



TO: Freddie Mac Sellers

July 15, 2015

2015-12

SUBJECT: SELLING UPDATES

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

Loan Prospector®

- Updates to the Guide to reflect [free Loan Prospector](#)

Credit and underwriting

- Updates to our [credit and underwriting requirements](#) pertaining to, among others, the following:
 - The [maximum number of financed properties](#) that the Borrower may own or be obligated on when the transaction is a second home or an Investment Property Mortgage
 - The [use of income from Investment Properties](#) for qualification purposes
 - The minimum [monthly payment amount required to be included in the debt payment-to-income ratio when a student loan is deferred or in forbearance](#)

Property eligibility

- The [extension of the effective date for the comparable sales selection](#) changes announced in Bulletin 2015-7

Guarantor program and loan-level buyup and buydown program

- The addition of [Guarantor Pricing \(as defined in new Guide Section 11.11.1\) and buyup and buydown terms](#)

Delivery

- [Uniform Loan Delivery Dataset \(ULDD\)-related updates](#)
- Updates impacting [Document Custodians](#)

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.

LOAN PROSPECTOR IS FREE

Effective June 1, 2015

As announced in our Single-Family News Center article on May 29, 2015, Loan Prospector is free for all new submissions. Freddie Mac is committed to providing liquidity to the market. Loan Prospector facilitates access to credit and delivers our policies and standards in a streamlined way.

Section 2.2.1 and Guide Exhibits 15, 16 and 18 have been updated to reflect this change.

CREDIT AND UNDERWRITING

In response to Seller inquiries, we have evaluated our requirements and are making certain revisions as stated below. The Freddie Mac Selling System and the impacted Loan Prospector feedback messages will be updated prior to the applicable effective dates.

Interested party contributions – abatements

Currently, Mortgages with abatements (that are funds provided to a lender or third party by an interested party to pay or reimburse in whole or in part a certain number of the Borrower's Mortgage payments in excess of the Prepaids/Escrows) are not eligible for sale to Freddie Mac. We are revising our requirements to state that the payment of up to 12 months of homeowners association dues by an interested party is not considered an abatement but is considered an interested party contribution and is subject to the requirements for interested party contributions and other conditions.

Sections 25.3 and 42.3 have been updated to reflect these changes.

Multiple financed properties

Effective for Mortgages with Settlement Dates on or after **October 26, 2015**, we are revising our multiple financed property requirements as follows:

- Increasing from four to six the maximum number of financed properties that the Borrower may own or be obligated on when the transaction is a second home or an Investment Property Mortgage
- Clarifying certain types of properties that should not be included in the count of financed properties

Sections 22.22 and 22.22.1 have been updated to reflect these changes. Cross-references in Section B24.2 have also been updated as a result of these changes.

Rental income

Effective for Mortgages with Settlement Dates on or after **October 26, 2015**, we are removing the requirement that the Borrower must have a two-year history of managing Investment Properties to use the income from a subject Investment Property or other Investment Properties owned by the Borrower for qualifying purposes.

Sections 37.14 and 37.16.2 have been updated to reflect these changes.

Rent loss insurance

Effective for Mortgages with Settlement Dates on or after **October 26, 2015**, we are removing the requirement that the Borrower must have six months of rent loss insurance to use rental income from the subject Investment Property for qualifying purposes.

Sections 22.22.1, 37.14, and 58.3.2 and Exhibit 5 have been updated to reflect these changes.

Debt payment-to-income ratio calculation

- Effective for Mortgages with Settlement Dates on or after **August 1, 2015**, we are revising the minimum monthly payment amount that must be included in the debt payment-to-income ratio ("DTI") calculation when a student loan is deferred or is in forbearance and no monthly payment is verified from 2% to 1% of the outstanding balance of the student loan
- We are clarifying that Sellers may calculate monthly payments for student loans, revolving accounts and open-end accounts based on a specified percentage of the outstanding balance only when there is no documentation in the Mortgage file indicating the actual monthly payment amount
- We are permitting the exclusion of a monthly payment from the DTI calculation when the Borrower is self-employed and the monthly payment is made by the Borrower's business, subject to certain conditions

Sections 37.13, 37.16 and 37.17 have been updated to reflect these changes.

Gift letters

A gift letter is required when gift funds are used as Borrower Funds or reserves. Effective for Mortgages with Settlement Dates on or after **August 1, 2015**, we are removing the requirement that the gift letter must identify the Mortgaged Premises.

Sections 37.22 and 37.23 have been updated to reflect these changes.

Verbal verification of employment

We are updating our requirements to provide that when conducting verbal verifications of employment, the Seller must verify the Borrower's employment status, and not whether the Borrower is employed or on leave.

Section 37.20 and Guide Form 90 have been updated to reflect this change.

PROPERTY ELIGIBILITY

Comparable sales selection

Effective for Mortgages with Application Received Dates on or after September 1, 2015

In Bulletin 2015-7, Freddie Mac revised the selection requirements for 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. To provide additional time for Sellers to adjust their processes, if necessary, we are extending the effective date for these changes from May 14, 2015 to Mortgages with Application Received Dates on or after September 1, 2015. In the interim, Sellers either may continue to use the requirements in effect prior to Bulletin 2015-7, or may implement the changes sooner if they are able to do so.

