



TO: Freddie Mac SellersMay 31, 2017 | 2017-8

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Collateral representation and warranty relief – new automated collateral evaluation

- [Automated collateral evaluation](#), including requirements for: – **June 19, 2017 (New)**
 - [Eligibility](#)
 - [Age of automated collateral evaluation offer](#)
 - [Delivery](#)

Condominium Projects

- Simplified requirements for [Detached Condominium Projects](#)
- Additions to [our list of ineligible projects](#) – **May 31, 2017 and August 31, 2017**
- Elimination of separate underwriting paths for [streamlined project reviews](#)

Appraisal and property specific requirements

- Addition of [Uniform Appraisal Dataset \(UAD\) condition and quality ratings and level of updating definitions](#) to the Guide as new [Exhibit 36](#)
- Additional details about the [sales contract](#) provided to the appraiser
- Updates to our [eligibility and appraisal requirements for a 1-unit property with an accessory unit](#) – **August 31, 2017**

Area median income estimates

- Updates to Loan Product Advisor® and the Home Possible® Income & Property Eligibility tool to reflect the [area median income estimates for 2017](#) – **June 13, 2017**

EFFECTIVE DATE

All the changes announced in this Bulletin are effective immediately unless otherwise noted.

COLLATERAL REPRESENTATION AND WARRANTY RELIEF – NEW AUTOMATED COLLATERAL EVALUATION**Effective June 19, 2017**

Building on the collateral representation and warranty relief announced in Bulletin 2017-3, this Bulletin announces our automated collateral evaluation, which provides the Seller with the option to waive the appraisal requirements for certain Loan Product Advisor Mortgages.

Freddie Mac's automated collateral evaluation leverages data and proprietary models to assess whether the estimate of value provided by the Seller to Loan Product Advisor may be used to underwrite the Mortgage in lieu of the appraised value. When the Seller accepts an automated collateral evaluation offer to waive the appraisal, the Seller will be relieved of its representations and warranties related to value, condition and marketability of the property.

When accepted, this appraisal waiver will help shorten origination timelines and reduce costs for Sellers and Borrowers while providing greater certainty through collateral representation and warranty relief.

Eligibility

Loan Product Advisor offer

The Seller will receive a feedback message indicating that a Mortgage is eligible for an appraisal waiver on the Loan Product Advisor Feedback Certificate. If the Mortgage is not eligible for an appraisal waiver, the Feedback Certificate will specify that an appraisal is required.

If the Mortgage meets the eligibility requirements in this Bulletin and the Seller receives the feedback message indicating the Mortgage is eligible for the appraisal waiver, the Seller may accept the offer by delivering the Mortgage with the ULDD Data Points described in the [“Delivery requirements”](#) section below.

Mortgage eligibility

The following requirements apply for a Mortgage to be eligible for the appraisal waiver:

- The Mortgage must be secured by a 1-unit Primary Residence or second home
- The Mortgage must have a loan-to-value (LTV)/total LTV (TLTV) ratio less than or equal to 80%
- The Mortgage must be a no cash-out refinance
- Upon assessment by Loan Product Advisor, the Feedback Certificate must indicate the Mortgage is eligible for collateral representation and warranty relief with an appraisal waiver
- The final submission to the Selling System® must indicate the collateral representation and warranty relief status is “Y” or “Yes”

Ineligible Mortgages

The following Mortgages are not eligible for an appraisal waiver:

- Mortgages for which an appraisal has been obtained in connection with the Mortgage
- Mortgages secured by one of the following:
 - A Condominium Unit
 - A Manufactured Home, or
 - A leasehold estate
- Mortgages secured by Mortgaged Premises subject to resale restrictions
- Construction Conversion and Renovation Mortgages
- Freddie Mac Relief Refinance MortgagesSM – Same Servicer or Open Access
- Mortgages with Freddie Mac Settlement Dates more than 120 days from the Note Date

In addition, Sellers may not accept an appraisal waiver offer through Loan Product Advisor if any of the following apply:

- The Seller is required by law or regulation to obtain an appraisal
- The Seller is aware of conditions it believes warrant an appraisal being obtained. Examples include but are not limited to:
 - The property is located in an area recently impacted by a disaster
 - A contaminated site or hazardous substance exists affecting the property or the neighborhood in which the property is located

For Mortgages with appraisal waivers, the Seller must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the Mortgaged Premises.

