

Bulletin

NUMBER: 2009-5

TO: All Freddie Mac Sellers and Servicers

March 4, 2009

SUBJECTS

In support of the federal Making Home Affordable Program announced today, with this *Single-Family Seller/Servicer Guide* (Guide) Bulletin, we are announcing eligibility and delivery requirements for the Freddie Mac Relief Refinance MortgageSM.

Freddie Mac's participation in this program demonstrates our commitment, and the commitment of our Seller/Servicers, to assist Borrowers who are current on their Mortgage payments. Freddie Mac Relief Refinance Mortgages offer these Borrowers the ability to refinance to improve their financial situation when home values have declined or where there has been limited credit availability in the market.

This Bulletin contains high-level requirements for the Freddie Mac Relief Refinance Mortgage. Complete requirements can be found in new Guide Chapter A24, *Freddie Mac Relief Refinance Mortgages*.

Overview

First Lien, conventional Mortgages owned or securitized by Freddie Mac may be eligible for refinancing under the terms of this offering. The significant features of the Freddie Mac Relief Refinance Mortgage offering are:

- Mortgages are only subject to the Market Condition delivery fee. No other postsettlement delivery fees will be assessed.
- A maximum loan-to-value (LTV) ratio of 105%. There are no maximum total LTV (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratios.
- Relief from standard Mortgage insurance requirements
- Use of a value estimate from Freddie Mac's Home Value Explorer[®] (HVE) and relief from value, condition and marketability representations and warranties for eligible Freddie Mac Relief Refinance Mortgages

The streamlined refinance provisions of Guide Sections 24.3 and 24.4 do not apply to Freddie Mac Relief Refinance Mortgages.

Negotiated underwriting provisions, special negotiated Mortgage products or offerings stated in the Purchase Documents are permitted, unless:

- The provisions, products or offerings conflict with the requirements of Chapter A24, in which case, the requirements of Chapter A24 will apply
- The provisions, products, or offerings are related to Freddie Mac-owned streamlined refinance Mortgages

Effective date

A Freddie Mac Relief Refinance Mortgage is only eligible for sale through the Freddie Mac Selling System (Selling System). Freddie Mac Relief Refinance Mortgages must have Freddie Mac Settlement Dates on or after **April 1, 2009** and must have Note Dates on or before **June 10, 2010**.

ELIGIBILITY REQUIREMENTS

Mortgages being refinanced

The Mortgage being refinanced must be a First Lien, conventional Mortgage currently owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac that meets the following requirements:

- Is serviced by the Seller, or an Affiliate of the Seller, originating the Freddie Mac Relief Refinance Mortgage. The Servicer, as the Seller originating the Freddie Mac Relief Refinance Mortgage, must have the Mortgage file of the Mortgage being refinanced and must deliver the 9-digit Freddie Mac loan number for the Mortgage being refinanced.
- Have met Freddie Mac's eligibility requirements as stated in the Seller's Purchase Documents on the Note Date of the Mortgage being refinanced
- Is seasoned for at least three months
- Has a Mortgage payment history that indicates the Mortgage has not been 30 or more days delinquent in the most recent 12 months or, if the Mortgage is seasoned for less than 12 months, since the Mortgage Note Date

If the Mortgage being refinanced was sold to Freddie Mac with mortgage insurance, it is eligible for refinancing under the provisions of Chapter A24. However, if the Mortgage being refinanced was sold to Freddie Mac with recourse, indemnification, Mortgage pool insurance or another negotiated credit enhancement, the Seller must contact its Freddie Mac representative for additional special negotiated provisions.

In addition, unless Freddie Mac notifies Sellers to the contrary in writing or such Mortgages were sold with a negotiated credit enhancement as discussed above, Mortgages sold to Freddie Mac under a negotiated sales transaction through our bulk sales unit, including but not limited to Alternative A Mortgages, are eligible for refinancing under the provisions of Chapter A24.

Freddie Mac Relief Refinance Mortgages

The new Freddie Mac Relief Refinance Mortgage must be one of the following Mortgage Products:

- A conventional 15-, 20- or 30-year fixed-rate, fully amortizing Mortgage
- A conventional nonconvertible 5/1, 7/1 or 10/1 fully amortizing adjustable-rate Mortgage (ARM)

The Freddie Mac Relief Refinance Mortgage may be a super conforming Mortgage.

