



TO: Freddie Mac Sellers

May 14, 2015 |

2015-7

SUBJECT: SELLING UPDATES

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

Credit underwriting and Mortgage eligibility

- Updates to our requirements and guidance for [stable monthly income qualification sources](#)
- Updates to certain requirements for [Construction Conversion and Renovation Mortgages](#)
- Updates to the Guide to reflect the [extension of the expiration date of the Freddie Mac Relief Refinance MortgageSM – Same Servicer and Relief Refinance Mortgage – Open Access offerings](#)
- Updates to Loan Prospector® and the [Affordable Income & Property Eligibility tool](#) to reflect the [area median income estimates for 2015](#)

Quality control

- Requirements for [electronic submissions of postfunding quality control review documentation](#)

Property eligibility

- Clarifications on the [selection of comparable sales](#) for properties located in new subdivisions, units located in new Planned Unit Developments (PUDs) and units located in recently converted and New Condominium Projects
- [New Guide Form 1033, One-Unit Residential Appraisal Desk Review Report](#), which is available on a negotiated basis

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

EFFECTIVE DATE

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

CREDIT UNDERWRITING AND MORTGAGE ELIGIBILITY

Stable monthly income qualification sources

Effective for Mortgages with Settlement Dates on or after July 20, 2015

In response to Seller inquiries, we evaluated and are updating certain income requirements and guidance. The updates include, but are not limited to, the following.

Retirement account distributions as qualifying income

We are providing specific requirements and guidance regarding retirement account distributions as qualifying income. Decisions with respect to distributions from a retirement account for the purposes of an income source are determined by the Borrower; however, those decisions may be based on multiple variables such as account type (e.g., individual versus employer plan), Internal Revenue Service rules, employer plan rules and personal financial planning goals. Rules related to account type and distribution timing, as well as distribution amount, are often based on laws and regulations. Due to variables such as those described above, retirement account distributions may consist of fixed or fluctuating income amounts. Therefore, one defined history of receipt requirement is not appropriate or provided; however, a list of factors that may be used to make a determination of the length of a reasonable history of receipt, ranging from zero up to 24 months, are summarized in Section 37.13.

Income qualification sources and documentation for certain income types

We are making updates to the following income types:

- Retirement income
- Long-term disability income
- Survivor and dependent benefit income
- Social Security Supplemental Security Income (SSI), and
- Public assistance income

The updates include, but are not limited to:

- Eliminating the requirement that the Seller document the Borrower's receipt of the income for the most recent two months, provided the source, pre-determined payment amount, payment frequency and current receipt are verified
- Award letters and benefit verification letters are viable sources of information and at times can provide all or the majority of the information required for certain income types; therefore, we are specifying that these sources may be used to verify current receipt, provided they meet the age of documentation requirements. However, if the documentation is being used solely to verify income source, type, payment frequency and amount, it does not have to meet the age of documentation requirements.
- Updating the age of documentation requirements to specifically mention current receipt of income. Income types that reference current receipt are retirement income, retirement account distributions as income, long-term disability, survivor and dependent benefits, SSI and public assistance
- For newly established income sources, we are allowing the Seller to use qualifying income that becomes effective after the Note Date, but prior to the first Mortgage payment due date, as documented on the benefit verification letter, notice of award letter or other equivalent documentation from the payor

Income continuance requirements

We are updating the income documentation requirements to better distinguish between income types where the continuance of the income is always defined and documentable and those income types for which the continuance may or may not be defined and/or documentable. These updates include, but are not limited to, the following:

- Revising requirements to state "must continue" instead of "must be likely to continue" for income for which continuance is always defined and documentable (e.g., mortgage differential, notes receivable)
- Removing income continuance documentation requirements for income types that do not always have defined and/or documentable continuance (i.e., tips, overtime, tax-exempt)
- Updating continuance language for public assistance to reflect the duration of benefit eligibility rather than benefit income to better align with public assistance program requirements
- Updating continuance language for the Homeownership Voucher Program to reflect program term limits for assistance rather than payments to better align with Homeownership Voucher Program requirements

Homeownership Voucher Program (formerly referred to as Section 8 homeownership assistance)

In connection with the Homeownership Voucher Program, we are updating the income type name to reflect the homeownership program name. In addition, we are removing the requirement that the funds be paid directly to the Borrower, thus allowing payments that are made directly to servicers to be considered qualifying income.

