

# Bulletin

NUMBER: 2011-4

TO: Freddie Mac Sellers and Servicers

March 1, 2011

## INTRODUCTION

In our continuing effort to support responsible lending and sustainable homeownership, we are reducing the maximum loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratio requirements to 95% for all conventional Mortgages we purchase. Relief Refinance Mortgages<sup>SM</sup> are excluded from this change. Freddie Mac purchases of conventional Mortgages with LTV/TLTV/HTLTV ratios greater than 95% have been minimal in recent years; however, the performance of these Mortgages has been unacceptable. This change will apply to Home Possible<sup>®</sup> Mortgages as well as certain negotiated terms.

We are also providing additional guidance for treatment of sales concessions as well as reminding Seller/Servicers that they are required to take appropriate action to ensure they receive notification of *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin publications.

## SUBJECTS

With this Bulletin, we are making the following changes to our **selling requirements**:

### **Credit underwriting – Effective for Mortgages with Settlement Dates on or after June 1, 2011**

- Lowering the maximum LTV, TLTV and HTLTV ratios to 95% for all conventional Mortgages; this applies to Home Possible Mortgages and certain negotiated terms

### **Negotiated terms – Effective March 1, 2011**

- Adding new Guide Section 12.3.1, *Guide Plus Additional Provisions*, that includes information and requirements specific to Guide Plus, along with new Guide Form 905, *Guide Access Manager Identification and Certification Form*

### **Mortgage eligibility – Effective March 1, 2011**

- Removing the requirement that, in certain circumstances, Sellers deduct the cost of financing and sales concessions from the appraised value

## **Additional guidance**

We are also providing the following additional guidance:

- Specifying that short sale fees paid by the Borrower and reimbursed by an interested party must be considered and treated as sales concessions
- Reminding **Seller/Servicers** that they are required to take appropriate steps to ensure that they receive notification of Bulletin publications
- Updating Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*, to provide additional instructions with respect to completion of the Appraiser’s State License Number field and reminding Sellers that registration is now open for federally regulated institutions with the National Mortgage Licensing System and Registry (NMLS) to obtain loan originator and loan origination company identifiers

Finally, we are reminding Sellers that an updated version of the Uniform Appraisal Dataset Specification (“UAD Specification”) is now available at [www.freddiemac.com/sell/secmktg/uniform\\_appraisal.html](http://www.freddiemac.com/sell/secmktg/uniform_appraisal.html).

## **CREDIT UNDERWRITING**

### **Lower maximum LTV, TLTV and HTLTV ratios**

#### **Effective for Mortgages with Settlement Dates on or after June 1, 2011**

We are lowering the maximum LTV, TLTV and HTLTV ratios to 95% for all conventional Mortgages Freddie Mac purchases, with the exception of Relief Refinance Mortgages.

#### *Home Possible*

Home Possible Mortgages, including Home Possible Mortgages with Rural Housing Service (RHS) Leveraged Seconds, is the only offering in the Guide impacted by the above change.

Guide Chapter 17, *Mortgage Delivery and Settlement Processing*, Chapter A34, *Home Possible<sup>®</sup> Mortgages*, Chapter 35, *Eligibility Requirements for Special Housing Initiatives*, Guide Exhibit 17S, *Mortgage Products Available through the Selling System*, Exhibit 25, *Mortgages with Risk Class and/or Minimum Indicator Score Requirements*, Form 11, and Exhibit A to Forms 11 and 13SF have been revised to reflect these changes.

Exhibit 19, *Postsettlement Delivery Fees*, will be updated in a future Bulletin to reflect the above changes.

Additionally, certain exhibits and forms have been updated to remove Special Characteristic Codes (SCC) that are no longer applicable as a result of the lowering of the maximum LTV and TLTV ratios discussed above.

