

Bulletin

NUMBER: 2011-7

TO: Freddie Mac Sellers

April 14, 2011

SUBJECTS

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

Amendments to Purchase Documents

- Revising the Guide to reflect that Bulletins amending Guide provisions will be effective for all Sellers, including Sellers with Master Agreements and/or Master Commitments, on the date specified by Freddie Mac
- Allowing Freddie Mac to amend, supplement, revise or terminate provisions of a Seller's Master Commitment and/or Master Agreement upon written notice

Mortgage eligibility and credit underwriting

- Amending asset documentation requirements to require a gift letter signed by the donor in all instances when gift funds from a Related Person are used to qualify the Borrower for the Mortgage
- Updating the Guide to reflect the extension of the Freddie Mac Relief Refinance MortgageSM – Same Servicer and Freddie Mac Relief Refinance MortgageSM – Open Access offerings

Delivery requirements

- Implementing a Daily Automated Clearing House (ACH) Process for certain fees associated with the sale of Mortgages under the Guarantor or MultiLender Swap programs, under which Freddie Mac will remit such fees to, or draft such fees from, the Seller’s designated ACH account on the fifth Business Day after the applicable Freddie Mac Settlement Date, rather than monthly
- Updating Guide references to warehouse lending to reflect financial arrangements between Sellers and Warehouse Lenders
- Removing the Special Mortgage insurance delivery instructions for Triad Guaranty Insurance Corporation in Guide Section B24.4(d) as they are not applicable for Freddie Mac Relief Refinance Mortgages – Open Access

Guide update

- Updating Guide Exhibit 19, *Postsettlement Delivery Fees*, to reflect the loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HTLTV) ratio changes announced in Bulletin 2011-4 and the changes to fees associated with Relief Refinance Mortgages

AMENDMENTS TO PURCHASE DOCUMENTS

Bulletins amending Guide provisions – Effective August 1, 2011

We have revised Sections 1.1, *Overview*, and 1.2, *Legal Effect of the Single-Family Seller/Service Guide*, and parallel sections of Guide Chapter 50, *Introduction*, to include language that is similar to language that is currently in Sellers' negotiated provisions. Currently, for Sellers with Master Agreements and/or Master Commitments, Bulletins are effective in accordance with the terms specified in the Seller's Master Agreement. **Effective August 1, 2011**, Bulletins amending Guide provisions will be effective for all Sellers, including Sellers with Master Agreements and/or other negotiated terms, on the date specified by Freddie Mac. Accordingly, we are removing Section 12.13, *Discretionary Provisions*, and Exhibit 26, *Discretionary Provisions*, from the Guide.

A definition for "Bulletin" has also been added to the Glossary and the definition for "Discretionary Provisions" has been removed.

Applicable Guide sections have been revised to reflect the removal of Section 12.13, Exhibit 26 and the Glossary term "Discretionary Provisions."

Master Agreements and Master Commitments – Effective August 1, 2011

Effective August 1, 2011, we have amended and revised Chapter 12, *Master Agreements, Master Commitments and Guide Plus Additional Provisions*. We have restructured Section 12.1, *Master Agreements and Master Commitments*, which explains when Master Agreements and/or Master Commitments become binding, and added a paragraph explaining amendment(s) to Master Agreements and Master Commitments.

In addition, we have added a paragraph to Section 12.3, *Terms of Master Agreements and Master Commitments*, that allows Freddie Mac to amend, supplement, revise or terminate provisions of a Seller's Master Commitment and/or Master Agreement upon written notice. Under this provision, changes to a Seller's Master Commitment and/or Master Agreement will be effective as of the date specified in Freddie Mac's written notice to the Seller, provided that for Sellers with Master Agreements effective before August 1, 2011 that expire after August 1, 2011, the applicable negotiated provisions will remain effective until the expiration date of the Master Agreement.

We have also revised the term "Master Commitment Contract" to "Master Commitment." All applicable references in the Guide have been revised to reflect this change.

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Gift funds documentation requirements – Effective for Mortgages with Settlement Dates on or after August 1, 2011

We are changing the asset documentation requirement that currently allows a Seller to document gift funds from a Related Person on either the Mortgage application or in a gift letter signed by the donor. Effective for Mortgages with Settlement Dates on or after **August 1, 2011**, when gift funds from a Related Person are used to qualify the Borrower for the Mortgage, we are requiring the Seller to obtain and maintain in the Mortgage file a gift letter signed by the donor. Including the donor information on the Mortgage application will no longer be sufficient asset documentation.

Sections 37.22, *Streamlined Accept Documentation Requirements*, and 37.23, *Standard Documentation Requirements*, have been updated to reflect this change.

Freddie Mac Relief Refinance Mortgage offerings extension – Effective immediately

On March 11, 2011, the Federal Housing Finance Agency (FHFA) announced a one-year extension of the Home Affordable Refinance Program (HARP). FHFA also announced that Freddie Mac would exempt HARP mortgages from certain delivery fee rate increases announced in Bulletin 2010-30 that became effective on March 1, 2011.

In accordance with FHFA's recent announcement, we are announcing the extension of the Freddie Mac Relief Refinance Mortgage offerings. The extension of both Freddie Mac Relief Refinance Mortgages – Same Servicer and Freddie Mac Relief Refinance Mortgages – Open Access until June 30, 2012, allows us to continue to provide expanded access to refinancing opportunities for Borrowers who are current on their Mortgage payments and whose homes have declined in value.

We have updated Sections A24.1, *Overview*, and B24.1, *Overview*, to reflect that Freddie Mac Relief Refinance Mortgages – Same Servicer and Freddie Mac Relief Refinance Mortgages – Open Access must now have Note Dates **on or before June 30, 2012**.

