



TO: Freddie Mac Sellers

December 6, 2018 | 2018-25

SUBJECT: TEMPORARY SELLING REQUIREMENTS RELATED TO CALIFORNIA WILDFIRES AND UPDATES TO ELIGIBILITY FOR PROPERTIES IMPACTED BY HURRICANE IRMA

Freddie Mac is committed to helping Borrowers impacted by the California wildfires receive the assistance they need and to providing Sellers with underwriting guidance and flexibilities to assist in originating and selling impacted Mortgages to Freddie Mac.

As a result, Freddie Mac is extending the temporary selling requirements that were announced in Bulletins 2018-17 and 2018-20 to Mortgages and Borrowers whose Mortgaged Premises or places of employment (as applicable) are located in certain zip codes that were impacted by the California wildfires. Refer to the [Eligible Zip Codes](#) section for areas eligible for the temporary requirements provided in this Bulletin.

The Guide is not being updated to include these temporary requirements. Sellers must retain a copy of this Bulletin to ensure compliance with these requirements.

Note: Guide Chapter 4407, *Properties Affected by Disasters*, announced in Bulletin 2018-18, only applies to disasters that originated on or after the November 19, 2018 effective date. Because areas impacted by the California wildfires were declared as Eligible Disaster Areas on November 12, 2018, they do not fall under the new disaster policy.

We are also announcing that certain flexibilities and changes included in Bulletin 2017-19 for Mortgages secured by properties in Eligible Disaster Areas as a result of Hurricane Irma will be retired.

ELIGIBLE ZIP CODES

As a result of our impact analysis, we identified zip codes **95954**, **95965** and **95969** in Butte County, California as eligible for the temporary requirements provided in this Bulletin.

Note: This limitation does not apply to the temporary [reimbursement for property inspections](#) described below. Freddie Mac will provide inspection fee reimbursement for properties impacted by the wildfires in all of Los Angeles, Ventura and Butte counties.

TEMPORARY SELLING REQUIREMENTS FOR PROPERTIES IMPACTED BY THE CALIFORNIA WILDFIRES

Age of documentation requirements

The following age of documentation requirements apply to Mortgages secured by properties, or for Borrowers with places of employment (as applicable), located in Eligible Disaster Areas affected by the California wildfires that have Application Received Dates on or before, and Note Dates after, November 12, 2018:

- Property valuation documentation, including the point value estimate from HVE® or the new appraisal, as applicable, must be dated no more than 180 days before the Note Date
- Any required credit and capacity underwriting documentation, including, but not limited to, credit reports, verifications of income, employment and sources of funds, must be dated no more than 180 days before the Note Date

Note: Loan Product Advisor® will automatically pull a new credit report for Mortgages that are submitted or resubmitted to Loan Product Advisor 120 days or more after the date of the credit report. The most

recent credit report must be used to analyze the Borrower's credit reputation and determine the Indicator Score, as applicable.

These requirements will remain in effect for a period of six months, i.e., the Application Date must be on or before November 12, 2018 and the Note Date of the Mortgage must be on or before May 12, 2019.

For the purposes of this Bulletin, "Note Date" is 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.

As a reminder, no more than 10 Business Days prior to the Note Date, the Seller must confirm a Borrower's employment by obtaining a 10-day pre-closing verification of employment in accordance with the requirements of Guide Section 5302.2, when applicable. For a self-employed Borrower, the Seller remains responsible for a verification of the current existence of the Borrower's business no more than 120 calendar days prior to the Note Date in accordance with the requirements of Section 5304.1(g).

For Mortgages that meet the requirements above, Sellers may use these temporary requirements in conjunction with their negotiated terms.

Special collateral requirements and guidance

In recognition of the complexity and special circumstances related to originating Mortgages under these conditions, Freddie Mac is providing specific collateral requirements and guidance related to Mortgages impacted by the California wildfires and secured by properties located in the applicable [zip codes](#).

Property damage

As with any disaster, the Seller must assess whether there has been any adverse effect on the Mortgaged Premises that needs to be considered before determining whether the Mortgage is eligible for sale and delivery to Freddie Mac. Refer to Section 5601.9 for collateral representation and warranty requirements regarding value, condition and marketability of the Mortgaged Premises.

For Mortgages with Note Dates prior to November 12, 2018, but not yet sold to Freddie Mac, the Seller is responsible for determining whether the property was damaged by the California wildfires.

If the Seller determines that the property has been damaged such that the damage impacts the safety, soundness, or structural integrity, the property is not acceptable as security for the Mortgage and the Mortgage is not eligible to be sold to Freddie Mac.

For less severe damage, the Seller may sell the Mortgage to Freddie Mac if the Seller ensures the damage is covered by insurance as required in Chapter 8202 and the Seller re-verifies that the property insurance coverage is adequate to protect against future loss to the property.

For Mortgages in process as of November 12, 2018, Sellers must determine if the property is acceptable security for the Mortgage.

Automated collateral evaluation appraisal waivers

Sellers may not accept automated collateral evaluation (ACE) appraisal waiver offers for properties located in the applicable [zip codes](#) affected by the California wildfires unless the related Mortgage has a Note Date prior to November 12, 2018 and the Seller has confirmed and documented the condition of the Mortgaged Premises has not been adversely impacted by the wildfires and retains such documentation in the Mortgage file.

ACE appraisal waiver eligibility will be systematically suspended in Loan Product Advisor, Loan Quality Advisor® and Loan Selling Advisor® effective December 14, 2018 for properties located in the applicable [zip codes](#).