If the Mortgage being refinanced is a fixed-rate Mortgage, the Freddie Mac Relief Refinance Mortgage may not be an ARM.

The Freddie Mac Relief Refinance Mortgage must be originated for one of the following purposes:

- To reduce the interest rate of the First Lien Mortgage
- To replace an ARM, an Initial InterestSM Mortgage or any Mortgage with an interest-only period, or a Balloon/Reset Mortgage with a fixed-rate, fully amortizing Mortgage
- To reduce the amortization term of the First Lien Mortgage. The Freddie Mac Relief Refinance Mortgage must not have a longer amortization term than the Mortgage being refinanced.

The Borrower(s) obligated on the Note for the Freddie Mac Relief Refinance Mortgage must be the same as the Borrower(s) obligated on the Note on the Mortgage being refinanced, except that a Borrower obligated on the Note on the Freddie Mac Relief Refinance Mortgage may be omitted due to death or divorce under certain circumstances.

Freddie Mac Relief Refinance Mortgages must be secured by Mortgaged Premises that are:

- 1- to 4-unit Primary Residences
- Second homes, provided that the Mortgage being refinanced was underwritten and sold to Freddie Mac as a second home Mortgage
- 1- to 4-unit Investment Properties, provided that the Mortgage being refinanced was underwritten and sold to Freddie Mac as an Investment Property Mortgage

The proceeds of the Freddie Mac Relief Refinance Mortgage must be used only to:

- Pay off the first Mortgage (unpaid principal balance can be rounded up to the nearest thousand)
- Pay no more than \$2500 in related Closing Costs, Financing Costs and Prepays/Escrows

Funds available as a result of the rounding must either:

- Be applied toward related Closing Costs, Financing Costs and Prepays/Escrows, provided that the funds applied to these costs must not exceed the \$2,500 limit, or
- Be applied as a principal curtailment to the new refinance Mortgage

The proceeds must not be used to pay off or pay down any junior liens.

Existing junior liens must be subordinate to the Freddie Mac Relief Refinance Mortgage and must meet requirements for secondary financing set forth in Chapter 25. An increase in the current unpaid principal amount of any junior lien is not permitted, and no new secondary financing is permitted.

Mortgages that may not be Freddie Mac Relief Refinance Mortgages

Freddie Mac Relief Refinance Mortgages must not be subject to the Home Ownership and Equity Protection Act of 1994. The Seller is responsible for determining whether the proposed refinance of a Mortgage secured by the Borrower's homestead in the State of Texas is a Mortgage that must be originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution. Refer to Section 24.8 for additional information regarding Texas Equity 50(a)(6) Mortgages.

In addition, Freddie Mac Relief Refinance Mortgages may not be any of the following:

- Balloon/Reset Mortgages
- Convertible ARMs
- Initial Interest Mortgages and any Mortgage with an interest-only period
- Cash-out refinance Mortgages
- Special purpose cash-out refinance Mortgages
- Mortgages with a potential for negative amortization or an Option ARM
- Mortgages originated under Chapter K33 and any other Mortgage that converts interim construction financing to permanent financing
- Mortgages subject to a temporary subsidy buydown
- FHA/VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Home Possible[®] Mortgages and Mortgages originated under a Seller's proprietary affordable program
- Affordable Merit Rate[®] Mortgages
- Mortgages only eligible for sale through MIDANET[®]
- Mortgages submitted to Loan Prospector[®] or any other automated underwriting system
- Conforming Jumbo Mortgages
- Prepayment Penalty Mortgages

Delivery requirement

Freddie Mac Relief Refinance Mortgages must be delivered to Freddie Mac no more than 120 days after the Note Date, and as of the Delivery Date, if applicable, the HVE point value estimate may not be more than 180 days old.

Required use of Form 65, Uniform Residential Loan Application

A Form 65 must be completed for all Freddie Mac Relief Refinance Mortgages. Form 65A, *Statement of Assets and Liabilities*, may be used to supplement Form 65 if needed. The final Form 65 and the final Form 65A, if used, must be complete, legible, dated and signed by all the Borrowers signing the Note.

Underwriting the Mortgage/qualifying the Borrower

Freddie Mac Relief Refinance Mortgages must not be submitted to Loan Prospector or any other automated underwriting system. Instead, the Seller must manually underwrite the Freddie Mac Relief Refinance Mortgage in accordance with the requirements of Chapter A24.

