

# Bulletin

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NUMBER: 2010-19

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TO: Freddie Mac Sellers

August 16, 2010

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## SUBJECTS

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are making the following changes to our **selling requirements**:

- Providing guidance regarding 2010 area median income changes
- Revising our underwriting requirements regarding inquiries on a Borrower’s credit report
- Reminding Sellers that all Borrower debts must be included in the calculation of the debt payment-to-income ratio
- Updating our requirements for refinance Mortgages to permit Sellers to apply excess proceeds from a refinance transaction as a principal curtailment to the new Mortgage
- Increasing the time frame within which the first Interest Change Date must occur for adjustable-rate Mortgages (ARMs)
- Revising certain Condominium Project requirements
- Updating Guide Chapter 35, *Eligibility Requirements for Special Housing Initiatives*, and Guide Exhibit 19, *Postsettlement Delivery Fees*, to state that Sellers should refer to Exhibit 19 and their other Purchase Documents for information regarding whether delivery fees will be assessed on Mortgages sold with recourse
- Amending Guide Form 900, *Selling System Authorized User Identification and Certification Form*, and adding Form 901, *Document Custodian Selling System Authorized User Identification and Certification Form*, to the Guide for use by Document Custodians

Finally, in order to comply with recent state law changes, we have revised the Maine Mortgage (Form 3020 1/01), Section 22 titled "Lender's Rights If Borrower Fails to Keep Promises and Agreements" regarding default notices. The revised Mortgage has been posted on our Uniform Instruments web site at [www.freddiemac.com/uniform](http://www.freddiemac.com/uniform).

If they have not already done so, loan originators must begin using the revised version of this form immediately.

## Effective dates

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

## **AREA MEDIAN INCOME GUIDANCE**

The Federal Housing and Finance Agency has issued the area median income estimates for 2010.

Sellers may use the 2010 estimates immediately, but must use them to originate Home Possible Mortgages delivered to Freddie Mac on or after **December 1, 2010**. Both Loan Prospector<sup>®</sup> and the Affordable Income & Property Eligibility tool – available on FreddieMac.com at <http://ww3.freddiemac.com/ds2/sell/affgold.nsf/frmHomePage?OpenForm> – will be updated by August 23, 2010 to reflect the 2010 area median incomes.

## **EVALUATING A BORROWER'S CREDIT REPUTATION**

### **Borrower debts incurred through the Note Date**

We are reminding Sellers that all Borrower debts incurred through the Note Date must be included in the calculation of the debt payment-to-income ratio. The Guide has been revised to update this existing requirement. In addition, Sellers are reminded that the final Form 65, *Uniform Residential Loan Application*, and Form 65A, *Statement of Assets and Liabilities*, must reflect accurate and complete information as of the Note Date of the subject Mortgage. Sellers must ensure their origination processes include the ability to identify all Borrower debts incurred through the Note Date.

### **Determining additional debt obtained from inquiries on a credit report**

#### **Effective for Mortgages with Settlement Dates on or after December 1, 2010**

We are updating our requirements regarding inquiries on a Borrower's credit report to include all Mortgages, not only Manually Underwritten Mortgages. In addition, we are revising the Guide to require that when the Borrower's credit report indicates that a creditor has made an inquiry within the previous 120-day period, the Seller must determine whether additional credit was granted. If additional credit was granted, the Seller must obtain verification of the debt and must consider the debt when qualifying the Borrower. Prior to this change, for Manually Underwritten Mortgages, the Seller had to determine if additional credit was granted for inquiries within the previous 90-day period.

Chapter 37, *Underwriting the Borrower*, has been updated to reflect these changes

## **REFINANCE MORTGAGES**

To provide greater flexibility to our Sellers, we have revised our requirements pertaining to the use of Mortgage proceeds for Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer, Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access, Freddie Mac-owned streamlined refinance Mortgages, and “no cash-out” refinance Mortgages. In the event there are remaining proceeds from the refinance Mortgage after the proceeds are applied as permitted by the Guide, the excess amount may be applied as a principal curtailment at closing.

