



TO: Freddie Mac Sellers

September 16, 2015 | 2015-16

SUBJECT: SELLING UPDATES

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

Mortgage eligibility and credit underwriting

- Removal of the requirement for a [5% contribution from Borrower Personal Funds](#) for certain Mortgages – **October 1, 2015**
- Revisions to our [refinance requirements](#), including:
 - Removing the [seasoning requirements for certain “no cash-out” refinance Mortgages](#)
 - Revising the [requirements for cash-out refinance Mortgages when none of the Borrowers have been on the title to the subject property for at least six months prior to the Note Date](#), including:
 - Changes regarding the amount of the cash-out refinance Mortgage – **December 16, 2015**
- Updates to our [requirements for Loan Prospector® Mortgages with history of short sales](#)
- Updates to our [requirements for use of credit cards, cash advances or unsecured lines of credit as sources of Borrower Funds](#) – **October 26, 2015**
- Revisions to our requirements for [Mortgages for which the Borrower’s current Primary Residence is pending sale or being converted to a second home or an Investment Property](#) – **October 26, 2015**

Condominium requirements

- Updates to our [requirements for condominiums](#), including:
 - Updates to our requirements for projects with commercial or non-residential space – **March 31, 2016**

Relocation Mortgages

- Updates to the [definition for fixed-rate Mortgages that are relocation Mortgages](#)

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.

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Minimum Borrower contribution from Borrower Personal Funds

Effective for Mortgages with Settlement Dates on or after October 1, 2015

In our continuing effort to increase access to mortgage credit and support the purchase market, we are no longer requiring a 5% contribution from Borrower Personal Funds for certain Mortgages. Specifically, we are removing the 5% contribution requirement for Mortgages that have loan-to-value (LTV) ratios greater than 80% and are secured by Primary Residences and for which a gift or gift of equity from a Related Person is used as a source of funds. In addition, we will no longer require the 5% contribution for Mortgages with LTV ratios greater than 80% for which an unsecured loan that is an Employer Assisted Homeownership (EAH) Benefit is used as a source of funds.

We are also removing the requirement that all Mortgages secured by Manufactured Homes must have a 5% contribution from Borrower Personal Funds. Mortgages secured by Manufactured Homes must comply with all

requirements for Borrower Funds outlined in Guide Chapters 26 and A34, as applicable. A minimum contribution from Borrower Personal Funds is still required in some instances.

Loan Prospector feedback messages will be updated by October 1, 2015 to reflect these changes.

Guide impacts: Guide Sections 26.2, H33.5 and A34.10

Refinance changes

As a result of Seller inquiries, we have evaluated certain refinance requirements and are making the revisions below.

Guide impacts: Sections 24.2, 24.5 and 24.6

Removing the seasoning requirement for “no cash-out” refinance Mortgages

We are removing the 120-day seasoning requirement for a “no cash-out” refinance Mortgage when the Mortgage being refinanced is a purchase money transaction.

Length of time Borrower is on the title for cash-out refinance Mortgages

Currently for cash-out refinance Mortgages, we require at least one Borrower to have been on the title to the subject property for at least six months prior to the Note Date of the Mortgage, with certain exceptions.

Effective immediately, we are revising these exceptions, as follows:

- No Borrower is required to have been on the title to the subject property for at least six months prior to the Note Date if at least one Borrower on the cash-out refinance Mortgage either inherited or was legally awarded the subject property
- In a case where we require a Settlement/Closing Disclosure Statement, a trustee’s deed is acceptable if a Settlement/Closing Disclosure Statement was not used for the purchase transaction

In addition, effective for Mortgages with **Settlement Dates on or after December 16, 2015**, we are revising the maximum amount of the cash-out refinance Mortgage when none of the Borrowers have been on the title to the subject property for at least six months.

