

Bulletin

NUMBER: 2012-8

TO: Freddie Mac Sellers

March 15, 2012

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 Borrower Funds
- Revising our requirements for the use of Mortgage Credit Certificates (MCCs) for Borrower qualification

Form 16SF and Form 1107SF

- Revising Guide Form 16SF, *Annual Eligibility Certification*, and Form 1107SF, *Seller/Servicer Change Notification Form*

Certification requirements – Form 1034A

- Eliminating the requirement for Document Custodians to certify the “1st Adj Max Initial Rate” and “1st Adj Min Initial Rate” fields on Form 1034A, *ARM Custodial Certification Schedule*

Delivery requirements

- Updating Guide Section A17.7, *Loan Data Required for All Mortgages*, to provide additional delivery instructions with regard to completion of the *Party Role Identifier* Uniform Loan Delivery Dataset (ULDD) Data Points for “Loan Origination Company” and “Loan Originator”
- Updating the Guide to clarify that refinance Mortgages originated under the Home Affordable Refinance Program (HARP) (HARP Mortgages) with loan-to-value (LTV) ratios greater than 105% are not included in the calculation of the 10% unpaid principal balance (UPB) limitation for delivery of super conforming Mortgages under fixed-rate Cash Contracts

Additional Guide updates

In addition, we have revised the Guide to:

- Provide updates to Guide Exhibit 19, *Postsettlement Delivery Fees*
- Remove references to the Office of Thrift Supervision (OTS) as the OTS no longer exists

EFFECTIVE DATE

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

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Borrower Funds – Effective for Mortgages with Settlement Dates on or after August 1, 2012

We are updating our requirements for Borrower Funds including, but not limited to, the following:

- Reclassifying and standardizing terminology for Borrower Funds throughout the Guide
- Defining and providing eligibility requirements for Borrower Personal Funds and Other Borrower Funds
- Revising our requirements to permit net proceeds of the trade-in of the Borrower’s previously owned residence (trade equity) and prior rental payments made by the Borrower credited toward the purchase price of the subject property (rent credits) to be used as Borrower Personal Funds on all Mortgages
- Requiring that cash-out proceeds from the subject refinance transaction not be used as reserves in the underwriting process

With these changes, we have reorganized Guide Chapter 26, previously titled “Cash and Other Equity” and now re-titled “Borrower Funds,” to improve readability and eliminate redundancies. We have also updated other chapters of the Guide and the Glossary to reflect these changes.

Sellers should review the impacted chapters carefully to ensure they have an understanding of the new requirements.

Alt 97[®] Mortgages

Since most of the alternative sources of funds permitted for the Alt 97 Mortgage offering will now be permitted for all Mortgages, and Freddie Mac’s maximum LTV, total LTV (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratio is 95%, the Alt 97 Mortgage offering is being retired.

Chapter D33, *Alt 97[®] Mortgages*, Section A17.20, *Alt 97[®] Mortgages*, and other applicable Guide chapters and exhibits have been updated to reflect the retirement of the Alt 97 Mortgage offering. With the retirement of Section A17.20, we have removed the ULDD delivery instructions for Alt 97 Mortgages from the Guide. At a future date, the *Appendix A Addendum* of the Freddie Mac Implementation Guide for Loan Delivery Data (“Freddie Mac IG-LD”) will be updated to remove “Alt 97” from the list of valid values that appear for the ULDD Data Point *Loan Program Identifier*.

Loan Prospector[®] and the Freddie Mac Selling System (“Selling System”) will be updated at a future date to reflect these changes.

Mortgage Credit Certificates (MCCs)

With this Bulletin, we are revising our requirements for the use of MCCs for Borrower qualification, including, but not limited to, removing the requirement that MCCs can be used only with Home Possible[®] Mortgages and requiring that the amount of the MCC tax credit be added to qualifying income, rather than deducted from the monthly housing expense.

We are also retiring Exhibit 21, *Mortgage Credit Certificate Worksheet*.

As a result of these changes, we are moving the requirements for MCCs from Chapter A34, *Home Possible[®] Mortgages*, to Section 37.13, *Stable Monthly Income and Asset Qualification Sources*. Sellers should review Chapter 37, *Underwriting the Borrower*, to ensure they have an understanding of the new requirements.

In addition, we have updated Section 17.13.1, *Home Possible[®] Mortgages*, to remove the special delivery instructions for Home Possible Mortgages with MCCs. We have also updated Chapter A17, *Mortgage Delivery Instructions*, to remove the special delivery instructions for Home Possible Mortgages with MCCs from Section A17.18, *Home Possible[®] Mortgages*. At a future date, the *Appendix A Addendum* will be updated to reflect the ULDD delivery instructions change.

