



TO: Freddie Mac Sellers

March 16, 2017 | 2017-2

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Loan Product Advisor® enhancements

- The assessment of Mortgages through Loan Product Advisor [when no Borrower on the Mortgage has a Credit Score](#) – **June 26, 2017 (New)**
- Revisions to our requirements for Mortgages when [not all Borrowers on the Mortgage have a usable Credit Score](#) – **May 15, 2017**

Selling System® enhancements

- Functionality in the Selling System for pricing [Guarantor and MultiLender Purchase Contracts](#) – **April 24, 2017 (New)**

Second Home and Investment Property Mortgages

- Revisions to our requirements for [Second Home and Investment Property Mortgages](#)

Homeownership education

- Updates to our [homeownership education](#) requirements for Manually Underwritten Mortgages – **June 26, 2017**

Uniform Loan Delivery Dataset (ULDD)

- New [ULDD Data Points](#) to help identify Warehouse Lenders – **June 5, 2017 (New)**

Form 16SF, Annual Eligibility Certification Report, and Form 1107SF, Seller/Service Change Notification

- New effective date for updates to our [Guide Forms 16SF and 1107SF reporting requirements](#) – **April 21, 2017**

Freddie Mac-approved mortgage insurers

- Updates to [Guide Exhibit 10](#) for the acquisition of United Guaranty Corporation by Arch Capital Group Ltd.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

LOAN PRODUCT ADVISOR ENHANCEMENTS

As announced in our [February 3, 2017 Single-Family News Center article](#), we are enhancing Loan Product Advisor in an effort to expand homeownership opportunities to more Borrowers.

No Borrower on the Mortgage has a Credit Score

Effective for Mortgages originally submitted through Loan Product Advisor on and after May 14, 2017 with Settlement Dates on and after June 26, 2017

Currently, when no Borrower on a Mortgage has a Credit Score, it must be manually underwritten. We are updating Loan Product Advisor to allow the assessment of Mortgages when no Borrower has a Credit Score, subject to the requirements in the table below:

Requirements for Mortgages when no Borrower has a Credit Score	
Mortgage eligibility	<p>When no Borrower on a Mortgage has a Credit Score, the Mortgage must:</p> <ul style="list-style-type: none"> • Be a purchase or a “no cash-out” refinance Mortgage • Be secured by a 1-unit property and all Borrowers must occupy the property as their Primary Residence • Have a loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio that does not exceed 95% • Be a fixed-rate Mortgage <p>Eligibility exclusions</p> <p>When no Borrower on a Mortgage has a Credit Score, the Mortgage must not be:</p> <ul style="list-style-type: none"> • Secured by a Manufactured Home • A super conforming Mortgage
Accept and A-Minus Mortgages	<p>In addition to the requirements in the Mortgage eligibility row above, for Accept and A-minus Mortgages, the Seller must determine that the Mortgage meets the following requirements:</p> <ul style="list-style-type: none"> • Each Borrower must have at least two payment references in the United States comprised of Noncredit Payment References and/or Tradelines not appearing on the credit report. If two or more Borrowers have the same payment reference, then the payment reference may count for each of those Borrowers. <p>Additionally:</p> <ul style="list-style-type: none"> ➤ Each payment reference must have existed for at least the most recent 12 months ➤ At least one Borrower must have a housing payment history as one of the payment references; and: <ul style="list-style-type: none"> ○ In the event more than one Borrower has a housing payment history, then all such housing payment histories for the most recent 12 months (or length of housing payment history if less than 12 months) must be verified ○ All housing payment histories must have no 30-day or greater Delinquencies in the most recent 12 months ➤ For all payment references other than housing: <ul style="list-style-type: none"> ○ Only one payment reference may have one 30-day Delinquency in the most recent 12 months; and ○ All payment references must have no 60-day or greater Delinquencies in the most recent 12 months ➤ Each payment reference must: <ul style="list-style-type: none"> ○ Meet the requirements for written verifications in Guide Section 5102.3

Requirements for Mortgages when no Borrower has a Credit Score

	<ul style="list-style-type: none"> ○ Meet the age of documentation requirements in Section 5102.4 ○ Be documented in accordance with Section 5202.2(b) ● Each Borrower must have no collections (other than medical), judgments or tax liens filed in the most recent 24 months ● When the credit reputation for all Borrowers is established using only Noncredit Payment References, then at least one Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, meeting the requirements of Section 5103.6
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Note that:

