

Bulletin

NUMBER: 2010-7

TO: Freddie Mac Sellers

March 11, 2010

INTRODUCTION

In our continuing effort to improve the quality of the Mortgages we purchase, we are revising certain credit and property eligibility requirements in our *Single-Family Seller/Servicer Guide* (“Guide”).

New Effective Date Requirements

In recent Bulletins containing credit changes, in addition to stating the effective Settlement Date for new requirements, we have also begun to include application date requirements. We will continue this practice to ensure that Sellers are aware of the final date for which they may originate eligible Mortgages under previous requirements.

Sellers are reminded to review each Guide Bulletin carefully to understand exactly when the requirement becomes effective, which will help to ensure that the requirements are implemented in a timely manner.

SUBJECTS

The following is a list of the topics addressed in this Bulletin. In this Bulletin we are:

- Announcing that we will no longer purchase [Initial InterestSM Mortgages](#) or any Mortgage with an interest only option
- Announcing changes to [Minimum Indicator Score requirements with increases for certain Manually Underwritten Mortgages](#)
- Adding a Minimum Indicator Score of 620 for non-assumable [Rural Housing Service \(RHS\) Section 502 GRH Mortgages](#)
- Amending requirements for age of credit and capacity documentation, seasoning, and eligible Borrowers for [Mortgages for Newly Constructed Homes](#), and permitting super conforming Mortgages to be sold as a Mortgage for a Newly Constructed Home
- Requiring Sellers to use specified versions of [FICO scores](#) (Credit Scores developed by Fair Isaac Corporation (FICOTM)) whenever a usable Credit Score is required
- Updating our requirements for Mortgages secured by [properties with incomplete improvements](#)
- Providing requirements related to the [appraising of leasehold estates](#)

We are also [updating applicable Guide sections](#) with the changes announced in [Bulletin 2010-2 \(FHA Condominium Project Approvals\)](#), and [Bulletin 2010-6 \(Relief Refinance MortgageSM Extension\)](#).

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Initial Interest Mortgages

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

As announced in our **February 26, 2010** press release, Freddie Mac will no longer purchase Initial Interest Mortgages or any Mortgage with an interest only option.

Guide Chapter J33, *Initial Interest Mortgages*, is being deleted. Other applicable Guide chapters are being revised to reflect this change.

Minimum Indicator Score for certain Manually Underwritten Mortgages

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

We are increasing the minimum Indicator Scores required for the following Manually Underwritten Mortgages:

- 2- to 4-unit purchase transaction and "no cash-out" refinance Mortgages secured by Primary Residences, with loan-to-value (LTV)/total LTV(TLTV)/Home Equity Line of Credit TLTV (HTLTV) ratios $\leq 75\%$
- 1- to 4-unit Investment Property Mortgages that are "no cash-out" refinance Mortgages with LTV/TLTV/HTLTV ratios $\leq 75\%$
- 1-unit Home Possible Mortgages secured by Primary Residences, with LTV/TLTV ratios $\leq 97\%$

Refer to [Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements](#), for the revised requirements. In addition, [Chapter A34, Home Possible[®] Mortgages](#), is being revised to reflect the new Minimum Indicator Score requirements.

Minimum Indicator Score for non-assumable Rural Housing Service (RHS) Section 502 GRH Mortgages

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

For non-assumable Rural Housing Service (RHS) Section 502 GRH Mortgages, we are adding a minimum Indicator Score requirement of 620. In addition, we are updating the Rural Housing Service (RHS) form numbers to align with agency requirements.

Refer to Exhibit 25 and Chapter 35 for the revised minimum Indicator Score requirements.

Mortgages for Newly Constructed Homes

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after January 1, 2011

Mortgages with applications dated prior to June 13, 2010 originated under our previous requirements must be delivered no later than December 31, 2010

Age of documentation

We are requiring that credit and capacity documentation for Mortgages for Newly Constructed Homes be dated no more than 120 days prior to the Effective Date of Permanent Financing. The current requirement allows the documentation to be dated up to 18 months prior to the Settlement Date for sales through the Freddie Mac Selling System (Selling System) or the Delivery Date for sales through MIDANET[®]. Credit and capacity documentation is all documentation used to evaluate the creditworthiness of the Borrower, including but not limited to, credit reports, credit scores, verifications of employment, income, source of funds and payment history, as well as the last Loan Prospector[®] Feedback Certificate. We are deleting the requirement for age of credit and capacity documentation from Chapter K33, and updating Chapters 2 and 37 to reflect this new requirement.

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 new age of documentation requirements announced in this Bulletin.

Revising seasoning requirements for Mortgages for Newly Constructed Homes; retiring term “Seasoned Mortgages for Newly Constructed Homes”

As a result of the change to the age of documentation requirements, we are eliminating the term “Seasoned Mortgages for a Newly Constructed Home” and revising the Glossary definition of a Seasoned Mortgage to include Mortgages for Newly Constructed Homes. A Mortgage for a Newly Constructed Home is a Seasoned Mortgage if the Effective Date of Permanent Financing is more than 12 months prior to the Delivery Date, for Mortgages delivered through MIDANET, or Settlement Date, for Mortgages delivered through the Freddie Mac Selling System (Selling System).

Sellers are reminded that in our [October 17, 2008 Bulletin](#), we announced that Seasoned Mortgages and Seasoned Mortgages for Newly Constructed Homes are eligible for sale only through a negotiated sales transaction through our bulk sales unit.

