



TO: Freddie Mac Sellers

April 3, 2019 | 2019-7

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Home Possible® Mortgages

- A revision to the eligibility requirements for [Home Possible® Mortgages – July 3, 2019](#)
- Additional clarifications related to Home Possible Mortgage eligibility

Assets as basis for repayment of obligations

- A revision to our calculation for establishing the debt payment-to-income ratio when qualifying a Borrower using [assets as a basis for repayment of obligations – July 3, 2019](#)

Second home Mortgages

- Updates to our requirements for [second home Mortgages](#)
- Revised Multistate Second Home Rider

Income documentation requirements

- Updates to the [documentation requirements](#) language for retirement income, survivor and dependent benefit income, long-term disability income and Social Security Supplemental Security Income

Guide Form 1077, Uniform Underwriting and Transmittal Summary

- An update to the mandatory effective date of revised [Form 1077](#) for Seller/Servicers using this form – **February 1, 2020**

Single Security Initiative

- Updates to the Guide to reflect changes related to the [Single Security Initiative](#) announced in our March 5, 2019 Industry Letter – **June 3, 2019**

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.

HOME POSSIBLE MORTGAGES

Limitation on the number of financed residential properties owned

Effective for Mortgages with Settlement Dates on and after July 3, 2019

At the instruction of the FHFA, we are revising our requirements for Home Possible Mortgages to state that the occupying Borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing.

Loan Product Advisor® feedback messages will be updated by July 3, 2019 to reflect these changes.

Guide impact: Section 4501.7

Borrower income

In response to Seller questions regarding the use of rental income from an investment property to qualify a Borrower for a Home Possible Mortgage, we are adding language stating that the requirements of Topics 5300 and 5400, including eligible income types, apply to Home Possible Mortgages. In the event any requirements of Topics 5300 or 5400 conflict with the requirements in Section 4501.9 the requirements of Section 4501.9 apply.

Guide impact: Section 4501.9

Texas Equity Section 50(a)(6) Mortgages

We are updating Section 4501.3 to specify that Texas Equity Section 50(a)(6) Mortgages originated in accordance with Section 4301.7, may be Home Possible Mortgages. We are also updating Section 4501.10 to add a specific reference to Texas Equity Section 50(a)(6) Mortgage loan-to-value (LTV) and total LTV (TLTV) ratio requirements in Section 4301.7(d) and, for consistency, a reference to the location of LTV and TLTV ratio requirements for Home Possible Mortgages with RHS Leveraged Seconds.

Guide impacts: Sections 4501.3 and 4501.10

ASSETS AS A BASIS FOR REPAYMENT OF OBLIGATIONS

Effective for Mortgages with Settlement Dates on and after July 3, 2019, but Sellers may implement immediately

We received feedback from Sellers that the calculation for establishing the debt payment-to-income ratio for assets as a basis for repayment of obligations is too limiting. After additional research into how assets are typically used during retirement, we are revising the calculation. The calculation will now require the Seller to divide the net eligible assets by **240** (instead of 360, as was previously required) to determine the amount used to establish the debt payment-to-income ratio. The new calculation remains aligned with our intent that only assets that are reasonably expected to be used to repay the Mortgage are used for qualifying the Borrower.

Guide impact: Section 5307.1

SECOND HOME MORTGAGES

In response to Seller feedback, we are updating our requirements for second home Mortgages to:

- Permit second homes with seasonal limitations on year-round occupancy (e.g., lack of winter accessibility) to be eligible for sale to Freddie Mac provided the appraiser includes at least one comparable sale with similar seasonal limitations to demonstrate the marketability of the subject property
- Specify that the property may be rented out on a short-term basis provided that:
 - The Borrower keeps the property securing the second home Mortgage available primarily (i.e., more than half of the calendar year) as a residence for the Borrower's personal use and enjoyment; and
 - The property is not subject to any rental pools or agreements that require the Borrower to rent the property, give a management company or entity control over the occupancy of the property or involve revenue sharing between any owners and developer or another party

Guide impacts: Sections 4201.15 and 5601.2

Multistate Second Home Rider Uniform Instrument

Freddie Mac and Fannie Mae have revised the Multistate Second Home Rider-Single-Family – Fannie Mae/Freddie Mac Form 3890 (rev. 4/19). For more information, visit Freddie Mac's [Uniform Instrument News & Updates web page](#).

As a result, we are updating Guide Exhibit 4, *Single Family Uniform Instruments*, to reflect the revised Second Home Rider.

Guide impact: Exhibit 4

INCOME DOCUMENTATION REQUIREMENTS

In response to Seller feedback, we are updating the documentation requirements language for retirement income, survivor and dependent benefit income, long-term disability income and Social Security Supplemental Security Income to specify that one or more of the required documents (i.e., benefit verification letter, award letter, pay statement, 1099 and bank statement(s)) can be used to verify income type, source, payment frequency, payment amount and current receipt of the income. As a result, separate verification of current receipt of income is not required if the documentation obtained to support income type, source, payment frequency and predetermined payment amount also verifies current receipt of income.

The applicable Loan Product Advisor feedback messages will be updated to reflect these changes.

