

# Bulletin

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NUMBER: 2011-18

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TO: Freddie Mac Sellers

October 14, 2011

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## SUBJECTS

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

### **Seller/Servicer approval**

- Revising our eligibility requirements to specify that wholly owned subsidiaries of Seller/Servicers that are non-depository and/or non-regulated institutions must obtain a separate Freddie Mac approval in order to do business with Freddie Mac

### **Mortgage eligibility and credit underwriting**

- Clarifying that a Freddie Mac Relief Refinance Mortgage<sup>SM</sup> – Same Servicer may be originated by an Affiliate of the Seller, in addition to the Seller
- Providing guidance regarding 2011 area median income changes

### **Property eligibility and appraisal requirements**

- Updating the purchase requirements for Mortgages secured by properties with resale restrictions, including age-restricted properties and properties subject to inclusionary zoning
- Providing additional guidance regarding use of data submitted to the Uniform Collateral Data Portal<sup>®</sup> (UCDP<sup>®</sup>)

### **Delivery requirements**

- Requiring Warehouse Lenders to provide Freddie Mac with a certificate of incumbency (new Guide Form 990SF, *Warehouse Provider Certificate of Incumbency: Corporation or Limited Liability Company Certificate*) and a copy of resolutions by the board of directors or other governing body, as applicable
- Updating Forms 987 and 987E, *Wire Transfer Authorization for a Cash Warehouse Delivery*, to require the Warehouse Lender’s federal tax identification number
- Revising the requirements for delivery of super-conforming Mortgages under fixed-rate Cash Contracts

### **Mortgage insurance**

- Providing additional information about the suspension of PMI Mortgage Insurance Co. and its wholly owned subsidiaries announced on August 22, 2011

## EFFECTIVE DATE

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

## **SELLER/SERVICER APPROVAL**

### **Effective February 1, 2012**

We are revising our eligibility requirements to specify that wholly owned subsidiaries of Seller/Servicers that are non-depository and/or non-regulated institutions (such as Mortgage Bankers) must obtain a separate Freddie Mac approval in order to do business with Freddie Mac.

The Glossary definition of “Seller/Servicer” and Guide Section 4.1, *General*, have been updated to reflect this change.

## **MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING**

### **Relief Refinance Mortgages – Same Servicer**

We are clarifying Section A24.3, *Requirements for Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer*, to state that the new refinance Mortgage must be originated by the Seller or an Affiliate of the Seller.

### **Area median income**

As announced in a Single-Family Update e-mail on September 21, 2011, the Federal Housing Finance Agency has issued the area median income estimates for 2011.

Sellers may use the 2011 estimates immediately, but must use them to originate Home Possible<sup>®</sup> Mortgages delivered to Freddie Mac on or after **December 1, 2011**. Both Loan Prospector<sup>®</sup> and the Affordable Income & Property Eligibility tool – available on FreddieMac.com at <http://ww3.freddie.mac.com/ds2/sell/affgold.nsf/frnHomePage?OpenForm> – have been updated to reflect the 2011 area median income estimates.

## **PROPERTY ELIGIBILITY AND APPRAISAL REQUIREMENTS**

### **Purchase requirements for Mortgages secured by properties with resale restrictions**

We are updating and consolidating the purchase requirements for Mortgages secured by properties with resale restrictions, including age-restricted properties and properties subject to inclusionary zoning. All the requirements for Mortgages secured by properties with resale restrictions will now be contained in Section 22.25, *Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions*.

Sections 22.23, *Inclusionary Zoning*, and 22.24, *Purchase Requirements for Mortgages Secured by Properties without Resale Restrictions*, have also been updated to reflect these changes.

### **Information and data submitted to the Uniform Collateral Data Portal**

#### **Effective for all Mortgages with appraisals submitted to the UCDP**

We have updated Section 44.21, *Electronic Transmission of Appraisal and Inspection Reports; Information and Data Submitted to the Uniform Collateral Data Portal*, to specify that Freddie Mac has the right to use all information and data submitted to the UCDP and designated for delivery to Freddie Mac.

## **DELIVERY REQUIREMENTS**

### **Pre-purchase financing controls**

#### **Effective February 1, 2012**

We are requiring each Warehouse Lender to provide Freddie Mac with a certificate of incumbency (new Form 990SF) and a copy of resolutions by the board of directors or other governing body, as applicable, authorizing the persons listed on the certificate of incumbency to instruct Freddie Mac to transfer funds on behalf of the Warehouse Lender. In addition to Form 990SF, we have added Form 990ASF, *Warehouse Provider Addendum to Certificate of Incumbency: Corporation or Limited Liability Company Certificate*, which must also be submitted with Form 990SF, when applicable.

