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**TO: Freddie Mac Sellers**

October 17, 2018 | 2018-18

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## **SUBJECT: SELLING UPDATES**

This Guide Bulletin announces:

### **Loan Collateral Advisor®**

- Updates to the [Loan Collateral Advisor](#) score structure, feedback messages and eligibility for representation and warranty relief for property value only – **October 31, 2018**

### **Condominium Projects**

- Updated requirements for [Condominium Projects](#)
- Updated flexibilities for [Condominium Project reviews](#) – **November 19, 2018**
- Freddie Mac [Condo Project Advisor<sup>SM</sup>](#) – **November 5, 2018 (New)**

### **Properties affected by disasters**

- New Guide chapter providing requirements and flexibilities related to the eligibility and origination of Mortgages secured by [properties affected by a disaster](#) – **November 19, 2018 (New)**

### **Additional Guide updates**

- Further updates 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.

## **LOAN COLLATERAL ADVISOR**

### **Effective October 31, 2018**

We are making enhancements to Loan Collateral Advisor that will create appraisal review efficiencies, increase eligibility rates for representation and warranty relief for property value only and extend value representation and warranty relief for Mortgages secured by Condominium Units.

Loan Collateral Advisor enhancements will provide:

- **Simplified risk scoring system**
    - A single-risk score instead of the current two-score structure, which will make the appraisal review process more efficient and will be communicated to the Seller as the Loan Collateral Advisor risk score. The Loan Collateral Advisor risk score will be represented by a single score on a scale of one to five, provided in .5 increments, with one representing the lowest appraisal valuation risk score.
    - Greater transparency into our relief eligibility by identifying our representation and warranty relief threshold. Eligible Mortgages with loan-to-value (LTV)/ total LTV (TLTV)/ Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios less than or equal to 95% that have an appraisal with a Loan Collateral Advisor risk score of 2.5 or less will receive representation and warranty relief.
  - **Clearer feedback messaging** – Fewer feedback messages will be returned on appraisals that are eligible for value representation and warranty relief and a redefined message structure will now group messages into categories. The revised messaging system will provide greater clarity to help identify potential issues during the appraisal review process.
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For all eligible Mortgages, representation and warranty relief will be provided for value only to increase the overall relief eligibility rates. Sellers will no longer receive representation and warranty relief for condition and marketability of the Mortgaged Premises.

For Mortgages that are eligible for value representation and warranty relief Sellers are responsible for ensuring the Mortgaged Premises meets our eligibility requirements, the accuracy and completeness of the appraiser’s description of the subject property and for the requirements in Section 5601.9.

Sellers will not be responsible for underwriting the appraisal to ensure the opinion of market value is accurate and adequately supported, the appraiser explaining how the final value conclusion was determined and the appraiser making appropriate adjustments.

Additionally, Construction Conversion and Renovation Mortgages are being added to the list of ineligible Mortgages.

Guide impact: Section 5601.9

**Additional resources**

Sellers should refer to our [September 6, 2018 Single-Family News Center article](#) for the new Loan Collateral Advisor feedback messages.

**CONDOMINIUM PROJECTS**

**Condominium Project requirements**

In response to Seller feedback, we are updating our requirements for Condominium Projects as follows:

Topic	New requirements
Established and New Condominium Projects unit conveyance (Glossary, Section 5701.1)	<ul style="list-style-type: none"> <li>Established Condominium Projects: Unit conveyance requirement is changing from <i>at least 90%</i> unit conveyance to the unit purchasers to <i>at least 75%</i> for projects with greater than four units</li> <li>New Condominium Projects: Unit conveyance requirements changing from <i>less than 90%</i> unit conveyance to the unit purchasers to <i>less than 75%</i> for projects with greater than four units</li> </ul>
Expiration of project reviews (Section 5701.2)	<ul style="list-style-type: none"> <li>Established Condominium Projects (including streamlined review): The Seller must review and determine compliance within one year prior to the Note Date (changed from within 180 days prior to the Note Date)</li> <li>New Condominium Projects: The requirement remains that Sellers must continue to review and determine compliance within 180 days prior to the Note Date</li> </ul>
Ineligible projects – Investment securities (Section 5701.3)	Eliminating this requirement
Ineligible projects – Project that is legal non-conforming (Section 5701.3)	Eliminating this requirement

Topic	New requirements
Ineligible projects – Single entity ownership (Section 5701.3)	Increasing single entity ownership concentration maximum for projects with 21 or more units from 10% to 25%

Additionally, we reorganized content and revised language within Guide Chapter 5701 to simplify and streamline the chapter. Certain requirements remain unchanged but are now included in the ineligible project requirements section (Section 5701.3). For example, the requirements relating to a unit owners' ownership interest in the land on which the project is located and the unit owners' use and ownership of Common Elements were moved from Section 5701.2 to Section 5701.3. Similarly, the ineligible project requirements regarding Seller contributions for units in New Condominium Projects and the eligibility for purchase by Freddie Mac of Mortgages secured by attached units in New Condominium Projects in Florida now are included in the New Condominium Projects review type section (Section 5701.6).

