

Bulletin

NUMBER: 2013-13

TO: Freddie Mac Sellers

July 18, 2013

SUBJECTS

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

- Updating the cash adjustor value and applicability for Freddie Mac Relief Refinance MortgagesSM, as well as the method for obtaining the value
- Revising our requirements for the evaluation of authorized user accounts
- Simplifying and updating our eligibility and review requirements for Condominium Projects
- Modifying our requirements for properties with resale restrictions
- Updating certain Uniform Loan Delivery Dataset (ULDD) requirements
- Clarifying that living trusts may be eligible Borrowers for Texas Equity Section 50(a)(6) Mortgages if the living trust meets the eligibility requirements of the Guide and applicable requirements under Texas law

EFFECTIVE DATE

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

CASH ADJUSTOR

In response to current market conditions, for Relief Refinance Mortgages sold under fixed-rate Cash commitments taken out on or after **July 19, 2013**, we are:

- Reinstating the cash adjustor for Mortgages with loan-to-value (LTV) ratios greater than 105% and less than or equal to 125%
- Adjusting the cash adjustor value for Mortgages with LTV ratios greater than 125%

As a reminder, cash adjustor values are subject to change at any time at Freddie Mac’s discretion. The cash adjustor value was previously available through (800) FREDDIE. The cash adjustor value matrix is now only available through a link under the "Selling System Resources" section of the Freddie Mac Selling System (“Selling System”) welcome page.

Freddie Mac will net the cash adjustor amount against the contract product price displayed in the Selling System once the Seller allocates a Mortgage to the contract.

Guide Sections A24.5 and B24.5, both titled *Postsettlement Delivery Fees and Other Assessments and Credits*, have been updated to reflect these changes

AUTHORIZED USER ACCOUNTS

In response to Seller feedback, we have examined our requirements regarding authorized user accounts. As a result of our review, we are revising our requirements to provide Sellers with an option to evaluate the impact of authorized user accounts on a Borrower's credit report. If the Seller determines that the impact on the Borrower's overall credit history is insignificant and the information on the credit report is representative of the Borrower's own credit reputation, then:

- For Loan Prospector[®] Mortgages, the Loan Prospector decision may be considered valid
- For Manually Underwritten Mortgages, the FICO[®] score may be considered usable

In addition, for Manually Underwritten Mortgages, we are updating our requirements regarding when an authorized user account may be considered a Borrower's Tradeline.

Sellers should review Sections 2.2.1, *Introduction to Loan Prospector[®]*, 37.4, *Establishing Borrower Credit Reputation*, and 37.5, *Credit Scores*, for complete revised requirements.

CONDOMINIUM PROJECTS

In response to Seller feedback, we are simplifying our Condominium Project eligibility and review requirements in Guide Chapter 42, *Special Requirements for Condominiums*.

Updates to Chapter 42 include:

- Adding a diagram for additional clarity to illustrate our Condominium Project requirements and review types
- Updating the types of Condominium Projects that are ineligible in Section 42.3, *Ineligible Projects*
- Revising the requirements relating to the timing of the Seller's review of a Condominium Project and the delivery of a Condominium Unit Mortgage
- Simplifying our requirements by eliminating "mixed-use" and "live-work" as project review types and instead providing underwriting considerations for these types of properties

In addition, we have revised the definitions of "Amenities," "Common Elements," "Limited Common Elements," and "Project Documents" in the Glossary, as well as "Homeowners Association" in Chapter 42.

Applicable Guide cross-references to revised sections in Chapter 42 have been updated.

RESALE RESTRICTIONS

Properties without resale restrictions in subdivisions and projects with properties that have resale restrictions

We are eliminating our requirements for Mortgages secured by properties without resale restrictions that are located in subdivisions and projects with properties that have resale restrictions. As a result, we have deleted Section 22.24, *Purchase Requirements for Mortgages Secured by Properties without Resale Restrictions (Nonrestricted Properties)*.

Applicable Guide cross-references have been updated as a result of the deletion of Section 22.24.

Properties subject to resale restrictions

We are updating our requirements for Mortgages secured by properties with resale restrictions. We are also updating our terminology to eliminate the term "inclusionary zoning" to be more consistent with industry terminology. Section 22.23, formerly titled *Inclusionary Zoning* and now retitled *Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions*, includes the updated requirements. As a result of this update, we have deleted Section 22.25, *Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions (Restricted Properties)*.

Applicable Guide cross-references to Sections 22.23 and 22.25 have also been updated.

ULDD

Condominium Projects

Effective **October 1, 2013**, we have updated the ULDD Data Point information for Detached Condominium Projects in Sections 42.12, *Delivery Requirements*, and 17.25, *Condominium Unit Mortgages*. Additionally, effective immediately, we have clarified the notes for ULDD Data Points “Project Classification Identifier” and “Condominium Project Status Type” in Section 17.25.

Manufactured Homes

Pursuant to Section H33.3, *General Eligibility Requirements*, a Mortgage secured by a Manufactured Home must be submitted to Loan Prospector. We have updated Section 17.31, *Mortgages Secured by Manufactured Homes*, to reflect this existing eligibility requirement and provide that Sellers must deliver “Loan Prospector” as the ULDD Data Point “Automated Underwriting System Type,” as well as the Loan Prospector (LP) Key Number associated with the Mortgage in the ULDD Data Point “Automated Underwriting Case Identifier.”

Section 2.2.1 has also been updated to reflect that this delivery requirement applies to Manufactured Homes.

New Guide Exhibit 34

Exhibits 34A, *Special Characteristics Codes Mapped to ULDD MISMO® Data Points*, and 34B, *Other Delivery Codes Mapped to ULDD MISMO® Data Points*, were published to assist Sellers with adoption of the ULDD and implementation of the Phase 1 ULDD delivery requirements. Since adoption and Phase 1 implementation are now complete, we are removing Exhibits 34A and 34B and adding Exhibit 34, *Investor Feature Identifiers*, to reflect the current Mortgage characteristics captured by the delivery of Investor Feature Identifiers.

TEXAS EQUITY SECTION 50(a)(6) MORTGAGES

We are revising Section 24.8, *Requirements for Texas Equity Section 50(a)(6) Mortgages*, to clarify that a living trust may be a Borrower for a Texas Equity Section 50(a)(6) Mortgage if the living trust meets the eligibility requirements of Section 22.10(a), *Living Trusts*, and the requirements for a “qualifying trust” under Texas law for purposes of owning residential property that qualifies for the homestead exemption.

GLOSSARY UPDATES FOR BALLOON/RESET MORTGAGE INELIGIBILITY

We have updated the Glossary to reflect that Balloon/Reset Mortgages are no longer eligible for sale to Freddie Mac. As announced in Bulletin 2012-19, Balloon/Reset Mortgages with Settlement Dates on or after January 1, 2013 are not eligible for purchase.

TRAINING

Sellers are encouraged to enroll in our updated webinar, *Condominium Projects Eligibility Requirements*. Information and registration is available on Freddie Mac’s Learning Center at:

<http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=Condo>.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 6, 17, 22, 24, A24, B24, 25, 37, 42 and 44
- Exhibits 34, 34A and 34B
- Glossary

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-13 (Selling) Guide Updates Spreadsheet available at

<http://www.freddiemac.com/sell/guide/spreadsheets.html>.

CONCLUSION

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

Sincerely,

A handwritten signature in cursive script that reads "Laurie A. Redmond". The signature is written in black ink on a light-colored background.

Laurie A. Redmond
Vice President
Offerings Effectiveness