
TO: All Freddie Mac Sellers and Servicers

November 24, 2008

SUBJECTS

Selling and Servicing requirements are amended in this *Single-Family Seller/Servicer Guide* (Guide) Bulletin.

This Bulletin:

- Provides final credit requirements in connection with those previewed in our October 17, 2008 Single-Family Advisory e-mail
- Announces changes to certain credit requirements announced in our special October 17, 2008 Bulletin
- Updates Exhibit 19, Postsettlement Delivery Fees (delivery fees), to reflect:
 - The following changes to delivery fee rates for super conforming Mortgages:
 - Eliminating delivery fee rates for fixed-rate purchase transaction and “no cash out” super conforming Mortgages
 - Reducing delivery fee rates for certain other super conforming Mortgages, including certain cash-out refinance Mortgages and Mortgages with certain loan-to-value (LTV)/total LTV (TLTV) ratios
 - The changes in LTV ratios and Indicator Score requirements for Mortgages eligible for sale to Freddie Mac
- Introduces a new appraisal report addendum – Guide Form 71, Market Conditions Addendum – required for all Mortgages that have appraisals with effective dates on or after **April 1, 2009**

We are also reminding Freddie Mac Servicers of our October 8, 2008 Single-Family Advisory e-mail instructing them to temporarily suspend all foreclosure sales on Freddie Mac-owned Mortgages secured by properties in the federally declared disaster areas caused by Hurricane Ike in Texas and Louisiana.

With this Bulletin, we are updating the Guide to reflect the following credit changes previewed in our October 17, 2008 Single-Family Advisory e-mail effective for Mortgages with Freddie Mac Settlement Dates on or after March 1, 2009:

- Discontinuing the purchase of all Mortgages originated with stated income and stated assets, including Loan Prospector® Accept Plus Mortgages
- Establishing a maximum debt payment-to-income ratio of 45% for all Manually Underwritten Mortgages, except Streamlined Refinance Mortgages and Mortgages for which the Guide specifies a lower debt payment-to-income ratio (this is a change from the requirement previewed in the Single-Family Advisory e-mail, which indicated the maximum would apply to all Mortgages). Loan Prospector evaluates the Borrower’s qualifying ratios. For Accept Mortgages and A-minus Mortgages, Loan Prospector has determined that the Borrower’s qualifying ratios are acceptable.

- Requiring minimum Indicator Scores as follows:
 - Establishing minimum Indicator Scores for purchase or “no cash-out” refinance Manually Underwritten Mortgages secured by 1-unit Primary Residences
 - Establishing a minimum Indicator Score of 620 for most Mortgages we purchase, unless the Guide specifies a higher minimum Indicator Score
 - Revising minimum Indicator Scores for Manually Underwritten Home Possible Mortgages
- Revising Home Possible Mortgage requirements by:
 - Reducing maximum LTV ratios for Home Possible Mortgages secured by 1-unit Primary Residences
 - Requiring a Loan Prospector Risk Class of Accept unless certain requirements are met
- Discontinuing the purchase of 40-year fixed-rate Mortgages, except Home Possible and other affordable Mortgages secured by 1-unit Primary Residences

We are also announcing that effective for Mortgages with Freddie Mac Settlement Dates on or after **March 1, 2009**, Sellers must obtain Freddie Mac’s approval to sell Mortgages with annual or monthly premium lender-paid mortgage insurance to Freddie Mac.

We are making the following changes to credit requirements we announced in our special October 17, 2008 Bulletin, which are effective for Mortgages with Freddie Mac Settlement Dates on or after **January 2, 2009**:

- Revising our appraisal update requirements for Mortgages for Newly Constructed Homes
- Clarifying certain requirements for reestablishing credit for Borrowers with significant adverse or derogatory credit information caused by financial mismanagement

We are revising Exhibit 19, Postsettlement Delivery Fees to reflect the super conforming Mortgage delivery fee rate as well as credit changes announced in this Bulletin.

Finally, we are introducing a new appraisal addendum, Form 71, which will be required for all Mortgages that have appraisals with effective dates on or after **April 1, 2009**.

