

Bulletin

NUMBER: 2011-25

TO: Freddie Mac Sellers

December 16, 2011

SUBJECTS

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

Mortgage eligibility and credit underwriting

- Updating our requirements for Mortgages used to pay off balances under land contracts or contracts for deed
- Revising our requirements to permit a cash-out refinance Mortgage when the property was purchased free and clear of liens and the Borrower has not been on the title to the subject property for at least six months prior to the Note Date, provided the underlying purchase transaction and the cash-out refinance Mortgage meet specific requirements

Property eligibility and appraisal requirements

- Requiring specific appraisal forms to be used for appraisal field reviews, appraisal updates and completion certifications
- Providing guidance to Sellers on reconciling multiple opinions of market value
- Updating language in Guide Section 44.4, *Appraisers*, to provide consistency with Uniform Standards of Professional Appraisal Practice (USPAP)

2012 Loan limits

- Updating applicable Guide sections to reflect the 2012 base conforming loan limits and maximum loan limits, announced on November 22, 2011, for Mortgages secured by properties in designated high-cost areas

We are also reminding Seller/Servicers of their obligation to maintain mortgage insurance coverage for Freddie Mac’s benefit, an obligation that includes responding in required time frames to an MI request for information and documentation prior to MI issuance of a coverage rescission or claim denial.

EFFECTIVE DATE

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

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Land contracts and contracts for deed

We are updating our requirements for Mortgages used to pay off balances under land contracts or contracts for deed, including, but not limited to, establishing criteria for when the transaction is considered a purchase or a "no cash-out" refinance. Sections 23.7, *Land Contract; Contract for Deed*, 24.5, *Requirements for "No Cash-Out" Refinance Mortgages*, and H33.3, *General Eligibility Requirements*, have been updated to reflect these changes.

Cash-out refinance seasoning requirement

We have revised Section 24.6, *Requirements for Cash-Out Refinance Mortgages*, to allow a cash-out refinance Mortgage when the property was purchased free and clear of liens and the Borrower has not been on the title to the subject property for at least six months prior to the Note Date, provided the underlying purchase transaction and the cash-out refinance Mortgage meet specific requirements.

PROPERTY ELIGIBILITY AND APPRAISAL REQUIREMENTS – EFFECTIVE APRIL 1, 2012

Use of appraisal field review reports and appraisal updates

We have updated Sections L33.6, *Special Appraisal and Collateral Requirements*, 44.9, *Appraisal and Inspection Report Forms and the Property Inspection Alternative (PIA)*, and 48.5, *Reverifications Made by Seller*, to require Sellers to use Guide Form 1032, *One-Unit Residential Appraisal Field Review Report*, or Form 1072, *Two-to Four-Unit Residential Appraisal Field Review Report*, as applicable, when obtaining an appraisal field review report. Appraisal field review reports are subject to Freddie Mac's appraisal requirements and must be obtained in compliance with Guide Exhibit 35, *Appraiser Independence Requirements*.

We have also updated Section 44.7, *Overview of Appraisals and Inspections and the Property Inspection Alternative (PIA)*, to require Sellers to use Form 442, *Appraisal Update and/or Completion Report*, when obtaining an appraisal update.

Reconciling multiple opinions of market value

When obtaining subsequent opinions of value, Sellers must comply with Exhibit 35. The Seller's appraisal review and reconciliation process must result in the Seller relying on the most accurate and supported opinion of market value. If the Seller determines that the opinions of market value are equally accurate and well supported, then the lower of the opinions of market value must be used to underwrite the Mortgage. New Section 44.16, *Reviewing Appraisal Reports, Obtaining Subsequent Appraisal Reports and Appraisal Field Review Reports, and Reconciling Multiple Opinions of Market Value*, contains this requirement.

Appraisers

To provide consistency with USPAP, we have updated language in Section 44.4 to state that Sellers must select appraisers with "knowledge and experience in appraising the property type in the market area and access to applicable data sources."

2012 LOAN LIMITS

In our Single-Family Update e-mail on November 22, 2011, we announced that our base conforming loan limits and the loan limits for designated high-cost areas will remain at current levels for 2012, with the exception of Fairfield County, Connecticut, where the high-cost area loan limit will increase.

