

# Bulletin

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TO: Freddie Mac Sellers

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## INTRODUCTION

On October 24, 2011 the Federal Housing Finance Agency (FHFA), together with Freddie Mac and Fannie Mae, issued a press release announcing a series of changes to the Home Affordable Refinance Program (HARP) in an effort to attract more eligible Borrowers who can benefit from refinancing their home Mortgages. The program enhancements were developed at FHFA's direction with input from lenders, mortgage insurers and other industry participants.

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing changes to our Freddie Mac Relief Refinance Mortgage<sup>SM</sup> – Same Servicer and Relief Refinance Mortgage – Open Access offerings. A portion of these offerings are our business implementation of HARP.

These changes mark another step on the road to recovery for the nation's housing market and underscore Freddie Mac's vital role in making affordable mortgage financing available to America's homeowners.

## SUMMARY

With this Bulletin we are:

- Revising Guide Chapter A24, *Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer*, so that it applies only to, and provides requirements for, Relief Refinance Mortgages – Same Servicer with loan-to-value (LTV) ratios greater than 80%
- Adding new Chapter C24, *Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer with LTV Ratios Less than or Equal to 80%*, to provide requirements for Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80%
- Revising Chapter B24, *Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Open Access*, to provide Borrowers with expanded access to refinancing opportunities

Changes to Relief Refinance Mortgages include, but are not limited to:

- Extending the expiration date of the Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access offerings to December 31, 2013 (Mortgages must have Note Dates on or before December 31, 2013)
- Removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Cash and fixed-rate Guarantor (the 105% maximum LTV ratio for adjustable-rate Mortgages (ARMs) will remain) for Relief Refinance Mortgages – Same Servicer with LTV ratios greater than 80% and Relief Refinance Mortgages – Open Access
- Revising requirements related to certain Seller representations and warranties on the Mortgage being refinanced for Relief Refinance Mortgages – Same Servicer with LTV ratios greater than 80%
- Revising certain other eligibility requirements to increase the number of Borrowers who may be eligible for Relief Refinance Mortgages

Effective dates vary for these changes; therefore, it is important to review this Bulletin in its entirety for a complete understanding of all changes and their effective dates.

## **Mortgages using the Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access requirements in effect prior to January 3, 2012**

To assist with pipeline coverage, Mortgages using the Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access requirements in effect prior to January 3, 2012, will continue to be eligible for sale to Freddie Mac provided the loan application date is prior to December 1, 2011, the Note Date is on or before January 31, 2012, and the Freddie Mac Settlement Date is on or before April 30, 2012.

## **RELIEF REFINANCE MORTGAGES – SAME SERVICER WITH LTV RATIOS GREATER THAN 80%**

Chapter A24 has been updated to reflect the changes below.

### **Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after January 3, 2012**

The changes to Relief Refinance Mortgages – Same Servicer with LTV ratios greater than 80% include the following:

- Extending the expiration date of this offering to December 31, 2013 (Mortgages must have Note Dates on or before December 31, 2013)
- Removing the requirement that the Seller represent and warrant that the Mortgage being refinanced met certain Freddie Mac eligibility requirements in its Purchase Documents
- Adding a Borrower benefit provision allowing the Relief Refinance Mortgage to be originated for the purpose of reducing the monthly principal and interest (P&I) payment
- Requiring that at least one Borrower have a source of income and that the Seller verify the income source
- No longer permitting determination of property value based on the appraisal or Automated Valuation Model (AVM) from the Mortgage being refinanced
- No longer permitting determination of property value based on a new AVM other than Home Value Explorer<sup>®</sup> (HVE)
- Permitting one 30-day Delinquency within the previous 12 months on the Mortgage being refinanced provided the Delinquency was not within the previous six months
- Removing the requirement that the occupancy of the Mortgage being refinanced and the occupancy of the Relief Refinance Mortgage be the same
- Revising the requirement related to the age of the HVE model estimate from no more than 180 days old as of the Settlement Date to no more than 120 days as of the Note Date
- Revising requirements for Mortgages with P&I payment increases greater than 20%
- Adding specific requirements related to solicitation, advertising and other communications to Borrowers

Guide Section 46.26, *Freddie Mac Relief Refinance Mortgage<sup>SM</sup> – Same Servicer*, has also been updated to reflect related changes to Freddie Mac's postfunding quality control review of Relief Refinance Mortgages.

### **Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after February 1, 2012**

We are removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Cash (the 105% maximum LTV ratio for ARMs will remain).

Guide Exhibit 17S, *Mortgage Products Available through the Selling System*, has been updated to reflect this change.

**Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after March 15, 2012**

We are permitting the use of HVE to determine property value for certain 2-unit properties in addition to 1-unit properties.

**Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after June 1, 2012**

We are removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Guarantor (the 105% maximum LTV ratio for ARMs will remain). The Guide will be updated with a future Bulletin to reflect this change.

**RELIEF REFINANCE MORTGAGES – SAME SERVICER WITH LTV RATIOS LESS THAN OR EQUAL TO 80%**

Requirements for Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80% are being revised and consolidated into new Chapter C24.

Sellers should review new Chapter C24 in its entirety to ensure they are aware of all changes to Freddie Mac requirements for Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80%.

**Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after January 3, 2012**

The changes to Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80% include the following:

- Extending the expiration date of this offering to December 31, 2013 (Mortgages must have Note Dates on or before December 31, 2013)
- Requiring maximum total LTV (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratios of 105%
- Requiring a minimum Indicator Score of 620
- Adding a Borrower benefit provision allowing the Relief Refinance Mortgage to be originated for the purpose of reducing the monthly P&I payment
- Requiring that at least one Borrower have a source of income and that the Seller verify the income source
- Requiring verification of Borrower Funds when needed for closing
- No longer permitting determination of property value based on the appraisal or AVM from the Mortgage being refinanced
- No longer permitting determination of property value based on a new AVM other than HVE
- Permitting one 30-day Delinquency within the previous 12 months of the Mortgage being refinanced, provided the Delinquency was not within the previous six months
- Revising the requirement related to the age of the HVE model estimate from no more than 180 days old as of the Delivery Date to no more than 120 days as of the Note Date
- Allowing Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80% to be sold to Freddie Mac when the Mortgage being refinanced had mortgage pool insurance or another negotiated credit enhancement other than recourse and indemnification. Existing requirements continue to apply when the Mortgage being refinanced had recourse or indemnification.
- Revising requirements for Mortgages with P&I payment increases greater than 20%
- Allowing for a more flexible use of refinance proceeds

Sellers continue to be responsible for representing and warranting that the Mortgage being refinanced met the Freddie Mac eligibility requirements in its Purchase Documents, including, but not limited to, credit, underwriting, collateral and appraisal requirements.

**Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after March 15, 2012**

We are permitting the use of HVE to determine property value for certain 2-unit properties in addition to 1-unit properties.

**RELIEF REFINANCE MORTGAGES – OPEN ACCESS**

Chapter B24 has been updated to reflect the changes below.

**Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after January 3, 2012**

The changes to Relief Refinance Mortgages – Open Access include the following:

- Adding a Borrower benefit provision allowing the Relief Refinance Mortgage to be originated for the purpose of reducing the monthly P&I payment
- Extending the expiration date of this offering to December 31, 2013 (Mortgages must have Note Dates on or before December 31, 2013)
- Revising the requirement related to the Mortgage payment history for the Mortgage being refinanced
- For Mortgages with LTV ratios less than or equal to 80%, requiring maximum TLTV and HTLTV ratios of 105%
- For Mortgages with LTV ratios less than or equal to 80%, allowing for a more flexible use of refinance proceeds

**Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after March 15, 2012**

We are removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Cash (the 105% maximum LTV ratio for ARMs will remain). Exhibit 17S has been updated to reflect this change.

We are also permitting the use of HVE to determine property value for certain 1- to 2-unit properties. Exhibit 32 has been updated to reflect this change.

**Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after June 1, 2012**

We are removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Guarantor (the 105% maximum LTV ratio for ARMs will remain). The Guide will be updated with a future Bulletin to reflect this change.

**Loan Prospector®**

On or before March 15, 2012, Loan Prospector will be updated to recognize Relief Refinance Mortgages – Open Access with LTV ratios greater than 125%. Until Loan Prospector is updated, Sellers cannot complete loan assessments for Relief Refinance Mortgages – Open Access with LTV ratios greater than 125%.

Loan Prospector has not been updated to reflect the maximum 105% TLTV and HTLTV ratios for Relief Refinance Mortgages – Open Access with LTV ratios less than or equal to 80%. Sellers must ensure that this requirement is manually applied.

HVE values returned on Loan Prospector Feedback Certificates can be used to determine property value for Relief Refinance Mortgages – Open Access only for Loan Prospector submissions on or after March 15, 2012.

## DELIVERY FEE CAP ADJUSTMENTS

Effective for Mortgages with Settlement Dates on or after **January 3, 2012**, we are revising our delivery fee caps as follows:

For Relief Refinance Mortgages with LTV ratios greater than 80%:

- The delivery fee cap has been reduced to 0 basis points for non-Investment Property fixed-rate Mortgages with an amortization of less than or equal to 20 years
- The delivery fee cap has been reduced to 75 basis points for non-Investment Property fixed-rate Mortgages with an amortization of greater than 20 years
- The delivery fee cap has been reduced to 75 basis points for non-Investment Property Mortgages that are ARMs
- The delivery fee cap for Investment Properties remains the same at 200 basis points

For Relief Refinance Mortgages with LTV ratios less than or equal to 80%:

- The delivery fee cap remains the same at 200 basis points for all Mortgages

Exhibit 19, *Postsettlement Delivery Fees*, has been updated to reflect these changes, as shown below:

<b>RELIEF REFINANCE MORTGAGE DELIVERY FEE CAP</b>				
Effective for Settlements on or after January 03, 2012				
			<b>LTV RATIOS</b>	
			<b>ALL ELIGIBLE</b>	
<b>Property Type</b>	<b>Product</b>	<b>Amortization Term</b>	<b>≤ 80%</b>	<b>&gt; 80%</b>
<b>Relief Refinance Investment Property Mortgages</b>	<b>All Eligible Product</b>	<b>All Eligible</b>	2.00%	2.00%
<b>All Other Relief Refinance Mortgages</b>	<b>Fixed Rate</b>	<b>≤ 20 years</b>	2.00%	0.00%
	<b>Fixed Rate</b>	<b>&gt; 20 years</b>	2.00%	0.75%
	<b>ARMs</b>	<b>All Eligible</b>	2.00%	0.75%

## TRAINING

Updated training and resource materials will be available at a later date on Freddie Mac's Learning Center and in our webinar, *Freddie Mac Relief Refinance Mortgage*. Visit <http://www.FreddieMac.com/learn/mp/> for additional information.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters A24, B24, C24 and 46
- Exhibits 17S, 19 and 32

## 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 "Loan Origination."

Sincerely,



Laurie A. Redmond  
Vice President  
Offerings Effectiveness