



TO: Freddie Mac Sellers

May 1, 2019 | 2019-9

SUBJECT: SELLING UPDATES

(We are reissuing Bulletin 2019-9 on May 3, 2019 to provide Sellers time to implement the new requirement for “Seller disclosure on Contaminated Sites, Hazardous Substances or other adverse conditions.” We are moving the effective date for this requirement from May 1, 2019 to August 1, 2019. No other changes have been made to the Bulletin.)

This Guide Bulletin announces:

Property eligibility and appraisal requirements

- Updates to our requirements for comparable sale selection for a 1-unit property with an [accessory unit](#)
- Addition of a requirement for Sellers to disclose to the Borrower information regarding [Contaminated Sites, Hazardous Substances or other adverse conditions](#) of which the Seller is aware – **August 1, 2019 (New)**
- Removal of the requirement for an appraisal update for a [subsequent transaction](#) subject to certain conditions

Modification Construction Conversion Documentation

- Updates to our requirements to allow Sellers to use [Modification Construction Conversion Documentation](#) for Mortgages secured by Manufactured Homes

Income commencing after the Note Date

- Updates to our requirements for [income commencing after the Note Date](#) – **August 1, 2019**

Freddie Mac CHOICEHomeSM

- [CHOICEHome](#), our product for Manufactured Homes that are titled as real property and have features of a site-built home – **New**

Loan Product Advisor[®] resubmission

- Revisions to our tolerances for [Loan Product Advisor resubmission](#) – **August 1, 2019**

Mandatory cash contract extensions

- Introduction of an automated process to provide Sellers with the capability in Loan Selling Advisor[®] to extend the expiration date for [Mandatory Cash Contracts](#) – **June 10, 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.

PROPERTY ELIGIBILITY AND APPRAISAL REQUIREMENTS

Accessory unit comparable sale selection

Previously, Freddie Mac required an appraisal to include at least one comparable sale with an accessory unit when the subject 1-unit property has a legal accessory unit. Based on Seller feedback, we recognize there are situations where comparable sales with an accessory unit are limited.

To provide flexibility and expand access to credit, we are modifying this requirement to provide alternatives for the appraiser to consider when a comparable sale with an accessory unit is not available.

If a comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property. Refer to Guide Section 5601.12 for additional guidance on appraising a property with an accessory unit.

Additionally, to provide greater specificity, we are identifying an accessory unit as an additional living space that includes at least a kitchen, a bathroom, and a separate entrance and is independent of the primary dwelling unit.

Guide impact: Section 5601.12

Seller disclosure on Contaminated Sites, Hazardous Substances or other adverse conditions

Effective for Mortgages with Settlement Dates on and after August 1, 2019

We are adding a new requirement to specify that the Seller must disclose to the Borrower any information that the Seller is aware of that may adversely affect the market value, condition or marketability of the subject property. This includes, but is not limited to, the presence of any Contaminated Site, Hazardous Substance or other adverse conditions affecting the subject property or neighborhood.

Guide impact: Section 5601.3

Appraisal re-use for a subsequent transaction

Previously, an appraisal update was required for a subsequent transaction, regardless of the time elapsed from the effective date of the original appraisal. Based on Seller feedback and to provide efficiency and potential cost savings, we are revising our requirement to state that an appraisal update is not required unless the effective date of the appraisal is more than 120 days prior to the new Note Date for the subsequent "no cash-out" refinance.

Guide impact: Section 5601.8

MODIFICATION CONSTRUCTION CONVERSION DOCUMENTATION

In response to Seller feedback, we are providing Sellers with the flexibility to use Modification Construction Conversion Documentation for Mortgages secured by Manufactured Homes.

We are also updating delivery instructions to reflect this change.

Guide impacts: Sections 4602.3 and 6302.28

INCOME COMMENCING AFTER THE NOTE DATE

Effective for Mortgages with Settlement Dates on and after August 1, 2019, but Sellers may implement immediately

We reviewed our requirements for income commencing after the Note Date but prior to the Delivery Date (Option 2), and are revising our requirements as follows:

- To verify that the income commenced before the Mortgage is delivered to Freddie Mac, we are adding a requirement for the Seller to obtain one of the following:
 - A paystub

- A written verification of employment, or
- A third-party employment verification
- Requiring verification of additional funds only when there are more than 15 calendar days between the Note Date and the start date of the new employment. This change provides flexibility when the potential employment gap is not expected to impact the Borrower’s ability to make their first scheduled Mortgage payment and meet their other debt obligations. Currently, Sellers must verify additional funds regardless of how soon after the Note Date the Borrower is expected to begin receiving the income.

