



TO: Freddie Mac Sellers

July 26, 2017 | 2017-11

SUBJECT: LENDER GIFTS AND GRANTS AND AGENCY-PROVIDED FUNDS

Freddie Mac remains committed to working with our Sellers and the industry to provide responsible and sustainable solutions that help make homeownership accessible to more Borrowers who have limited funds.

To support our commitment to continue to provide responsible financing options, we are changing our requirements for lender gifts and grants for Home Possible® Mortgages and funds provided by an Agency.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective for Mortgages with Settlement Dates on and after **November 1, 2017**, unless otherwise noted.

Lender gifts and grants for Home Possible Mortgages

As announced in our July 6, 2017 Industry Letter, we are changing our requirements for Home Possible Mortgages, including Home Possible Advantage® Mortgages.

We are revising our requirements to state that gifts or grants from the Seller as the originating lender will be permitted only after a contribution of at least 3% of value (i.e., the lesser of the appraised value or the purchase price) is made from Borrower personal funds and/or other eligible sources of funds as described in Guide Section 4501.10(c). Gifts or grants from the Seller must not be funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering.

Delivery requirements

In conjunction with this change, we reviewed our existing delivery requirements for Home Possible Mortgages originated with gifts and grants from the Seller as the originating lender. **Effective immediately**, we are clarifying the delivery requirements in Section 6302.14 for Home Possible Mortgages originated with gifts and grants from the Seller as the originating lender. Sellers must enter the valid value of "Borrower" for ULDD Data Point, *Down Payment Source Type* (Sort ID 173), and "Gift Funds" for ULDD Data Point, *Down Payment Type* (Sort ID 175).

As a reminder, Sellers should note that the valid value of "Originating Lender" for ULDD Data Point, *Down Payment Source Type* (Sort ID 173), and "Grant" for ULDD Data Points, *Down Payment Type/Down Payment Type Other Description* (Sort IDs 175/176), were added to the Uniform Loan Delivery Dataset (ULDD) Appendix A, *Freddie Mac XML Data Requirements V.4.0.2*, published on December 13, 2016. The Selling System® will be updated to accept these valid values by February 26, 2018.

Sellers may begin delivering the new valid values (in lieu of the valid values of "Borrower" for ULDD Data Point, *Down Payment Source Type* (Sort ID 173), and "Gift Funds" for ULDD Data Point, *Down Payment Type* (Sort ID 175)) once the Selling System has been updated, and will be required to do so on and after the ULDD Phase 3 mandate in May 2019.

Guide impacts

Sections 4501.10 and 6302.14 are being updated to reflect these requirements for gifts and grants from the Seller as the originating lender for Home Possible Mortgages.

Agency-provided funds (including down payment assistance)

Agency must not be the Seller or any party that participated in the Mortgage origination process or affiliated with either

Currently, the Guide permits funds from the following sources to be provided by an Agency:

- Gift or grant
- Affordable Second®
- Matching funds for an Individual Development Account (IDA)
- Unsecured loan (Home Possible Mortgages only)

In order to promote Agency independence, we are revising our requirements for funds provided by an Agency. For the subject Mortgage, unless the source of funds is an Employer Assisted Homeownership (EAH) Benefit, the Agency providing the funds must not:

- Be the Seller or have participated in any aspect of the Mortgage origination process
- Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process

For these purposes, “affiliated with” means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

Exception for Home Possible Mortgages

For Home Possible Mortgages, the funds may be provided by an Agency affiliated with, under contract to, or financed (directly or indirectly) by the Seller as the originating lender when:

- The source of funds is an eligible source meeting all applicable Guide requirements (for example, a gift or grant from an Agency must meet the requirements in Section 5501.3(c))
- A contribution of at least 3% of value (as described in Section 4203.1) is made from Borrower personal funds and/or other eligible sources of funds as described in Section 4501.10; and
- The source of funds is not funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering

Documentation requirements for IDAs with Agency matching funds subject to Recapture

Effective immediately, we are making a minor clarification to Section 5501.3(c)(4). Currently, we require that the documentation of matching funds also meet the documentation requirements for a gift or grant from an Agency, including providing evidence that the funds do not have to be repaid. Since this conflicts with how an IDA with Agency matching funds subject to Recapture is structured, we are updating the Guide to exempt the Seller from the requirement to provide such evidence. This revision aligns with our original intent.

Guide impacts

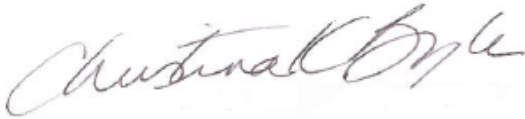
Sections 4204.2, 4501.10, 5501.3 and 5501.4 are being updated to reflect these requirements for funds provided by an Agency.

CONCLUSION

Supporting affordable housing and access to credit is an integral part of Freddie Mac's mission as we lead the housing industry forward, helping to build a better housing finance system – for today and tomorrow.

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at (800) FREDDIE.

Sincerely,

A handwritten signature in cursive script that reads "Christina K. Boyle".

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