



TO: Freddie Mac Sellers

December 9, 2015 | 2015-21

SUBJECT: HOME POSSIBLE[®] MORTGAGES AND MANUFACTURED HOUSING

(In response to customer feedback, we are reissuing Bulletin 2015-21 on December 18, 2015 to delay the effective dates for all changes with the exception of the sections in the “Mortgages secured by Manufactured Homes” section that reflect an effective date of January 4, 2016. Additionally, we are revising the section titled “Loan Prospector[®] updates.”)

As a result of our continued focus on making homeownership accessible to more first-time homebuyers and low-to-moderate-income Borrowers, this *Single-Family Seller/Service Guide* (“Guide”) Bulletin announces:

Home Possible and Home Possible Advantage[®] Mortgages – July 1, 2016

- Introduction of a new [postsettlement delivery fee \(“delivery fee”\) cap structure for Home Possible and Home Possible Advantage Mortgages \(collectively referred to as “Home Possible Mortgages”\) and updates to Home Possible Mortgage delivery fee rates](#)
- Revisions to existing [mortgage insurance coverage level requirements for Home Possible Mortgages](#)

Manufactured housing – January 4, 2016

- A [reduction in the delivery fee rate for Mortgages secured by Manufactured Homes](#)
- Revisions to [existing mortgage insurance coverage level requirements for Mortgages secured by Manufactured Homes](#)

Custom mortgage insurance – July 1, 2016

- Updates to the minimum coverage requirement levels for custom mortgage insurance, including the expansion of [availability of custom mortgage insurance to Mortgages with loan-to-value \(LTV\) ratios in certain LTV ratio ranges not previously covered](#)
- Updates to [delivery fee rates for Mortgages sold to Freddie Mac with custom mortgage insurance](#)

HOME POSSIBLE MORTGAGES

Effective for Mortgages with Settlement Dates on or after July 1, 2016

New delivery fee cap structure and delivery fee rates

We are implementing a new delivery fee cap structure for Home Possible Mortgages to help preserve affordability for low-to-moderate income Borrowers or Borrowers in an Underserved Area across a broad spectrum of LTV ratios and credit scores. This fee cap structure is designed to manage both affordability and risk, and do so in a balanced and responsible manner.

The delivery fee cap will apply when:

- The income used to qualify the Borrower for a Home Possible Mortgage does not exceed 80% of the applicable area median income (AMI), or
- The Home Possible Mortgage is secured by Mortgaged Premises located in an Underserved Area, which is defined as either of the following:
 - Census tracts or block numbering areas in which the median income does not exceed 80% of the AMI; minority census tracts where families reside and have an income that does not exceed AMI at the time of loan origination; census tracts designated as disaster areas where families reside and have an income that does not exceed AMI at the time of loan origination; or

- Minority census tracts – census tracts that have a minority population of at least 30% and a median income of less than 100% of the AMI

Home Possible Mortgages that do not meet one of the criteria for the delivery fee cap structure above are subject to all standard delivery fee rates including those in the updated Indicator Score (IS)/LTV grid, which includes a new column for Mortgages with LTV ratios greater than 95% and less than or equal to 97%. The IS/LTV grid for Freddie Mac Relief Refinance MortgagesSM is not changing.

The new IS/LTV grid and the new Home Possible Delivery Fee Cap grid are replacing the separate Home Possible and Home Possible Advantage Mortgage delivery fee grids in Exhibit 19, thereby bringing alignment to the pricing of Home Possible Mortgages.

The Number of Units delivery fee grid in Exhibit 19 has been updated to remove separate rows for Home Possible Mortgages. The Number of Units delivery fee will apply to all Mortgages. The Condominium Unit Mortgages delivery fee grid has been updated to reflect that all applicable Home Possible Mortgages are subject to this delivery fee. The Number of Units and Condominium Unit Mortgages delivery fees are subject to the Home Possible delivery fee cap, as applicable.

Guide impacts: Section A34.14 and Exhibit 19

Delivery of Investor Feature Identifier (IFI) 140

Currently IFI 140 is used to identify purchase transaction Mortgages when income used to qualify the Borrower, converted to an annual basis, does not exceed 80% of the applicable AMI. We are expanding the description of IFI 140 to include all eligible Home Possible Mortgages and Mortgaged Premises located in Underserved Areas. Effective for Mortgages with Settlement Dates on or after July 1, 2016, in order to be eligible for the new delivery fee cap structure, Sellers must deliver IFI 140 for Home Possible Mortgages that have:

- Qualifying income that does not exceed 80% of the applicable AMI, or
- A Mortgaged Premises located in an Underserved Area

Guide impacts: Section 17.18 and Exhibit 34

New Home Possible delivery fee cap grid

HOME POSSIBLE AND HOME POSSIBLE ADVANTAGE DELIVERY FEE CAP				
Effective for Settlement Dates on or after July 1, 2016				
Product	Eligibility	LTV Ratios	Credit Score	Cap*
All Eligible Product	AMI ≤ 80% OR Underserved Area	> 80%	≥ 680	0.00%
			< 680	1.50%
		≤ 80%	All	1.50%
	All Others	All	All	Not subject to delivery fee cap – subject to applicable standard fees based on loan attributes

*If the sum of all applicable delivery fees exceeds the delivery fee cap, the Seller will be assessed the cap value in the table above. The custom mortgage insurance delivery fee will be added to the delivery fee cap, if applicable.