Borrower creditworthiness/minimum Indicator Score

A Borrower will be presumed creditworthy for the Freddie Mac Relief Refinance Mortgage if the requirements in Chapter A24 are met.

The Mortgage payment history for the Mortgage being refinanced must indicate that the Mortgage has not been 30 or more days delinquent in the most recent 12 months or, if the Mortgage is seasoned for less than 12 months, since the Mortgage Note Date.

There is no minimum Indicator Score requirement for the Freddie Mac Relief Refinance Mortgage unless the Borrower's principal and interest payment on the Freddie Mac Relief Refinance Mortgage increases by more than 20% of the principal and interest payment most frequently made by the Borrower during the most recent 12 months, or since the Note Date of the Mortgage being refinanced if the Note Date is less than 12 months prior to the application date of the Freddie Mac Relief Refinance Mortgage. In such event, the Mortgage must have a minimum Indicator Score of 620 and other additional requirements must be met.

The Seller must identify and deliver an Indicator Score for all Freddie Mac Relief Refinance Mortgages in accordance with the requirements of Section 37.5(e).

There is no limitation on the amount of the increase in the Borrower's principal and interest payment.

Maximum LTV, TLTV and HTLTV requirements

The maximum LTV ratio for Freddie Mac Relief Refinance Mortgages is 105%. There are no maximum TLTV and HTLTV ratios.

The maximum LTV and TLTV ratio for Texas Equity Section 50(a)(6) Mortgages is 80%.

As a reminder, no new secondary financing is permitted and all existing secondary financing must be subordinate to the Freddie Mac Relief Refinance Mortgage.

Mortgage insurance

The following provisions apply for a new Freddie Mac Relief Refinance Mortgage with an LTV ratio greater than 80%:

- If the Mortgage being refinanced has mortgage insurance coverage, the same percentage of coverage must be maintained for the new refinance Mortgage on the entire unpaid principal balance
- If the Mortgage being refinanced does not have mortgage insurance coverage, no mortgage insurance coverage is required for the new refinance Mortgage, even if the LTV ratio is greater than 80%

If the Mortgage being refinanced has a certificate of insurance from Triad Guaranty Insurance Corporation or its Freddie Mac-approved Affiliates (collectively "Triad") that coverage may be maintained for the Freddie Mac Relief Refinance Mortgage and that Mortgage is eligible for sale to

Freddie Mac. For purposes of delivering Freddie Mac Relief Refinance Mortgages with Triad mortgage insurance only, Sellers should deliver MI Code “24” in the Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*, as applicable (see the section below titled “Delivery Requirements” for additional information regarding requirements for delivery of Mortgages with LTV ratios greater than 80%).

Seller/Serviceicers must comply with any requirements established by the applicable mortgage insurer to transfer and maintain the existing mortgage insurance coverage.

Value of the Mortgaged Premises

Freddie Mac Relief Refinance Mortgage/property valuation options

With respect to the determination of property value for a Freddie Mac Relief Refinance Mortgage, the Seller may elect one of the following three options provided the applicable requirements are met:

- Option 1 - Home Value Explorer (HVE)
- Option 2 - New appraisal or AVM
- Option 3 - Appraisal or AVM from the Mortgage being refinanced

Regardless of the valuation option used, the Seller retains all of the original representations and warranties regarding the value, condition and marketability of the Mortgaged Premises for the Mortgage being refinanced in accordance with the Seller’s Purchase Documents.

- Option 1 - Home Value Explorer (HVE)

The Seller may determine the value of the Mortgaged Premises using a point value estimate from HVE if the requirements of Section A24.3(d) are met, including:

- The property must be a 1-unit attached or detached dwelling or Condominium or PUD unit.
- The HVE point value has a Forecast Standard Deviation that is no greater than 0.20 (corresponding to a high or medium confidence score) as reported by the HVE report

If the Seller uses the HVE point value estimate to determine value:

- The Seller is relieved of representations and warranties regarding the value, internal and external condition, and marketability of the Mortgaged Premises for the Freddie Mac Relief Refinance Mortgage, provided that, as of the Delivery Date, the Seller is not aware of any circumstances or conditions that would adversely affect the value, condition or marketability of the Mortgaged Premises.
- The Seller represents and warrants that all information provided by the Seller for the purpose of obtaining the HVE point value estimate, including the address of the Mortgaged Premises, is true, complete and accurate

As of the Delivery Date of the Freddie Mac Relief Refinance Mortgage, which must be no more than 120 days after the Note Date, the HVE point value estimate may not be more than 180 days old.