System and Guide updates

Loan Prospector feedback messages will be updated July 19, 2015 to support the stable monthly income updates described above.

Sections 37.13, 37.13(a)(ii), 37.13(a)(vii), 37.13(b), 37.13(c), 37.13(d), 37.20(d), 37.22(a) and 37.23(a) have been updated to reflect the stable monthly income updates described above.

Sections A24.3 and B24.3 have been updated, as applicable.

Note: The revised documentation requirements for Streamlined Accept Documentation in Section 37.22(a) and Standard Documentation in Section 37.23(a) are identical.

Construction Conversion and Renovation Mortgages

Effective immediately unless otherwise noted below

Refinance transactions

To help streamline our requirements, we are revising requirements for Construction Conversion and Renovation Mortgages that are refinance transactions as follows:

- Effective for Mortgages with Settlement Dates on or after **September 1, 2015**, we are requiring that:
 - For “no cash-out” refinance Construction Conversion Mortgages secured by Manufactured Homes, at least one Borrower must have been on the title to the land for 12 months or more prior to the Effective Date of Permanent Financing
 - For cash-out refinance Construction Conversion and Renovation Mortgages, at least one Borrower must have been on the title to the land for six months or more prior to the Effective Date of Permanent Financing
- Making permanent the provision established in the November 20, 2006 Bulletin permitting the use of appraised value when calculating loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratios regardless of how long the Borrower has owned the land

In addition, we are clarifying that for “no cash-out” refinance transactions, the proceeds of the Permanent Financing may be used to pay off junior lien(s) secured by the Mortgaged Premises, provided the lien(s) were used in their entirety for the construction and/or renovation of the subject property, as applicable.

We have updated Sections 24.5, K33.6, K33.12 and K33.14 to reflect these changes.

Eligible Borrowers

In response to Seller requests, we have evaluated our requirements for eligible Borrowers and are permitting a builder/developer to be obligated on the Interim Construction Financing, or another Mortgage on the land or the improvements, when the builder/developer is the Borrower on the Permanent Financing and will occupy the Mortgaged Premises as his or her Primary Residence.

We have updated Section K33.7 to reflect this change.

Relief Refinance Mortgages

In our Single-Family Update e-mail dated May 8, 2015, we notified Sellers that the Federal Housing Finance Agency (FHFA) has directed Freddie Mac and Fannie Mae to extend the Home Affordable Refinance Program (HARP) to December 31, 2016.

As a result, we are updating the Guide to reflect the extension of the expiration date of the Freddie Mac Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access offerings, which previously required Application Received Dates on or before December 31, 2015 and Settlement Dates on or before September 30, 2016. With this change, Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access must have Application Received Dates on or before December 31, 2016 and Settlement Dates on or before September 30, 2017.

Sections A24.1 and B24.1 have been updated to reflect these changes.

Area median income estimates

The Federal Housing Finance Agency has issued the area median income estimates for 2015.

Loan Prospector will be updated on **May 17, 2015** to reflect the 2015 area median income estimates and the [Affordable Income & Property Eligibility tool](#) will be updated on **May 18, 2015**. The 2015 area median income estimates will apply to Home Possible[®] Mortgages submitted or resubmitted through Loan Prospector on or after **May 17, 2015**.

QUALITY CONTROL

Electronic submissions for postfunding quality control files

Effective October 1, 2015

Freddie Mac has accepted electronic submission of Mortgage file documentation requested for quality control review for several years. To help streamline the postfunding quality control review process and make it more efficient, we are updating Mortgage file submission requirements in Section 46.1(d) to require Sellers not already submitting Mortgage file documents electronically to provide documents indicated on the quality control checklist in an electronic media format and file size acceptable to Freddie Mac.