Sections L33.6, 42.8 and 44.15 have been updated to reflect this change.

GUARANTOR PROGRAM AND LOAN-LEVEL BUYUP AND BUYDOWN PROGRAM

Prior to this Bulletin, if a Seller was eligible for the Guarantor Pricing provisions and a buyup and buydown option other than note-level, the provisions were negotiated and located in the Sellers' Master Commitments. To streamline the contracting process for Sellers that have these negotiated provisions in their Master Commitments, we are now adding the two provisions to the Guide.

The Guarantor Pricing provisions are found in new Section 11.11.1 and the buyup and buydown provisions are found in new Section 11.11.2. Section 11.11.1 applies to Sellers whose Master Commitments do not state the Required Spreads for the Mortgages or the terms by which the Seller will receive the Required Spreads. Section 11.11.2 applies to Sellers whose Master Commitments allow other than note-level buyup and buydowns. In addition, we are moving to Section 11.11.2 the language from Sections 11.11(d), 12.8, B15.10 and D15.10.

The appropriate delivery instructions for the loan-level buyup and buydown program are incorporated into new Section 17.43. Sections B15.1 and D15.1 have also been updated as a result of these changes.

Sellers that have the previously negotiated terms in their Master Commitments will have their Master Commitments amended when they are renewed.

DELIVERY

Uniform Loan Delivery Dataset (ULDD)

In addition to adding new Section 17.43 to reflect the changes announced in the ["Guarantor program and loan-level buyup and buydown program"](#) section of this Bulletin, we are also making the ULDD-related updates indicated below.

Nationwide Mortgage Licensing System identifiers for Delaware, Maine and Missouri

In 2008, Freddie Mac was instructed by the Federal Housing Finance Agency to begin collecting loan-level origination data, including unique identifiers assigned by the Nationwide Mortgage Licensing System (NMLS) to identify loan origination companies for Mortgages with Application Received Dates on or after July 1, 2010. Delaware, Maine and Missouri did not require nor allow state loan origination companies to register and obtain NMLS identifiers. As announced in Bulletin 2012-8, state-regulated loan origination companies that did not have an NMLS identifier and operated solely in Delaware, Maine and Missouri were instructed to deliver special codes that were created for Delaware ("1001"), Maine ("1002") and Missouri ("1003").

State law now requires Delaware, Maine and Missouri loan origination companies to obtain NMLS identifiers. As a result, all Sellers must now deliver the loan origination company NMLS identifier instead of the special delivery codes. The Selling System will be updated on **August 24, 2015** to prevent the submission of the special delivery codes.

Section 17.7 has been updated to remove the additional instructions for completion of ULDD Data Point *Party Role Identifier* (Sort ID 627) for the special delivery codes.

Construction Conversion and Renovation Mortgages

We are updating Section 17.35 to correct delivery requirements for Construction Conversion and Renovation Mortgages originated with Integrated Documentation, Separate Documentation and Modification Documentation.

Section 17.35(b)(i) has been updated to provide that the only common ULDD Data Point for these Mortgages is *Loan Program Identifier* (Sort ID 404), which is delivered in the “Current” Loan State Type.

We have also updated certain Implementation Notes in Section 17.35 to provide additional clarity.

ULDD Addendum

Delivery instructions to support the changes announced in Bulletin 2015-10 in response to the Consumer Financial Protection Bureau’s final rule implementing the Truth-in-Lending Act and Real Estate Settlement Procedures Act Integrated Mortgage Disclosure (i.e., “TRID Rule”), along with the changes mentioned in this Bulletin regarding the NMLS identifiers, Construction Conversion and Renovation Mortgages and loan-level buyup and buydown program will be reflected in a future ULDD Addendum.

Document Custodians

Borrower certification

To support our existing Borrower certification requirements, beginning August 31, 2015, the Selling System will be updated to allow Document Custodians to view and certify up to three additional Borrowers on a Mortgage, if present, for a total of up to five Borrowers. Document Custodians should begin certifying all Borrowers on a Mortgage as soon as they are operationally able to do so, beginning **August 31, 2015**. The requirement for Document Custodians to certify up to five Borrowers becomes mandatory on **March 1, 2016**.

We are also updating Form 1034E in the Selling System to include up to three additional Borrowers.

Custodian Summary export dataset

A new Selling System export dataset, the Custodian Summary export dataset for Document Custodians, is being introduced on **August 31, 2015**. It will provide Document Custodians a customizable dataset and will include the additional Borrower fields. Document Custodians should refer to the new dataset included in the [Implementation Guide for Selling System Export – Document Custodians](#), located on the Document Custody web page on Freddiemac.com.

Document Custody Procedures Handbook

The Document Custody Procedures Handbook will be updated by **August 31, 2015** to incorporate changes related to the expansion of the number of Borrowers for Document Custodians to view and certify, as well as other updates.

