



TO: Freddie Mac Sellers

June 15, 2016 | 2016-11

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Financed mortgage insurance premiums – July 25, 2016

- Updates to our requirements for [financed mortgage insurance premiums](#)

Restructured Mortgages

- Removing the restriction against the purchase of [Restructured Mortgages](#)

Home Possible® Mortgages

- Updates to our [requirements for homeownership and landlord education](#) – **October 3, 2016**
- Removing the requirement for the [delivery of Investor Feature Identifier \(IFI\) 140](#)

Mortgages secured by properties with resale restrictions – June 27, 2016

- Updates to our requirements, including expanding purchase eligibility to Mortgages secured by [properties with income-based resale restrictions](#) that survive foreclosure

Additional Guide updates

- 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.

FINANCED MORTGAGE INSURANCE PREMIUMS

Effective for Mortgages with Settlement Dates on or after July 25, 2016

As part of our continued efforts to expand homeownership opportunities to more Borrowers, we are revising our requirements for Mortgages with financed mortgage insurance premiums. These changes include the following:

Requirements for Mortgages with financed mortgage insurance premiums	
Current requirements	Revised requirements
<ul style="list-style-type: none"> • For Accept Mortgages, the Base LTV ratio, as defined in Guide Section 4701.2, must not exceed the lesser of 95% or the LTV ratio specified in Section 4203.4 • For Caution and Non-Loan Prospector Mortgages, the Base LTV ratio must not exceed the lesser of 90% or the LTV ratio specified in Section 4203.4 	<p>For all eligible Mortgages, the Base LTV ratio must not exceed the maximum LTV ratio permitted for the Mortgage Product or offering</p>

Requirements for Mortgages with financed mortgage insurance premiums	
Current requirements	Revised requirements
For all Mortgages, the Gross LTV ratio, as defined in Section 4701.2, must not exceed 95%	<ul style="list-style-type: none"> For all Home Possible Advantage® Mortgages, the Gross LTV ratio must not exceed 97% For all other Mortgages, the Gross LTV ratio must not exceed 95%
For Primary Residences, permitted for Mortgages secured by 1-unit properties only	For Primary Residences, permitted for Mortgages secured by 1- to 4-unit properties
Not permitted for super conforming Mortgages	Permitted for super conforming Mortgages

Loan Prospector® and the Selling SystemSM will be updated by July 25, 2016 to reflect these changes.

Guide impacts: Sections 4603.3 and 4701.2

RESTRUCTURED MORTGAGES

Previously, Restructured Mortgages were not eligible for purchase unless delivered to Freddie Mac through a negotiated sales transaction through the bulk sales unit. Due to changing market conditions, we are removing this restriction. There are no longer any requirements specific to Restructured Mortgages, and as a result we are deleting the Glossary term “Restructured Mortgage” and removing all other Guide references to these Mortgages.

Guide impacts: Sections 1301.11, 4201.5, 4301.2, 4302.2, 4303.2, 4402.1 and the Glossary

HOME POSSIBLE MORTGAGES

Homeownership and landlord education

Effective October 3, 2016

In response to feedback from housing advocacy groups and agencies, we have evaluated our requirements and as a result are updating our homeownership and landlord education requirements for Home Possible and Home Possible Advantage Mortgages as follows:

Requirements for Home Possible Mortgage education	
Current requirements	Revised requirements
Homeownership education can be provided by the originating lender or by the Seller, as long as it is not provided by someone directly involved in the loan origination, processing or approval process	Homeownership education, financial literacy curriculum and landlord education cannot be provided by interested parties to the transaction, the originating lender or Seller

