



TO: Freddie Mac SellersApril 25, 2018 | 2018-7

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

HomeOneSM Mortgage and revised Home Possible[®] Mortgage income limits – July 29, 2018

- [Freddie Mac HomeOne Mortgage](#) – **New**
- Updates to the [income limits](#) for Freddie Mac Home Possible and Freddie Mac Home Possible Advantage[®] Mortgages, including applying 100% area median income (AMI) limits to all Mortgages except those secured by properties in low-income census tracts
- Enhancements to [Loan Product Advisor[®]](#) to assess the appropriate annual income limits

Integrated Construction Conversion Documentation for Manufactured Homes

- Sellers are permitted to use Integrated Construction Conversion Documentation for a Construction Conversion Mortgage secured by a [Manufactured Home](#)

Automation of Warehouse Lender release and transfer

- New functionality to automate [Warehouse Lenders'](#) release and transfer of their interests in Pledged Mortgages – **August 13, 2018**

Additional Guide updates and reminders

- Further updates 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.

HOMEONE MORTGAGE AND REVISED HOME POSSIBLE MORTGAGE INCOME LIMITS**Effective July 29, 2018**

In support of our continuing efforts to provide access to Mortgage credit, we are introducing the HomeOne Mortgage, our newest low down payment option that will serve the needs of more First-Time Homebuyers. HomeOne Mortgages have loan-to-value (LTV), total LTV (TLTV) and/or Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios above 95%. This offering complements our Home Possible offering by providing a low down payment financing option for Borrowers without specific income or geographic restrictions.

Freddie Mac remains committed to our mission of providing sustainable homeownership. In order to better focus Home Possible Mortgages on serving low- and moderate-income Borrowers, we are also revising the income limit requirements for Home Possible and Home Possible Advantage Mortgages.

HomeOne Mortgage

The requirements for the HomeOne Mortgage are in new Guide Chapter 4605 and include, but are not limited to, the following:

- At least one Borrower must be a First-Time Homebuyer when the Mortgage is a purchase transaction Mortgage
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- When all Borrowers are First-Time Homebuyers, at least one Borrower must participate in homeownership education. This requirement may be fulfilled with our free, online [CreditSmart®](#) program or another acceptable homeownership education program.
- The maximum LTV/TLTV/HTLTV ratios are:
 - Maximum LTV ratio: 97%
 - Maximum TLTV ratio for Mortgages with secondary financing that are not Affordable Seconds®: 97%
 - Maximum TLTV ratio for Mortgages with Affordable Seconds: 105%
 - Maximum HTLTV ratio: 97%
- The Mortgage must be:
 - A Loan Product Advisor Mortgage with a Risk Class of Accept (Manually Underwritten Mortgages are not permitted)
 - A purchase transaction or “no cash-out” refinance Mortgage. For a “no cash-out” refinance Mortgage, the Mortgage being refinanced must be owned or securitized by Freddie Mac unless it has secondary financing that is an Affordable Second. To identify if Freddie Mac owns the Mortgage, the Borrower can look up the loan in Freddie Mac’s [Loan Look-Up Tool](#) or authorize the Seller to obtain this information on the Borrower’s behalf.
 - Secured by a 1-unit Primary Residence. Eligible property types include Condominium Units and units in Planned Unit Developments. Manufactured Homes are not permitted.
 - A fixed-rate Mortgage
- If the Mortgage has an LTV ratio greater than 95%, it must have standard mortgage insurance coverage of 35%. Custom mortgage insurance is allowed.

Guide Section 6302.16(b)(ii) is being updated to include special delivery requirements for HomeOne Mortgages that are “no cash-out” refinance Mortgages. Sellers must enter the valid value of “FRE” for ULDD Data Point *Related Loan Investor Type* (Sort ID 222). If available, Sellers should also provide the associated Freddie Mac loan number of the Mortgage being refinanced for ULDD Data Point *Related Investor Loan Identifier* (Sort ID 221).

Review Guide Exhibit 19 to determine Credit Fees in Price applicable to the HomeOne Mortgage, including Mortgages with secondary financing.

Loan Product Advisor, Loan Quality Advisor® and Loan Selling AdvisorSM will be updated on July 29, 2018 to support the HomeOne Mortgage. There will be new Loan Product Advisor feedback messages which will be communicated at a future date.

Guide impacts: Chapter 4605 and Sections 4203.4, 4302.2, 4303.2, 4402.4, 4501.3, 4601.1, 4602.11, 4603.3, 4701.2, 5103.6, 5703.3 and 6302.16 and Exhibits 19 and 25

Revisions to Home Possible Mortgage income limit requirements

We are updating the income limits for Home Possible Mortgages, including Home Possible Advantage Mortgages, to better focus these offerings on serving low- and moderate-income Borrowers. For all Home Possible Mortgages, with the exception of those secured by Mortgaged Premises located in a low-income census tract, the Borrower’s income, converted to an annual basis, must not exceed 100% of the AMI. There will continue to be no income limit for Mortgaged Premises located in low-income census tracts where the median income is at or below 80% AMI. With these revisions to the Guide, the Glossary term “Underserved Area” is no longer used in the Guide and will be deleted. Freddie Mac will continue to purchase Mortgages secured by properties located in designated high-cost areas, census tracts designated as disaster areas and minority census tracts; however, these Mortgages will now be subject to the maximum 100% AMI requirement.

