



SUBJECTS

Selling and Servicing

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin announces that we are updating Guide Form 16SF, *Annual Eligibility Certification Report*, to enhance its usability and provide additional functionality.

Servicing

This Bulletin revises our requirements for reimbursement of condominium, homeowners’ association (HOA) and Planned Unit Development (PUD) assessments in States where a lien for such amounts can take priority over Freddie Mac’s lien.

Selling

This Bulletin updates and revises our **selling** requirements by:

- Updating our reserves requirements
- Delaying implementation of postsettlement delivery fee (“delivery fee”) and guarantee fee changes announced in Bulletin 2013-26
- Reducing the delivery fee rate for Home Possible® Mortgage purchase transactions
- Introducing a summary of changes made to Guide Exhibit 19, *Postsettlement Delivery Fees*
- Revising resubmission requirements for Mortgages submitted to Loan Prospector® after the Note Date or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages
- Updating the Guide to include Phase 2 ULDD Data Point requirements and clarifications on existing ULDD Data Points
- Updating and consolidating our property eligibility and appraisal requirements in Guide Chapter 44, *Property and Appraisal Requirements*

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

EFFECTIVE DATE

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

SELLING/SERVICING REQUIREMENTS

Form 16SF updates

We will be updating Form 16SF by the end of February to enhance its usability and provide additional functionality. Examples of the updates include:

- Revising the certification language
- Adding Seller/Servicer contact types
- Requesting information regarding insurance cancellation or non-renewal
- Allowing multiple authorized users to access the form prior to its submission

Seller/Servicers will be notified when Form 16SF is updated.

While the updated form will ultimately provide enhanced usability, for any draft Form 16SF in progress with completed Servicing and/or investor sections, when the updates are made, the following will occur:

- If questions are reworded, combined or moved in the new version, previously entered responses will be retained and displayed in the new location within each given section, requiring Seller/Servicers to validate that the previously entered responses remain accurate
- If fields are converted from free text entry to a drop-down menu in the new version, previously entered data will be lost. Seller/Servicers will need to select entries from the new drop-down menus before they can submit the final Form 16SF

Seller/Servicers should review their Form 16SF in its entirety prior to submission to ensure accuracy.

As a reminder, Seller/Servicers must complete the Form 16SF electronically at <https://ww3.freddie.mac.com/ds1/singlefamily/eligibility.nsf/frmOpen16SF?OpenForm>. A PDF sample of Form 16SF can be obtained at <http://www.freddie.mac.com/singlefamily/forms/sell/pdf/16sf.pdf>.

Seller/Servicers are encouraged to view the [Form 16SF tutorial](#) that highlights some of the new enhancements.

SERVICING REQUIREMENTS

Reimbursement of condominium, HOA and PUD assessments

To maintain the priority of a Freddie Mac Mortgage, we require Servicers to pay any condominium, HOA and PUD regular assessments that are assessed prior to the foreclosure sale date that are, or may become, a lien prior to a Freddie Mac Mortgage or that, if not paid, would result in the subordination of Freddie Mac's interest in the Mortgaged Premises.

For Mortgages with Note Dates **prior to February 14, 2014**, we will continue to reimburse Servicers for condominium, HOA and PUD regular assessments in super lien States in an amount equal to the lowest of:

- The actual amount of regular assessments advanced by the Servicer
- The maximum amount of regular assessments that, pursuant to the project declaration or bylaws, would take priority over the Mortgage, or
- The maximum amount of regular assessments that, pursuant to applicable State statute, would take priority over the Mortgage

We are now amending our reimbursement requirement for Mortgages with Note Dates **on or after February 14, 2014**. For these Mortgages, Freddie Mac will reimburse Servicers for condominium, HOA and PUD regular assessments in super lien States in an amount equal to the lesser of the actual amount advanced or:

- For Mortgages secured by property in the State of Florida — no more than 12 months (or any lesser amount provided by State statute)
- For Mortgages secured by property in the State of Connecticut — no more than nine months (or any lesser amount provided by State statute)
- For Mortgages secured by property in all other States (including States that provide an exception for Freddie Mac Mortgages, such as Nevada) — no more than six months (or any lesser amount provided by State statute)

Guide Section 71.18, *Reimbursement of Condominium, HOA and PUD Fees, Assessments and Ground Rent*, has been updated to reflect these changes.