See below for additional property valuation options. Refer to Section A24.3(d) for additional information about property valuation requirements.

Point value estimates from Home Value Explorer provided by Freddie Mac

As an additional service, in early April Freddie Mac will utilize HVE to obtain property valuation data and will provide to Servicers the following property valuation data for each HVE-eligible Mortgage in their portfolio:

- HVE Point value
- HVE Low value
- HVE High value
- Forecast Standard Deviation
- Confidence Score

Mortgages secured by 2- to-4-unit properties, Manufactured Homes, dwellings on a leasehold estate and, if eligible under a Seller's Purchase Documents, Cooperative Share Mortgages, are not eligible for HVE. Freddie Mac will not provide HVE data for those property/Mortgage types.

HVE data will be provided to Seller/Servicers electronically using contact information provided to us by each Servicer. This is a one-time service provided by Freddie Mac to help facilitate the Seller/Servicer identification and qualification of current Freddie Mac Mortgages for our Freddie Mac Relief Refinance Mortgage offering.

Subsequent requests for HVE should be made through Freddie Mac's HVE distributors. If you have not yet set up a relationship to obtain HVE values through one of our distributors, you should consider doing so now. Information related to HVE and our distributors can be found at <http://www.freddiemac.com/hve/hve.html>

■ Option 2 - New Appraisal or AVM

When an acceptable HVE value is not available or the Seller elects to determine the property value using a new appraisal (or AVM, if permitted by Seller's Purchase Documents), the Seller represents and warrants that as of the Delivery Date of the Freddie Mac Relief Refinance Mortgage, the value is at least equal to the value as determined through the appraisal or AVM with the most recent effective date that is before the Delivery Date of the Freddie Mac Relief Refinance Mortgage. In addition, the Seller represents and warrants the condition and marketability of the Mortgaged Premises.

For Texas Equity Section 50(a)(6) Mortgages, the Seller must obtain a new appraisal that meets the requirements of Chapter 44 and complies with the requirements of the Texas Constitution.

■ Option 3 - Appraisal or AVM from the Mortgage being refinanced

When an acceptable HVE value is not available or the Seller elects to determine the property value using an appraisal or AVM (if permitted by the Seller's Purchase Documents) from the Mortgage being refinanced, the Seller represents and warrants that as of the Delivery Date of the Freddie Mac Relief Refinance Mortgage, the value is at least equal to the value of the subject property as determined through an appraisal or AVM with the most recent effective date that is before the Delivery Date of the Freddie Mac Relief Refinance Mortgage. The Seller also represents and warrants the condition and marketability of the Mortgaged Premises.

Collateral documentation from the Mortgage being refinanced

The Seller must have the appraisal used to originate the Mortgage being refinanced or the Last Feedback Certificate allowing the use of the Property Inspection Alternative (or, if the Seller's Purchase Documents permitted the use of an AVM in lieu of an appraisal, the requisite AVM documentation) in the Mortgage file for the Mortgage being refinanced.

Regardless of the valuation option used, the Seller retains all of the original representations and warranties regarding the value, condition and marketability of the Mortgaged Premises for the Mortgage being refinanced in accordance with the Seller's Purchase Documents.

Delivery requirements

Freddie Mac Relief Refinance Mortgages must be sold through the Selling System under one of the following:

- Fixed-rate Cash
- Weighted Average Coupon (WAC) ARM Cash
- Fixed-rate Guarantor through the Selling System
- WAC ARM Guarantor through the Selling System
- MultiLender Swap through the Selling System

Complete delivery requirements for Freddie Mac Relief Refinance Mortgages can be found in Section A24.4.

The Seller must deliver all Mortgage data required by Form 11 and Form 13SF, in addition to the information for certain fields required in Section A24.4.

Two new special characteristics codes

Sellers must deliver new Special Characteristics Code (SCC) "H06" when delivering a Freddie Mac Relief Refinance Mortgage.

In addition, if the HVE point value estimate was used to determine the value of the Mortgaged Premises, the Seller must deliver SCC "H03" and must insert the HVE point value estimate in the "Appraised Value" field of Form 11 or Form 13SF.