SELLING CHANGES

CREDIT CHANGES

Effective date: Freddie Mac Settlements on or after March 1, 2009

CREDIT CHANGES PREVIEWED IN THE OCTOBER 17, 2008 SINGLE-FAMILY ADVISORY E-MAIL

Effective date: Freddie Mac Settlement Dates on or after March 1, 2009

Mortgages originated with stated income and/or stated assets ineligible for purchase

Freddie Mac will no longer purchase Mortgages originated with stated income and/or stated assets, including Mortgages that receive an Accept Plus Documentation Level in Loan Prospector.

As a result, for all submissions and resubmissions on or after **December 7, 2008**, Loan Prospector will no longer return an Accept Plus Documentation Level. Accept Plus Mortgages must have a Freddie Mac Settlement Date before **March 1, 2009**.

Maximum debt payment-to-income ratio of 45% for Manually Underwritten Mortgages except streamlined refinance Mortgages

In our October 17, 2008 Single-Family Advisory e-mail, we previewed a requirement for a maximum debt payment-to-income ratio requirement for most Mortgages we purchase, whether manually underwritten or assessed through an automated underwriting system (Loan Prospector). We are announcing that we are revising that previewed requirement to provide that for a Manually Underwritten Mortgage, the Borrower’s monthly debt payment-to-income ratio must not exceed 45%, or the Mortgage is ineligible for sale to Freddie

Mac. This requirement does not apply to streamlined refinance Mortgages and also does not apply if the Guide specifies a lower debt payment-to-income requirement.

We are also announcing a revision to our super conforming Mortgage requirements. The maximum 45% debt payment-to-income ratio requirement will apply only to super conforming Manually Underwritten Mortgages. Chapter L33 has been revised to reflect this change.

We are reminding Sellers that for Manually Underwritten Mortgages, when the Borrower's monthly debt payment-to-income ratio exceeds 36%, the Seller must document the justification for the higher qualifying ratio in the Mortgage file as described in Chapter 37.

Loan Prospector evaluates a Borrower's qualifying ratios. For Accept Mortgages and A-minus Mortgages, Loan Prospector has determined that the Borrower's qualifying ratios are acceptable.

Minimum Indicator Scores required

We are revising certain Minimum Indicator Score requirements for purchase and "no cash-out" refinance Manually Underwritten Mortgages. Refer to new Exhibit 25A, Mortgages with Risk Class and/or Minimum Indicator Score Requirements, for the new requirements effective for Mortgages with Freddie Mac Settlement Dates on or after March 1, 2009. (Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements, applies to Mortgages with Settlement Dates on or before February 28, 2009.)

Except as set forth below, all Mortgages sold to Freddie Mac with Settlement Dates on or after **March 1, 2009**, must have a minimum Indicator Score of 620, unless the Guide specifies a different minimum Indicator Score. Sellers do not need to verify the Indicator Score is greater than or equal to 620 for Loan Prospector Accept Mortgages.

This minimum Indicator Score requirement does not apply to:

- Section 184 Native American Mortgages
- Section 502 Guaranteed Rural Housing Mortgages
- FHA/VA Mortgages
- A-minus Mortgages that meet the requirements of Chapter C33

Revised requirements for Home Possible Mortgages

LTV Ratios

Freddie Mac is reducing the maximum LTV ratios for purchase transaction and "no cash-out" refinance Home Possible Mortgages secured by 1-unit Primary Residences to:

- 97%, for Mortgages that receive a Risk Class of Accept from Loan Prospector
- 95%, for Manually Underwritten Mortgages

Until Loan Prospector is updated, Sellers must comply with the manual review requirements described in the **Loan Prospector** section in this Bulletin to ensure Mortgages are eligible for sale to Freddie Mac.