Requirements for Home Possible Mortgage education	
Current requirements	Revised requirements
<p>Acceptable homeownership education programs include:</p> <ul style="list-style-type: none"> • Internet (on-line) homeownership education programs that have been developed by mortgage insurance companies • Homeownership education programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com) • Certain programs using Freddie Mac CreditSmart® 	<p>Acceptable homeownership education programs include:</p> <ul style="list-style-type: none"> • Programs developed by HUD-approved counseling agencies, Housing Finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs) • Homeownership education programs developed by mortgage insurance companies or other providers' programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com) <p>Alternatively, programs using Freddie Mac's financial literacy curriculum, CreditSmart, meet the homeownership education requirement provided:</p> <ul style="list-style-type: none"> • The Borrower completes the on-line CreditSmart – Steps to Homeownership Tutorial, which includes the specific modules listed in Section 4501.12 • The financial literacy curriculum is not provided by an interested party to the transaction, the originating lender or by the Seller
<p>No restrictions on who can provide landlord education in connection with Mortgages secured by 2- to 4-unit Primary Residences</p>	<p>Landlord education, in connection with Mortgages secured by 2- to 4-unit Primary Residences, may not be provided by an interested party to the transaction, the originating lender or by the Seller</p>

Loan Prospector will be updated by October 3, 2016 to reflect these changes.

Guide impact: Section 4501.12

IFI 140

In response to Seller feedback we are removing the requirement that IFI 140 must be delivered for Home Possible and Home Possible Advantage Mortgages if the income used to qualify the Borrower, converted to an annual basis, does not exceed 80% of the applicable area median income (AMI), or the property is located in an Underserved Area.

Guide impacts: Section 6302.14 and Exhibit 34

MORTGAGES SECURED BY PROPERTIES WITH RESALE RESTRICTIONS

Effective June 27, 2016

Currently, Freddie Mac only purchases Mortgages secured by properties with resale restrictions, other than age-based restrictions, that terminate at foreclosure. In response to Seller inquiries, we will now also purchase Mortgages secured by properties with income-based resale restrictions that survive foreclosure.

We are also revising requirements for Mortgages secured by properties with **income-based** resale restrictions to specify that:

- The Mortgage must be either a purchase transaction Mortgage or a 'no cash-out' refinance Mortgage
- The Mortgage must be secured by a 1-unit Primary Residence (not a Manufactured Home)
- Eligible property types are attached or detached dwelling units located on an individual lot or in a Condominium Project or Planned Unit Development (PUD)

Additionally, we have added new Guide Section 6302.37 that specifies two new IFIs required for delivery of Mortgages secured by properties subject to **income-based** resale restrictions:

- IFI 630 – to identify income-based resale restrictions that terminate upon foreclosure
- IFI 631 – to identify income-based resale restrictions that survive foreclosure

For all Mortgages secured by properties subject to resale restrictions (income-based and age-based), we are reducing the number of comparable sales required with similar resale restrictions from three to two.

Guide impacts: Sections 4201.17 and 6302.37 and Guide Exhibit 34

ADDITIONAL GUIDE UPDATES

Equity sharing

We are specifying that a provider of secondary financing or another party may not share in the appreciation of the Mortgaged Premises, except when the secondary financing is an Affordable Second®.

Guide impact: Section 4204.1

Title insurance

We identified and made minor edits related to restrictive agreements and covenants in Chapter 4702.

Guide impact: Sections 4702.1, 4702.3 and 4702.4

Forms 996E and 1034E updates

Effective June 27, 2016

Forms 996E and 1034E, generated by the Selling System, are being updated to reflect reorganized Guide cross-references. Additionally, Form 996E is being updated to reflect changes to delivery instructions announced in Bulletin 2015-20. As a result, the sample Forms 996E and 1034E are being updated to align with the forms in the Selling System available beginning June 27, 2016.

Guide impacts: Sample Forms 996E and 1034E

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 2016-11 (Selling) Guide Updates Spreadsheet available at

http://www.freddiemac.com/singlefamily/guide/docs/bl1611_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,

A handwritten signature in cursive script that reads "Christina K. Boyle". The signature is written in black ink and is positioned above the printed name and title.

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