we are requiring homeownership education before the Note Date for purchase transaction Mortgages when all Borrowers are First-time Homebuyer.

## **Reducing maximum LTV/TLTV/HTLTV ratios for certain cash-out refinance Mortgages and Investment Property Mortgages with applications dated on or after June 1, 2008**

In our review of our maximum financing requirements, we identified products and transaction types that raise additional concerns in this market environment. As a result, we are:

- Reducing the maximum LTV without and with secondary financing /TLTV/HTLTV ratios for cash-out refinance Mortgages secured by a 1- to 2-unit Primary Residence or a second home to 85%/80%/85%/90%, respectively. This includes cash-out refinance Initial Interest<sup>SM</sup> Mortgages.
- Reducing the maximum LTV without and with secondary financing /TLTV/HTLTV ratios for purchase and “no cash-out” refinance Mortgages secured by a 1- to 2-unit Investment Property to 85%/80%/85%/90%, respectively.

### **Exhibit 19, Postsettlement Delivery Fees**

Exhibit 19 has been amended to reflect the changes to our maximum LTV/TLTV and HTLTV ratios announced in this Bulletin. There are no changes to our delivery fee rates as a result of these changes.

## **REMINDERS**

### **Seller responsibilities for appraisals**

Decisions that Mortgages are acceptable for purchase by Freddie Mac are based on Borrower credit reputation and capacity and on the adequacy of the Mortgaged Premises to secure the transaction. We hold the Seller accountable for the quality, integrity and accuracy of the appraisal.

Sellers must comply with Guide Chapter 44 requirements, including but not limited to:

- Selection of an appraiser qualified to perform an appraisal of the subject property, without attempting to influence the appraiser’s results
- Providing the appraiser with the sales contract and other information available about the subject property and transaction, including any funds paid on behalf of the Borrower, whether or not the funds are considered an interested-party contribution subject to contribution limits
- Properly underwriting the appraisal to ensure that the appraiser’s opinion of value meets the definition of “market value,” and that the appraisal is accurate and fully supported

Sellers are reminded that appraisals must comply with the Uniform Standards of Professional Appraisal Practice (USPAP), applicable Advisory Opinions, laws and regulations, and Freddie Mac requirements.

## **LOAN PROSPECTOR**

Since Loan Prospector will not be updated at this time, Sellers must conduct a manual review of the Mortgage file to ensure that Mortgages meet the revised requirements for sale to us announced in this Bulletin, regardless of presence or absence of a purchase restriction.

## **DELIVERY REQUIREMENTS**

At this time, there are no changes to our delivery requirements.

## **GUIDE CHANGES**

Chapters 23, 24, D33, J33, A34 and 44, and Exhibit 19, Postsettlement Delivery Fees, have been updated to reflect the changes announced in this Bulletin.

## **CONCLUSION**

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

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia J. McClung". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Patricia J. McClung  
Vice President  
Customer Outreach and Offerings Deployment