Guide impacts: Section 4501.7 and Glossary R-Z

Loan Product Advisor enhancements for income changes

We are enhancing Loan Product Advisor, on July 29, 2018, to assess eligible Home Possible Mortgages against the previous and/or current year income limits, applying the better of the two years' limits. Sellers will no longer need to retain the original Feedback Certificate when the Mortgage receives an Accept-Ineligible based on the Home Possible income limits. We will update the 2018 AMI limits concurrently with the updated income limits announced in this Bulletin.

As provided for in the table below, the better of the income limits will be based on:

- 2017 – refers to the income limits in effect prior to July 29, 2018:
 - Home Possible and Home Possible Advantage income eligibility requirements which provide for higher income limits in designated high-cost areas, properties located in census tracts designated as disaster areas and high minority census tracts
 - The 2017 AMI limits
- 2018 – refers to the revised Home Possible and Home Possible Advantage income eligibility requirements announced with this Bulletin in effect on and after July 29, 2018, which include 2018 AMI limits and 100% AMI limits except for properties located in low-income census tracts

Loan Product Advisor Determination of Income Limits	
When the Mortgage is submitted as a Home Possible Mortgage on and after July 29, 2018, and...	Then the following income limits are applied...
The last submission before July 29, 2018 was also a Home Possible Mortgage, and income limits were met	The better of income limits for 2017 or 2018
<ul style="list-style-type: none"> • The Mortgage is submitted for the first time • The Key Number cannot be identified, or • The last submission before July 29, 2018 was not submitted as Home Possible and/or did not meet the income eligibility limits 	2018

The revised Home Possible Mortgage income limits and 2018 AMI limits will also be implemented in the [Home Possible® Income & Property Eligibility](#) tool on July 29, 2018. For Manually Underwritten Home Possible Mortgages, Sellers must apply the new income limits for Mortgages with Application Received Dates on or after July 29, 2018.

Additional resources

Sellers are encouraged to register for our "[Realize the Possibilities with HomeOne Mortgages](#)" webinar. A new [HomeOne Mortgage fact sheet](#) is also available.

INTEGRATED CONSTRUCTION CONVERSION DOCUMENTATION FOR MANUFACTURED HOMES

Freddie Mac's [Duty to Serve plan](#) describes our focus on supporting underserved markets by financing more rural and manufactured housing and preserving affordable housing for homebuyers nationwide. Freddie Mac is working with the mortgage industry, community nonprofits, all levels of government and other dedicated organizations to make a positive difference for very low-, low- and moderate-income households in these three

historically underserved markets. As part of our Duty to Serve plan, we are making changes to our Manufactured Homes requirements.

Currently, for a Construction Conversion Mortgage secured by a Manufactured Home, Sellers must conduct two loan closings, one for the construction financing and one for the Permanent Financing, and must use separate documentation for each type of financing. To streamline the loan processing, underwriting and settlement processes for Sellers, we are expanding our Construction Conversion Mortgage offering for Manufactured Homes to include Mortgages that use Integrated Documentation and a single-close process where permitted under applicable law.

Sellers will still be able to originate Construction Conversion Mortgages secured by Manufactured Homes using two loan closings and separate documentation if they so choose. Sellers will need to evaluate the most efficient process for their business and consider their respective State or county titling requirements.

We are updating the special delivery requirements to include Manufactured Homes.

Guide impacts: Sections 4602.3 and 6302.28

AUTOMATION OF WAREHOUSE LENDER RELEASE AND TRANSFER

Effective August 13, 2018

Many Sellers enter into Warehouse Agreements with Warehouse Lenders to finance Mortgages prior to their sale into the secondary mortgage market. Warehouse Lenders must release their security interests, or transfer their ownership interests, in these Pledged Mortgages by delivering Guide Form 996E to Freddie Mac for each Purchase Contract containing Pledged Mortgages prior to their Funding Date.

We are enhancing Loan Selling Advisor, and we are updating the Guide, to reflect new functionality to automate Warehouse Lenders' release and transfer of their interests in Pledged Mortgages. These enhancements will create efficiencies by:

- Granting Warehouse Lenders access to Loan Selling Advisor to directly release their interests in Pledged Mortgages
- Giving Warehouse Lenders the option to import the recording of their release of their interests in Pledged Mortgages
- Eliminating manual processing of Form 996E by Sellers and Warehouse Lenders as this form will now be electronically submitted through Loan Selling Advisor
- Providing the capability to both Sellers and their Warehouse Lenders to allow export of certain Warehouse Lender data

We are also updating Form 996E to include "Note Amount" and "Total Note Amount" data on Appendix 1: Schedule of Pledged Mortgages.