Borrower credit reputation

A Borrower's credit reputation is acceptable if the Home Possible Mortgage receives a Risk Class of Accept. Effective for Mortgages with Freddie Mac Settlement Dates on or after March 1, 2009, a Home Possible Mortgage may be eligible as a Manually Underwritten Mortgage if Loan Prospector returns:

- A Caution Risk Class, but the repository file used to create the Selected Borrower's credit report contains significant inaccurate credit information as specified in Guide Section 37.5(c)
- An evaluation status of incomplete

For Manually Underwritten Mortgages, the Seller must determine that each Borrower individually, and that all Borrowers collectively, have acceptable credit reputations. For Manually Underwritten Home Possible Mortgages where the Borrower has a usable Credit Score, this determination must be made using Indicator Scores as described in Section A34.8 (c). If no Borrower on the Mortgage has a usable Credit Score, this determination must be made without Indicator Scores as described in Section A34.8 (d).

All Home Possible Mortgages with TLTV ratios greater than 97% must have an Indicator Score of at least 700 to be eligible for delivery to Freddie Mac. The TLTV ratio may not exceed 97% for Manually Underwritten Mortgages with no Indicator Score.

For Manually Underwritten Home Possible 97 Mortgages with Indicator Scores, we are revising the minimum Indicator Score requirements as follows:

Property Type	Minimum Indicator Score
1-unit Primary Residence (other than a fixed-rate term of 40 years, an ARM or a “no cash-out” refinance)	640
1-unit Primary Residence with a fixed-rate term of 40 years, an ARM or a “no cash-out” refinance Mortgage	680
2- to-4-unit Primary Residences	700
Eligible Manufactured Homes (other than a Mortgage secured by a Manufactured Home with a term greater than 20 years and LTV/TLTV ratios greater than 90% and less than or equal to 95%)	720

Chapter A34 is being updated to reflect these revised requirements.

40-year fixed-rate Mortgages other than certain Home Possible Mortgages and other affordable Mortgages no longer eligible

We are amending the Guide to eliminate eligibility of 40-year fixed-rate Mortgages, except for Home Possible Mortgages secured by 1-unit Primary Residences and other affordable Mortgages as authorized by your purchase documents secured by 1-unit Primary Residences.

Until Loan Prospector is updated, Sellers must comply with the manual review requirements described in the **Loan Prospector** section in this Bulletin to ensure Mortgages are eligible for sale to Freddie Mac.

ADDITIONAL CREDIT CHANGES/NOT PREVIEWED IN OCTOBER 17, 2008 ADVISORY E-MAIL

Effective date: Freddie Mac Settlement Dates on or after March 1, 2009

Lender-paid mortgage insurance

For Mortgages sold to Freddie Mac with Settlement Dates on and after **March 1, 2009**, Sellers must obtain Freddie Mac's approval to deliver Mortgages with annual or monthly premium lender-paid mortgage insurance to Freddie Mac. The Seller should request this approval by calling its Freddie Mac representative.

Chapter 27 is being updated to reflect this new requirement.

CHANGES TO DELIVERY FEE AND CREDIT REQUIREMENTS ANNOUNCED IN OUR SPECIAL OCTOBER 17, 2008 BULLETIN

Appraisal requirements for Mortgages for Newly Constructed Homes

In our special October 17, 2008 Bulletin, we announced that, effective for Mortgages for Newly Constructed Homes with Settlement Dates on or after **January 2, 2009**, if the effective date of the appraisal was more than

60 days before the Delivery Date or Settlement Date, as applicable, the Seller must obtain an appraisal update with an effective date no more than 60 days before the Settlement Date or Delivery Date.

We are revising Chapter K33 to require that for Mortgages with Settlement Dates on or after **January 2, 2009**, if the effective date of the appraisal is more than **120 days** before the **Effective Date of the Permanent Financing**, the Seller must provide an appraisal update that meets the requirements of Chapter 44 with an effective date that is no more than **120 days** before the **Effective Date of the Permanent Financing**.

Chapter 44 permits Sellers to comply with this appraisal update requirement by having an appraiser complete Form 442, Appraisal Update and/or Completion Report; however, we want to remind Sellers that the Form 442 may only be used if the market value of the property has not declined since the effective date of the appraisal. In today's unstable property value market, the Form 442 may not be applicable in many instances. If there are changes in the market property values since the effective date of the appraisal or the appraiser determines that one or more different comparable sales are more appropriate, the appraiser must report the results of the appraisal update on the Freddie Mac appraisal report form appropriate for the property type and inspection type and may not use Form 442 as described in Chapter 44.