In addition, we are adding a worksheet Sellers may use to calculate the amount of additional funds required under both options.

Guide impact: Section 5303.2

FREDDIE MAC CHOICEHOME

CHOICEHome is our innovative, affordable mortgage product for Manufactured Homes that are titled as real property and have features and characteristics of a site-built home. This offering expands availability of financing for manufactured housing for families with moderate incomes and complements our existing programs for Borrowers with low- and very-low incomes.

A Manufactured Home is granted CHOICEHome certification and is eligible for CHOICEHome financing if the Manufactured Home meets certain specifications, such as a higher pitch roof, a permanent foundation with masonry perimeter, dry wall throughout, energy-efficient features such as additional insulation and windows with a low-e rating and a garage or carport.

Additional requirements for a Mortgage secured by a CHOICEHome provided in the revised Section 5703.9 include, but are not limited to, the following:

CHOICEHome requirements	
Eligibility	<ul style="list-style-type: none"> • The Mortgage must be a: <ul style="list-style-type: none"> ➤ Purchase or “no cash-out” refinance Mortgage ➤ Fixed-rate Mortgage with up to a 97% loan-to-value (LTV) ratio ➤ 5/5, 5/1, 7/1 or 10/1 ARM with up to a 95% LTV ratio* • A CHOICEHome Mortgage must be secured by a Manufactured Home that is the Borrower’s Primary Residence and is a multi-wide, 1-unit dwelling meeting the requirements in Section 5703.9 <p>*Freddie Mac HomeOneSM and Freddie Mac Home Possible[®] Mortgages must be fixed-rate</p>
Underwriting requirements	The Mortgage must be assessed through Loan Product Advisor and be an Accept Mortgage
Appraisal requirements	The appraiser may use site-built homes as comparable sales if no CHOICEHome sales are available
Credit Fee in Price	A Manufactured Home Credit Fee in Price will not be assessed for a Mortgage that meets the requirements for a CHOICEHome Mortgage

Freddie Mac prior approval

Although the eligibility requirements are provided in the Guide, a Seller must obtain Freddie Mac’s written approval before selling Mortgages secured by a CHOICEHome to Freddie Mac. Sellers should contact their Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE for more information.

Guide impacts

The contents of existing Section 5703.9 are moving to new Section 5703.10. We are also updating Sections 5703.9, 6302.25 and Guide Exhibits 19 and 34 to reflect the CHOICEHome requirements.

LOAN PRODUCT ADVISOR RESUBMISSION

To ensure that the Loan Product Advisor resubmission requirements align with our current view of credit risk, we are revising the resubmission tolerances.

Increase in debt payment-to-income (“DTI”) ratio – effective for Mortgages with Settlement Dates on and after August 1, 2019

As reflected in the following table, Loan Product Advisor resubmission will be required any time the DTI ratio exceeds 45%.

Loan Product Advisor resubmission tolerances		
	Current tolerance	Revised tolerance
Resubmission to Loan Product Advisor is not required when...	<ul style="list-style-type: none">The total difference does not change the total DTI ratio by more than three percentage points, andThe total DTI ratio on the previous submission did not exceed 45%	<ul style="list-style-type: none">The new DTI ratio does not exceed 45%, andThe total difference does not change the total DTI ratio by more than three percentage points

Decrease in the loan amount on a refinance transaction

As reflected in the following table, to ensure there is no change in the appraisal waiver eligibility, Loan Product Advisor resubmission is required if the loan amount has decreased on a refinance transaction and the Seller has accepted an appraisal waiver offer.

Loan Product Advisor resubmission tolerances		
	Current tolerance	Revised tolerance
Resubmission to Loan Product Advisor is not required when...	<ul style="list-style-type: none"> • The loan amount decreases by no more than 1%; and • At the time of the most recent Loan Product Advisor submission mortgage insurance is not required or mortgage insurance is required, and: <ul style="list-style-type: none"> ➢ The change does not impact the amount of the mortgage insurance coverage; and ➢ The amount of the mortgage insurance premium collected by the Seller is based on the new loan amount and the Seller obtains a new mortgage insurance certificate 	<ul style="list-style-type: none"> • The loan amount decreases by no more than 1%; and • At the time of the most recent Loan Product Advisor submission mortgage insurance is not required or mortgage insurance is required, and: <ul style="list-style-type: none"> ➢ The change does not impact the amount of the mortgage insurance coverage, and ➢ The amount of the mortgage insurance premium collected by the Seller is based on the new loan amount and the Seller obtains a new mortgage insurance certificate, and • For Mortgages that qualify for an appraisal waiver, the Seller has not accepted the appraisal waiver offer