As a result of these changes, we are changing the name of Home Possible 97 to Home Possible and Home Possible 97 Neighborhood Solution to Home Possible Neighborhood Solution. The Home Possible 3% Cash and Home Possible 3% Cash Neighborhood Solution offerings will be retired.

#### *Loan Prospector<sup>®</sup>*

Loan Prospector eligibility and related feedback messages will be updated at a later date to support the change to maximum LTV and TLTV ratios for Home Possible Mortgages. Sellers will be notified when the changes are implemented. After Loan Prospector is updated, Sellers will continue to be able to deliver Home Possible Mortgages with LTV/TLTV ratios greater than 95% until **May 31, 2011**, provided the Mortgages meet all other applicable Freddie Mac requirements.

#### *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 June 1, 2011 to reflect the LTV/TLTV/HTLTV ratios announced in this Bulletin. In addition, negotiated terms that allow the delivery of Mortgages with LTV/TLTV/HTLTV ratios and/or Gross LTV ratios (as defined in Section 27.1.1, *Mortgage Insurance Premiums*) that exceed 95% are amended to reduce these ratios to 95%. These changes do not apply to Relief Refinance Mortgages.

#### *Notice of changes to negotiated credit terms - 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 June 1, 2011 to reflect the LTV/TLTV/HTLTV ratios announced in this Bulletin. In addition, negotiated terms that allow the delivery of Mortgages with LTV/TLTV/HTLTV ratios and/or Gross LTV ratios that exceed 95% are amended to reduce these ratios to 95%. These changes do not apply to Relief Refinance Mortgages.

## *Notice of changes to Guide Plus Additional Provisions*

Guide Plus Additional Provisions that allow the delivery of Mortgages with LTV/TLTV/HTLTV ratios or Gross LTV ratios that exceed 95% are amended effective for Mortgages with Settlement Dates on or after June 1, 2011 to reduce these ratios to 95%.

## **NEGOTIATED TERMS**

### **Guide Plus Additional Provisions**

We have added Section 12.3.1 to the Guide. The new section includes information and requirements specific to Guide Plus Additional Provisions, our online contract terms made available through AllRegs®.

Sellers must authorize a designated representative (“Guide Access Manager”) to be responsible for providing and maintaining user access to Guide Plus Additional Provisions. An authorized representative of the Seller must sign and submit new Guide Form 905, *Guide Access Manager Identification and Certification Form*. Sellers must submit a new Form 905 each time a new Guide Access Manager is designated.

A definition for “Guide Plus Additional Provisions” has been added to the Glossary and the definition of “Purchase Documents” has been amended to include a specific reference to Guide Plus Additional Provisions.

## **MORTGAGE ELIGIBILITY**

### **Adjustments to appraised values based on financing and/or sales concessions**

Section 25.3, *Interested Party Contributions*, has been updated to remove the requirement that, in certain circumstances, Sellers deduct the cost of financing and sales concessions from the appraised value.

Sellers must continue to adhere to the appraisal standards concerning sales concessions as listed in Section 44.3, *General Requirements for Appraisals and Inspections*, and Section 44.15(f).

## **ADDITIONAL GUIDANCE**

### **Short sale fee reimbursements**

We have also updated Section 25.3 to expressly state that interested party contributions used to reimburse the Borrower for payment of short sale negotiation or processing fees (also known as short sale facilitation fees, short sale processing fees, buyer discount fees, or short sale buyer fees) must be considered and treated as sales concessions. These contributions do not meet Freddie Mac’s requirements for financing concessions.

### **Notification of Guide Bulletin publication for Seller/Servicers**

In a Single-Family Advisory e-mail dated February 1, 2011, we announced the launch of Freddie Mac’s new Single-Family Business News Subscription Center to improve the way you receive important news and information about our single-family selling and Servicing business. Beginning in April 2011, you will start receiving e-mails based on your subscription choices. Unless you have subscribed through our online subscription center, you will no longer receive general Freddie Mac e-mail communications, including notices of Guide updates.