SELLING REQUIREMENTS

Reserves

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

Full monthly payment amount

We are updating our requirements to provide that reserves must be based on the full monthly payment amount for the property, not only principal, interest, taxes and insurance (PITI). The monthly payment amount is defined as the sum of the following monthly charges:

- Principal and interest payments on the Mortgage
- Property hazard insurance premiums
- Real estate taxes
- When applicable:
 - Mortgage insurance premiums
 - Leasehold payments
 - Homeowners association dues (excluding unit utility charges)
 - Payments on secondary financing

Sections A24.3, *Requirements for Freddie Mac Relief Refinance MortgagesSM — Same Servicer*, 26.5, *Reserves*, and K33.10, *Underwriting*, have been updated to reflect this change.

Borrower converting 2- to 4-unit Primary Residence to an Investment Property

We are removing the requirement that a Borrower must have an additional six months' reserves when the Borrower converts a 2- to 4-unit Primary Residence to an Investment Property and rental income from units not previously occupied by the Borrower is used to qualify.

Section 37.16.2, *Sale or Conversion of Primary Residence*, has been updated to reflect this change.

Pending sale or conversion of Primary Residence – appraisal requirements

We are removing the requirement that the appraisal must be dated no more than 60 days prior to the Note Date when used to document the value of a Primary Residence pending sale or being converted to a second home or an Investment Property for the purposes of establishing the minimum required reserves.

The property valuation must meet Freddie Mac's existing requirements in Chapter 44, including the age of valuation requirements. This change also applies to appraisals obtained for the purpose of establishing whether rental income from a Primary Residence being converted to an Investment Property can be used for qualifying.

Sections 37.16.2 and Section 26.5 have been updated to reflect this change.

Minimum reserves requirements consolidation

For ease of reference, we are removing the minimum reserves requirements from several chapters and consolidating them into tables in Section 26.5(a), with the exception of the minimum reserves requirements for Home Possible Mortgages and Freddie Mac Relief Refinance MortgagesSM — Same Servicer, which will remain in their respective Guide chapters.

Sections 22.22, *Second Home Mortgages*, 22.22.1, *Investment Property Mortgages*, 37.14, *Rental Income*, and 37.16.2 have been updated to remove minimum reserves requirements. Section A34.9, *Borrower Income; Qualifying Ratios*, was also updated as a result of this change.

Delay of implementation of changes to postsettlement delivery fees and guarantee fees

As announced in a Federal Housing Finance Agency (FHFA) [press release](#) and in our Single-Family Update e-mail on January 8, 2014, FHFA directed Freddie Mac to delay implementation of the following changes announced in Bulletin 2013-26:

- Elimination of the Market Condition delivery fee, except for Mortgages secured by Mortgaged Premises located in the States of Connecticut, New Jersey, Florida and New York
- Increase in Indicator Score/Loan-to-Value (IS/LTV) delivery fee rates
- Increase in guarantee fee by 10 basis points for all Single-Family Mortgages

The changes to our buyup and buydown terms announced in Bulletin 2013-26 remain in effect.

Home Possible Mortgages

Effective for Mortgages with Settlement Dates on or after March 1, 2014

To support First-Time Homebuyers, we are reducing the delivery fee rate for Home Possible Mortgage purchase transactions to 75 basis points. This reduction will apply regardless of the Borrower's income level in relation to the applicable area median income (AMI).

We are not changing the eligibility requirements for Home Possible Mortgages or the delivery fee rate for Home Possible Mortgage refinance transactions.

HOME POSSIBLE MORTGAGES		
Effective for Settlements on or after March 1, 2014		
Product	Loan Purpose	LTV Ratios
		All Eligible
All Eligible Product	Purchase	0.75%
	Refinance	1.50%

Exhibit 19 postsettlement delivery fee updates

Exhibit 19 has been updated to:

- Remove the previously announced changes to the Market Condition and IS/LTV delivery fee rates
- Reflect the Home Possible Mortgage delivery fee rate price reduction referenced above and elimination of AMI fee assessment criteria
- Add Exhibit 19 Change Summary to the end of the exhibit, which highlights recent significant updates

Resubmission to Loan Prospector after the Note Date

Effective March 24, 2014

In Bulletin 2013-11, the Guide was updated to permit Sellers to resubmit Mortgages to Loan Prospector after the Note Date or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages. With this Bulletin, we are revising certain requirements in order to provide a longer resubmission time line.

Currently, a Mortgage cannot be resubmitted to Loan Prospector after the Note Date, or the Effective Date of Permanent Financing, as applicable, if resubmission is after the "Loan Prospector Assessment Expiration Date" displayed on the Feedback Certificate. The revised requirements permit resubmission for up to 120 days after the "Loan Prospector Assessment Expiration Date" that is in effect as of the Note Date.

