



TO: Freddie Mac Sellers

March 22, 2017 | 2017-3

**SUBJECT: COLLATERAL REPRESENTATION AND WARRANTY RELIEF AND APPRAISAL REQUIREMENT UPDATES**

This Guide Bulletin announces:

**Collateral representation and warranty relief**

- [Collateral representation and warranty relief](#) for eligible Mortgages – **April 3, 2017 (New)**

**Appraisal requirements**

- Updates to certain [comparable sales selection](#) requirements for properties located in new subdivisions, units in new Planned Unit Development (PUDs) and units in new or recently converted Condominium Projects
- Revisions to and consolidation of certain [PUD requirements](#)
- Expansion of the use of [Guide Form 1033, One-Unit Residential Appraisal Desk Review Report](#), to all Sellers and revisions to our requirements for [reconciling multiple opinions of market value](#)

**COLLATERAL REPRESENTATION AND WARRANTY RELIEF**

**Effective for Mortgages evaluated through the Selling System® on and after April 3, 2017**

To provide greater purchase certainty to Sellers, we are announcing that, for certain Mortgages processed through Loan Advisor Suite® (Loan Collateral Advisor® and Loan Product Advisor®), we will not exercise our remedies, including the issuance of repurchase requests, in connection with a breach of the Seller’s selling representations and warranties related to value, condition and marketability of the Mortgaged Premises.

| Collateral Representation and Warranty Relief Eligibility Requirements |  |
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| <b>Eligibility</b>   | <p>The following eligibility requirements must be met for the Mortgage to qualify for collateral representation and warranty relief:</p> <ul style="list-style-type: none"> <li>• The Mortgage must be submitted to Loan Product Advisor</li> <li>• The Mortgage must be a purchase or no-cash out refinance transaction</li> <li>• The Mortgage must be secured by a 1-unit dwelling</li> <li>• The Borrower must be an individual or a Living Trust</li> <li>• Upon assessment of the appraisal by Loan Collateral Advisor, the following message and/or indicator must be returned:               <ul style="list-style-type: none"> <li>➤ Uniform Collateral Data Portal® (UCDP®) feedback message FRE0000 indicating the appraisal is eligible for collateral representation and warranty relief</li> <li>➤ Loan Collateral Advisor indicator that the appraisal is eligible for collateral representation and warranty relief</li> </ul> </li> </ul> |

## Collateral Representation and Warranty Relief Eligibility Requirements

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|  | <p><b>Note:</b> Upon submission to Loan Product Advisor, a corresponding collateral representation and warranty relief message will also be provided in the feedback certificate. Risk classifications of “Accept” and “Caution” are eligible to receive relief.</p> <ul style="list-style-type: none"> <li>The Mortgage must be delivered as a Loan Product Advisor Mortgage (identified by entering the LP AUS Key) in the Selling System and the final submission to the Selling System must indicate the collateral representation and warranty relief status is “Y” or “Yes”</li> </ul> <p><b>Ineligible Mortgages</b></p> <p>The following Mortgages are ineligible for collateral representation and warranty relief:</p> <ul style="list-style-type: none"> <li>Mortgages secured by a Condominium Unit, Manufactured Home or leasehold estate</li> <li>Cash-out refinance Mortgages or special purpose cash-out refinance Mortgages</li> <li>Texas Equity Section 50(a)(6) Mortgages</li> <li>Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer or Freddie Mac Relief Refinance Mortgages – Open Access</li> <li>Construction Conversion or Renovation Mortgages</li> <li>Mortgages that Freddie Mac and the Seller/Servicer have agreed are subject to any credit enhancement other than primary mortgage insurance</li> <li>Mortgages with Funding Dates more than 120 days from the Note Date</li> </ul> |
| <b>Representation and warranty relief exceptions</b> | <p>The Seller/Servicer will not be relieved from Freddie Mac’s enforcement of remedies with respect to the following requirements for Mortgages that meet the eligibility requirements above, even if such matters are related to value, condition and marketability:</p> <ul style="list-style-type: none"> <li>The requirement that, when applicable, a certification of completion or completion report must be obtained verifying that any outstanding conditions of the appraisal have been satisfied (per Guide Section 5601.11)</li> <li>The requirement that the Mortgaged Premises not be subject to a pending legal proceeding for condemnation in whole or in part (per Section 5601.2)</li> <li>With respect to properties affected by disasters, compliance with Section 4201.13 as it relates to the Seller’s awareness of conditions or circumstances that would adversely affect the value or marketability of the Mortgage</li> </ul>   |

The collateral representation and warranty enforcement relief provided is not meant to imply that the Seller is not responsible for compliance with other requirements of the Purchase Documents including, but not limited to:

- Compliance with the Appraiser Independence Requirements as set forth in Guide Exhibit 35; and
- Compliance with the Ethics Rule of the Uniform Standards of Professional Appraisal Practice

We have also updated and corrected the collateral representation and warranties in Section 5601.9(a) for consistency with Uniform Appraisal Dataset (UAD) condition rating requirements.