Chapter 17, Mortgage Delivery and Settlement Processing, Chapter 23, Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios, Chapter 24, Refinance Mortgages, Chapter A24, Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer, Chapter B24, Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access, Form 11, Mortgage Submission Schedule, and Form 13SF, Mortgage Submission Voucher, have been updated to reflect these changes.

## **FIRST INTEREST CHANGE DATE FOR ADJUSTABLE RATE MORTGAGES**

To increase flexibility in our ARM program, Freddie Mac has increased the time frame within which the first Interest Change Date must occur. Specifically, the period between the first payment Due Date and the first Interest Change Date has been expanded from six to 12 months for 3/6, 5/6, 7/6 and 10/6-month ARMs. The period will remain unchanged at 12 months for the 1-year, 3-year, 5-year, 3/1, 5/1, 7/1 and 10/1 ARMs.

Chapter 30, *Special Eligibility Requirements for Adjustable-Rate Mortgages (ARMs)*, has been updated to reflect these changes.

## **PROPERTY ELIGIBILITY**

### **Condominium Projects**

For Mortgages secured by Condominium Units in Established Condominium Projects and for streamlined reviews, Sellers will not be required to warrant that a right of first refusal in the Project Documents will not adversely impact certain rights of a mortgagee or assignee. Additionally, we are revising the requirement for streamlined reviews by allowing the review of alternative sources of project information in lieu of reviewing, in all cases, Project Documents. As a reminder, Sellers are responsible for accurate and complete information that may be relied upon to determine project eligibility.

We are also revising the Guide to remove projects with non-incident commercial income from the ineligible list. A project in which more than 20% of income is from sources other than dues and assessments is no longer ineligible for sale to Freddie Mac.

Chapter 42, *Special Warranties for Condominiums*, has been updated to reflect these changes.

## **DELIVERY REQUIREMENTS**

### **Delivery fees and Mortgages sold with recourse**

In Bulletin 2009-15, we announced that we revised Section 11.10(a) to state that we will provide information regarding whether delivery fees will be assessed for Mortgages sold with recourse in the Guide or in a Seller's negotiated terms of business.

With this Bulletin, we are updating the relevant sections of Chapter 35 that require Mortgages to be sold with recourse (Section 35.2, *Rural Housing Service (RHS) Section 502 Guaranteed Rural Housing Mortgages*, Section 35.4, *HUD-Guaranteed Section 184 Native American Mortgages*, and Section 35.5, *FHA/VA Mortgages*) to reflect that, consistent with revised Section 11.10(a), a Seller should refer to Exhibit 19 and the Seller's negotiated terms of business for information regarding whether delivery fees will be assessed on these Mortgages.

At this time, the only delivery fee assessed for Mortgages sold with full recourse is the Market Condition delivery fee. We have revised Exhibit 19 to reflect that unless a Seller's negotiated terms provide otherwise, other delivery fees do not apply to Mortgages sold with recourse.

Chapter 35 and Exhibit 19 have been updated to reflect these changes.

## **FORM 900 AND FORM 901 - SELLING SYSTEM AUTHORIZED USER ROLES**

We have amended Form 900 to distinguish the Selling System user roles required for cash executions from the Guarantor and MultiLender executions and to identify general roles required for all deliveries. We are also adding Form 901 for use by Document Custodians in obtaining Selling System roles. Previously, Document Custodians were required to complete a version of this form, but we have incorporated a revised form into the Guide. Further, we are providing additional guidance to Sellers and Document Custodians with respect to their responsibilities for Selling System security.

In addition to amending Form 900 and adding new Form 901, we have amended Chapter A1, *Special Requirements for Selling Mortgages Through the Selling System*, and Chapter 18, *Document Custody*, to reflect these changes.

## **REVISIONS TO THE GUIDE**

The revisions included in this Bulletin impact the following:

- Chapters A1, 17, 18, 23, 24, A24, B24, 30, 35, 37 and 42
- Exhibits 4 and 19
- Forms 11, 13SF, 900 and 901

## **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