

Bulletin

NUMBER: 2013-18

TO: Freddie Mac Sellers and Servicers

September 24, 2013

SUBJECTS

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin updates and revises our **selling and Servicing** requirements, including:

- Eliminating the California Condominium Unit Mortgages delivery fee
- Updating our requirements for fraud training and reporting

This Bulletin also updates and revises our **selling** requirements, including:

- Updating our asset documentation requirements, including the requirements for verification of large deposits
- Updating requirements for underwriting Borrowers on temporary leave
- Making the following updates related to Freddie Mac Relief Refinance MortgagesSM
 - Revising our eligibility requirements to permit a Restructured Mortgage to be refinanced as a Relief Refinance Mortgage – Same Servicer or Open Access. Such Relief Refinance Mortgages are eligible to be delivered to Freddie Mac through a flow Purchase Contract.
 - Stating that if the Mortgage being refinanced was considered for and/or received a Freddie Mac modification, the Mortgage is eligible to be refinanced as a Relief Refinance Mortgage – Same Servicer or Open Access
 - Removing requirements for Relief Refinance Mortgages – Same Servicer and Open Access with Application Received Dates before November 19, 2012 from the Guide. As a result, Guide Chapter C24, *Freddie Mac Relief Refinance Mortgages – Same Servicer with LTV Ratios Less than or Equal to 80%*, that applies only to Mortgages with Application Received Dates before November 19, 2012, and other applicable Guide requirements and references are being retired.
- Retiring Investor Feature Identifiers (IFIs) for temporary subsidy buydown Mortgages with special characteristics

In addition to the changes listed above, we are making further updates and revisions, as described in the “Additional Guide Updates” section of this Bulletin.

EFFECTIVE DATE

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

SELLING/SERVICING REQUIREMENTS

California Condominium Unit Mortgage delivery fee eliminated

Effective for Mortgages with Settlement Dates on or after October 1, 2013

We are announcing the elimination of the California Condominium Unit Mortgages delivery fee in an effort to help streamline the process for delivering Mortgages secured by Condominium Units in California. We have updated Guide Exhibit 19, *Postsettlement Delivery Fees*, and removed the corresponding special delivery requirements for California Condominium Unit Mortgages in Guide Section 17.25, *Condominium Unit Mortgages*, and Exhibit 34, *Investor Feature Identifiers* to reflect this change.

We have updated Sections 42.8, *Condominium Appraisal and Underwriting Requirements*, 42.12, *Delivery Requirements*, and 58.6, *Mortgage Clause*, to remove the related processes for determining the amount of the fee.

We have also deleted Section 58.3.1, *Earthquake Insurance*, and Guide Form 465S, *Earthquake Insurance Analysis Addendum*, and updated Section 44.13, *Other Exhibits and Addenda*, and Directory 5 to reflect this change.

The Condominium Unit Mortgages delivery fee is not impacted by this change.

Fraud training and reporting

Effective October 1, 2013

We are updating Chapters 7 and 57, each titled *Fraud Prevention, Detection and Reporting*, to reflect the following requirements:

- In addition to training employees, Seller/Servicers must train third-party vendors retained to perform functions relating to origination and Servicing of Mortgages as outlined in Sections 7.2 and 57.2, each titled *Prevention and Detection*
- Seller/Servicers must have written procedures for reporting fraud or possible fraud in connection with a Mortgage sold to or serviced for Freddie Mac
- Seller/Servicers must report to Freddie Mac when they first **know or suspect** an incident of fraud in connection with a Mortgage sold to or serviced for Freddie Mac, rather than when they have a reasonable belief of such an incident. Freddie Mac does not require a Seller/Servicer to perform an in-depth investigation prior to reporting fraud or possible fraud.

SELLING REQUIREMENTS

Asset documentation requirements

These requirements are effective for Mortgages with Settlement Dates on or after **March 1, 2014**, but Sellers are encouraged to implement them as soon as possible.

Large deposits

We are revising our requirements regarding verification of large deposits that appear on a Borrower's asset account statement. The Seller must document the source of funds for any single deposits exceeding 25% of the total monthly qualifying income for the Mortgage. The Seller must also document a deposit of any amount if there is any indication that the funds are borrowed. However, no additional action is required if the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file (e.g., tax refund amounts appearing on the tax returns in the file).

Sections 37.20, *General Requirements for Verifying Documents*, 37.22 *Streamlined Accept Documentation Requirements*, and 37.23, *Standard Documentation Requirements*, have been updated to reflect these changes.

Direct verification of assets

We are adding specific documentation requirements for direct verification of assets (i.e., Verification of Deposit form (VOD)) and updating our Streamlined Accept and Standard Accept documentation requirements accordingly.

Sections 37.20, 37.22 and 37.23 have been updated to reflect this change.

Internal Revenue Service (IRS)-qualified employer retirement accounts used for reserves

We are updating the Guide to require that in order to use the vested amount in an IRS-qualified employer retirement account as reserves, the file must contain documentation of the terms of the retirement plan that permit the Borrower to make withdrawals regardless of the Borrower's current employment status.

Sections 26.5, *Reserves*, 37.22 and 37.23 have been updated to reflect this change.

Documentation requirements

We are updating our requirements to state that only Borrower Funds and reserves used in the evaluation of the Mortgage must be documented. In addition, the Streamlined Accept and Standard Accept documentation requirements in Sections 37.22 and 37.23 are being updated to align with requirements for eligible sources of Borrower Funds in Chapter 26, *Borrower Funds*. Sellers should review Sections 37.20, 37.22 and 37.23 for complete asset documentation requirements.

Loan Prospector[®] feedback messages will be updated to reflect this change.