Currently, if none of the Borrowers have been on the title to the subject property for at least six months the amount of the cash-out refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs, Financing Costs and Prepays/Escrows. We are revising this calculation to exclude any gift funds used to purchase the subject property. When determining the amount of the cash-out refinance Mortgage, any gift funds used to purchase the subject property must be deducted from the sum of the original purchase price and related Closing Costs, Financing Costs and Prepays/Escrows.

Loan Prospector Mortgages with history of short sales

We are removing the requirement that the Seller must manually apply the requirements for Manually Underwritten Mortgages with significant or derogatory credit information to Loan Prospector Accept and A-minus Mortgages with evidence of a short sale on a credit report or elsewhere in the Mortgage file.

Guide impacts: Section 37.7

Use of credit cards, cash advances or unsecured lines of credit as sources of Borrower Funds

Effective for Mortgages with Settlement Dates on or after October 26, 2015

We are updating the requirements for using credit cards, cash advances and unsecured lines of credit to pay fees associated with the Mortgage application process. We are now permitting the option of either (1) verifying that the Borrower has sufficient funds to pay the charges or advances, **or** (2) including the payment for the amount charged or advanced in the monthly debt payment-to-income ratio (both were previously required).

Additionally, we are updating delivery instructions for ULDD Data Point *Total Liabilities Monthly Payment Amount* (Sort ID 290) in Section 17.38 to reflect this change.

Guide impacts: Sections 17.38, 26.6.4, 37.22 and 37.23

Sale or conversion of Primary Residence

Effective for Mortgages with Settlement Dates on or after October 26, 2015

We evaluated our requirements for Mortgages for which the Borrower's current Primary Residence is:

- Pending sale, but the sale will not close prior to the closing of the new Mortgage, or
- Being converted to a second home, or
- Being converted to an Investment Property

Based on our evaluation, we are eliminating the additional reserves and rental income requirements for these Mortgages so that only the standard reserves and rental income requirements apply. As a result, Section 37.16.2 will be deleted. However, the provision in Section 37.16.2 that permits the monthly payment amount for the Borrower's current Primary Residence pending sale to be excluded from the monthly debt payment-to-income ratio will be moved to Section 37.16 with revisions to provide additional flexibility. Currently the monthly payment amount can be excluded if the Mortgage file contains:

- An executed non-contingent sales contract for the property pending sale, or
- An executed sales contract for the property pending sale that includes a financing contingency and a lender's commitment to the buyer of the property pending sale, or
- An executed buyout agreement that is part of an employer relocation plan where the employer/relocation company takes responsibility for the outstanding Mortgage(s)

With these revisions the monthly payment amount can be excluded if the Mortgage file contains:

- An executed sales contract for the property pending sale. If the executed sales contract includes a financing contingency, the Mortgage file must also contain evidence that the financing contingency has been cleared or a lender's commitment to the buyer of the property pending sale;

OR

- An executed buyout agreement that is part of an employer relocation plan where the employer/relocation company takes responsibility for the outstanding Mortgage(s)

Loan Prospector feedback messages will be updated by October 26, 2015 to reflect these changes.

Guide impacts: Sections 26.5, 37.16 and 37.16.2

CONDOMINIUM CHANGES

In light of recent market and industry trends, and in response to Seller inquiries, we have evaluated and are revising certain requirements in Chapter 42 to provide additional flexibility and guidance when originating Mortgages secured by units in Condominium Projects.

We are deleting the Glossary term "Hotel/Resort Project," updating the definition for the Glossary term "Condominium Hotel" and providing more specificity on what constitutes a Condominium Hotel to help Sellers better determine what is an ineligible project. As a result of these revisions, Condominium Projects in resort locations that do not meet the characteristics of a Condominium Hotel may be acceptable projects.