Guide impact: Section 5305.2

GUIDE FORM 1077, UNIFORM UNDERWRITING AND TRANSMITTAL SUMMARY

Effective for Mortgages with Application Received Dates on and after February 1, 2020

In Bulletin 2018-24, Freddie Mac announced an updated version of Form 1077 developed after joint review with Fannie Mae. Seller/Servicers could begin using the revised form immediately but would be required to use the revised form for Mortgages with Application Received Dates on or after June 5, 2019.

As a result of industry feedback, for Seller/Servicers using Form 1077, we are extending the mandatory usage date for the revised form. While Seller/Servicers may use the revised form sooner if they choose to, they must use the revised form for Mortgages with Application Received Dates on or after February 1, 2020, which aligns with the previously announced requirement for mandatory use of revised Form 65, *Uniform Residential Loan Application*.

Freddie Mac and Fannie Mae are discussing additional changes to Form 1077 and will notify Sellers of those changes in a future Guide Bulletin.

Guide impact: Form 1077

SINGLE SECURITY INITIATIVE

On February 28, 2019, the FHFA issued a final rule supporting the Uniform Mortgage-Backed Security (UMBS™). As outlined in the final rule, the FHFA instructed Freddie Mac and Fannie Mae to modify and align their pooling practices for fixed-rate Mortgages to enhance UMBS fungibility.

As a result, on March 5, 2019, Freddie Mac issued an Industry Letter announcing changes to the Note Rate to Coupon spreads and a reduction in the maximum Servicing Spread for Mortgages serving as collateral for UMBS and MBS, effective for Mortgages sold under Freddie Mac's fixed-rate Guarantor or MultiLender Swap program with Settlement Dates on or after June 3, 2019. This Bulletin updates the Guide to reflect these required changes.

The FHFA has also instructed Freddie Mac and Fannie Mae to monitor the Weighted Average Coupon (WAC) of MBS and take actions as appropriate such that MBS WAC would be generally consistent with historical WAC levels. The FHFA, Freddie Mac and Fannie Mae are working to determine an appropriate target MBS WAC, such as 80 basis points or slightly higher (given current guarantee fees and minimum servicing levels).

As a reminder, Bulletin 2018-24 communicated that effective for contracts taken out on or after April 19, 2019 for Mortgages with Settlement Dates on or after June 3, 2019, Sellers will be able to take out guarantor contracts, including the new 10-year guarantor contract, in Loan Selling Advisor® to deliver Mortgages into a UMBS or an MBS. Sellers will be able to take out Gold PC contracts for Mortgages with Settlement Dates prior to June 3, 2019. For more information on the Loan Selling Advisor changes, refer to the [April 3, 2019 Single-Family News Center article](#).

For more information on the Single Security Initiative ("Initiative"), refer to the [Single Security and the Common Securitization Platform web page](#) and Bulletin 2018-24 that announced Guide updates reflecting other Initiative

required changes, including new naming conventions for the securities Freddie Mac will issue beginning June 3, 2019 and the payment delay for these securities.

Guide impacts: Sections 6201.3, 6202.3, 6203.3, 6203.7, 6205.3, 6205.7 and 8105.1

Lender-paid mortgage insurance

We are revising the Guide sections related to the sale of fixed-rate Mortgages with annual- and monthly-premium lender-paid mortgage insurance to reflect a 50 basis points maximum Minimum Contract Servicing Spread for Mortgages sold under the fixed-rate Guarantor and MultiLender Swap programs.

Guide impact: Section 4701.2

ADDITIONAL GUIDE UPDATES

Form 900SA, *Loan Selling Advisor Selling Agent Identification Authorized User Role Form*

Previously, Form 900SA could be submitted to Freddie Mac only via mail. To provide additional flexibility, we are allowing alternate methods of delivery of the completed form. Form 900SA can now also be submitted via:

- E-mail to pe_customer_setup@FreddieMac.com
- Fax to 703-738-1532

Guide impact: Form 900SA

Delivery requirements for GreenCHOICE MortgagesSM

Effective May 1, 2019

As announced in Bulletin 2019-4, in alignment with the Uniform Loan Delivery Dataset (ULDD) specification, we removed the delivery requirements and notes for ULDD Data Point, *Escrow Balance Amount* (Sort ID 363) for all Mortgages from Section 6302.5 but continue to require it in the special delivery requirements for fixed-rate Mortgages sold through Cash-Released XChangeSM in Section 6302.26.

The requirement is also attributable to the special delivery requirements for GreenCHOICE MortgagesSM in Section 6302.23 to align with the mortgage eligibility requirements of Section 4606.4.

Therefore, we are updating Section 6302.23 to reflect the following required ULDD Data Points:

- *Escrow Indicator* (Sort ID 234) with a valid value of "true"
- *Escrow Balance Amount* (Sort ID 363) with a valid value of an Escrow balance amount sufficient to cover the cost of the energy and/or water efficiency improvements

The conditional requirements for *Escrow Balance Amount* will be reflected in a future ULDD Addendum.

Guide impact: Section 6302.23

Document Custody Procedures Handbook

Based on comments and questions received and as part of our annual review, on March 13, 2019, we updated the Document Custody Procedures Handbook to add clarification around Note exceptions regarding affidavits, powers of attorney, and to make other revisions and clarifications.

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 2019-7 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1907_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,

A handwritten signature in cursive script, appearing to read "Christina K. Boyle".

Christina K. Boyle
Chief Client Officer
Single-Family Business