New Section 2403.11(c) details the procedure to obtain access for Warehouse Lenders to become authorized users of Loan Selling Advisor and to designate their roles by completing and submitting new Form 900WHL, *Loan Selling AdvisorSM Warehouse Lender Authorized User Identification Form*.

In addition, we have made certain changes to clarify other sections of the Guide that relate to Pledged Mortgages and/or Warehouse Lenders.

Warehouse Lender authorization to use Loan Selling Advisor

All Warehouse Lenders must use this new process to release Pledged Mortgages through Loan Selling Advisor for Forms 996E created on or after August 13, 2018; those created prior to that date may be submitted according to the requirements in effect prior to August 13, 2018.

For a Warehouse Lender to become authorized to use Loan Selling Advisor by August 13, 2018, the Warehouse Lender must complete, sign in ink and deliver to Freddie Mac by **July 13, 2018**:

- New Form 475, *Warehouse Lender Agreement to Access Loan Selling AdvisorSM*, and

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- New Form 900WHL for Warehouse Lender employees who require access to Loan Selling Advisor. Persons authorized as 'Approvers' must also be Authorized Employees on the Warehouse Lender's Form 990SF that has been accepted by Freddie Mac.

Resources and Guide impacts

Prior to August 13, 2018, training and a dedicated test environment will be made available. We will announce when Sellers and Warehouse Lenders may begin using the training and test environment at a future date.

For additional information, visit our [Requirements for Warehouse Financing Arrangements web page](#).

Guide impacts: Sections 2201.2, 2401.1, 2402.6, 2403.8, 2403.11, 6203.8, 6204.8, 6205.8, 6301.2, 6301.8, 6305.1 through 6305.5, 6305.8 through 6305.10 and 6305.12 and Forms 475, 900WHL and 996E and Glossaries A-I, J-Q and R-Z

ADDITIONAL GUIDE UPDATES AND REMINDERS

Exhibit 28A

We are updating Exhibit 28A to better align with the practices of the servicing-released mortgage market. Sellers will now be required to refund Servicers that service loans sold to Freddie Mac through the Servicing Released Sales Process 100% of the servicing-released premium if a Borrower fails to make the first four monthly payments following the Funding Date.

In addition, we are eliminating the requirement that a Servicer must notify a Seller of the payoff of Mortgages sold through the Servicing Released Sales Process. The Seller can access that information on its own in Loan Coverage Advisor®.

Guide impact: Exhibit 28A

Authorized user identification forms

We will no longer require users to assign the birthdate of the individual Authorized User as that user's personal identification number (PIN) when requesting access to Freddie Mac tools and systems, including Loan Selling Advisor and Loan Coverage Advisor. A PIN will now be automatically generated for each Authorized User. As a result, we are removing the fields for a PIN from applicable forms.

Guide impacts: Forms 900, 900SA, 901 and 906

Credit assessment with Loan Product Advisor

Effective for Mortgages submitted or re-submitted through Loan Product Advisor on and after May 19, 2018

Loan Product Advisor is being updated to apply the revised requirements for Accept and A-minus Mortgages when not all Borrowers have a usable Credit Score as announced in Bulletin 2017-2 to pertain to any Mortgage submitted or re-submitted through Loan Product Advisor regardless of original submission date.

Guide impact: Section 5201.1

Forms 16SF and 1107SF

In Bulletin 2018-3 we announced changes effective on November 10, 2017 to the electronic versions of Forms 16SF and 1107SF; at that time, the sample Form 16SF and paper Form 1107SF were not updated. We are now updating the sample Form 16SF and the paper Form 1107SF to reflect the changes made to the electronic versions of these forms.

Guide impacts: Forms 16SF and 1107SF

Mortgage file maintenance and Purchase Documents

As announced in Bulletin 2018-6, based on Seller/Servicer feedback, Section 3301.1 has been updated to specify that, except with respect to Mortgages sold under the Servicing Released Sales Process that are covered by Exhibit 28A, for the sake of convenience, in connection with any Transfer of Servicing, copies of documents and related data from the Mortgage file may be maintained by the Transferor Servicer.

In addition, we updated the Guide to expressly require Transferor Servicers to provide to Transferee Servicers, on or before the Effective Date of Transfer, copies of:

- All of the Transferor Servicer's Purchase Documents applicable to any of the Mortgages related to a Transfer of Servicing (excluding any Credit Fees in Price and Credit Fees in Yield); and
- All of the Purchase Documents of any preceding Transferor Servicer that are applicable to any of the Mortgages related to a Transfer of Servicing (excluding any Credit Fees in Price and Credit Fees in Yield)

With respect to Transfers of Servicing that have taken place prior to April 11, 2018, we now require Transferor Servicers to provide such Purchase Documents to a Transferee Servicer in response to such Servicer's written request.

Rent loss insurance

As announced in Bulletin 2018-6, in response to Seller/Servicer feedback, we deleted Section 8202.4 as it only contained general information on rent loss insurance.

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 2018-7 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1807_spreadsheet.xls.

CONCLUSION

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,



Christina K. Boyle
Senior Vice President
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