We are updating Sections 1.2 and 50.2, *Legal Effect of the Single-Family Seller/Servicer Guide*, to remind Seller/Servicers that they are required to take appropriate steps to ensure that they receive notification of Bulletin publications. While Seller/Servicers with AllRegs subscriptions may receive notification of Bulletin publications directly from AllRegs, all other Seller/Servicers must take steps to ensure that they subscribe to the appropriate Single-Family Update e-mails, which will notify them of Bulletin publications. A Seller/Servicer's failure to take the appropriate steps to receive notices of Bulletins will not relieve the Seller/Servicer of its legal obligations to comply with the terms of the Bulletins.

The Single-Family Business News Subscription Center can be found at:

[www.freddiemac.com/singlefamily/news/subscribe](http://www.freddiemac.com/singlefamily/news/subscribe).

## **Loan-level origination data requirements**

### *Delivery of appraiser's State license number*

As required by the Federal Housing Finance Agency (FHFA) and incorporated into Freddie Mac's delivery requirements in Bulletins 2009-27 and 2010-13, Sellers must deliver the appraiser's State license number for all Mortgages with application dates on or after July 1, 2010. In response to Seller inquiries, we are updating Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*, to provide additional instructions with respect to completion of the Appraiser's State License Number field.

If Form 2070, *Loan Prospector Condition and Marketability Report*, is used, Sellers must enter the license number for the appraiser who performed the inspection. If no new appraisal is performed for the Mortgage (for example, the Mortgage is eligible to be delivered with a Property Inspection Alternative (PIA) or is a Freddie Mac Relief Refinance Mortgage – Same Servicer originated under a valuation option that does not require a new appraisal), Sellers should enter "other" in the Appraiser's State License Number field.

### *Loan Originator and Loan Origination Company identifiers*

As noted in a Selling System News e-mail dated February 22, 2011, on January 31, 2011, the Board of Governors of the Federal Reserve System, the Farm Credit Administration, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency and the Office of Thrift Supervision issued a joint press release announcing that the NMLS would begin accepting registrations for federally regulated institutions.

Based on the announcement, mortgage originators employed by federally regulated institutions who are required to be registered under the Secure and Fair Enforcement for Mortgages Licensing Act ("SAFE Mortgage Licensing Act") will be required to register with the NMLS during the initial registration period, which began on January 31, 2011 and will continue through July 29, 2011. In accordance with Bulletin 2010-13, federally regulated institutions must start delivering the loan originator identifier and loan originator company identifier to Freddie Mac for Mortgages with application dates on or after **July 29, 2011**.

State regulated institutions must continue to meet previously announced requirements for delivering these unique identifiers.

Visit [http://www.freddiemac.com/sell/secmktg/new\\_details.htm](http://www.freddiemac.com/sell/secmktg/new_details.htm) for information about Freddie Mac delivery requirements for FHFA required loan-level origination data.

## **UNIFORM APPRAISAL DATASET SPECIFICATION UPDATE**

In a Single-Family Advisory e-mail dated February 23, 2011, we announced that the UAD Specification has been updated to address issues identified with the required XPath paths for mapping the data on the appraisal forms and minor changes to our formatting requirements. These changes are most relevant to Sellers that will be extracting the data from the appraisal report form electronically.

The updated documents are available on [www.freddiemac.com/sell/secmktg/uniform\\_appraisal.html](http://www.freddiemac.com/sell/secmktg/uniform_appraisal.html).

## **REVISIONS TO THE GUIDE**

The revisions included in this Bulletin impact the following:

- Chapters 1, 12, 17, 25, A34, 35, 37 and 50
- Forms 11, 13SF and 905
- Exhibits 17S and 25
- 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 cursive script that reads "Laurie A. Redmond". The signature is written in black ink on a light-colored background.

Laurie A. Redmond  
Vice President  
Offerings Effectiveness