



TO: Freddie Mac Sellers

December 15, 2016 | 2016-23

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Assets – July 6, 2017

- Revisions to our requirements for [assets](#)

Home Possible® Mortgages

- Updates to [permit ownership interest in other residential property, under certain circumstances](#)

2017 loan limits – January 1, 2017

- Updates to the Guide to reflect the [increases in the 2017 loan limits](#) for both base conforming and super conforming Mortgages

Extension of the effective date for revised income qualification requirements – July 6, 2017

- The [extension of the effective date for previously announced revisions to income qualification requirements and guidance](#) and the delayed update of related Loan Product Advisor® feedback messages

Relief Refinance MortgagesSM

- Guide updates and details related to the [extension of our Relief Refinance Mortgage offerings](#)

Additional Guide updates and reminders

- Further updates and reminders 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.

ASSETS

Effective for Mortgages with Settlement Dates on and after July 6, 2017; however, Sellers may implement for Mortgages with Settlement Dates on and after March 6, 2017

We are revising our requirements for assets (i.e., the funds used to qualify the Borrower for the Mortgage transaction) including but not limited to, Down Payment, Closing Costs and reserves. Freddie Mac considered Seller inquiries and feedback, as well as broad industry and financial practices in developing these updated requirements.

Chapter 5501 is being updated to:

- Revise requirements to align with current industry practices
- Provide additional guidance to improve a Seller’s understanding of Freddie Mac’s requirements for Borrower assets and to address the efficiencies of today’s banking and technology
- Streamline eligibility and documentation requirements for certain asset types
- Better organize and consolidate related content

Highlights of the changes in Chapter 5501 include:

Guide section	Key updates
Section 5501.1	<ul style="list-style-type: none"> • Verified and eligible funds - Specifying that all funds used to qualify the Borrower for the Mortgage transaction, including but not limited to Down Payment, Closing Costs and reserves, must be verified and come from eligible sources
Section 5501.2	<ul style="list-style-type: none"> • Minimum reserves - For Loan Product Advisor Mortgages, revising minimum required reserves for the subject property to default to the minimum required on the Feedback Certificate • Additional required reserves – Specifying proper calculation for additional required reserves for second homes and Investment Property Mortgages, when applicable
Section 5501.3	<ul style="list-style-type: none"> • Computer-generated transaction histories - Updating requirements for documentation of the accounts held in financial institutions to include requirements for computer-generated transaction histories • Verifiable funds - Specifying that funds that belong to the Borrower and are verifiable (for example, disaster relief funds, lottery winnings, court awarded settlements, etc.) are considered acceptable • Additional asset types – Specifying additional eligible asset types, to include real estate commission earned by the Borrower who is a licensed real estate agent, proceeds from a 1031 exchange or a bridge loan, and additional eligible retirement accounts • Earnest money deposit - Updating requirements for verifying the earnest money deposit when the funds are used to qualify for the Mortgage • Business accounts – Enhancing requirements for funds from business accounts, including providing special requirements for evaluating deposits on business account statements • Source of funds from outside the United States and its territories – Providing requirements for when the source of funds that are needed for closing is outside the United States and its territories • Wedding gifts – Adding wedding gifts as an acceptable source of funds subject to certain eligibility and documentation requirements • Account access – Specifying that the Borrower must have access to the funds
Section 5501.4	<ul style="list-style-type: none"> • EAH Benefits – Relocating Section 5501.5, <i>Employer Assisted Homeownership (EAH) Benefit</i>, to Section 5501.4 and consolidating all requirements for EAH Benefits in one section and including the types of benefits and requirements in a chart format
Section 5501.5	<ul style="list-style-type: none"> • Interested party contributions – Moving interested party contribution requirements from Section 4304.3 to Section 5501.5 for placement with related content
Section 5501.6	<ul style="list-style-type: none"> • Lender credit – Adding new section for requirements for lender credit

Section 4501.10(c) has been updated to include the following changes related to sources of funds for Home Possible Mortgages:

- **Minimum reserves** – For Loan Product Advisor Mortgages, revising minimum required reserves for the subject property to default to the minimum required on the Feedback Certificate
- **Unsecured loans** – Replacing cross-references to other sections with the actual requirements for eligible unsecured loans

We are also updating and replacing certain defined terms with industry-accepted terminology. As a result, we are:

- Removing the following defined terms from the Glossary: Borrower Funds, Borrower Personal Funds, Other Borrower Funds and Financing Costs

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- Updating the definition for Closing Costs to include Prepays/Escrows and costs previously referred to as Financing Costs
 - Removing the term Premium Financing from the Glossary and referring to lender credit derived from an increase in the interest rate
 - Adding the term Down Payment to the Glossary.