- Loan Product Advisor will return an “Incomplete” message(s) on the Loan Product Advisor Feedback Certificate if the [Mortgage eligibility](#) requirements above are not met
- The Loan Product Advisor Feedback Certificate will include a feedback message to alert Sellers that the requirements for [Accept and A-minus Mortgages](#) mentioned above must be met
- When no Borrower has a Credit Score, Loan Product Advisor will determine the maximum monthly debt payment-to-income ratio for the Mortgage
- Loan Product Advisor and Loan Quality Advisor® will be updated on May 14, 2017 and the Selling System will be updated by June 26, 2017 to reflect these changes
- Caution Mortgages must be manually underwritten in accordance with the Seller’s Purchase Documents
- Mortgages where no Borrower has a Credit Score will be charged the below 620 Indicator Score/Loan-to-Value (IS/LTV) fee on Exhibit 19

Guide impacts: Sections 4501.12, 5101.9, 5102.2, 5103.6, 5201.1 and 5203.1

Not all Borrowers on the Mortgage have usable Credit Scores

Effective for Mortgages originally submitted through Loan Product Advisor on and after May 14, 2017 with Settlement Dates on and after May 15, 2017

Loan Product Advisor currently assesses Mortgages when not all Borrowers on the Mortgage have a usable Credit Score (at least one Borrower has a usable Credit Score and at least one Borrower does not have a usable Credit Score, as determined by Loan Product Advisor).

We are revising our requirements for Accept and A-minus Mortgages stated below as follows:

Requirements for Accept and A-minus Mortgages when not all Borrowers have a usable Credit Score	
Current requirements	Revised requirements
<p>Borrowers with a usable Credit Score must contribute more than 50% of the total monthly income.</p> <p>If a Mortgage does not meet this requirement, Loan Product Advisor will return an “Incomplete” message.</p>	<p>If the Borrower(s) without a usable Credit Score contributes 50% or more of the total monthly income, then each Borrower without a usable Credit Score must meet the same credit history requirements that apply to Accept and A-minus Mortgages when no Borrower on the Mortgage has a Credit Score (e.g., at least two payment references).</p> <p>The Loan Product Advisor Feedback Certificate will include a feedback message to alert the Seller when these requirements must be met.</p>

Requirements for Accept and A-minus Mortgages when not all Borrowers have a usable Credit Score	
Current requirements	Revised requirements
Borrowers without a usable Credit Score must not be self-employed	This requirement has been removed.
For all Borrowers without usable Credit Scores, any debt that is not reported to the credit repositories must be verified to have a satisfactory payment history and the payment must be included in the monthly debt payment-to-income ratio	This requirement has been removed.

As a reminder, for Accept and A-minus Mortgages, when not all Borrowers on the Mortgage have a usable Credit Score:

- The Mortgage must be a purchase or “no cash-out” refinance
- The Mortgage must be secured by a 1-unit property
- All Borrowers must occupy the property as their Primary Residence

Loan Product Advisor will return an “Incomplete” message(s) on the Loan Product Advisor Feedback Certificate if these Mortgage eligibility requirements are not met.

Additionally, Caution Mortgages must be manually underwritten in accordance with the Seller’s Purchase Documents.

Loan Product Advisor will be updated on May 14, 2017 to reflect these changes.

Guide impacts: Sections 5101.9, 5102.2, 5201.1 and 5203.2

GUARANTOR AND MULTILENDER PURCHASE CONTRACTS IN THE SELLING SYSTEM

Effective for Purchase Contract Settlement Dates on and after April 24, 2017

As part of our focus on enhancing the way Sellers do business with us, we are adding new functionality to the Selling System for Sellers to obtain their Guarantor and MultiLender pricing for Purchase Contracts. In addition, we are creating a new look and feel to the Selling System for when Sellers take out Purchase Contracts. Sellers will have the ability to request their Guarantor and MultiLender pricing by using the new “Guarantor Rate Sheet” screen and to view or export the pricing they receive on their “Rate Sheet Results” screen. In addition, all Selling System users will notice a reorganized and more user-friendly left-hand navigation bar as part of these enhancements.