Loan Collateral Advisor® – collateral representation and warranty relief

For Mortgages with Note Dates prior to November 12, 2018 that are secured by properties located in the applicable [zip codes](#) affected by the California wildfires and that received collateral representation and warranty relief through Loan Collateral Advisor, the Seller must take appropriate steps to determine whether the property has been damaged. Freddie Mac will continue to offer collateral representation and warranty relief if the Seller

confirms and documents that the property has not been adversely impacted by the wildfires and retains such documentation in the Mortgage file.

Effective December 14, 2018, collateral representation and warranty relief will be systematically suspended in Loan Product Advisor, Loan Quality Advisor and Loan Selling Advisor for properties located in the applicable [zip codes](#). Loan Product Advisor, Loan Quality Advisor and Loan Selling Advisor will be updated to include messages reminding Sellers of their obligation to ensure the property's condition has not been adversely impacted by the disaster.

Due to a system constraint, in the event a Seller resubmits a Mortgage to Loan Product Advisor after closing, the Feedback Certificate will indicate that the Mortgage is "not eligible" for collateral representation and warranty relief. Upon submission to either Loan Quality Advisor or Loan Selling Advisor, the collateral representation and warranty relief decision will be corrected to accommodate the flexibility identified above and will indicate an "eligible" collateral representation and warranty relief decision, if applicable.

Seller reimbursement for property inspections

Freddie Mac will reimburse Sellers for property inspections completed on and before May 12, 2019 in Los Angeles, Ventura and Butte counties pursuant to the [property damage](#) section of this Bulletin when the following requirements are met:

- The property inspection was completed in connection with, and prior to, the sale or securitization of the Mortgage
- The original appraisal or ACE appraisal waiver was obtained prior to the area having been declared an Eligible Disaster Area

We will reimburse Sellers for actual inspection costs not to exceed \$75 for an individual Mortgage after the Mortgage has been sold or securitized.

To receive the reimbursement amount, the Seller must:

- Maintain copies of the inspection invoice(s) in the Mortgage file
- E-mail an Excel® spreadsheet of its Mortgages to Loan_Delivery_Funding_Ops@freddiemac.com with the subject line: "Seller reimbursement request for disaster-related property inspections." The spreadsheet must include:
 - The Seller/Service number
 - The Freddie Mac Settlement Date
 - The Freddie Mac loan number
 - The Seller loan number
 - The amount to be reimbursed
 - The property zip code

The reimbursement amount will be reflected in the Seller's monthly billing statements. To receive the credit on the Seller's next month's statement, we must receive the spreadsheet no later than the 15th of the current month.

We will accept spreadsheets through November 12, 2019. For questions about the reimbursement process, Sellers should call its Freddie Mac representative or e-mail us at Loan_Delivery_Funding_Ops@freddiemac.com.

Cash contracts

Sellers should contact the Cash Desk (571-382-5960 or cash_ex@freddiemac.com) if there are Mortgages in a contract that cannot be delivered prior to contract expiration because the property securing the Mortgage is in an Eligible Disaster Area affected by the California wildfires.

Reminder for Freddie Mac Relief Refinance MortgagesSM

Sellers are reminded that for Freddie Mac Relief Refinance MortgagesSM secured by properties affected by disasters:

- A Seller is not required to obtain a property inspection or new appraisal when a property valuation (either an HVE point value estimate or an appraisal) was relied on prior to a disaster, and
- A Seller can use an HVE point value estimate with a high or medium confidence score after a disaster without obtaining a property inspection or appraisal to determine property condition

This flexibility for Relief Refinance Mortgages does not impact Servicing requirements. Sellers must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in Chapter 8202, and in accordance with the terms of the Security Instrument and applicable law. See Sections 4302.2 and 4303.2, as applicable, for further information.

UPDATES RELATED TO HURRICANE IRMA

Age of documentation

Effective for Mortgages with Settlement Dates on or after January 7, 2019 the age of documentation flexibility, announced in Bulletin 2017-19, permitting Mortgages with Application Received Dates on or before, and Note Dates after, September 10, 2017 to have age of valuation and credit related documentation dated up to 180 days before the Note Date will be retired. The standard age of documentation requirements in the Guide will apply to these Mortgages.

ACE appraisal waiver offers and collateral representation and warranty relief

Effective January 7, 2019, Freddie Mac's systems will be updated to again offer appraisal waiver offers (for new submissions and resubmissions) and collateral representation and warranty relief provided through Loan Collateral Advisor for approximately 97% of the Federal Emergency Management Agency's (FEMA) declared disaster areas eligible for individual assistance associated with Hurricane Irma.

As Sellers begin receiving the appraisal waiver offers and corresponding messages, they may accept them without consideration of the Note Date of the Mortgage or confirming the condition of the Mortgaged Premises has not been adversely impacted. Standard Guide requirements for appraisal waivers and collateral representation and warranty relief apply.

Freddie Mac will continue to monitor the areas that remain ineligible for appraisal waivers and Loan Collateral Advisor collateral representation and warranty relief, including those associated with other disasters, and will re-establish eligibility as warranted. As eligibility is further reinstated, Freddie Mac systems will be updated accordingly and Sellers will be notified.

ADDITIONAL RESOURCES

Sellers should refer to the following for additional disaster-related information:

- Our [Disaster relief web page](#), including the [Disaster Relief Reference Guide](#) and [Managing Distressed Properties Quick Reference](#) document
- The FEMA [web site](#) to determine if a Borrower's Mortgaged Premises or place of employment is located in an Eligible Disaster Area

CONCLUSION

Freddie Mac is committed to ensuring that Borrowers receive the Mortgage assistance they need to mitigate the devastating impacts of the California wildfires. We appreciate the understanding and consideration that Sellers have extended to Borrowers coping with hardships as a result of the recent disasters that have impacted so many different geographic areas.

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, appearing to read "Christina K. Boyle".

Christina K. Boyle
Chief Client Officer
Single-Family Business