The media format and file size requirements are specified on the quality control web page at http://www.freddiemac.com/singlefamily/qc_electronic_file_delivery_reqs.html.

Freddie Mac will work with Sellers to implement the transition to electronic file submission. However, Sellers that do not comply with the specified requirements may be subject to appropriate action including, but not limited to, an assessment of a noncompliance fee for costs Freddie Mac incurs by having to manually process deliveries.

PROPERTY ELIGIBILITY

Comparable sales selection

We are updating requirements to provide consistency in the selection of comparable sales for properties located in new subdivisions, units located in new PUDs and units located in recently converted and New Condominium Projects.

To clarify these requirements, we are separating comparable sales selection requirements into two categories:

- Requirements for properties located in established subdivisions and units located in established PUDs and in Established Condominium Projects
- Requirements for properties located in new subdivisions and units located in new PUDs and in recently converted and New Condominium Projects

We are also deleting the special comparable sales selection requirement for Condominium Units securing super conforming Mortgages.

Sections L33.6, 42.8, 43.3 and 44.15 have been updated to reflect these changes.

Form 1033, *One-Unit Residential Appraisal Desk Review Report*

Freddie Mac is introducing a new appraisal desk review form, Form 1033, *One-Unit Residential Appraisal Desk Review Report*. Sellers may use Form 1033 only if permitted by their Purchase Documents. A Seller should contact its Freddie Mac representative to discuss how to obtain the applicable term of business.

Section 44.9 has been updated to reflect this new form.

ADDITIONAL GUIDE UPDATES AND REMINDERS

Certificate of incumbency form updates

We are updating the following certificate of incumbency forms for Sellers and Warehouse Lenders for consistency and ease of customer use:

-
- 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, *Certificate of Incumbency for a Limited Partnership*
 - Form 990SF, *Warehouse Provider Certificate of Incumbency*

Private mortgage insurer eligibility requirements reminder

As a reminder, our Single-Family Update e-mail dated April 17, 2015 announced revised private mortgage insurer eligibility requirements (PMIERS). The revised PMIERS take effect on **December 31, 2015** and apply to MIs that provide coverage for Mortgages sold to Freddie Mac.

Seller/Servicers should continue to do business with MIs listed on Guide Exhibit 10 for Mortgages intended for sale to Freddie Mac. Freddie Mac will update Exhibit 10 as necessary to reflect any changes in approval status of the MIs.

Reminder for new Real Estate Settlement Procedures Act/Truth-in-Lending Act integrated mortgage disclosure

As indicated in our Single-Family News Center article dated December 16, 2014, new Consumer Finance Protection Bureau (CFPB) rules implementing the CFPB's integrated mortgage disclosure forms take effect on **August 1, 2015**. Freddie Mac will be updating the Guide prior to August 1, 2015 to reflect the new nomenclature required under CFPB's updated regulatory framework, and to address additional Freddie Mac requirements as of August 1, 2015.

While the CFPB will require the use of its new [Loan Estimate](#) and [Closing Disclosure](#) in lieu of the Good-Faith Estimate and HUD-1 Settlement Statement (and associated initial and final Truth-in-Lending disclosures), for applications received on and after August 1, 2015, Freddie Mac will not require the delivery of the Uniform Closing Dataset (UCD) in 2015. The UCD was developed jointly with Fannie Mae under the direction of the FHFA to support the CFPB's Closing Disclosure. Additional information regarding the required delivery date of the UCD will be provided in a future communication.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters A24, B24, K33, L33, 37, 42, 43, 44 and 46
- Forms 988SF-1, 988SF-2, 989SF, 990SF and 1033

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2015-7 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamilyguide/docs/bll1507_spreadsheet.xls.

CONCLUSION

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

Sincerely,



Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management