

Bulletin

NUMBER: 2011-2

TO: Freddie Mac Sellers

January 18, 2011

INTRODUCTION

In our continuing effort to promote responsible lending, we are revising certain refinance Mortgage eligibility and credit underwriting requirements in the *Single-Family Seller/Servicer Guide* (“Guide”).

Credit underwriting and Mortgage eligibility

We are making the following changes to our refinance Mortgage requirements (effective for Mortgages with Settlement Dates on or after May 1, 2011):

- Requiring verification of funds
- Eliminating Freddie Mac-owned streamlined refinance Mortgages
- Requiring that a purchase money mortgage be seasoned for 120 days in order to be refinanced as a “no cash-out” refinance Mortgage

Guide updates reflecting requirements announced in previous Bulletins

Property Assessed Clean Energy (PACE) obligations – Effective August 31, 2010

- Updating applicable Guide sections to reflect the requirements announced in Bulletin 2010-20 for the refinance of Mortgages secured by properties with an outstanding PACE or PACE-like obligation that provides for First Lien priority

2011 loan limits

- Notifying Sellers that we have updated applicable Guide sections to reflect the 2011 base conforming loan limits and maximum temporary loan limits for Mortgages secured by properties in designated high-cost areas with Note Dates on or before September 30, 2011, as announced in Bulletin 2010-28

Guide Exhibit 19, *Postsettlement Delivery Fees*, correction

We have updated Exhibit 19 to undo a change made to the “Number of Units” grid in Bulletin 2010-30, which was published on November 22, 2010. Certain 2- to 4- unit Mortgages with loan-to-value (LTV) ratios greater than 80% are eligible for purchase and are subject to the applicable delivery fee.

CREDIT UNDERWRITING AND MORTGAGE ELIGIBILITY

Refinance Mortgages – Effective for Mortgages with Settlement Dates on or after May 1, 2011

Verification of funds

Currently, Freddie Mac does not require verification of funds on refinance Mortgages, except for reserves entered into Loan Prospector® and for Higher-Priced Mortgage Loans. With this change, verification of funds will be required for refinance Mortgages, excluding Freddie Mac Relief Refinance MortgagesSM – Same Servicer where the principal and interest payment increase is less than or equal to 20% of the principal and interest payment most frequently made by the Borrower during the most recent 12-month period.

Chapter 24, *Refinance Mortgages*, Chapter A24, *Freddie Mac Relief Refinance MortgagesSM – Same Servicer*, Chapter B24, *Freddie Mac Relief Refinance MortgagesSM – Open Access*, and Chapter A34, *Home Possible[®] Mortgages*, have been revised to reflect these changes.

Freddie Mac-owned streamlined refinance Mortgages

Effective May 1, 2011, Freddie Mac will no longer purchase Freddie Mac-owned streamlined refinance Mortgages.

Chapter 17, *Mortgage Delivery and Settlement Processing*, Chapter 22, *General Mortgage Eligibility*, Chapter 23, *Maximum Loan Amounts and LTV, TLTV and HLTIV Ratios*, Chapter 24, Chapter A24, Chapter B24, Chapter 25, *Secondary Financing and Other Financing Agreements*, Chapter 33, *Special Eligibility Requirements for Balloon/Reset Mortgages*, Chapter H33, *Manufactured Homes*, Chapter K33, *Mortgages for Newly Constructed Homes*, Chapter L33, *Super Conforming Mortgages*, Chapter A34, Chapter 37, *Underwriting the Borrower*, Form 11, *Mortgage Submission Schedule*, Form 13SF, *Mortgage Submission Voucher*, Exhibit A to Forms 11 and 13SF, Exhibit 17S, *Mortgage Products Available through the Selling System*, and Exhibit 25, *Mortgages with Risk Class and/or Minimum Indicator Score Requirements*, have been revised to reflect this change.

Seasoning – “no cash-out” refinance Mortgages

We are requiring that, when a mortgage being refinanced is a purchase money transaction, the mortgage being refinanced must have a Note Date at least 120 days prior to the Note Date of the “no cash-out” refinance Mortgage transaction.

Guide Section 24.5, *Requirements for “No Cash-Out” Refinance Mortgages*, has been updated to reflect this change.

Notice of changes to negotiated credit terms

Broad changes

Master Agreements that contain a provision permitting 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, are amended effective for Mortgages with Settlement Dates on or after May 1, 2011 to reflect the elimination of Freddie Mac-owned streamlined refinance Mortgages announced in this Bulletin.

Specific negotiated credit provisions

Seller-specific negotiated credit provisions that permit Freddie Mac to amend, supplement, revise or terminate such provisions are amended effective for Mortgages with Settlement Dates on or after May 1, 2011 to reflect the elimination of Freddie Mac-owned streamlined refinance Mortgages announced in this Bulletin.

GUIDE UPDATES REFLECTING REQUIREMENTS ANNOUNCED IN PREVIOUS BULLETINS

Property Assessed Clean Energy (PACE) or PACE-like obligations that provide for First Lien Priority – Effective August 31, 2010

In Bulletin 2010-20, we announced additional requirements for the refinance of Mortgages purchased by Freddie Mac before July 6, 2010 that are secured by properties subject to PACE or PACE-like obligations originated before July 6, 2010 that provide for First Lien priority. Chapters 24 and B24 have been updated to reflect these requirements.

As a reminder, except for Freddie Mac Relief Refinance Mortgages – Open Access originated in accordance with the requirements of Section 24.9, *Requirements for Refinance of Mortgages Secured by Properties Subject to an Energy Retrofit Loan*, a Mortgage that is not a valid First Lien on the Mortgaged Premises meeting the requirements of Section 22.3, *Mortgage Valid First Lien; No Prior Liens; Mortgage Not Modified*, is ineligible for sale to Freddie Mac under a Seller's Purchase Documents.

2011 loan limits

In Bulletin 2010-28, we announced that we are maintaining temporary loan limits in designated high-cost areas at 2010 levels for Mortgages with Note Dates on or before September 30, 2011 and that the base conforming loan limits for 2011 will remain at their 2010 levels.

We have updated Section 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, to reflect the 2011 base conforming loan limits and Section L33.2, *Maximum Original Loan Amounts for Super Conforming Mortgages*, to reflect the extension of the temporary high-cost area loan limits through **September 30, 2011** for super conforming Mortgages with Note Dates on or after **October 1, 2008** and on or before **September 30, 2011**.

DELIVERY

Special Characteristic Codes (SCC) updates

We are updating applicable exhibits and forms to retire SCC 288 (Freddie Mac-owned streamlined refinance Mortgage) as a result of the elimination of Freddie Mac-owned streamlined refinance Mortgages as announced in this Bulletin.

In addition, we are updating the Guide to change the description of SCC 532 (Affordable Housing Initiative Mortgage that satisfies the minimum number of payment reference requirement using Noncredit Payment References) and reflect the removal of SCC 916 (Mortgaged Premises completed after application) as it is no longer active. With these updates, Section 17.13.1, *Home Possible[®] Mortgages*, has been revised and Section 17.39, *Special Requirements if Mortgaged Premises Are Completed after Application*, has been deleted.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 17, 22, 23, 24, A24, B24, 25, 33, H33, K33, L33, A34, and 37
- Forms 11 and 13SF
- Exhibits 17S and 25

CONCLUSION

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

Sincerely,



Laurie A. Redmond
Vice President
Offerings Effectiveness