We have updated Section 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, to reflect the 2012 base conforming loan limits and Section L33.2, *Maximum Original Loan Amounts for Super Conforming Mortgages*, to reflect the high-cost area loan limits for super conforming Mortgages with Note Dates on or after October 1, 2011 and Freddie Mac Funding or Settlement Dates on or before December 31, 2012.

REMINDER – SELLER/SERVICER OBLIGATION TO MAINTAIN MORTGAGE INSURANCE COVERAGE – RESPONSE TO MI REQUEST FOR INFORMATION AND DOCUMENTATION

As stated in our August 12, 2011 Industry Letter and as we reminded Sellers in Bulletin 2011-23, Freddie Mac is seeing a material increase in mortgage insurer rescissions, cancellations and denials of coverage of Freddie Mac-owned Mortgages.

Seller/Servicers are reminded that it is both a selling and Servicing obligation to maintain mortgage insurance coverage for Freddie Mac's benefit. The obligation to maintain the mortgage insurance coverage includes responding in the required time frames to the MI's requests for information and documentation prior to the issuance by the MI of a rescission of coverage or a denial of claim.

Before Freddie Mac is notified of the MI's decision to rescind coverage or deny a claim under such coverage for a given Mortgage, certain MIs may allow Seller/Servicers to appeal the MI rescission or claim denial decision to reinstate the mortgage insurance coverage or to facilitate a claim payment to Freddie Mac. In these scenarios, Seller/Servicers must ensure that all applicable MI requirements for rescission or claim denial appeals are satisfied, in accordance with Section 53.2, *The Servicer to Satisfy FHA, VA, RHS and MI Requirements*. Specifically, if the MI requests information or documentation from the Seller/Servicer pertaining to the appeal of a rescission or claim denial decision, then the Seller/Servicer must work expeditiously to provide the information or documentation to the MI within the required time frames, so that Freddie Mac can regain full benefit of the mortgage insurance.

If the Seller/Servicer fails to provide the information required by the MI in a timely manner either initially or as part of the MI's claim review or subsequently as part of the process for appealing a rescission or claim denial to the MI, Freddie Mac will issue a repurchase request to the Seller/Servicer after Freddie Mac is notified of the MI's rescission or claim denial decision.

After Freddie Mac is made aware of the MI's decision to rescind coverage or deny claim under such coverage for a given Mortgage and issues a letter to the Seller/Servicer requiring repurchase of the Mortgage, any concurrent or outstanding Seller/Servicer appeal to the MI related to the Mortgage does not change the Seller/Servicer's obligation to repurchase Freddie Mac's interest in the Mortgage in accordance with Section 72.1, *Repurchases Required by Freddie Mac*.

As a further reminder, Section 72.6, *Appealing a Repurchase Request*, allows Seller/Servicers to file only one appeal within 30 days from the date of Freddie Mac's letter requiring repurchase, or within such other time frame as specified by Freddie Mac, if the Seller/Servicer has additional supporting information and/or documentation that may affect Freddie Mac's decision.

ADDITIONAL GUIDANCE

Title insurance

We have changed Section 39.2, *Title Insurance Policy Requirements*, to replace the term "beneficiary" with the term "insured" as the term "beneficiary" does not exist in the standard American Land Title Association (ALTA) title insurance policy forms.

CPA compliance forms

We have updated the following forms to provide clearer instructions and layout:

- Form 483, *Wire Transfer Authorization*
- Form 900, *Selling System Authorized User Identification & Certification Form*
- Form 987, *Wire Transfer Authorization for a Cash Warehouse Delivery*
- Form 987E, *Wire Transfer Authorization for a Cash Warehouse Delivery – For Use Only with the Freddie Mac Selling System*
- Form 988SF, *Certificate of Incumbency – For a Corporation or Limited Liability Company Only*
- Form 988ASF, *Addendum to Certificate of Incumbency – For a Corporation or Limited Liability Company Only*
- Form 989SF, *Certificate of Incumbency – For a Partnership or Sole Proprietorship Only*
- Form 989ASF, *Addendum to Certificate of Incumbency – For a Partnership or Sole Proprietorship Only*

We have also made the forms fillable for Seller convenience.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters 4, 23, 24, H33, L33, 39, 44 and 48
- Forms 483, 900, 987, 987E, 988SF, 988ASF, 989SF and 989ASF

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