

Bulletin

TO: Freddie Mac Sellers

July 10, 2019 | 2019-16

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Home Possible® Mortgages

- Changes to the [income limits](#) related to Home Possible Mortgages, including:
 - [Revised Borrower income limit](#)
 - [2019 AMI limits](#)
 - [Loan Product Advisor® impacts](#)
- Updates to requirements for [rental income](#) from 1-unit Primary Residences
- Extension of the effective date for previously revised requirements limiting the number of [financed residential properties](#) owned

Income

- Updates to Loan Product Advisor [asset and income modeler \(AIM\)](#) - self-employed Borrowers
- Revised requirements for obtaining Borrower signatures on [IRS Form 4506-T](#)

Properties located in Eligible Disaster Areas

- Simplification of our [age of documentation](#) requirements for disasters

Uniform Loan Delivery Dataset

- Updated delivery requirements in the [ULDD Addendum](#)

Calculation of monthly housing expense

- Updates to the requirements for including [real estate taxes](#) in the Borrower's monthly housing expense

Environmental hazard disclosure

- An extension of the effective date for requiring the disclosure of [environmental hazards](#) to Borrowers

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

Home Possible area median income limits

Effective July 28, 2019

Loan Product Advisor and the [Home Possible Income & Property Eligibility tool](#) will be updated on July 28, 2019 to reflect the following changes to the Borrower income limit and 2019 AMI limits.

For Manually Underwritten Mortgages, the updated Borrower income limits will be effective for Mortgages with Application Received Dates on and after July 28, 2019.

Borrower income limit

As announced in Bulletin 2019-15, we are updating our requirements to state that, for Home Possible Mortgages, the Borrower's qualifying income, converted to an annual basis, must not exceed 80% of the AMI for the location of the Mortgaged Premises. This change includes properties in low-income census tracts.

Guide impact: Guide Section 4501.7

2019 AMI limits

AMI estimates are provided to Freddie Mac by the FHFA and are used to determine if the Borrower's annual qualifying income meets Home Possible Mortgage eligibility requirements.

Loan Product Advisor impacts

Loan Product Advisor will apply the updated Borrower income limits and the 2019 AMI limits as follows:

Loan Product Advisor determination of Home Possible eligibility	
IF the Mortgage is submitted as a Home Possible Mortgage on and after July 28, 2019 and...	THEN the following income limits are applied...
For the following resubmissions: <ul style="list-style-type: none"> The last submission before the effective date was also a Home Possible Mortgage, and The income limits were met 	The better of the following income limits: <ul style="list-style-type: none"> 2019 AMI limits at 80% of the AMI OR <ul style="list-style-type: none"> 2018 AMI limits at 100% of the AMI or low-income census tracts
For the following submissions: <ul style="list-style-type: none"> The Mortgage is submitted for the first time The Key Number cannot be identified, or The last submission before the effective date was not submitted as Home Possible and/or did not meet the income eligibility limits 	2019 AMI limits at 80% of the AMI

Rental income from 1-unit Primary Residence

Effective for Mortgages with Settlement Dates on and after October 10, 2019, but Sellers may implement immediately

We are specifying that for a Home Possible Mortgage, rental income from a 1-unit Primary Residence must be provided by a person who:

- Is not obligated on the Mortgage and does not have an ownership interest in the Mortgaged Premises
- Is not the Borrower's spouse or domestic partner

Guide impact: Section 4501.9

Limitation on the number of financed residential properties owned

Effective for Mortgages with Settlement Dates on and after September 16, 2019

In Bulletin 2019-7, we revised 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 as of the Effective Date of Permanent Financing. As announced in our [July 2, 2019 Single-Family News Center article](#), in order to give Sellers additional time to implement this change, we are extending the mandatory effective date from Settlement Dates on and after July 3, 2019 to Settlement Dates on and after September 16, 2019.

Loan Product Advisor feedback messages will be updated by September 16, 2019 to reflect this change.

Guide impact: Section 4501.7

INCOME

Loan Product Advisor asset and income modeler - self-employed Borrowers

Effective for Loan Product Advisor submissions and resubmissions on and after September 8, 2019

We are enhancing the asset and income modeler (AIM) for self-employed offering to include an automated analysis of the eligible income sources to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower. This is referred to in the Guide as “business and income analysis.” This will eliminate the requirement for the Seller to perform a business and income analysis for all eligible sources of income that appear on the Income Calculation Report. This capability will help streamline the loan origination process and reduce origination costs.

Currently, representation and warranty relief is available related to the accuracy of the income calculation. With this enhancement, if Loan Product Advisor returns an income representation and warranty result of “Eligible” on the Last Feedback Certificate, the Seller will be eligible for relief from enforcement of representations and warranties related to the accuracy of the income calculation and the business and income analysis.

We have also incorporated the requirements related to verification of business assets used for closing and current existence of the business into Guide Chapter 5903 for ease of reference.

For additional information, access the [AIM for Self-Employed web page](#), which will continue to be updated with additional resources as they become available.

