



TO: Freddie Mac Sellers

December 2, 2015 | 2015-20

SUBJECT: SELLING UPDATES

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

Mortgage eligibility and credit underwriting – December 14, 2015

- Updates to our requirements for certain asset types eligible as [Borrower Funds and reserves](#)
- Updates to our requirements for Mortgages with [nonoccupying Borrowers](#)

Loan limits

- Updates to the Guide to reflect the [2016 loan limits](#) – **January 1, 2016**

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.

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Effective for Mortgages with Settlement Dates on or after December 14, 2015

Borrower Funds and reserves

In response to Seller requests, we have evaluated our requirements for certain asset types eligible as Borrower Funds and reserves and are making the following updates:

- No longer requiring evidence of liquidation of stocks, bonds, mutual funds, United States government securities and other securities when the combined value of the assets is at least 20% greater than the amount from these assets needed for closing
- Removing the limitation that no more than 70% of the value of a retirement account can be used for reserves
- Adding vested stock options, subject to minimum documentation requirements, as an eligible source of Borrower Funds and reserves

Loan Prospector[®] feedback messages will be updated by December 14, 2015 to reflect these changes.

Guide impacts: Guide Sections A24.3, B24.3, 26.1, 26.2, 26.5, 37.22 and 37.23

Occupant Borrower contribution

We are removing the requirement for a minimum 5% down payment from occupant Borrower funds when the loan-to-value (LTV) ratio is greater than 80% and a nonoccupying Borrower is present. As a result, Section 26.7 has been deleted.

Section 22.16 has been updated to state that Borrower Funds (including the down payment) and reserves may come from the occupant and/or the nonoccupant Borrower.

Loan Prospector feedback messages will be updated by December 14, 2015 to reflect these changes.

Guide impacts: Sections 22.16, 26.7 and 37.25

LOAN LIMITS

Effective for Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2016

As announced in our November 25, 2015 [Single-Family News Center article](#), base conforming loan limits and high-cost area loan limits will remain at existing 2015 levels with the exception of 39 counties where the high-cost area loan limits will increase. The list of counties with increases is available on the [Federal Housing Finance Agency's \(FHFA\) web page](#).

For Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2016, the base conforming loan limits (\$417,000 for 1-unit properties in the contiguous United States) and the maximum loan limits for high-cost areas will remain at the current levels.

As a reminder, the Housing and Economic Recovery Act of 2008 (HERA) provides the formula for FHFA to determine the loan limits for high-cost areas. The HERA terms specify that the maximum allowable limit for high-cost areas must not exceed \$625,500 for a 1-unit single-family property in the contiguous United States, although actual loan limits for a specific high-cost area may be lower than the maximum permitted amount.

In all instances, the loan limits for 2- to 4-unit properties and Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands are higher.

Sellers must review the 2016 loan limits permitted for a specific county. FHFA makes this information available on its [web site](#).

Guide impacts: Sections 23.3 and L33.2

ADDITIONAL GUIDE UPDATES AND REMINDERS

Private transfer fee covenants reminder

As a reminder, as stated in Section 22.36, Mortgages on properties encumbered by private fee transfer covenants prohibited by 12 C.F.R. Part 1228 are ineligible for sale to Freddie Mac if those covenants were created on or after February 8, 2011. Freddie Mac may exercise any of its remedies under a Seller/Servicer's Purchase Documents for a breach of the representations and warranties regarding a Mortgage encumbered with a private transfer fee covenant prohibited by 12 C.F.R. Part 1228, including issuance of a repurchase request.

As provided in Bulletin 2012-18, a Seller/Servicer is not relieved from Freddie Mac's enforcement of its representations and warranties with respect to Section 22.36 because they relate to first lien enforceability. The Seller/Servicer remains responsible for such representations and warranties for the life of the loan.

Retirement of Form 996 and Form 996E delivery updates

We are deleting Guide Form 996, *Warehouse Provider Release and Transfer*, from the Guide and updating Guide Chapter 19 to remove Form 996 references since Form 996E is generated by the Freddie Mac Selling System for Sellers who use Warehouse Lenders.

We are also updating Section 19.13 to expressly permit delivery of an Electronic Record, as defined in Section 3.2, copy of Form 996E, and to remove fax transmission as an option for delivery. Warehouse Lenders may deliver Form 996E to Freddie Mac as (i) a paper form or (ii) an Electronic Record copy attached to an e-mail to Cust_Support_996@freddiemac.com. Sections 19.4, 19.5, B15.11, C15.11 and D15.11 are being updated to reflect revised Form 996E delivery instructions resulting from this change. The Guide sample Form 996E and the Selling System-generated Form 996E will be updated at a future date to reflect these changes to delivery instructions.

We are updating cross-references to Chapter 3 in Section 19.13 to align with changes made in Bulletin 2015-4 to reorganize and renumber Chapter 3. Additionally, we are advising Warehouse Lenders not to include 'bailee letters' or equivalent documentation with Form 996E or otherwise for Pledged Mortgages.

The Form 996 and 996E related Guide changes affect only the Warehouse Lenders' process and procedures and will have no impact on Sellers. Freddie Mac is actively exploring its procedures for funding Pledged Mortgages to improve the experience of both Sellers and Warehouse Lenders.

For more information on preparing Form 996E, refer to [Form 996E Tips and Best Practices](#).

Guide impacts: Sections B15.11, C15.11, D15.11, 19.4, 19.5, 19.6, 19.7, 19.10, 19.11 and 19.13 and Form 996

Form 990SF updates

In response to customer feedback, we evaluated Form 990SF and are making updates for ease of customer use.

Guide impact: Form 990SF

Form 905 updates

We are updating Section 12.3.1 and Form 905, *Guide Access Manager Authorization Form*, to clarify when completion and submission of Form 905 is necessary. A Seller must submit Form 905 to add or remove Guide Access Managers (GAMs), who manage access to Guide Plus Additional Provisions for their organization. Submission of Form 905 is not required to add or delete users who are not GAMs since GAMs have the ability to make these changes.

Form 905 is also being updated to specify the difference between the “GAM only” and “GAM/User” roles and is now a fillable form for Seller convenience.

Guide impacts: Section 12.3.1 and Form 905

Objective of Freddie Mac’s purchase programs update

We are revising Section 2.1 to update outdated language.

Guide impact: Section 2.1

GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2015-20 (Selling) Guide Updates Spreadsheet available at http://www.freddie.mac.com/singlefamily/guide/docs/bl1520_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
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Single-Family Sales and Relationship Management