Guide impacts: Guide Sections 4203.1, 4501.6, 4603.5 and 5601.9

Age of automated collateral evaluation offer

The appraisal waiver offer is valid for 120 days. If the offer is more than 120 days old as of the Note Date, a resubmission to Loan Product Advisor is required to determine ongoing appraisal waiver eligibility.

Note: If the Seller changes loan data (e.g., address of the property, loan amount, estimate of value, loan type, property type, occupancy of the property) in a subsequent Loan Product Advisor submission, the original offer may be invalidated and a different automated collateral evaluation eligibility determination may be provided.

Guide impacts: Sections 5601.8 and 5601.9

Delivery requirements

Once the Seller has accepted the appraisal waiver offer for a Mortgage, the Seller must deliver the following ULDD Data Points for the Mortgage:

- *Property Valuation Method Type* (Sort ID 89) and enter a valid value of “None”
- *Investor Collateral Program Identifier* (Sort ID 376) and enter a valid value of “Property Inspection Alternative”

Guide impact: Section 6302.10

Additional resources

We encourage Sellers to visit the [Collateral Representation and Warranty Relief page](#) on the Freddie Mac Learning Center for available training and resources.

CONDOMINIUM PROJECTS

Detached Condominium Projects

As a result of recent Mortgage performance trends, we are simplifying the project eligibility requirements for Detached Condominium Projects:

Detached Condominium Project Requirements	
Previous requirements	Revised requirements
<p>The Seller was required to determine compliance with:</p> <ul style="list-style-type: none"> • The Condominium Project review requirements in Section 5701.2(a), and • The Condominium Project eligibility requirements, which have two components: <ul style="list-style-type: none"> ➢ General Condominium Projects in Section 5701.2(b), and ➢ The Detached Condominium Project review type in Section 5701.7(b) <p>The Seller was required to determine compliance with Section 5701.2(b), including determining that the project is not an ineligible project as specified in Section 5701.3.</p>	<p>The Seller is required to determine compliance with:</p> <ul style="list-style-type: none"> • The Condominium Project review requirements in Section 5701.2(a), and • The Detached Condominium Project eligibility requirements in Section 5701.7(b) <p>The Seller is no longer required to determine compliance with Section 5701.2(b), including determining that the project is not an ineligible project as specified in Section 5701.3.</p>

Compliance with Sections 5701.2(a), 5701.2(b) and 5701.3 and one of the project review types in Guide Chapter 5701 is still required for all other Condominium Projects.

Guide impacts: Sections 5701.2, 5701.3 and 5701.7

Ineligible Condominium Projects

As a result of our research and analysis, we are updating our list of ineligible Condominium Projects in Section 5701.3 as follows:

- Projects with names that include the words “hotel,” “motel,” “inn,” or “lodge” or a branded hotel chain or name remain ineligible unless the project does not have the characteristics of a hotel or similar type of transient housing
- Projects with pending litigation involving minor matters that do not affect the safety, structural soundness, functional use or habitability of the project and in which the litigation amount is unknown may be eligible if the requirements in Section 5701.3(i) are met

Additionally, effective August 31, 2017, we are updating our list of ineligible projects as follows:

- A project or an investment in a project, including Condominium Unit ownership that is characterized or promoted as an investment opportunity, that could be deemed to be an investment security is an ineligible project
- A project with mandatory dues or similar membership fees for the use of Amenities, such as clubhouses or recreational facilities, is ineligible with certain exceptions

Guide impacts: Sections 1301.11, 5601.2 and 5701.3

Streamlined project review

We are aligning and consolidating the maximum LTV/TLTV/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio requirements for “LP Accept Mortgages” and “All Other Mortgages” underwriting paths. The maximum LTV/TLTV/HTLTV ratio requirements are now indicated solely by occupancy type. As a result, the maximum LTV/TLTV/HTLTV ratio for streamlined project review of non-LP Accept Mortgages for Condominium Units in Established Condominium Projects not located in Florida is increasing from 80% to 90% for primary residences.