Guide impacts: Sections 1301.11, 5601.12, 5701.1, 5701.2, 5701.3, 5701.4, 5701.5, 5701.6, 5701.10, 5704.2, Glossaries A-I and J-Q

## Condominium Project review

### Effective for Mortgages with Settlement Dates on and after November 19, 2018

In response to Seller feedback, we are providing additional flexibility for Condominium Project reviews as highlighted below.

Topic	New requirements
2- to 4-Unit Condominium Projects (Sections 5701.7 and 8202.5)	<p>Sellers have a new delivery option, Exempt From Review, for Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects.</p> <p>If the Seller chooses to deliver a Mortgage secured by a Condominium Unit in a 2- to 4-Unit Condominium Project as Exempt From Review:</p> <ul style="list-style-type: none"> <li>• Sellers must comply with the Condominium Project eligibility requirements in Section 5701.2(b)</li> <li>• Ineligible project requirements in Section 5701.3 are no longer applicable for 2- to 4- Unit Condominium Projects</li> <li>• Sellers must deliver "Exempt From Review" (ULDD Data Point, <i>Project Classification Identifier</i> (Sort ID 42))</li> </ul> <p>Sellers may continue to deliver Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects as "Streamlined Review" or "Full Review," if the requirements in Sections 5701.4, 5701.5 or 5701.6 are met.</p> <p>Additionally, the requirements for liability insurance for 2- to 4-Unit Condominium Projects for all review types have been eliminated from Section 8202.5.</p>
Investment property occupancy types - Streamlined review of Condominium Units in Established Condominium	<p>We are allowing Investment Property Mortgages with maximum LTV/TLTV/HTLTV ratios of 75% to be eligible for streamlined project reviews (previously an ineligible occupancy type).</p> <p>Note: The maximum allowable LTV/TLTV/HTLTV ratio is 70% for</p>

Topic	New requirements
Projects (Section 5701.4)	Mortgages secured by Condominium Units in Florida projects. The Seller must deliver “Streamlined Review” under ULDD Data Point, <i>Project Classification Identifier</i> (Sort ID 42).

### ***Delivery requirements***

We are updating Section 6302.20 to describe the applicable valid values for ULDD Data Point *Project Classification Identifier* (Sort ID 42), noted in the table above. Additionally, we are revising the delivery requirement in Sections 5701.12 and 6302.20 for Detached Condominium Unit Mortgages to now allow ULDD Data Point *Project Classification Identifier* (Sort ID 42) of “Exempt From Review” in addition to “Full Review” to align with existing policy.

Loan Selling Advisor will be updated in support of these changes for Mortgages with Settlement Dates on and after November 19, 2018. To support your adoption of these new flexibilities, Sellers may continue to deliver *Project Classification Identifier* (Sort ID 42) of “Full Review” for Detached Condominium Unit Mortgages and “Full Review” or “Streamlined Review” for Mortgages secured by Condominium Units in a 2- to 4-Unit Condominium Project.

Guide impacts: Sections 5701.2, 5701.3, 5701.4, 5701.7, 5701.9, 5701.12, 5704.2, 6302.16, 6302.20, 8202.5, and 8202.6

### **Freddie Mac Condo Project Advisor<sup>SM</sup>**

#### **Effective November 5, 2018**

We are updating the Guide in preparation for the availability of Freddie Mac Condo Project Advisor, which will be available by request on November 5, 2018.

Condo Project Advisor, which will be accessible through the Freddie Mac Loan Advisor Suite<sup>®</sup> portal, allows Sellers to easily request unit-level waivers for Established Condominium Projects. Sellers can:

- Submit, track and monitor waiver requests
- Request multiple category exceptions in each waiver request
- Obtain representation and warranty relief for each approved waiver

Sellers interested in Condo Project Advisor will need to receive access and training. Authorized Sellers can submit single Mortgage exception requests through Condo Project Advisor in one or more of the following categories:

- Delinquent assessments – Section 5701.5(e)
- Excessive commercial space – Section 5701.3(d)
- Pending litigation – Section 5701.3(i)
- Owner occupancy (referred to as ‘Project Unit Occupancy’ in Condo Project Advisor) – Section 5701.5(c)
- Reserves for capital expenditures and deferred maintenance – Section 5701.5(d)
- Excessive single investor concentration (referred to as ‘Single Entity Ownership’ in Condo Project Advisor) – Section 5701.3(j)

If a Mortgage is granted a single Mortgage exception, known as a Project Waiver Request (PWR), a Condo Project Advisor feedback certificate will be issued. The Condo Project Advisor feedback certificate must be maintained in the Mortgage file.

