

# Bulletin

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NUMBER: 2009-17

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TO: All Freddie Mac Seller/Servicers

July 8, 2009

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## SUBJECTS

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, Freddie Mac is announcing its requirements for Higher-Priced Mortgage Loans (HPMLs) and revised instructions for delivery of rate spread data on [Form 11, Mortgage Submission Schedule](#), and [Form 13SF, Mortgage Submission Voucher](#).

### Background – Regulation Z and Higher-Priced Mortgage Loans

In July 2008, the Board of Governors of the Federal Reserve System (“Federal Reserve Board”) issued a final rule amending Regulation Z, which implements the Truth in Lending Act. The rule includes consumer protections that apply to a new category of “higher-priced mortgage loans.” Regulation Z defines an HPML as a mortgage secured by the Borrower’s principal residence with an annual percentage rate (APR) that (for a first-lien loan) is at least 1.5% higher than the average prime offer rate (APOR) for a comparable transaction as of the rate lock date. APR is defined by a pre-existing provision of Regulation Z, and is familiar to our Sellers. APOR, defined by a new provision of Regulation Z, is an APR that will be calculated and published by the Federal Reserve Board at least weekly for a number of different mortgage products. APORs will be derived from interest rates, points and fees, and other pricing terms obtained from a survey of prime mortgage lenders. The Federal Reserve Board intends to derive APORs for certain products from the Primary Mortgage Market Survey® (PMMS) conducted by Freddie Mac.

### EFFECTIVE DATES

All HPML requirements announced in this Bulletin are effective for Mortgages with applications dated on or after **October 1, 2009**.

Freddie Mac’s revised delivery requirements for rate spread are effective for *all* Mortgages with applications dated on or after **October 1, 2009**, and for *all* Mortgages with Note Dates on or after **January 1, 2010**, regardless of the application date.

### FREDDIE MAC REQUIREMENTS FOR HIGHER-PRICED MORTGAGE LOANS

Freddie Mac will purchase HPMLs subject to the eligibility requirements in new Section 22.35.

Effective for applications dated on or after **October 1, 2009**, HPMLs sold to Freddie Mac must be one of the following Mortgage Products:

- Fixed-rate Mortgages
- 7/1 or 10/1 ARMs, or 7/6-month or 10/6-month ARMs
- 7-year Balloon Reset Mortgages

HPMLs sold to Freddie Mac must not be:

- Prepayment Penalty Mortgages

- Streamlined refinance Mortgages
- Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer
- ARMs with an Initial Period or Interest Only Period less than seven years
- 5-year Balloon Reset Mortgages

HPMLs sold to Freddie Mac are not eligible to be streamlined refinance Mortgages or Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer because those two products do not require verification of income and assets.

Note that although Regulation Z permits prepayment penalties for HPMLs under certain conditions, Freddie Mac will not purchase HPMLs subject to *any* prepayment penalty. Likewise, although Regulation Z permits the origination of HPMLs which adjust or reset during the first seven years after origination subject to specified underwriting criteria, Freddie Mac will not purchase HPMLs which are subject to any interest or payment adjustment or reset during the first seven years. All Mortgages, including HPMLs, delivered to Freddie Mac must comply with Guide [Sections 6.2\(a\)](#) and [22.28](#) and applicable laws.

## **DATA DELIVERY REQUIREMENTS FOR THE RATE SPREAD FIELD**

We are revising our data delivery requirements for the “Rate Spread” field on [Form 11](#) and [Form 13SF](#) consistent with both the amended Regulation Z and with changes published by the Federal Reserve Board in October 2008 regarding how lenders determine and report rate spread data under the Home Mortgage Disclosure Act (HMDA).

Under the revised HMDA reporting rules, effective for applications dated on or after **October 1, 2009**, HMDA reporters will be required to report the rate spread (difference) between a first-lien loan’s APR and the APOR for a comparable transaction if that spread is equal to or greater than 1.5 percentage points. Thus, for Mortgages with application dates on or after **October 1, 2009**, HMDA reporters will perform the same calculation to determine whether a Mortgage has a HMDA rate spread and whether a Mortgage (assuming it is secured by a Primary Residence) is an HPML.

Freddie Mac’s revised delivery requirements for rate spread are as follows, and are effective for all Mortgages with application dates on or after **October 1, 2009**, and for all Mortgages with Note Dates on or after **January 1, 2010, regardless of the application date:**

- Sellers will determine the rate spread by calculating the difference between a Mortgage’s APR and the APOR for a comparable transaction
- Sellers will be required to deliver the rate spread on [Form 11](#) and [Form 13SF](#) for *all* Mortgages with a rate spread equal to or greater than 1.5 percentage points, regardless of whether the Mortgage is secured by a Primary Residence, regardless of whether the Seller originated the Mortgage and regardless of whether the Seller is a HMDA reporter

We are updating the “Rate Spread” field on [Form 11](#) and [Form 13SF](#) to prevent Sellers from delivering a rate spread that is below 1.5 percentage points after **October 1, 2009**. We will provide loan origination systems vendors and Sellers with updated technical specifications for [Form 11](#) and [Form 13SF](#) import files in the near future.

### **More information**

For more information on rate spreads, refer to the following:

- Federal Financial Institutions Examination Council (FFIEC) web site at <http://www.ffiec.gov/hmda/guide.htm> to learn more about HMDA’s revised reporting rules
- FFIEC’s new rate spread calculator at [www.ffiec.gov/ratespread/newcalc.aspx](http://www.ffiec.gov/ratespread/newcalc.aspx) to assist you in determining the rate spread for Mortgages with application dates on or after **October 1, 2009**, and Mortgages with Note Dates on or after **January 1, 2010, regardless of the application date**

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters [22](#), [24](#), A24 effective 09/01/09, [30](#), [33](#), [B33](#) and [J33](#)
- [Glossary](#)
- [Exhibit 17S](#)
- [Forms 11](#) and [13SF](#)

## CONCLUSION

If after reviewing this Bulletin you have any questions about the eligibility or delivery of HPMLs or data delivery requirements, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,



Patricia J. McClung  
Vice President  
Offerings Management