



**TO: Freddie Mac Sellers and Servicers**

August 14, 2014 | 2014-15

## **SUBJECT: SELLING AND SERVICING UPDATES**

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin announces:

### **Selling and Servicing topics**

- The addition of Arch Mortgage Insurance Company as a Freddie Mac-approved MI and delivery requirements for Mortgages insured by Arch Mortgage Insurance Company
- Requirements to report anti-money laundering (AML) noncompliance and Suspicious Activity
- The requirement for Seller/Servicer subsidiaries to obtain separate Freddie Mac approval in order to act in the capacity of a Seller or Servicer
- Updates to our flood insurance requirements for non-residential detached structures

### **Selling topics**

- Clarifications on ULDD Data Points, which will be reflected in the forthcoming Uniform Loan Delivery Dataset (ULDD) specification addendum
- Updates to our certificate of incumbency forms for Sellers and Warehouse Lenders
- Updates to Manufactured Home requirements to align with current industry standards for evidence of compliance with the Federal Manufactured Home Construction and Safety Standards

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 AND SERVICING**

### **Arch Mortgage Insurance Company**

As announced in our Single-Family Update e-mail dated January 30, 2014, Arch MI acquired an existing Freddie Mac-approved MI, CMG Mortgage Insurance Company (CMG), and Freddie Mac has approved Arch Mortgage Insurance Company, an Arch MI entity, as its mortgage insurance counterparty.

To facilitate the name change from CMG to Arch MI, beginning **October 20, 2014**, the Freddie Mac Selling System will be updated to accept “Other – ArchMI” as the valid value for ULDD Data Point *MI Company Name Type* (Sort IDs 413/414) for Mortgages insured by Arch Mortgage Insurance Company.

To accommodate Sellers’ system updates and pipeline loans, the Selling System will continue to accept “CMG” as a valid value for Mortgages insured by Arch Mortgage Insurance Company with Freddie Mac Settlement Dates through May 4, 2015. Effective for Mortgages with Freddie Mac Settlement Dates on or after **May 5, 2015**, Sellers must deliver a valid value of “Other – ArchMI” for these Mortgages.

Guide Section 17.26, *Mortgage Insurance Requirements*, has been updated to reflect these changes.

Guide Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, will be updated in the future to reflect the new ULDD Data Point valid value and the name change.

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## Anti-money laundering noncompliance and Suspicious Activity reporting

### Effective October 1, 2014

The Financial Crimes Enforcement Network's (FinCEN) Final Rule requires Freddie Mac, as of August 25, 2014, to establish a written AML program and file suspicious activity reports (SARs) with FinCEN. As a result, we are updating Sections 6.2 and 53.8, each titled *Compliance with Applicable Law*, to:

- Emphasize that a Seller/Servicer subject to the AML requirements of the Bank Secrecy Act (BSA) is expected to establish and maintain an AML compliance program that is in accordance with the BSA and FinCEN regulations
- Require such Seller/Servicers to report to Freddie Mac, as permitted by law, any instances of AML program noncompliance

Additionally, we are requiring all Seller/Servicers, including those not subject to the AML provisions of the BSA, to develop internal controls, policies and procedures designed to detect and report Suspicious Activity to Freddie Mac. We have added a definition for Suspicious Activity to the Glossary.

Seller/Servicers should report Suspicious Activity in accordance with Sections 7.3 and 57.3, each now titled *Fraud and Other Suspicious Activity Reporting Requirements*. Seller/Servicers **are not** required to provide and **must not disclose** to Freddie Mac any:

- SARs or draft SARs, or
- Documents or information revealing the existence of a SAR or indicating whether or not a SAR has been filed, or where disclosure of Suspicious Activity would otherwise be prohibited by law

The obligation to detect and report Suspicious Activity complements and **does not** replace a Seller/Servicer's obligations to detect and report fraud and suspected fraud pursuant to Guide Chapters 7 and 57, retitled *Fraud Prevention, Detection and Reporting; Reporting Other Suspicious Activity*.

Chapters 7 and 57 have also been updated to reflect these changes.

## Freddie Mac approval for Seller/Servicer subsidiaries

### Effective October 15, 2014

We are removing language from the Glossary definition of Seller/Servicer that states wholly-owned subsidiaries of Seller/Servicers that are federally-regulated depository institutions do not need separate Freddie Mac approval in order to act in the capacity of a Seller or Servicer. All entities acting in the capacity of a Seller or Servicer, including the Seller/Servicer subsidiaries described above, must obtain separate Freddie Mac approval in order to act in the capacity of a Seller or Servicer.

Applications for Seller/Servicer approval by impacted wholly-owned subsidiaries of Seller/Servicers that are federally-regulated depository institutions must be submitted by **October 15, 2014** to comply with the updated requirement. The Seller/Servicer application fee for impacted subsidiaries will be waived for applications submitted by October 15, 2014.

Information on how to apply to become a Freddie Mac approved Seller/Servicer can be found at <http://www.freddiemac.com/singlefamily/doingbusiness>. Contact your Freddie Mac representative or (800) FREDDIE with additional questions.

Guide Form 16SF, *Annual Eligibility Certification Report*, will be updated in the future to include questions on Seller/Servicers' use of subsidiaries and affiliates.

Freddie Mac's operational review of its Seller/Servicers will also be expanded to include questions related to the use of subsidiaries and affiliates.