The table below reflects the applicable Guarantor Pricing (as defined in Section 6201.9) for each Purchase Contract based on the date the pricing information is received and the Purchase Contract Settlement Date.

Date Pricing is Received by the Seller	The Purchase Contract Settlement Date is ...		Guarantor Pricing that applies*
Before April 24, 2017	On and after April 24, 2017 and..	On and before the expiration date of the Guarantor Pricing	Pricing in the Pricing Notification or Master Commitment
		After the expiration date of the Guarantor Pricing in a Pricing Notification or Master Commitment	Pricing on the new Guarantor “Rate Sheet Results” screen in the Selling System

Date Pricing is Received by the Seller	The Purchase Contract Settlement Date is ...	Guarantor Pricing that applies*
On and after April 24, 2017	On and after April 24, 2017	Pricing on the new Guarantor "Rate Sheet Results" screen in the Selling System

We have created a new "Guarantor Rate Sheet" user role for the Selling System to view and export Guarantor and MultiLender pricing on the "Rate Sheet Results" screen. We have updated Form 900, *Selling System Authorized User Identification and Certification Form*, to reflect this new user role. Any individual who currently has the "Guarantor SMO" user role will automatically receive the "Guarantor Rate Sheet" user role. For any additional individuals who need to view and export the "Rate Sheet Results" screen, Sellers should complete and submit updated Form 900 as soon as possible in order to have access when the "Rate Sheet Results" screen becomes available on April 24, 2017.

To align with the new pricing terminology used in the Selling System, we are updating the Guide to:

- Change the "Required Spread" Glossary term to "Credit Fee in Yield" and expand the definition
- Add a definition for "Credit Fee in Price" to the Glossary
- Update references to "postsettlement delivery fee" and "delivery fee" to "Credit Fee in Price" (including changing the title of Exhibit 19 from *Postsettlement Delivery Fees* to *Credit Fees in Price*)
- Update references to "Required Spread" to "Credit Fee in Yield"

We are updating Section 6201.9 to reflect the availability of pricing information through the Selling System.

To streamline and consolidate information, we are also deleting Exhibit 19RS and adding the pertinent information from the exhibit directly into Section 1501.2.

Pursuant to Section 1501.2, provisions in Master Agreements and/or Master Commitments and other Purchase Documents are amended such that all references to "postsettlement delivery fee" and "delivery fee" are deemed to be references to "Credit Fee in Price" and all references to "Required Spread" are deemed to be references to "Credit Fee in Yield," as both of those terms are defined in the Glossary.

Loan Product Advisor feedback messages will be updated on March 24, 2017 to reflect these changes.

Guide impacts: Sections 1501.2, 3401.1, 3603.1, 4201.16, 4204.1, 4205.1 through 4205.4, 4301.5, 4301.6, 4302.4, 4302.5, 4303.5, 4303.6, 4401.9, 4501.14, 4601.3, 4602.15, 4603.7, 4604.4, 4701.1, 4701.2, 5101.1, 5101.3, 5101.9, 5203.2, 5703.9, 6101.5, 6102.9, 6201.3, 6201.7 through 6201.10, 6201.12, 6203.3, 6204.3, 6205.7, 6302.35 and 6303.1 through 6303.4, Exhibits 6, 19 and 19RS, Form 900 and the Glossary

SECOND HOME AND INVESTMENT PROPERTY MORTGAGES

We are revising the requirement that when the subject property is a second home or Investment Property, each Borrower, individually and all Borrowers collectively, must not own and/or be obligated on (e.g., Notes, land contracts and/or any other debt or obligation) more than six 1- to 4-unit financed properties.

Effective immediately, when determining the total number of financed properties, Sellers do not need to consider financed properties that a Borrower owns, but is not obligated on. As a related change, Sellers will no longer be required to verify reserves for each additional financed second home and/or 1- to 4-unit Investment Property that a Borrower owns, but is not obligated on.

We have also revised the instructions for ULDD Data Point, *Total Mortgaged Properties Count* (Sort ID 244), to require that Sellers only need to deliver the total number of properties that the Borrower is obligated on.

These changes will help to streamline the origination process and provide greater access to credit for homebuyers.