Pricing changes related to Freddie Mac Relief Refinance Mortgage extension – Effective July 1, 2011

Effective for Relief Refinance Mortgages with LTV ratios greater than 80% and Freddie Mac Settlement Dates on or after July 1, 2011, we will no longer apply the increases to the Indicator Score/LTV and secondary financing delivery fee rates that went into effect on March 1, 2011. For these Mortgages, we will revert back to the delivery fee rates in effect prior to the rate increases announced in Guide Bulletin 2010-30, which became effective on March 1, 2011.

Exhibit 19 has been updated to reflect these changes.

DELIVERY REQUIREMENTS

Daily Automated Clearing House (ACH) Process – Effective upon conversion, but no later than October 3, 2011

Under Section 17.2, *Provisions for the Payment of Fees and Proceeds and Application of Delivery Fee Credits*, Freddie Mac drafts a Seller-designated ACH account for payment of fees associated with the sale of Mortgages to Freddie Mac.

With this Bulletin, we are announcing the Daily ACH Process, which applies to Guarantor and MultiLender Swap deliveries and will supplement what we will now refer to as the Monthly ACH Process in Section 17.2.

Under the Daily ACH Process, for Mortgages sold under the Guarantor and MultiLender Swap programs, Freddie Mac will remit to or draft from the Seller's designated ACH account on the fifth Business Day after each applicable Settlement Date the net amount of initial postsettlement delivery fees, buyup proceeds and buydown amounts, instead of drafting such funds from, or remitting such funds to, the Seller's ACH account on a monthly basis. The Daily ACH Process is effective for each Seller on the date the Seller converts to the process. All Sellers that sell Mortgages under the Guarantor and MultiLender Swap programs must have completed the transition to the Daily ACH Process no later than **October 3, 2011**.

Section 17.2 has been updated to reflect this supplemental process.

Seller fees that will be drafted under the Daily ACH Process and the Monthly ACH Process are:

- **Daily ACH Process – Fee Types:**
 - Delivery Fees – initial assessments only, not adjustments
 - Buyup Proceeds
 - Buydown Amounts
- **Monthly ACH Process – Fee Types:**
 - Delivery Fee Adjustments
 - Pair Off Fees
 - Gold Rush Fees
 - Yield Maintenance Fees
 - Any Training Fees
 - Other Delivery Fees not assessed at Loan Settlement

Freddie Mac will provide Sellers with a courtesy e-mail notice approximately two Business Days before a Daily ACH draft that will inform Sellers of the ACH draft date and amount. The e-mail will be sent to a designated individual within the Seller's organization. To designate or add an e-mail recipient, Sellers should send a written request to **Freddie_Mac_billing@freddiemac.com**.

To help ensure a smooth transition, we encourage Sellers to adopt Daily ACH during the second quarter of 2011 and to contact their Loan Delivery Representative or call (800) FREDDIE and select Delivery for more information on adoption.

Pre-purchase financing controls – Effective June 1, 2011

Effective **June 1, 2011**, we have revised Form 996, *Warehouse Provider Release and Transfer*, and have added a sample of the Freddie Mac Selling System version of this form, Form 996E, *Warehouse Provider Release and Transfer*, to the Guide. Freddie Mac will no longer accept delivery of these forms from Sellers. The Warehouse Provider will be required to e-mail or fax the form directly to Freddie Mac. In addition, related Guide references to warehouse lending have been revised to reflect the various types of financial arrangements between Sellers and Warehouse Lenders.

Chapter 19, *Warehouse Financing Arrangements*, and Glossary definitions have been updated with this announcement.

Forms 996 and 996E have been updated to include:

- Two new e-mail addresses where scanned copies of the form may be sent
- Language to clarify that the Warehouse Provider is releasing, relinquishing and transferring all right, title and interest in the Mortgages
- Adding the contract number associated with the delivered loans

GUIDE UPDATE

Updates to Exhibit 19

Exhibit 19 has been updated to reflect the reduced maximum LTV, TLTV and HTLTV ratios announced in Bulletin 2011-4 released on March 1, 2011 and to reflect the changes to postsettlement delivery fees (delivery fees) noted above related to fees associated with the extension of the Relief Refinance Mortgage offering. Refer to Exhibit 19 for the applicable effective dates for these changes.

REMINDERS

Anti-predatory lending

Freddie Mac has a long history of promoting responsible lending and combating predatory lending. We require Seller/Service providers to have policies and procedures designed to identify and avoid predatory lending practices. Seller/Service providers should regularly review Freddie Mac's Industry Letter dated February 12, 2009 regarding anti-predatory lending requirements and Section 22.35, *Higher-Priced Mortgage Loans*, to ensure they are complying with our requirements. The Dodd-Frank Wall Street Reform and Consumer Protection Act makes certain mortgage reform changes, including changes to the Home Ownership and Equity Protection Act (HOEPA) definitions and requirements. Freddie Mac will update its anti-predatory lending requirements as appropriate when these changes become effective.

Updates to Form 1132, *Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH)*

In Bulletin 2011-5, we announced that Form 1132 has been revised to be a fillable form for Seller convenience. We have updated the form to remind Sellers to verify the bank routing and transit number (Part C). There is no need to complete a new form unless ACH instructions change.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 1, A1, 8, A9, B9, A10, 11, 12, 13, A13, B15, C15, D15, 17, 19, 22, 24, A24, B24, C33, D33, H33, L33, A34, 37, 42, 44, 50 and 56
- Forms 996 and 996E
- Exhibits 19 and 26
- Glossary

CONCLUSION

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

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