The person who executes the Form 996 or 996E, *Warehouse Provider Release and Transfer*, must be authorized by the Warehouse Lender on Form 990SF to provide Freddie Mac with instructions (or to modify instructions) to transfer funds on behalf of the Warehouse Lender in connection with Freddie Mac's purchase of Mortgages from the Seller.

Guide Chapter 19, *Warehouse Financing Arrangements*, has been updated to reflect these changes.

We have also revised Forms 987 and 987E, to require that Sellers provide the Warehouse Lender's federal tax identification number. The Warehouse Lender's federal tax identification number and full legal name must match the information provided by the Warehouse Lender on the Form 990SF.

Sellers that wish to establish new Warehouse Lender wiring instructions, via Form 987 or 987E, must begin using the new forms **immediately**.

Sellers that have previously submitted Forms 987 or 987E and have existing wiring instructions set up with their Warehouse Lenders may begin using the new forms to submit updated instructions on November 1, 2011.

All Warehouse Lender wiring instructions for all Sellers must be set up and completed using the new Forms 987 or 987E by **February 1, 2012**. Any Seller that has not submitted updated forms with the required federal tax identification numbers will not be able to continue using these Warehouse Lenders after February 1, 2012.

### **Super conforming Mortgages - fixed-rate Cash Contracts**

#### **Effective February 1, 2012**

We are revising our requirements for delivery of super conforming Mortgages under fixed-rate Cash Contracts to require that the unpaid principal balance (UPB) of all 15-, 20- and/or 30-year super conforming Mortgages delivered by the Seller during any month not exceed the greater of:

- \$2 million in aggregate; or
- 10% of the UPB of each particular Mortgage product (15-, 20- and/or 30-year fixed-rate) delivered by the Seller under fixed-rate Cash Contracts during such month

Sections 17.44 and A17.39, *Super Conforming Mortgages*, have been updated to reflect this change.

## **MORTGAGE INSURANCE**

### **Suspension of PMI Mortgage Insurance Co. and its wholly-owned subsidiaries as approved Freddie Mac mortgage insurers**

As announced in a Single-Family Update e-mail on August 22, 2011, Guide Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, has been updated to reflect that the approved mortgage insurer status of PMI Mortgage Insurance Co. and its wholly-owned subsidiaries including PMI Insurance Co. and PMI Mortgage Assurance Co. (collectively, "PMI"), is suspended. Mortgages insured by PMI with Note Dates before May 19, 2011, and after September 16, 2011, are no longer eligible for sale to Freddie Mac.

In addition, Mortgages insured by PMI with Note Dates on or after May 19, 2011, and on or before September 16, 2011, must be delivered to Freddie Mac on or before **December 30, 2011**, regardless of whether the Mortgage has Borrower-paid or lender-paid mortgage insurance.

As an exception, a Mortgage with an existing PMI certificate of insurance will be eligible for sale to Freddie Mac if it is refinanced as a Freddie Mac Relief Refinance Mortgage – Same Servicer or Relief Refinance Mortgage – Open Access and the coverage is continued through modification of the existing mortgage insurance certificate. Sections A24.4, *Delivery and Pooling Requirements*, and B24.4, *Delivery and Pooling Requirements*, have been updated to reflect this change.

As a reminder, except in limited circumstances, Section 61.7, *Transfers of Mortgage Insurance Coverage*, prohibits transfers of the mortgage insurance coverage that is in effect at the time a Mortgage is sold to Freddie Mac. Because none of those circumstances apply in this instance, Freddie Mac Servicers do not need to take any action in connection with Mortgages that have already been sold to us, whether at renewal of the insurance or otherwise.

## **DIRECTORY 2**

We have revised Directory 2 to reflect updated contact information for our Quality Control department.

## **REVISIONS TO THE GUIDE**

The revisions included in this Bulletin impact the following:

- Chapters 4, 17, A17, 19, 22, A24, B24 and 44
- Forms 987, 987E, 990ASF and 990SF
- Glossary
- Directory 2

## **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 black ink that reads "Laurie A. Redmond". The signature is written in a cursive style and is positioned above the typed name.

Laurie A. Redmond  
Vice President  
Offerings Effectiveness