Other modifications include:

- Updates to our general Condominium Project eligibility requirements to accept projects with shared Amenities under certain circumstances
- Addition of a reserve study as an acceptable alternative if a project budget does not include at least a 10% replacement reserves
- Changes to project-level owner-occupancy requirements for Established Condominium Projects

Effective for Mortgages with Settlement Dates on or after March 31, 2016, we are updating our requirements for projects with commercial or non-residential space. The revisions provide specifics on how to determine the total amount of, and what must be considered as, commercial or non-residential space. The updated requirements are in Section 42.3(d) and new Section 42.11, *Projects with Excessive Commercial or*

Non-Residential Space. Although these requirements are effective for Mortgages with Settlement Dates on or after March 31, 2016, Sellers are encouraged to implement them immediately.

Guide impacts: Sections 6.14, B24.2, 42.1, 42.2, 42.3, 42.5, 42.6, 42.10 and 42.11 and the Glossary

DEFINITION FOR FIXED-RATE MORTGAGES THAT ARE RELOCATION MORTGAGES

In response to Seller inquiries, we are revising the definition for fixed-rate relocation Mortgages to remove the requirement for “significant employer contribution to Mortgage financing.”

Guide impacts: Section 13.4

ADDITIONAL GUIDE UPDATES

Settlement/Closing Disclosure Statement

Effective for Mortgages with Application Received Dates on or after October 3, 2015

In Bulletin 2015-10 we announced updates to the Guide in response to the Truth-in-Lending Act (TILA) – Real Estate Settlement Procedures Act (RESPA) Integrated Mortgage Disclosure Rule (i.e., “TRID Rule”) and indicated we would make additional updates once the date that the TRID Rule ultimately takes effect was confirmed by the Consumer Financial Protection Bureau (CFPB). On July 21, 2015, the CFPB announced that the TRID Rule applies to transactions for which an application is received on or after October 3, 2015. To align with the TRID Rule, we are making the following updates to the Guide:

- Removing the requirement that the Settlement/Closing Disclosure Statement must be executed or signed
- No longer requiring an estimated Settlement/Closing Disclosure Statement in the Mortgage file for the Mortgaged Premises in escrow states
- Updating Section 46.24, to reflect that a copy of the final Truth-in-Lending Disclosure Statement must be in the Mortgage file for Mortgages with Application Received Dates prior to October 3, 2015
- Revising the delivery instructions for ULDD Data Point *Disclosed Index Rate Percent* (Sort ID 312) to reference the new Closing Disclosure form
- Revising Guide Exhibit 7 to reference the Loan Estimate and Settlement/Closing Disclosure Statement

While the signature requirements are being removed from the Guide, Freddie Mac remains supportive of the current industry practice of collecting signatures on the Settlement/Closing Disclosure forms.

Seller/Servicers may wish to consider collecting (or continuing to collect) signatures and/or additional permitted forms given their potential evidentiary value, and otherwise to help provide assurances that the Settlement/Closing Disclosure included in the Mortgage file is reflective of the final transaction terms.

In Bulletin 2015-10 we indicated we would be updating the Glossary definition for Application Received Date. Upon further analysis, we are not updating the Glossary definition at this time.

Loan Prospector feedback messages will be updated by October 3, 2015 for all submissions to remove the reference to the Settlement/Closing Disclosure being signed. Sellers should refer to the Guide for when signatures are required.

Guide impacts: Sections 17.10, 24.6, K33.14, 37.22, 37.23, 46.19 and 46.24 and Exhibit 7

Removal of references to Home Value Models

The term “Home Value Models” was introduced in Bulletin 2005-5 when Freddie Mac introduced the Property Inspection Alternative (PIA) option in Loan Prospector.

We no longer use the term Home Value Models and as a result are removing this obsolete term from the Guide and deleting Section 17.32. Where applicable, we are replacing Home Value Model references with Home Value Explorer[®] (HVE[®]) or Automated Value Model (AVM), the terms we currently use.