Guide impact: Section 5701.4

APPRAISAL AND PROPERTY SPECIFIC REQUIREMENTS

Uniform Appraisal Dataset (UAD) condition and quality ratings and level of updating definitions

For ease of Seller use and efficiency in the appraisal underwriting process, we are incorporating the UAD condition and quality ratings and level of updating definitions into the Guide as new Guide Exhibit 36. These ratings and definitions were previously only published in UAD Specification Appendix D: *Field-Specific Standardization Requirements*, which is posted on our [UAD web page](#).

Guide impacts: Section 5601.12 and Exhibit 36

Information supplied to the appraiser – changes to the sales contract

In response to Seller inquiries, we are specifying that Sellers are not required to provide the appraiser with an updated sales contract *unless* the updated terms impact the physical description or condition of the property. In such cases, the Seller must obtain an updated appraisal of the property.

Changes to the sales contract that are not required to be provided to the appraiser include, but are not limited to:

- Changes to the transaction terms such as sales price, financing or sale concessions, and
- Date revisions, corrections to typographical errors, etc.

Guide impact: Section 5601.3

Property with an accessory unit

Effective August 31, 2017

Currently, Freddie Mac will purchase a Mortgage secured by a 1-unit property with only one accessory unit. To assist Sellers in identifying an accessory unit, we are updating our requirements and guidance as follows:

- Requiring that the accessory unit have a kitchen and a bathroom
- Providing examples of characteristics that may indicate a 2-unit property rather than a 1-unit property with an accessory unit, such as the zoning and land use requirements, covenants or homeowners association requirements, the existence of separate meters, ingress/egress or separate addresses for the units

We are updating our comparable selection requirements for a 1-unit property with an accessory unit that complies with the zoning and land use requirements (legal or legal non-conforming zoning compliance) to require that the appraisal must include at least one comparable sale with only one accessory unit. The accessory unit of the comparable sale must also comply with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area.

Additionally, to allow Sellers to deliver a Mortgage secured by a 1-unit property with an accessory unit that does not comply with the zoning and land use requirements (illegal zoning compliance), we are adding the following requirements:

- The “Site” section of the appraisal report must indicate that the accessory unit does not comply with zoning and land use requirements (illegal zoning compliance)
- At least two comparable sales with each having only one accessory unit must be included in the appraisal report. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area
- The Seller must confirm that the existence of the accessory unit will not jeopardize future hazard insurance claims

Guide impacts: Sections 5601.2 and 5601.12

AREA MEDIAN INCOME ESTIMATES

The FHFA has issued the area median income estimates for 2017.

Loan Product Advisor and the [Home Possible Income & Property Eligibility tool](#) will be updated by start of business on June 13, 2017 to reflect the 2017 area median income estimates. Because some 2017 estimates are lower than the area median income estimates for 2016, Home Possible Mortgages underwritten using the 2016 area median income limits may no longer be eligible for sale. If a Home Possible Mortgage received an “Accept-Eligible” evaluation prior to June 13, 2017, but receives an “Accept-Ineligible” when resubmitted to Loan Product Advisor on or after June 13, 2017 due only to the new area median income estimates (that is, no other purchase restriction/reason for ineligibility applies), we will honor the original Feedback Certificate for the “eligibility” and purchase the Mortgage as long as there is no change to the Borrower’s income and/or the address of the Mortgaged Premises. In these instances, the original Feedback Certificate (pre-June 13, 2017) must have been returned by Loan Product Advisor no more than 120 days before the Note Date and both Feedback Certificates must be retained in the Mortgage file.

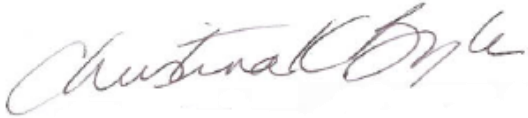
GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2017-8 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1708_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 typed name and title.

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