In addition, Sellers will no longer be required to deliver "912" in the ULDD Data Point *Investor Feature Identifier* (Sort ID 368). However, Sellers may continue to deliver this Investor Feature Identifier (IFI), and will not receive an edit in the Freddie Mac Selling System ("Selling System"), as we recognize that some Sellers may prefer to continue to use this identifier in their processes.

As a reminder, for Mortgages resubmitted to Loan Prospector after the Note Date, Sellers must select “Post Closing Quality Control” as the loan processing stage.

Sections 2.2.1, *Resubmission to Loan Prospector After the Note Date*, and 17.13, *Loan Prospector® Mortgage Underwriting Data Requirements*, and Exhibit 34, *Investor Feature Identifiers*, have been updated to reflect these changes.

ULDD Data Points

Effective for Mortgages with Application Received Dates on or after March 1, 2014 and Delivery Dates on or after August 25, 2014

We are incorporating newly required Phase 2 ULDD Data Points, as well as clarifications to existing ULDD Data Points, into Chapter 17, *Mortgage Delivery Instructions*. These requirements are reflected in the Phase 2 Uniform Loan Delivery Dataset (ULDD) specification and are effective for Mortgages with Application Received Dates on or after March 1, 2014 and Delivery Dates on or after August 25, 2014.

The ULDD transition period for Phase 2 will take place from May 19 to August 25, 2014. During the transition period, Sellers may begin delivering the applicable Phase 2 ULDD Data Points via manual entry or data import.

Additionally, effective immediately, we are removing outdated notes associated with the last ULDD release on November 26, 2012.

Exhibit 34 has also been updated to remove IFIs for data that will be delivered through Phase 2 ULDD Data Points.

Property and appraisal requirements

We are updating and simplifying Chapter 44 to provide more clarity about our requirements. This update includes consolidating Section 44.4, *Appraisers*, and Section 44.5, *Information Supplied to the Appraiser*, into Section 44.3, *General Appraisal Requirements*, and Section 44.13, *Other Exhibits and Addenda*, into Section 44.12, *Required Exhibits and Addenda*. We also are aligning the Guide with current Loan Prospector offerings by removing references to the Property Inspection Alternative (PIA) and Form 2070, *Loan Prospector® Condition and Marketability Report*, from the Guide, where appropriate.

Additional updates

Living Trusts

In response to questions from Sellers about our Living Trust Borrower requirements, we are updating Section 22.10, *Living Trusts and Land Trusts*, to state specifically that a Mortgage with a Living Trust Borrower may be secured by an Investment Property. This is not a change to existing requirements, but rather a revision to make those requirements more clear.

Debt payment-to-income ratio calculation

We are updating Section 37.16, *Monthly Debt Payment-to-Income Ratio*, to clarify which expenses associated with a Borrower's obligations on properties other than the Primary Residence must be included in the debt payment-to-income ratio. We are also updating Sections 22.22, 22.22.1 and 37.14 to state that the full monthly payment amount (as described in Section 37.16), and not only PITI, for a second home or an Investment Property must be considered in the ratio calculation.

Section 37.7 clarification

We are updating the table in Section 37.7(b)(ii), *Handling Significant Adverse or Derogatory Information Caused by Financial Mismanagement for Manually Underwritten Mortgages*, to clarify that there are no additional requirements for Borrowers with foreclosures within the last seven years because a minimum seven year recovery period is required after foreclosures caused by financial mismanagement.

Updates to the Document Custody Procedures Handbook

In addition to direct validation of loan data to the Note and associated documents within the Selling System, Freddie Mac allows Document Custodians to perform Note certification within their own internal systems, using loan data exported from the Selling System. This type of validation is known as an "Alternative Document Custodian Verification Process." The Seller is required to provide its Document Custodian all the data fields that are included on the Custodial Certification Schedule and in the Selling System.

In Bulletin 2013-8, Sellers were instructed to identify Living Trusts as non-individual Borrowers. To support the certification of Living Trust Borrowers, Sellers must provide the Non-Individual Borrower Type and Non-Individual Borrower Name data elements for any underwritten Settlers to Document Custodians employing an alternative verification process.

The Document Custody Procedures Handbook has been updated to reflect this change.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 6, 17, 22, 24, A24, 26, H33, K33, A34, 37, 44, 48 and 71
- Form 16SF
- Exhibits 19 and 34
- Glossary

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-2 (Selling and Servicing) Guide Updates Spreadsheet available at <http://www.freddiemac.com/singlefamily/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 Redmond
Vice President
Offerings Effectiveness