Mortgages originated using these new requirements may have Settlement Dates on and after March 6, 2017. Sellers that elect to take advantage of the Guide changes prior to the mandatory effective date of July 6, 2017 must comply with all the revised assets requirements and guidance for each Mortgage for which they use the updated requirements, and may not choose to comply with some, but not all, of the changes. All Mortgages with Settlement Dates on and after July 6, 2017 must be originated in compliance with the revised assets requirements and guidance.

Loan Product Advisor and the Selling SystemSM will be updated by March 6, 2017 to reflect these changes.

These changes will be reflected in a future Uniform Loan Delivery Dataset (ULDD) specification addendum.

Guide impacts: Guide Sections 1301.11, 3401.17, 4201.16, 4204.2, 4204.3, 4204.4, 4204.5, 4205.1, 4205.2, 4205.3, 4301.4, 4301.5, 4301.6, 4302.2, 4303.3, 4501.6, 4501.10, 4602.5, 4602.8, 5102.1, 5102.2, 5102.3, 5103.1, 5303.5, 5304.1, 5307.1, 5401.2, 5601.12, 5701.3, 5703.4, 5703.5, 6302.14, 6302.16, 6302.18, 6302.29, 8406.5, 8406.6 and 9207.3 and Chapter 5501 and the Glossary

HOME POSSIBLE MORTGAGES AND OWNERSHIP INTEREST IN OTHER PROPERTY

Previously, requirements for Home Possible Mortgages stated that a Borrower must not have an ownership interest in any other residential property as of the Note Date of the new Mortgage. This is consistent with the intent of Home Possible, to expand access to credit for low-to-moderate income Borrowers.

However, there are circumstances in which a Borrower may hold ownership interest in a property that are compatible with the intent of the program. To allow for these situations, we are permitting ownership in other residential property provided the Borrower does not occupy the other property, and:

- The Borrower inherited their ownership interest in the property and shares ownership with another party, or
- The Borrower owns the property with another party and the debt associated with the property was assigned to the other party by a court order (e.g., a divorce decree), or
- The Borrower is a cosigner/guarantor on the related Mortgage debt and someone other than the Borrower has made payments on the debt associated with the property for the most recent 12 months, as documented with copies of canceled checks or a statement from the lender

Guide impacts: Section 4501.7

2017 LOAN LIMITS

Effective for Mortgages with Freddie Mac Funding or Settlement Dates on and after January 1, 2017

As announced in our [November 23, 2016 Single-Family Update e-mail](#), the FHFA has increased the maximum base conforming and designated high-cost area loan limits effective January 1, 2017. Freddie Mac super conforming Mortgages are subject to the loan limits for designated high-cost areas. The loan limits, effective for Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2017, are as follows:

Maximum Loan Limits				
Property type	On and before December 31, 2016		On and after January 1, 2017	
	Maximum Base Conforming Loan Limits ¹	Maximum Super Conforming Loan Limits ^{1, 2}	Maximum Base Conforming Loan Limits ¹	Maximum Super Conforming Loan Limits ^{1, 2}
Mortgages secured by 1-unit properties	\$417,000	\$625,500	\$424,100	\$636,150
Mortgages secured by 2-unit properties	\$553,850	\$800,775	\$543,000	\$814,500
Mortgages secured by 3-unit properties	\$645,300	\$967,950	\$656,350	\$984,525
Mortgages secured by 4-unit properties	\$801,950	\$1,202,925	\$815,650	\$1,223,475

¹Except for Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands

²Actual loan limits for specific counties in high-cost areas, as determined by FHFA, may be lower than the maximum permitted loan limit listed above. Visit the FHFA [loan limits page](#) for specific loan limits for each high-cost area.

The maximum base conforming and super conforming loan limits for Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands will be 50% higher than those listed above.

For super conforming Mortgages, notwithstanding the maximum loan limits shown in the above chart, Sellers must review the 2017 loan limits permitted for the specific county in which the property is located. The FHFA provides this information on its [web site](#).

Loan Product Advisor was updated on December 2, 2016 so Sellers may begin originating Mortgages with these new loan limits immediately. However, Mortgages meeting the 2017 limits are not eligible for sale to Freddie Mac until on or after January 1, 2017.

The Selling System was updated on December 2, 2016. Mortgages originated with loan amounts that meet the 2017 loan limits, but not the 2016 loan limits, **must not** have a Freddie Mac Funding Date or Settlement Date earlier than January 1, 2017.

Guide impacts: Sections 4203.3 and 4603.2

EXTENSION OF THE EFFECTIVE DATE FOR REVISED INCOME QUALIFICATION REQUIREMENTS

Bulletin 2016-19 announced revisions to our income qualification requirements and guidance effective for Mortgages with Settlement Dates on and after March 6, 2017. Loan Product Advisor feedback messages to support these revisions were scheduled to be updated by February 6, 2017.

In an effort to provide Sellers additional time to prepare for these changes, and in response to industry feedback, the revised income requirements and guidance is now effective for **Mortgages with Settlement Dates on and after July 6, 2017**.