Guide impact: Section 5101.6

MANDATORY CASH CONTRACT EXTENSIONS

Effective June 10, 2019

In response to Seller feedback, we are introducing an automated process in Loan Selling Advisor to provide Sellers with the capability to extend the expiration date for Mandatory Cash Contracts. Section 6101.3(f) describes the requirements for extending a Mandatory Fixed-Rate Cash Contract and Section 6102.4(f) for Mandatory WAC ARM Cash Contract extensions.

In addition, for Best Efforts Contracts, relock functionality will be available in Loan Selling Advisor. Requirements for performing a Best Efforts Contract relock are described in Section 6101.4(e).

The Best Efforts extension language for contracts that are unfulfilled for more than 30 days is being deleted from Section 6101.4(d) as it is no longer permitted.

Guide Forms 900 and 900SA are being updated to clarify existing, and reflect added functionality, as applicable, to the Secondary Analyst and Cash SMO user roles.

For additional information refer to the April 23, 2019, [Single-Family News Center article](#).

Guide impacts: Sections 6101.3, 6101.4, 6102.4, Forms 900 and 900SA

ADDITIONAL GUIDE UPDATES

Homeownership education

Homeownership education is required for certain Mortgages, as described in Section 5103.6. To align with the information typically included in the homeownership education completion certificates, we are updating the Guide to specify that homeownership education programs “provided by” rather than “developed by” mortgage insurance companies, HUD-approved counseling agencies, Housing Finance Agencies or Community Development Financial Institutions are acceptable.

Delivery requirements

To provide greater specificity, Guide Chapter 6302 is being updated to:

- Describe all valid values for ULDD Data Points Counseling Confirmation Type/Counseling Confirmation Type Other Description (Sort IDs 576/577) and Counseling Format Type/Counseling Format Type Other Description (Sort IDs 578/579) for Home Possible Mortgages and HomeOne Mortgages
- Include new Section 6302.9(b)(ii) to reflect the delivery requirements of the ULDD Data Points noted above for homeownership education for any transaction when the credit reputation for all Borrowers is established using Noncredit Payment References, previously announced in Bulletin 2017-2

Guide impacts

We are updating Sections 5103.6, 6302.9, 6302.14 and 6302.41 to align with these changes.

Certificate of Incumbency and wire authorization forms

We are enhancing the functionality of Forms 483, 987E, 988SF, 989SF and 990SF as follows:

- Deleting the instruction page(s) and adding tooltips, which appear when a Seller hovers over certain fields in the forms
- Auto populating certain fields within the forms to eliminate reentering the same information within the form

Additionally, in Forms 987E and 483 we made the following edits:

- Language referencing “Beneficiary Bank” has been replaced with “Receiving Bank”
- Added language requesting that the notary stamp is shaded over with a pencil or crayon for visibility
- Made minor language changes throughout the forms for specificity

These enhancements will provide flexibility and convenience for Seller/Service providers when completing these forms.

Guide impacts: Forms 483, 987E, 988SF, 989SF and 990SF

Guide launch on FreddieMac.com

Later this Spring, we are launching a modernized version of the Guide on a redesigned Single-Family website. The enhanced Guide experience on [FreddieMac.com](https://www.freddiemac.com) will include robust search and navigation capabilities along with other productivity features. No changes to our requirements will be made with the rollout of the enhanced Guide on the Single-Family website. Both the Guide on our website and on AllRegs will be updated through our regular Guide Bulletin process. The Guide on AllRegs will remain the official electronic version until further notice. Please see our April 30, 2019 [Single-Family News Center article](#) for more information.

Form 91 functionality

Based on Seller feedback, we are reviewing the functionality of Form 91 and are temporarily removing the automatic calculations from all subtotal fields within the form. Sellers using Form 91 must complete the calculations manually. No changes are being made to the form content. We will inform Sellers in a future communication when our analysis is complete and enhanced functionality is added back to Form 91.


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 2019-9 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1909_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,



Christina K. Boyle
Chief Client Officer
Single-Family Business