Super conforming Mortgages permitted as Mortgages for Newly Constructed Homes

Super conforming Mortgages for Newly Constructed Homes that meet the requirements of the Guide, including the revised age of documentation requirements announced in this Bulletin, are eligible for delivery to Freddie Mac.

Chapters L33, *Super Conforming Mortgages*, and K33, *Mortgages for Newly Constructed Homes*, are being revised to reflect this change.

Eligible Borrowers

Effective immediately

We are revising our requirements for eligible Borrowers on Construction Conversion and Renovation Mortgages to allow a co-Borrower to be removed from the Mortgage in the event of death or divorce, or a Related Person to be added to Permanent Financing, provided that all Borrowers on the Permanent Financing are Owner-Occupants of the Mortgaged Premises. If a change in Borrowers occurs after the Mortgage for the Permanent Financing is underwritten, the Mortgage must be re-underwritten. Except as described above, the Borrower on the Permanent Financing must be the Borrower on, and obligated to repay, the Interim Construction Financing and any other outstanding prior financing, including installation financing or outstanding prior Mortgages. The builder/developer must not be obligated to repay the Interim Construction Financing or any Mortgage on the land or the improvements.

Chapter K33 is being revised to reflect this change.

Reminder

We are reminding Sellers that any transaction where the proceeds of the Mortgage sold to Freddie Mac were used to pay off or replace an Interim Construction Financing must meet the requirements of Chapter K33.

FICO Scores

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

We are revising the Guide to provide the specific FICO score versions required for Manually Underwritten Mortgages.

Chapter 37 is being revised to reflect this change.

PROPERTY ELIGIBILITY

Properties with incomplete improvements

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

We are updating our requirements for incomplete improvements to make it easier for Sellers to manage their origination processes.

We are revising the Guide to provide that Sellers are permitted to sell Mortgages secured by properties with incomplete improvements if the **cost to complete** the property is no more than 10% of the 'as completed' value of the property, and all other requirements are met. The previous requirement was that the **value** of the incomplete items may not exceed 10% of the value of the completed Mortgaged Premises.

We are also updating the Guide to expressly state that the individual that performs the final inspection of the property must sign the completion report.

Chapter 44 is being revised to reflect these changes.

Appraising leasehold estates

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

In connection with leasehold Mortgages, we are requiring Sellers to warrant that the appraisal services comply with the following requirement:

- The appraiser must develop a detailed description of the terms, conditions, and restrictions of the ground lease. The appraiser must consider and report any effect the terms of the lease have on the value and marketability of the Mortgaged Premises.

In addition to the requirement above, we are also revising the Guide to include the following guidance related to the appraisal of a leasehold estate:

- When there are sales available of similar properties that have the same lease terms, the appraiser should use these sales as comparable sales
- If there are no comparable sales of leasehold properties, the appraiser should use sales of similar properties owned in fee simple as comparable sales.

Chapter 41 is being updated to reflect this change.

EXHIBIT 19, POSTSETTLEMENT DELIVERY FEES

Exhibit 19 is being amended to reflect the changes announced in this Bulletin, which include:

- Modifying the following delivery fee grids to reflect that Initial Interest Mortgages are not eligible for sale to Freddie Mac for settlements after August 31, 2010:
 - Initial Interest Mortgages
 - Mortgages with Secondary Financing
 - Super conforming Mortgages
- Updating several delivery fee grids to remove outdated information

There are no changes to our delivery fees as a result of these changes.

GUIDE UPDATES FROM BULLETINS 2010-2 AND 2010-6

Bulletin 2010-2 (FHA Condominium Project Approvals)

In Bulletin 2010-2, Freddie Mac announced that we are revising the Guide to provide that Sellers may only use FHA Condominium Project approval to determine that Mortgages secured by units in Condominium Projects are eligible for sale to Freddie Mac for the following Mortgage types:

- FHA Mortgages
- VA Mortgages
- Section 502 Guaranteed Rural Housing (GRH) Mortgages
- U.S. Department of Housing and Urban Development (HUD) Guaranteed Section 184 Native American Mortgages

Chapter 42 is being updated to reflect the changes announced in Bulletin 2010-2.

Bulletin 2010-6 (Relief Refinance Mortgage Extension)

In Bulletin 2010-6, Freddie Mac announced the extension of the Relief Refinance Mortgage offering to June 30, 2011.

We have updated Chapter A24, *Freddie Mac Relief Refinance MortgagesSM – Same Servicer*, and Chapter B24, *Freddie Mac Relief Refinance MortgagesSM – Open Access* to include the extension.

LOAN PROSPECTOR[®] UPDATE

Loan Prospector will be updated on **June 13, 2010** to support the changes announced in this Bulletin.

Initial Interest Mortgages will not be eligible to be submitted or resubmitted after the Loan Prospector update on June 13, 2010.

For Mortgages for Newly Constructed Homes, new Loan Prospector submissions on or after June 13, 2010 and Loan Prospector resubmissions on or after January 1, 2011 will reflect the new 120-day documentation requirements. Resubmissions of Mortgages for Newly Constructed Homes that were submitted for the first time prior to June 13, 2010 and comply with our previous requirements will be eligible for sale to Freddie Mac until December 31, 2010.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 6, 9, 10, A10, 11, 13, A13, B15, C15, D15, 17, 22, 23, 24, A24, B24, 25, 27, 30, 32, 33, B33 C33, D33, E33, H33, J33, K33, L33, A34, 35, 37, 41, 42, 44, and 48
- Exhibits 4, 17, 17S, 19, 25, 26
- Form 11 and Form 13SF
- Glossary

CONCLUSION

If you have any questions about the 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