Reestablishing credit – financial mismanagement

We are clarifying our previously announced requirements for discharge or dismissal of a bankruptcy for Borrowers with significant adverse or derogatory information caused by financial mismanagement. Effective for Mortgages with Freddie Mac Settlement Dates on or after January 2, 2009, we are reducing the recovery period from 48 months to 24 months after the discharge of a Chapter 13 bankruptcy.

EXHIBIT 19, POSTSETTLEMENT DELIVERY FEES

Effective for super conforming Mortgages with Settlement Dates on or after January 2, 2009

We are revising delivery fee rates for super conforming Mortgages, as follows:

- Eliminating the delivery fee rate for all purchase transaction and “no cash-out” fixed-rate super conforming Mortgages
- Decreasing the delivery fee rate by 25 or 50 basis points for many cash-out fixed-rate super conforming Mortgages
- Decreasing the delivery fee rate by 50 basis points for “no cash-out” fully amortizing and Initial Interest adjustable-rate Mortgages that have LTV ratios greater than 75%

In addition, we are updating the following delivery fee tables in Exhibit 19 to reflect the credit changes announced in this Bulletin:

- CS/LTV delivery fees (“A-Minus Fees”) – Non LP Mortgages
- Home Possible Mortgages

We have also updated the Exhibit 19 fee table entitled “Eligibility for CS/LTV (A-Minus)” to reflect the changes to LTV ratio and minimum Indicator Score.

As a reminder, Exhibit 19 should not be used to determine eligibility of Mortgages for sale to Freddie Mac. Sellers must refer to the Guide and their other Purchase Documents for eligibility requirements and restrictions.

NEW FORM 71, MARKET CONDITIONS ADDENDUM

Effective date: April 1, 2009 – New form 71, Market Conditions Addendum, is required for all Mortgages sold to Freddie Mac with appraisals that have effective dates on or after this date

Freddie Mac is introducing a new appraisal report addendum – Form 71, Market Conditions Addendum – which will be required for all Mortgages that have appraisals with effective dates on or after **April 1, 2009**, regardless of property type and inspection type. Form 71 is not required for Mortgages with inspection reports,

such as Mortgages originated with Form 2070, Loan Prospector[®] Condition and Marketability Report, Fannie Mae Form 2075, Desktop Underwriter[®] Property Inspection Report or a Property Inspection Alternative (PIA).

This new addendum gives direction to appraisers concerning our expected scope of work for appraisals, and provides the Seller with additional details to support the appraiser's determination of market trends and a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood.

Sections 44.9 and 44.13 are being updated to reflect the requirement for this new form.

DELIVERY REQUIREMENTS

We are updating Form 11, Mortgage Submission Schedule, and Form 13SF, Mortgage Submission Voucher, to reflect the credit changes announced in this Bulletin and our special October 17, 2008 Bulletin, including:

- Deleting the Offering Code for Alternative Stated Income Mortgages, ineligible for purchase effective January 1, 2009
- Adding a reference to the special instructions for certain super conforming Mortgages Total Appraised Value field

In addition, we are also updating the forms as follows:

- In June 2004, the instructions in Forms 11 and 13SF for the delivery of Special Characteristics Codes (SCCs) were changed to permit delivery of ten SCCs; however, the forms continued to show only six SCC fields. We are adding new SCC fields to correct this discrepancy
- We are deleting references to one-and two-closing construction to permanent Mortgages (this offering has been retired and replaced by our Mortgages for Newly Constructed Homes offering)

We are also updating Exhibit A to Form 11 and Form 13SF to reflect the change to Home Possible Mortgage eligibility requirements announced in this Bulletin and to eliminate references to SCC 002 (replaced by delivery of SCCs 211 or 212, as applicable, effective August 4, 2008).

CHANGES TO LOAN PROSPECTOR AND THE SELLING SYSTEM

Loan Prospector and the Selling System will be updated to reflect the requirements announced in this Bulletin at a later date. Freddie Mac will announce these system changes in a subsequent Bulletin.