Mortgage insurance

For Freddie Mac Relief Refinance Mortgages with LTV ratios greater than 80% and Freddie Mac Settlement Dates before May 1, 2009, the Seller must deliver "097" (Mortgage Insurance Cancelled) in the MI Code field of the Form 11 or 13SF, as applicable. For Mortgages with mortgage insurance being transferred from the Mortgage being refinanced, the Seller must also enter the existing mortgage insurance certificate number and existing percent of coverage for the Mortgage being refinanced for the Freddie Mac Relief Refinance Mortgage.

For Freddie Mac Relief Refinance Mortgages with LTV ratios greater than 80% and Freddie Mac Settlement Dates on or after May 1, 2009, the Seller should complete the MI Code field on the Form 11 or 13SF only for Freddie Mac Relief Refinance Mortgages requiring mortgage insurance coverage. For Freddie Mac Settlements on and after this date, the Seller must deliver the MI code that identifies the Freddie Mac-approved mortgage insurer that is insuring the Mortgage in the MI Code field if the refinance Mortgage has mortgage insurance, as well as completing the other mortgage insurance-related fields.

If the Freddie Mac Relief Refinance Mortgage is being delivered without mortgage insurance in accordance with the requirements of Section A24.3(i), the Seller is not required to deliver any mortgage insurer data.

Other delivery requirements

For Mortgages secured by units in Condominium Projects, Sellers should deliver project type "3" in the "Condo/PUD Class" field of Form 11 or Form 13SF, indicating streamlined review.

Sellers must also deliver the 9-digit Freddie Mac loan number of the Mortgage being refinanced in the "associated FHLMC Loan #" field on the Form 11 or Form 13SF, as applicable.

Sellers are reminded that in addition to meeting these special delivery requirements, they must comply with all other delivery requirements for refinance Mortgages set forth in the Guide and any other delivery requirements applicable to the specific Mortgage type required by their other Purchase Documents.

Postsettlement delivery fees

In order to make this offering as affordable as possible, Freddie Mac will assess the Market Condition fee but no other postsettlement delivery fees to the Seller in conjunction with the sale of Freddie Mac Relief Refinance Mortgages.

We are updating Exhibit 19 to reflect that Freddie Mac Relief Refinance Mortgages are subject to the Market Condition delivery fee but are not subject to any other postsettlement delivery fees.

Freddie Mac loan numbers

Freddie Mac loan numbers

To assist our Seller/Servicers, Freddie Mac will periodically provide a file to each Servicer that contains the following information for all active Mortgages in that Servicer's portfolio:

- Freddie Mac Loan Number
- Servicer Number (Seller/Servicer number of Servicer)
- Seller Number (Seller/Servicer number of Mortgage originator)
- Seller Loan Number
- Property Address
- Credit Enhancement Indicator/Type

The first file will be sent to each Servicer in mid-March. The files will be distributed to each Servicer electronically, using contact information provided to us by each Servicer.

It is important to note that Freddie Mac's distribution of this data to each Servicer is a starting point for the Servicer to identify which Mortgages may be eligible for refinancing under the provisions of Chapter A24. *The inclusion of Mortgages within this file does not indicate that a Mortgage qualifies for refinancing as a Freddie Mac Relief Refinance Mortgage*; each Servicer is still responsible for this determination for each Mortgage.

In addition, the provision of loan numbers does not relieve Sellers of the requirement to deliver the 9-digit Freddie Mac loan number for the Mortgage being refinanced.

Postfunding quality control review

In connection with its quality control review of the Freddie Mac Relief Refinance Mortgage, Freddie Mac may perform a postfunding quality control review of the Mortgage file for the Mortgage being refinanced. Freddie Mac reserves its rights to exercise any of its remedies, including the right to require repurchase of the Freddie Mac Relief Refinance Mortgage, in the event that the Mortgage being refinanced failed to meet the Freddie Mac eligibility requirements in the Seller's Purchase Documents or the Freddie Mac Relief Refinance Mortgage fails to meet the requirements of Chapter A24 and the Seller's other Purchase Documents, including but not limited to, requirements related to Borrower creditworthiness and the value, condition or marketability of the Mortgaged Premises.

CONCLUSION

For additional information on the Making Home Affordable Program, please access the Treasury Department's web site <http://www.financialstability.gov>.

Freddie Mac is pleased to play a key role in sustaining homeownership and supporting the Making Home Affordable Program. Through our Relief Refinance offering, we are working with you, our Seller/Service providers, to be a stabilizing force for the nation's families and their communities. 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
Offerings Management