Loan Advisor Suite, UCDP and Selling System feedback messages and indicators will be updated by April 3, 2017.

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Guide impacts: Sections 1301.11, 5601.9 and 5601.14

### **Additional resources**

We encourage Sellers to visit the [Collateral Representation and Warranty Relief page](#) on the Freddie Mac Learning Center for available resources and to sign up for the “Collateral Representation and Warranty Relief” webinar.

## **APPRAISAL REQUIREMENTS**

### **Effective immediately**

#### **Comparable sales selection**

We are updating the comparable sales requirements for properties located in new subdivisions, units in new PUDs and units in new or recently converted Condominium Projects to:

- Add language stating that the required comparable sale from inside the new subject subdivision or project can be a sale by the builder or developer of the subject property
- Add flexibility to permit the use of pending sales from the subject’s subdivision or project when there are no closed or settled sales available from within the subject’s subdivision or project to establish marketability. This is in addition to the requirement that three comparable sales must be settled or closed sales.

In addition, we are removing the outdated requirements for the selection of comparable sales effective for Mortgages with Application Received Dates on or before August 31, 2015.

Guide impacts: Sections 4603.5, 5601.12 and 5701.8

#### **Requirements for units in Planned Unit Developments (PUDs)**

To simplify the completion of certain appraisal form fields, we are removing the supplementary appraisal reporting requirements for units in PUDs previously in Section 5702.3. As a result, Section 5702.3 is being deleted. Additionally, for Seller convenience and ease of reference, we have consolidated Sections 5702.1 and 5702.2.

Guide impacts: Sections 1301.11, 5401.1, 5601.2, 5601.12 and 5702.1 through 5702.3

#### **Appraisal desk review reports and reconciling multiple opinions of market value**

##### ***Form 1033, One-Unit Residential Appraisal Desk Review Report***

In Bulletin 2015-7, we introduced appraisal review Form 1033 to Sellers as a negotiated-only appraisal review option. The introduction of this option allowed Sellers to obtain an appraisal desk review in lieu of ordering a subsequent appraisal or field review. We are expanding the availability of the appraisal desk review option to all Sellers. Sellers are not required to obtain an appraisal desk review. If a Seller chooses to obtain an appraisal desk review, Form 1033 must be used in order to deliver the opinion of value to Freddie Mac.

The Selling System, Uniform Loan Delivery Dataset (ULDD) Appendix A specification, and delivery instructions will be updated at a later date to include the following to identify delivery of a Mortgage underwritten utilizing Form 1033:

- New valid value of “Other” for ULDD Data Point, *Property Valuation Form Type* (Sort ID 85)
- New ULDD Data Point, *Property Valuation Form Type Other Description* (Sort ID 86)
- New valid value of “One Unit Residential Appraisal Desk Review Report,” which correlates to Form 1033 for ULDD Data Point, *Property Valuation Form Type Other Description* (Sort ID 86)
- New valid value of “Desk Review” for ULDD Data Point, *Property Valuation Method Type/Property Valuation Method Type Other Description* (Sort ID 89/90)

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Until the Selling System is updated, the Seller must enter the valid value of “Desktop Appraisal” for ULDD Data Point, *Property Valuation Method Type*, (Sort ID 89) to identify delivery of a Mortgage underwritten utilizing Form 1033.

Guide impacts: Sections 5601.5, 5601.7, 5601.13, 6302.8 and 6302.31

***Reconciling multiple opinions of market value***

Additionally, we are updating Section 5601.13(c) to remove the requirement that a Seller use the lower value when multiple appraisals are considered to be equally accurate and well supported. In the appraisal review and reconciliation process, the Seller is required to rely on the most accurate and supported opinion of market value.

Guide impact: Section 5601.13

**GUIDE UPDATES SPREADSHEET**

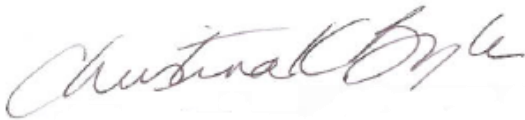
For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2017-3 (Collateral Representation and Warranty Relief and Appraisal Requirement Updates) Guide Updates Spreadsheet available at

[http://www.freddiemac.com/singlefamily/guide/docs/bl1703\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1703_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