Guide impacts: Sections 4201.15, 4201.16, 5501.2 and 6302.5

HOMEOWNERSHIP EDUCATION

Effective for Mortgages with Settlement Dates on and after June 26, 2017

In our continuing effort to support sustainable homeownership and promote responsible lending, we are adding a requirement for Manually Underwritten Mortgages when the credit reputation for all Borrowers is established using only Noncredit Payment References. For these Mortgages, at least one Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages.

Guide impacts: Sections 4501.12, 5103.6 and 5202.1

NEW ULDD DATA POINTS TO HELP IDENTIFY WAREHOUSE LENDERS

As announced in our Selling System, ULDD Appendix A - *Freddie Mac XML Data Requirements V.4.0.0* specification on December 13, 2016, we are creating new ULDD Data Points to help identify Warehouse Lenders. Beginning **June 5, 2017**, Sellers will be able to import or enter warehouse lender data on the loan record for Pledged Mortgages. Additionally, Sellers can export settlement details by individual Warehouse Lender to simplify the Seller's reconciliation process.

Pledged Mortgages

Effective June 5, 2017

Sellers choosing to use this capability must deliver the following ULDD Data Points for Pledged Mortgages:

- *Warehouse Lender Indicator* (Sort ID 398.1)
- *Party Role Type* (Sort ID 650.2)
- *Party Role Identifier* (Sort ID 650.1)

Refer to new Section 6302.38 for complete delivery instructions for Sellers choosing to import or enter Warehouse Lender data.

We are updating Form 996E, Warehouse Provider Release and Transfer, to include the warehouse provider identifier that appears in the Selling System as "Warehouse Lender Identifier."

Guide impacts: Sections 6301.2 and 6302.38 and Form 996E

All Mortgages

Effective on a future date to be determined, Sellers will be required to deliver the ULDD Data Point *Warehouse Lender Indicator* (Sort ID 398.1) for all Mortgages sold to Freddie Mac, as specified in Section 6302.5. We will provide adequate advance notice to Sellers of the date when the delivery of this ULDD Data Point will be required.

Guide impact: Section 6302.5

FORM 16SF, ANNUAL ELIGIBILITY CERTIFICATION REPORT, AND FORM 1107SF, SELLER/SERVICER CHANGE NOTIFICATION

Effective April 21, 2017

In our [Single-Family Update email dated February 2, 2017](#), we notified Seller/Serviceicers of a delay in implementation of the updates to the electronic versions of Form 16SF and Form 1107SF announced in Bulletins 2016-21 and 2016-23. The updates will now be implemented on **April 21, 2017**.

Since the updated electronic forms will not be available on or before March 31, 2017, a Seller/Serviceicer with a fiscal year-end of December 31, 2016 should complete the current electronic versions of Form 16SF and must

submit this form to Freddie Mac on or before March 31, 2017. If a Seller/Servicer files Form 16SF on or before that date, the Seller/Servicer will not see the new fields and no further action is required.

Seller/Servicers reporting organizational changes may complete and submit the current electronic version of Form 1107SF or the updated PDF version of Form 1107SF, but when reporting organizational changes on or after April 21, 2017 the updated Form 1107SF is required.

Guide impacts: Forms 16SF and 1107SF

ARCH CAPITAL GROUP LTD. ACQUISITION OF UNITED GUARANTY CORPORATION

On December 31, 2016, Arch Capital Group Ltd. acquired United Guaranty Corporation (UGC), including United Guaranty Residential Insurance Company and United Guaranty Mortgage Indemnity Company, both of which are Freddie Mac-approved mortgage insurers. Freddie Mac approved this merger with the United Guaranty entities becoming wholly-owned direct subsidiaries of Arch U.S. MI Holdings, Inc.

At this time there are no changes to the delivery requirements for Mortgages. Sellers should continue to identify Mortgages insured by a UGC entity delivered to Freddie Mac using the following:

- Valid value of "UGI" for ULDD Data Point, *MI Company Name Type* (Sort ID 413)
- Previous MI Code (For reference purposes): 12

We will provide advance notice to Sellers if there are changes in the delivery requirements for these Mortgages.

Guide impact: Exhibit 10

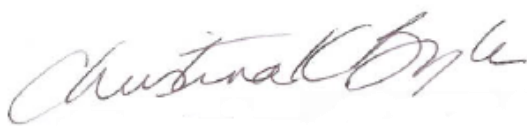
GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2017-2 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1702_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
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