Condominium Unit Mortgages with approved PWRs, must be delivered to Freddie Mac within 180 days from the date of the Condo Project Advisor feedback certificate. If the related Condominium Unit Mortgage is not delivered

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within 180 days from the date of the Condo Project Advisor feedback certificate, the Seller must submit a new PWR and obtain a new Condo Project Advisor feedback certificate prior to delivery.

If a Condo Project Advisor feedback certificate is delivered to Freddie Mac within 180 days from the date of the Condo Project Advisor feedback certificate, the Seller will be relieved from enforcement of the representations and warranties related to the approved PWR categories identified on the feedback certificate. The Seller remains responsible for compliance with all other Condominium Project review and eligibility requirements.

We are also updating the licensing framework to reflect the addition of Condo Project Advisor to the system-specific license for Freddie Mac Loan Advisor Suite.

Guide impacts: Sections 2402.2 and 5701.1

### **Additional resources**

Seller should refer to our [Condo Project Advisor web page](#) for more information and are encouraged to register for our [“Using Condo Project Advisor”](#) webinar.

Contact your Freddie Mac account representative for more information.

## **PROPERTIES AFFECTED BY DISASTERS**

### **Effective November 19, 2018**

We are adding new Guide Chapter 4407, *Properties Affected by Disasters*, to provide requirements and flexibilities related to the eligibility and origination of Mortgages secured by properties located in areas impacted by a disaster, including:

- Special requirements related to the eligibility of Mortgages secured by properties that have been impacted as a result of a disaster
- The requirement that the Seller have policies and procedures in place to assess whether there has been any adverse effect on the property that needs to be considered before the Mortgage is eligible for delivery to Freddie Mac

### **Major disaster plan**

Additionally, Chapter 4407 includes details of a major disaster plan (“the plan”), which provides flexibilities and requirements related to eligibility and origination of Mortgages that Freddie Mac may implement when a major disaster occurs. Freddie Mac will determine if the disaster impact to an area is such that the plan should be implemented.

If implemented, Freddie Mac’s major disaster plan will provide the following flexibilities for Mortgages secured by properties located in the designated disaster area:

- **Age of documentation requirements** – Allow credit and capacity underwriting documentation, Loan Product Advisor® submission and appraisal reports to be dated up to **180 days** before, as applicable, the Note Date, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or any applicable assumption agreement date
- **For Freddie Mac Relief Refinance Mortgages<sup>SM</sup>** – Permit Sellers to use the HVE® value estimate obtained on an earlier submission to Loan Product Advisor in the event the HVE value estimate is not available on a subsequent submission due to the systematic suspension of HVE

Freddie Mac will notify Sellers through a Bulletin of the implementation of the plan, including the plans effective date. The plan will remain in effect for six months from the effective date announced by Freddie Mac.

### **Automated collateral evaluation appraisal waiver eligibility**

To provide flexibility, we are updating our requirements to permit Sellers to accept the automated collateral evaluation appraisal waiver offer for properties in disaster areas if the value and marketability of the Mortgaged

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Premises has not been impacted. Sellers will be responsible for ensuring the property condition requirements related to properties impacted by a disaster are met.

### **Guide impacts and additional resources**

Refer to our [Natural Disaster Relief web page](#) for more information, including new [FAQs](#) regarding our requirements for Mortgage and property eligibility when a property is impacted by a disaster.

Guide impacts: Chapter 4407, Sections 1301.11, 4302.2, 4303.3, 5601.2 and 5601.9

### **ADDITIONAL GUIDE UPDATES**

#### **Automated cash specified payups clarification for contracts in pipeline**

In Bulletin 2018-15, we announced that effective October 15, 2018, in order to receive cash payups we will no longer require Sellers to deliver values H64 through H68 in ULDD Data Point *Investor Feature Identifier* (IFI) (Sort ID 368) for Mortgages with low loan balances.

We are clarifying that for contracts taken out prior to October 15, 2018 and settling on or after October 15, 2018, Sellers must continue to deliver IFI values H64 through H68 in order to receive cash payups, as per the requirements in effect prior to October 15, 2018.

#### **Home Possible Mortgages**

As announced in Bulletin 2018-13, beginning October 29, 2018, we will permit non-occupant Borrower(s) on Mortgages secured by 1-unit properties when certain requirements are met. As a result of this change, we are updating Section 5103.6 to state that for purchase transaction Home Possible Mortgages homeownership education is required when all *occupying* Borrowers are First-Time Homebuyers. This aligns with Section 4501.12.

Guide impact: Section 5103.6

### **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 2018-18 (Selling) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1818\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1818_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,



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