Loan Product Advisor feedback messages will now be updated by March 6, 2017.

Although the mandatory effective date is extended, Sellers may begin using the revised requirements and guidance for Mortgages with Settlement Dates on and after March 6, 2017. However, for such Mortgages, Sellers must use all of the revised requirements and may not choose to implement only selected revised requirements and guidance. All Mortgages with Settlement Dates on and after July 6, 2017 must be originated in compliance with the revised income requirements.

Guide impacts: Sections 4302.2, 4303.3 and 5102.4, Chapters 5301, 5302, 5303, 5304, 5305 and 5307 and Guide Form 90

EXTENSION OF RELIEF REFINANCE MORTGAGE OFFERINGS

In our [Single-Family Update e-mail dated August 25, 2016](#), we notified Sellers that the FHFA has directed Freddie Mac and Fannie Mae to extend the implementation of the Home Affordable Refinance Program® (HARP®) through September 30, 2017.

As a result, we are extending the expiration date of the Freddie Mac Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access offerings.

Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access must now have Application Received Dates on or before **September 30, 2017** and Settlement Dates on or before **June 30, 2018**.

The [Single-Family Update e-mail](#) also notified Sellers that the FHFA has directed Freddie Mac and Fannie Mae to implement a new high-LTV refinance offering. The details of this new offering will be announced in a future Bulletin.

Guide impacts: Sections 4302.1 and 4303.1

ADDITIONAL GUIDE UPDATES AND REMINDERS

ULDD Phase 3 Announced

As announced in our [December 13, 2016 Single-Family Update e-mail](#), to support the continued improvement of our loan delivery standards, Freddie Mac and Fannie Mae announced Phase 3 of the ULDD on December 13, 2016, and published the ULDD Phase 3 specification addendum included as *Tab 9 – ULDD Phase 3 Issued 12-13-16* in Appendix A – Freddie Mac XML Data Requirements v4.0.0. Further information, including the implementation timeline and supporting documentation will be provided in the first quarter of 2017. The Phase 3 ULDD delivery requirements will be incorporated into the Guide with a future Bulletin. View the ULDD Phase 3 requirements on our [ULDD web page](#).

Forms 16SF and 1107SF updates

As announced in Bulletin 2016-21, we periodically review and adapt Forms 16SF and 1107SF to meet changing needs. As a result of our most recent review, effective January 27, 2017, Forms 16SF and 1107SF will be updated to add a new section for Seller/Servicers to provide a list of all States, which include the District of Columbia, Guam, Puerto Rico and the Virgin Islands, in which the Seller/Servicer is licensed to conduct business, together with its license number. Seller/Servicers that are nationally chartered will only need to provide their national registration number.

Additionally, we have corrected the issue that prevented scrolling fields and certain other fields from fully appearing on the printable version of the completed forms. When printing a copy of either form for Seller/Servicer records all information in these fields will now be visible.

For clarity and ease of use, we are making additional changes to Form 16SF, including:

- Adding a new field to require an explanation when a Seller/Servicer indicates that a change has occurred with a Document Custodian or a funds custodian relationship
- Adding a new section that will permit Seller/Servicers to designate up to five additional persons to receive Form 16SF reminders and late notices
- Making the “Certification, Consent and Agreement” language available for review prior to completion of the form by selecting it in the navigation section
- Adding two new questions in the origination section for Seller/Servicers to indicate if they use a vendor for pre- and postfunding quality control
- Adding the ability to reopen a form once submitted to make a correction if reported to Freddie Mac the day of submission

Seller/Servicers that have a draft Form 16SF or 1107SF saved on or after January 27, 2017, will be unable to submit either form until providing the information in the new fields. Beginning January 27, 2017, the new fields must be completed prior to submission.

If a Seller/Servicer has completed and submitted Form 16SF prior to January 27, 2017, it does not need to resubmit to account for these updates. When reporting organizational changes after January 27, 2017, the updated Form 1107SF is required.

Spanish language translation of Mortgage documents

Spanish translations for certain forms are now available on our [Spanish Translation of Mortgage Documents web page](#) in order to better help Seller/Servicers do business with Spanish-speaking Borrowers. These include, but are not limited to:

- Truth-in-Lending Act (TILA)-Real Estate Settlement Procedures Act (RESPA) Integrated Mortgage Disclosure Rule forms per the Consumer Financial Protection Bureau
- IRS Form W-9
- Written List of Service Providers

We have also included existing Form 710s, *Uniform Borrower Assistance Form*, together with these resources for ease of reference.

As a reminder, Section 4101.1 permits use of the Fannie Mae Spanish/English version of the Uniform Residential Loan Application, Form 1003(s) and Statement of Assets and Liabilities, Form 1003A(s), subject to certain conditions.

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 2016-23 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1623_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,



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