CHANGES TO FORMS 16SF AND 1107SF – EFFECTIVE APRIL 23, 2012

We are amending Form 16SF to require that Sellers (all depository customers using Warehouse Lenders and all non-depository customers) provide new organizational level information to Freddie Mac about their Warehouse Lending agreements and facilities, through their online submission of the form. We are also updating Form 1107SF to clarify that Sellers must submit this form whenever there is a change in one of their Warehouse Lender agreements or facilities, such as a new agreement or cancellation or termination of an agreement. See revised Section 4.11, *Changes in Seller/Service's Organization or Status Reporting*, for additional information about this reporting requirement.

As a reminder, Seller/Service's may link to Form 16SF through AllRegs[®] and may also access a printable version of the most current version of Form 16SF with instructions on our web site at:

<http://www.freddie.mac.com/sell/forms/index.html>.

Form 1107SF, with instructions, is available on AllRegs and on our web site at:

<http://www.freddie.mac.com/sell/forms/index.html>.

Forms 16SF and 1107SF will be updated online on April 23, 2012.

CHANGES TO CERTIFICATION REQUIREMENTS – FORM 1034A

As announced in Bulletin 2012-3, the Selling System transition period (i.e., the period during which the Selling System will be updated with the new ULDD-named fields and layout) will begin on April 23, 2012.

As a result of the transition to ULDD-named fields, effective for ARMs with Settlement Dates on or after April 23, 2012, Freddie Mac will no longer require Document Custodians to certify the following fields on Form 1034A:

- 1st Adj Max Initial Rate
- 1st Adj Min Initial Rate

Document Custodians that certify ARMs against the legacy Form 1034A, should disregard these two fields (identified as the "1st Adj Max" and "1st Adj Min," respectively) effective for settlements on or after April 23, 2012.

We have updated Form 1034A and the Document Custody Procedures Handbook to reflect these changes. The updated handbook is available on AllRegs[®] and on our web site at:

<http://www.freddie.mac.com/cim/handbook.html>.

DELIVERY REQUIREMENTS

Loan Origination Company and Loan Originator

As required by the Federal Housing Finance Agency (FHFA) and incorporated into Freddie Mac's delivery requirements in Bulletins 2009-27, 2010-13 and 2011-4, Sellers must deliver the Loan Originator and Loan Origination Company identifiers to Freddie Mac.

With this Bulletin, we are updating Section A17.7 to provide additional instructions for completion of the *Party Role Identifier* ULDD Data Points for "Loan Origination Company" (Sort ID 627) and "Loan Originator" (Sort ID 634), as follows:

- Loan Origination Company: If a State-regulated Loan Origination Company does not have a National Mortgage Licensing System (NMLS) ID because they operate solely in:
 - Delaware, enter "1001"
 - Maine, enter "1002"
 - Missouri, enter "1003"
- Loan Originator: If a loan officer is exempt from obtaining or is not required to obtain a Loan Originator identifier through the NMLS, enter "1000"

At a future date, the *Appendix A Addendum* will be updated to reflect these instructions.

Note that these same instructions apply to completion of the “Loan Origination Company” and “Loan Originator” fields on Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*.

Fixed-rate super conforming Mortgage Cash Contracts

The Guide provides that super conforming Mortgages delivered under fixed-rate Cash Contracts during any month must not exceed the greater of: (i) \$2 million in aggregate, or (ii) 10% of the UPB of each particular Mortgage product delivered by the Seller under fixed-rate Cash Contracts during such month.

We have updated Sections 17.44, *Super Conforming Mortgages*, and A17.39, *Super Conforming Mortgages*, to clarify that HARP Mortgages with LTV ratios greater than 105% are not included in the calculation of the 10% UPB limitation.

ADDITIONAL GUIDE UPDATES

Exhibit 19 updates

Exhibit 19 has been updated to reflect the retirement of the Alt 97 Mortgage offering effective August 1, 2012. Additionally, we have removed the reference to the Relief Refinance MortgageSM reduced term incentive and the Relief Refinance Mortgage Delivery Fee Cap grid that were effective for settlements on or before January 2, 2012.

Deletion of OTS references

Supervisory responsibility for federal savings associations transferred to the Office of the Comptroller of the Currency on July 21, 2011. We have updated Section 18.2, *Document Custodian Eligibility*, and Form 1107SF to delete references to OTS.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters 4, 17, A17, 18, 23, 25, 26, 32, D33, F33, H33, L33, A34, 37 and 46
- Forms 16SF, 900, 1034A and 1107SF
- Exhibits 17S, 19, 21 and 34B
- Glossary

CONCLUSION

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

Sincerely,



Laurie A. Redmond
Vice President
Offerings Effectiveness