ADDITIONAL GUIDE UPDATES AND REMINDERS

Uniform Instruments

Updates to Exhibits 4 and 5

We are updating Exhibits 4 and 5 to align with the changes made to our Uniform Instrument web page, as provided in our [May 4, 2015 announcement](#). The changes include updates to the following:

- ***New Mexico Security Instrument***

The Fannie Mae/Freddie Mac Deed of Trust uniform instrument for New Mexico (Form 3032), in use since 2008, accommodated both judicial and non-judicial foreclosures, as appropriate pursuant to applicable State law. Freddie Mac has continued to treat New Mexico as a judicial foreclosure State. With the expansion of the State’s Home Loan Protection Act and prohibition on non-judicial foreclosures for most residential properties, we are returning to a mortgage as the form of security instrument in New Mexico. The revised security

instrument provides for judicial foreclosure, which is consistent with our existing foreclosure requirements for all New Mexico Mortgages sold to Freddie Mac.

The New Mexico Mortgage Spanish translation (Form 3032s) and the MERS Sample and Authorized Changes for MERS versions of the New Mexico Mortgage (Form 3032, 1/01 (rev. 3/08)) have been revised to reflect the changes made to the New Mexico Mortgage.

The revised New Mexico Mortgage and New Mexico Mortgage Spanish translation show a version date of 1/01 (rev. 05/15). Sellers may begin using the revised version immediately; however, it will be required on **November 1, 2015**.

- ***Kentucky Security Instrument***

We have updated the Kentucky Mortgage (Form 3018) to reflect recording requirements for mortgages effective on or after June 24, 2015. Subject to the recording offices accepting the document for recording (for example by permitting title information to be included in the legal description of the property that is attached to the security instrument), Sellers may continue to use the 1/01 (rev. 12/10) version, but must use the revised version 1/01 (rev. 05/15) by **December 1, 2015**.

The Kentucky Short-Form (Form 3018-SF) and the Kentucky Mortgage Spanish translation (Form 3018s) have been revised to reflect changes made to the Kentucky Mortgage.

The revised Kentucky Mortgage shows a version date of 1/01 (rev. 05/15), the Short-Form for the Kentucky Mortgage shows a version date of 7/07 (rev. 05/15) and the revised Kentucky Mortgage Spanish translation show a version date of 1/01 (rev. 05/15).

- ***Texas Home Equity Affidavit Agreement***

Freddie Mac has made revisions to the Texas Home Equity Affidavit Agreement (Form 3185) in subparagraphs F of the section titled "Representations and Warranties."

The revised Texas Home Equity Affidavit Agreement shows a version date of 12/07 (rev. 06/15). Sellers may begin using the revised form immediately and must use it for loan applications taken on or after **August 1, 2015**.

- ***Single-Family Uniform Instruments list***

We have updated the list of all Single-Family Uniform Instruments currently provided by Freddie Mac posted on our website at: <http://www.freddiemac.com/uniform/doc/uniflist.doc>.

In addition to updating Exhibit 5 to reflect the changes announced on our Uniform Instruments web page on May 4, 2015 and the changes announced under the "[Rent loss insurance](#)" section of this Bulletin, we are updating the exhibit to add an optional recording requirement for the Arizona Deed of Trust (Form 3003, 1/01 (rev. 6/02)). Effective **July 3, 2015**, originators may add "RESIDENTIAL 1-4" for residential properties constructed for at least one family but not more than four families in the caption heading on the first page of each document.

New York Consolidation, Extension and Modification Agreement (NY CEMA)

We are updating Section 6.8.1 to remove references to the outdated 7/86 and 1/01 versions of the NY CEMA – Single-Family Fannie Mae/Freddie Mac Uniform Instrument (Form 3172). When documenting a Mortgage using an NY CEMA, the Seller must use the most current version of the NY CEMA (Form 3172), 1/01 (rev. 5/01).

Section 46.2 has also been updated as a result of these changes.

Guide Plus notifications

We are updating Section 12.3.1 to account for Guide Plus notifications sent to Sellers directly from Freddie Mac and not from the AllRegs[®] mailbox.

Guide Snapshot PDFs

For Seller/Servicer convenience, we have recently published the [June 30, 2015 Guide Snapshot PDF](#), which includes two comprehensive files:

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- A portable document format (PDF) file of the entire Guide, including a table of contents, easy-to-use navigational bookmarks and highlighting designating updates made to the Guide since March 17, 2015, the date of the last Guide Snapshot PDF
 - A PDF file containing all of the Bulletins issued from April through June 2015

All Guide Snapshot PDFs are available at

<http://www.freddiemac.com/singlefamily/guide/bulletins/snapshot.html>. As a reminder, these PDFs are not official versions of the Guide.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 6, 11, 12, B15, D15, 17, 22, B24, 25, L33, 37, 42, 44, 46 and 58
- Form 90
- Exhibits 4, 5, 15, 16 and 18

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2015-12 (Selling) Guide Updates Spreadsheet available at

http://www.freddiemac.com/singlefamily/guide/docs/bl1512_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,



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