Updated IS/LTV grid

INDICATOR SCORE / LOAN-TO-VALUE FOR MORTGAGES OTHER THAN RELIEF REFINANCE MORTGAGES Effective for Settlement Dates on or after July 1, 2016									
Product	Credit Score	LTV Ratios							
		All Eligible							
		≤ 60%	> 60% & ≤ 70%	> 70% & ≤ 75%	> 75% & ≤ 80%	> 80% & ≤ 85%	> 85% & ≤ 90%	> 90% & ≤ 95%	>95% & ≤ 97%
All Eligible Product	≥ 740	0.00%	0.25%	0.25%	0.50%	0.25%	0.25%	0.25%	0.75%
	≥ 720 & < 740	0.00%	0.25%	0.50%	0.75%	0.50%	0.50%	0.50%	1.00%
	≥ 700 & < 720	0.00%	0.50%	1.00%	1.25%	1.00%	1.00%	1.00%	1.50%
	≥ 680 & < 700	0.00%	0.50%	1.25%	1.75%	1.50%	1.25%	1.25%	1.50%
	≥ 660 & < 680	0.00%	1.00%	2.25%	2.75%	2.75%	2.25%	2.25%	2.25%
	≥ 640 & < 660	0.50%	1.25%	2.75%	3.00%	3.25%	2.75%	2.75%	2.75%
	≥ 620 & < 640	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.50%
	< 620	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.75%

Mortgage insurance

As part of our focus on responsibly expanding homeownership, we are updating our mortgage insurance requirements for Home Possible Mortgages as follows:

- For Mortgages with LTV ratios greater than 80% and less than or equal to 90%, standard coverage levels apply
- For Mortgages with LTV ratios greater than 90%, the minimum coverage level is 25%

Home Possible Mortgages secured by Manufactured Homes will be subject to Home Possible Mortgage mortgage insurance requirements.

We are removing the table in Section A34.11 reflecting mortgage insurance coverage levels for Home Possible Mortgages and consolidating it with general mortgage insurance coverage level information in Section 27.1.

Guide impacts: Sections 27.1 and A34.11

MORTGAGES SECURED BY MANUFACTURED HOMES

Delivery fee rate

Effective for Mortgages with Settlement Dates on or after January 4, 2016

We are reducing the delivery fee rate for all eligible Mortgages secured by Manufactured Homes from 100 basis points to 50 basis points.

Guide impacts: Exhibit 19

Mortgage insurance

Effective for Mortgages with Settlement Dates on or after January 4, 2016

We are reducing the required minimum mortgage insurance coverage level for Mortgages secured by Manufactured Homes to be the standard mortgage insurance coverage.

Guide impacts: Section H33.3

Effective for Mortgages with Settlement Dates on or after July 1, 2016

We are removing the table in Section H33.3 reflecting mortgage insurance coverage levels for Mortgages secured by Manufactured Homes and consolidating it with the general mortgage insurance coverage level information in Section 27.1. For mortgage insurance coverage requirements for Home Possible Mortgages secured by Manufactured Homes see Section 27.1.

Guide impacts: Sections 27.1 and H33.3

CUSTOM MORTGAGE INSURANCE

Effective for Mortgages with Settlement Dates on or after July 1, 2016

Coverage levels

To provide an additional mortgage insurance option, we are expanding the availability of custom mortgage insurance to include Mortgage products with certain LTV ratio ranges not previously covered, including Home Possible Mortgages. We are also updating the minimum coverage levels for mortgage insurance, as reflected in Section 27.1.

Guide impacts: Section 27.1

Delivery fee rates

We are updating the delivery fee rates for Mortgages sold to Freddie Mac with custom mortgage insurance as reflected in the grid below. The grid is being expanded to reflect Mortgages with:

- LTV ratios greater than 80% and less than or equal to 85%
- LTV ratios greater than 95% and less than or equal to 97%

CUSTOM MORTGAGE INSURANCE OPTIONS Effective for Settlement Dates on or after July 1, 2016					
Product	Credit Score	LTV Ratios			
		> 80% & ≤ 85%	> 85% & ≤ 90%	> 90% & ≤ 95%	> 95% & ≤ 97%
All Eligible Product	≥ 740	0.125%	0.375%	0.500%	1.000%
	≥ 720 & < 740	0.125%	0.625%	0.875%	1.250%
	≥ 700 & < 720	0.125%	0.750%	0.875%	1.250%
	≥ 680 & < 700	0.125%	0.750%	0.875%	1.750%
	≥ 660 & < 680	0.750%	1.250%	1.750%	2.125%
	≥ 640 & < 660	1.250%	1.750%	2.000%	2.375%
	≥ 620 & < 640	1.750%	2.000%	2.250%	2.750%
	< 620	2.000%	2.250%	2.500%	3.000%

For Home Possible Mortgages, the custom mortgage insurance delivery fees will be added to the applicable Home Possible Mortgage delivery fee cap.

Guide impacts: Exhibit 19

Reduced mortgage insurance

We are removing reduced mortgage insurance as an alternative to standard mortgage insurance coverage. As a result, Guide references to flexible mortgage insurance options are being revised to reflect custom mortgage insurance as the sole alternative to standard mortgage insurance coverage.

Guide impacts: Sections 27.1, 32.3 and L33.3 and Exhibit 19

LOAN PROSPECTOR® UPDATES

We will send a future communication to announce Loan Prospector updates related to these changes.

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 and select 3 for loan delivery.

Sincerely,



Christina K. Boyle
Senior Vice President
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