## Flood insurance on non-residential detached structures

On March 21, 2014, the President of the United States signed into law the Homeowner Flood Insurance Affordability Act of 2014 (the "Act"). As a result of the Act, we are updating Section 58.3, *Flood Insurance*, to provide that, for Mortgages secured by 1- to 4-unit properties, Seller/Servicers may waive the requirement for flood insurance coverage on non-residential detached structures located on the Mortgaged Premises.

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## SELLING

### ULDD Data Point clarifications

**Effective August 25, 2014**

We are providing clarifications on existing Phase 1 and Phase 2 ULDD Data Points in Chapter 17, *Mortgage Delivery Instructions*. These changes, and the new valid value for Arch Mortgage Insurance Company (“Other – ArchMI”) will be reflected in the forthcoming ULDD specification addendum, which is scheduled for publication in September 2014.

As a reminder, all Mortgages with Application Received Dates on or after March 1, 2014 and Delivery Dates on or after August 25, 2014 must meet the ULDD Phase 2 requirements. Freddie Mac encourages Sellers to use the Selling System customer test environment (CTE) to help prepare and test their loan delivery processes, and to view the Freddie Mac Learning Center tutorial, [Get Ready for ULDD Phase 2](#).

### Certificate of incumbency forms

**Effective October 1, 2014**

#### ***Seller certificate of incumbency forms***

We are updating our Seller certificate of incumbency forms to better serve different business entity types and to add clarity. The updates made to these forms are for ease of Seller use. **Sellers may use the updated forms immediately, but must use these updated forms when they submit certificates of incumbency to Freddie Mac on or after October 1, 2014.** Sellers are not required to resubmit previously submitted forms as a result of these changes.

Form 988SF, *Certificate of Incumbency – For a Corporation or Limited Liability Company Only*, is now two separate forms to better accommodate specific business structures:

- Form 988SF-1, *Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union or Corporation*
- Form 988SF-2, *Certificate of Incumbency for a Limited Liability Company*

Form 989SF, now titled *Certificate of Incumbency for a Limited Partnership*, has been updated to apply to Limited Partnerships only.

The addenda to these forms, Forms 988ASF and 989ASF, each now titled, *Addendum to Certificate of Incumbency*, have also been updated to provide additional clarity.

Chapter 16, *Documentation Delivery*, and other applicable Guide sections, have been updated as a result of these changes.

#### ***Warehouse Lender certificate of incumbency forms***

We are updating Forms 990SF, now titled *Warehouse Provider Certificate of Incumbency*, and 990ASF, now titled *Warehouse Provider Addendum to Certificate of Incumbency*, to add clarity and for ease of use. Warehouse Lenders may use the updated forms immediately, but must use these forms when they submit certificates of incumbency to Freddie Mac on or after October 1, 2014. Warehouse Lenders are not required to resubmit previously submitted forms as a result of these updates.

Chapter 19, *Warehouse Financing Arrangements*, has been updated as a result of these changes.

### Updates to Manufactured Home requirements

We are updating our requirements for Manufactured Homes to align with current industry standards as follows:

- Requiring that both the HUD Data Plate and HUD Certification Label are present and legible to evidence that the Manufactured Home is built in compliance with the Federal Manufactured Home Construction and Safety Standards and providing that the following alternative sources may be used as evidence of compliance
  - HUD Certification Label: Verification letter from the Institute for Building Technology and Safety (IBTS)

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- HUD Data Plate: Either a copy of the data plate or substitute performance verification certificate from IBTS, or a copy of the data plate from the In-Plant Primary Inspection Agency (IPIA) or manufacturer
  - Adding “HUD Certification Label” and “HUD Data Plate” to the list of terms used in Chapter H33, *Manufactured Homes*

Sections H33.1, *Overview*, and H33.2, *Property Eligibility*, are being updated to reflect these changes.

## **Additional Guide updates**

### ***Characterization and nature of purchase and sale transactions***

We are updating Section 8.12, *Characterization and Nature of Mortgage Purchase Transactions*, to supplement the language relating to the nature of purchase and sale transactions. If, despite the Seller and Freddie Mac’s express intent that the purchase and sale transaction be construed as a sale and not a pledge to secure debt, the Mortgage Freddie Mac has purchased is determined to be the Seller’s property (i.e., the sale is not a true sale), Freddie Mac will be a secured party and have all the rights and remedies of a secured party and creditor.

### ***Residential Mortgaged Premises requirements***

We are adding language to Section 44.2, *General Property Eligibility Requirements*, to clarify the requirements for a residential Mortgaged Premises.

### ***Borrower inquiries***

In Bulletin 2014-14, we updated Section 51.5, *Borrower Inquiries*, to remove the requirement that, in response to Borrower inquiries, the Servicer provide information about Mortgage assumability and disclose and explain the terms to the Borrower.

We are now similarly updating Section 2.11, *Borrower Inquiries*, for added clarity on Seller/Servicer responsibilities when responding to Borrower inquiries.

## **REVISIONS TO THE GUIDE**

The revisions included in this Bulletin impact the following:

- Chapters A1, 2, 4, 6, 7, 8, B15, C15, D15, 16, 17, 19, H33, 44, 53, 57 and 58
- Forms 988SF-1, 988SF-2, 988ASF, 989SF, 989ASF, 990SF and 990ASF
- Glossary
- Directory

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-15 (Selling and Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1415\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1415_spreadsheet.xls).

## **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