Loan Prospector

Mortgages with Settlement Dates on or after March 1, 2009

Minimum Indicator Scores of 620 for most Mortgages

Sellers do not need to verify the Indicator Score is greater than or equal to 620 for Loan Prospector Accept Mortgages.

Maximum LTV ratio for Home Possible Mortgage; A-minus Mortgage ineligible for Home Possible; 40-year Mortgages ineligible except for Home Possible Mortgages secured by a 1-unit Primary Residence

If the final submission of a Mortgage to Loan Prospector is before March 1, 2009, and the Mortgage will have a Freddie Mac Settlement Date on or after March 1, 2009, the Seller must manually verify that the:

- Maximum LTV ratio is not greater than 97% for a LP Accept Home Possible Mortgage
- Maximum LTV ratio is not greater than 95% for a Manually Underwritten Home Possible Mortgage
- Home Possible Mortgage is not an A-minus Mortgage
- 40-year Mortgage is a Home Possible Mortgage secured by a 1-unit Primary Residence

SERVICING CHANGES

TEMPORARY SUSPENSION OF FORECLOSURE SALES FOR MORTGAGES AFFECTED BY HURRICANE IKE IN TEXAS AND LOUISIANA

To further assist Borrowers impacted by Hurricane Ike, that occurred on October 8, 2008, Freddie Mac announced the following temporary servicing requirements for delinquent Mortgages secured by properties located in Texas and Louisiana in “eligible Disaster Areas” as a result of Hurricane Ike. (Eligible Disaster Areas are counties, municipalities and parishes declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance is being made available.) Freddie Mac instructed Servicers to:

- Suspend foreclosure sales scheduled between now and **December 31, 2008**, even if a Mortgage was in default prior to the disaster. Servicers should continue to refer delinquent mortgages to foreclosure, but must ensure that a foreclosure sale is not scheduled to occur until after the suspension period has expired.
- If a foreclosure sale occurred on any property in an Eligible Disaster Area between September 13, 2008 and October 8, 2008, assess each case on an individual basis and make a recommendation to Freddie Mac if circumstances warrant a rescission of the foreclosure sale
- At the end of the suspension period, determine whether, based on the individual circumstances, additional foreclosure relief is warranted or whether the Servicer should proceed with foreclosure. Servicers are not required to seek approval from Freddie Mac to proceed with foreclosure after the suspension period

To prevent negative impacts to individual Servicers’ Performance Profile by Mortgages for which foreclosure has been postponed under these temporary provisions, Servicers must report Default Action Code “09-Forebearance” and Reason for Default Code “019-Casualty Loss” through Electronic Default Reporting.

Servicers must comply with all other provisions of Chapter 68 with respect to the Servicing of Mortgages impacted by a disaster.

For more information

Review our disaster relief guidance online at <http://www.freddie.com/singlefamily/relief.html>.

NEGOTIATED CREDIT PROVISIONS

Notice of broad Guide changes

This paragraph serves as notice to Sellers with Master Agreements containing a provision that permits 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, that such Sellers must comply with the Guide changes announced in this Bulletin.

Notice of changes to negotiated credit terms

Broad changes

This paragraph serves as notice to Sellers with Master Agreements containing a provision that permits 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, that such Sellers must comply with the Guide changes announced in this Bulletin and that such negotiated provisions are amended to reflect the changes announced in this Bulletin.

Specific negotiated credit provisions

This paragraph serves as notice to Sellers with Master Agreements containing negotiated credit provisions that permit Freddie Mac to amend, supplement, revise or terminate such provision, that such credit provisions are amended to reflect the changes announced in this Bulletin, in accordance with the Master Agreement terms.

REVISIONS TO THE GUIDE

The revisions include:

- Chapters 2, 9, A9, B9, 10, A10, 13, A13, B15, 17, 22, 23, 24, 27, F33, H33, J33, K33, L33, A34, 37 and 44
- Form 11, Form 13SF and Form 71
- Exhibits 17S, 19, 25 and 25A
- Glossary

CONCLUSION

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

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia J. McClung". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Patricia J. McClung
Vice President
Customer Outreach and Offerings Deployment