Underwriting Borrowers on temporary leave

We are updating our requirements for determining qualifying income for Borrowers on temporary leave. We are also updating the documentation required for Borrowers on temporary leave.

Section 37.13(a)(vii), *Income While on Temporary Leave*, has been updated to reflect these changes.

Relief Refinance Mortgages

Restructured Mortgages

We are revising our eligibility requirements to permit a Restructured Mortgage to be refinanced as a Relief Refinance Mortgage – Same Servicer or Open Access. Such Relief Refinance Mortgages are eligible to be delivered to Freddie Mac through a flow Purchase Contract.

Sections A24.3, B24.2 and C24.3 have been updated to reflect this change.

Modifications

We are updating the Guide to provide that if the Mortgage being refinanced was considered for and/or received a Freddie Mac modification, the Mortgage is eligible to be refinanced as a Relief Refinance Mortgage – Same Servicer or Open Access. The current contractual payment terms of the modified Mortgage must be used for the purpose of determining whether the Relief Refinance Mortgage – Same Servicer meets the Borrower benefit requirements of the offering.

Sections A24.3, B24.2 and C24.3 have been updated to reflect this clarification.

Retirement of Chapter C24

Effective January 1, 2014

We are retiring Chapter C24 as the requirements of this chapter apply only to Mortgages with Application Received Dates prior to November 19, 2012.

In addition, we are updating Sections 6.14, *Enforcement of Representations and Warranties Related to Underwriting of the Borrower, Mortgaged Premises and Project*, A24.1, *Overview*, A24.3, A24.4, *Delivery and Pooling Requirements*, B24.3, *Requirements for Freddie Mac Relief Refinance MortgagesSM – Open Access*, and Exhibit 34 to remove requirements and references specific to Relief Refinance Mortgages with Application Received Dates prior to November 19, 2012. As a result, Relief Refinance Mortgages with Application Received Dates prior to November 19, 2012 must have Freddie Mac

Settlement Dates before January 1, 2014. Sellers should continue following the requirements of Chapters A24 and B24, as applicable, for all Relief Refinance Mortgages with Application Received Dates on or after November 19, 2012.

Temporary subsidy buydown Mortgage Investor Feature Identifiers

We are amending Section 17.23, *Subsidy Buydown Mortgages*, to no longer require the delivery of IFIs 206 and 207 for temporary subsidy buydown Mortgages with special characteristics. This change is also reflected on Exhibit 34.

ADDITIONAL GUIDE UPDATES

Acknowledgment Agreements

We are updating Sections 1.2 and 50.2, each titled *Legal Effect of the Single-Family Seller/Servicer Guide*, to remove references to Acknowledgment Agreements.

Freddie Mac continues to require its written consent for any transfer or pledge of the rights or interest of the Servicer under the Purchase Documents.

We have also revised the Glossary and Directory 1 to reflect this change.

Credit report standards

We are updating our credit report standards to align with current industry practices to require that all credit and legal activity be reported for a minimum of seven years.

Section 37.10, *Credit Reports*, has been updated to reflect this change.

Exhibit 28A, Loan Servicing Purchase and Sale Agreement for the Servicing-Released Sales Process

We have updated Exhibit 28A to reference the *Servicing Transfer Instructions User Guide*, which replaced the *Servicing Transfer Instructions*, for use with Cash Servicing Released commitments.

Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application

We have updated the authorized changes in Exhibit 5 to reflect revisions previously posted on our Uniform Instrument web page on FreddieMac.com at <http://www.freddiemac.com/uniform>. These changes include updates to Notes and Puerto Rico Security Instruments and updates to Maryland Deed of Trust, Form 3021, Dated 1/01 as it relates to refinance transactions.

Loan limits for Mortgages with financed mortgage insurance premiums

We have updated Sections 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, and 27.1.1, *Mortgage Insurance Premiums*, to state that for Mortgages with financed mortgage insurance premiums, Sellers must determine compliance with the original loan amount limits using the original loan amount of the Mortgage inclusive of the amount of the financed mortgage insurance premium.

Form 1207, Mortgage Insurance Information Disclosure Agreement

As announced in Bulletin 2013-15, in response to Seller/Servicer feedback and in order to provide greater clarity, Form 1207 has been updated to instruct Seller/Servicers to e-mail completed copies of the form to us at MI_Questions@FreddieMac.com. The form also now provides a designated field for Seller/Servicers to include the name of their institution.

Exhibit 19

In addition to the changes referenced previously in this Bulletin, we have updated Exhibit 19 to remove outdated information and reflect changes announced in prior Bulletins.

Glossary

We are amending the definition for a Restructured Mortgage to state that a Mortgage that received a Freddie Mac modification is not considered a Restructured Mortgage.

We are also removing several terms from the Glossary that are no longer referenced elsewhere in the Guide.

Chapters 1 and 50

We have updated the information in the introduction to the Guide in Chapters 1 and 50, both titled *Introduction*, to more accurately reflect the current content, organization and audience of the Guide, as well as to make the two chapters more consistent where appropriate.

Directory

In addition to the updates already mentioned, we are revising the Directory to remove outdated contact information and include additional contact information.

TRAINING

Sellers and Servicers are encouraged to visit [Freddie Mac's Learning Center](#) for current information on Freddie Mac training programs and reference tools.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 1, 6, 7, 17, 23, A24, B24, C24, 26, 27, 37, 42, 44, 50, 57, 58 and 61
- Form 465S
- Exhibits 5, 19, 28A and 34
- Glossary
- Directories 1, 3, 5, 6, 7 and 8

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-18 (Selling and Servicing) 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,



Laurie A. Redmond
Vice President
Offerings Effectiveness