Guide impacts: Sections 2.2.1, 17.11, 17.32, 23.1, 32.6 and L33.3 and the Glossary

Uniform Loan Delivery Dataset (ULDD) updates

Today, Freddie Mac published the third quarter 2015 ULDD Addendum included in Appendix A, Freddie Mac XML Data Requirements (“ULDD Addendum”). We are making the following updates in the ULDD Addendum, consistent with the changes described above:

- Clarifying the delivery instructions for ULDD Data Point *Disclosed Index Rate Percent* (Sort ID 312) as noted in the [“Settlement/Closing Disclosure Statement”](#) section above
- Updating ULDD Data Points *Property Structure Built Year* (Sort ID 67), *Property Valuation Amount* (Sort ID 83) and *Property Valuation Method Type* (Sort ID 89) as described in the [“Removal of references to Home Value Models”](#) section above
- Updating the implementation notes for ULDD Data Point *Total Liabilities Monthly Payment Amount* (Sort ID 290) as noted in the [“Use of credit cards, cash advances or unsecured line of credit as sources of Borrower Funds”](#) section above

In addition we are incorporating the following changes into the ULDD Addendum, as were announced in Bulletin 2015-12:

- Removing the additional instructions for completion of the *Loan Origination Company* for ULDD Data Point *Party Role Identifier* (Sort ID 627)
- Adding clarifying notes to ULDD Data Points required for the delivery of Construction Conversion and Renovation Mortgages with Modification documentation
- Updating the implementation notes for ULDD Data Point *Loan Buyup Buydown Basis Point Number* (Sort ID 386)

Other changes include:

- Updating the ULDD Addendum to include a new technical affiliate for ULDD Data Point *Credit Score Provider Name* (Sort ID 591.1)
- Updating Sections 17.18 and 17.42 to incorporate minor delivery instruction clarifications
- Updating the implementation notes for ULDD Data Point *State Code* (Sort IDs 18 and 560) in Sections 17.11 and 17.12 and in the ULDD Addendum, to refer to United States Postal Service (USPS) Publication 28 – Postal Addressing Standards for two-character abbreviations

Sellers should review the ULDD Addendum in its entirety to determine impacts to their systems or processes and for applicable effective dates.

Guide impacts: Sections 17.11, 17.12, 17.18 and 17.42

Guide Form 1034 updates

As announced in Bulletin 2015-12, the Freddie Mac Selling System was updated on August 31, 2015 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. As part of the Selling System update, the electronic version of Form 1034 was revised to include up to three additional Borrowers. A sample version of the electronic form, Form 1034E, *Custodial Certification Schedule*, has been added to the Guide. The form includes a sample for fixed-rate Mortgages and a sample for ARMs. Additionally, Forms 1034, 1034A, 1034S and 1034SM are being retired from the Guide as they are no longer used.

Guide impacts: Forms 1034, 1034A, 1034E, 1034S and 1034SM

Change in Freddie Mac Accounts Receivable e-mail address

Effective October 1, 2015

The following Freddie Mac Accounts Receivable e-mail addresses will be retired:

- Freddie_Mac_Billing@freddiemac.com
- CMO_Collections@freddiemac.com

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- CMO_BO_Cash@freddiemac.com

On and after October 1, 2015, Sellers must submit:

- Billing questions and requests to SellerBilling@freddiemac.com
- Cash processing and collections questions and requests to CashCollections@FreddieMac.com

We have also updated the Guide with information for how Sellers may submit questions about their monthly invoice and account activity statements and also may designate, add, modify or delete a recipient of the Freddie Mac courtesy e-mail notice in connection with the Daily Automated Clearing House (ACH) process.

Guide impacts: Section 17.2

Chapter 3 cross-reference updates

In Bulletin 2015-4, Chapter 3 was updated and reorganized, which resulted in renumbering throughout the chapter. We are updating cross-references to Chapter 3 throughout the Guide to align with the updated chapter.

Guide impacts: Sections A1.9, 37.8, A50.6, A50.7, 51.4, C65.17, 66.33, 66.44.2 and 71.5 and Form 901

GUIDE UPDATE SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2015-16 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1516_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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