Guide impacts: Sections 5304.1, 5903.3, 5903.5, 5903.6 and 5903.7

IRS Form 4506-T, Request for Transcript of Tax Return

Previously, all Borrowers whose income and assets were used to qualify for a Mortgage were required to sign IRS Form 4506-T both on the application date and again on the Note Date. To provide efficiency and flexibility for Sellers, all Borrower(s) whose income and assets are used as part of the underwriting process are not required to sign Form 4506-T at application provided that the form is signed no later than the Note Date. The applicable Loan Product Advisor feedback messages have been updated to reflect these changes.

Guide impact: Section 5302.5

AGE OF DOCUMENTATION FOR MORTGAGES SECURED BY PROPERTIES IN ELIGIBLE DISASTER AREAS

Effective October 27, 2019

Currently, Freddie Mac assesses the impact of a disaster and, if necessary in its determination, implements its major disaster plan via a Guide Bulletin, which extends certain flexibilities and special requirements to Mortgages secured by properties in specified disaster areas.

To streamline our requirements and provide certainty when a disaster strikes, effective for new disasters that occur on and after October 27, 2019, we will automatically allow the age of documentation flexibilities to apply to **all** Eligible Disaster Areas. The flexibilities will remain in effect for six months from the disaster declaration date announced by the Federal Emergency Management Agency (FEMA). As a result of this update, Sellers will have more flexibility for extended age of documentation requirements without waiting for a Guide Bulletin announcement.

Effective with the extension of the age of documentation flexibilities to all Eligible Disaster Areas on or after October 27, 2019, the Guide provisions regarding Freddie Mac's announcement and implementation of its major disaster plan will be removed.

To take advantage of the age of documentation flexibility, Sellers must deliver ULDD Data Point *Investor Feature Identifier* (Sort ID 368) and enter the valid value of "H37" indicating the extended age of documentation for Eligible Disaster Areas. This special delivery requirement is found in new Section 6302.44.

Guide impacts: Sections 4407.2, 4407.3, 6302.44 and Guide Exhibit 34

UNIFORM LOAN DELIVERY DATASET

On July 2, 2019, Freddie Mac published a revised Uniform Loan Delivery Dataset (ULDD) specification addendum included in [Appendix A – Freddie Mac XML Data Requirements V.4.2.4](#) ("ULDD Addendum"), which incorporated the updates announced in the [May 14, 2019](#) and [May 30, 2019](#) Single-Family News Center articles as well as additional clarifications.

We are updating the delivery requirements and notes in Chapter 6302 to align with updates in the ULDD Addendum.

Conditionality changes for the following ULDD Data Points have been implemented:

- Down Payment Amount (Sort ID 172), Down Payment Source Type/Down Payment Source Type Other Description (Sort IDs 173/174) and Down Payment Type/ Down Payment Type Other Description (Sort IDs 175/176) (effective May 20, 2019)
- Closing Cost Contribution Amount (Sort ID 151), Closing Cost Funds Type/Closing Cost Funds Type Other Description (Sort IDs 152/153), Closing Cost Source Type/Closing Cost Source Type Other Description (Sort IDs 154/155) (effective May 20, 2019)
- Property Structure Built Year (Sort ID 67) (effective July 1, 2019)

A clarification to Loan Selling Advisor[®] screen name for the following ULDD Data Point has been implemented:

- Taxpayer Identifier Type/Taxpayer Identifier Value (Sort IDs 641.5/641.6)

Updates and clarifications for allowable valid values for the following ULDD Data Points have been implemented:

- New valid values for Credit Score Provider Name (Sort ID 591.1) (effective July 1, 2019)
- Mapping of LPA asset type enumerations to current valid values for Down Payment Source Type (Sort ID 173) and Down Payment Type (Sort ID 175) (effective July 1, 2019)
- Mapping of LPA asset type enumerations to current valid values for Closing Cost Funds Type (Sort ID 152) and Closing Cost Source Type (Sort ID 154) (effective July 1, 2019)
- Notes update for Property Valuation Method Type (Sort ID 89) (effective July 1, 2019)
- Mapping of URLA and ULAD Data Points to Loan Foreclosure Or Judgment Indicator (Sort ID 599) (effective July 1, 2019)

Loan Selling Advisor has been updated to reflect these changes in alignment with their effective dates. Sellers should review the ULDD Addendum in its entirety to determine impacts to their systems or processes and for applicable effective dates. Visit the Technical Resources section of Freddie Mac's [ULDD web page](#) to view the ULDD Addendum and other resources.

The ULDD Addendum re-issued on May 29, 2019 also included updates previously announced in prior Bulletins.

Guide impacts: Sections 6302.5, 6302.8, 6302.9, 6302.10, 6302.14, 6302.20 and 6302.31

CALCULATION OF MONTHLY HOUSING EXPENSE – REAL ESTATE TAXES

Effective for Mortgages with Settlement Dates on and after October 10, 2019, but Sellers may implement immediately

We require real estate taxes to be included in the calculation of the Borrower's monthly housing expense-to-income ratio. However, we previously did not provide guidance on how to determine the real estate tax amount that must be included.

In response to Seller feedback, we are updating the Guide to state that real estate taxes must be based on the value of the improvements plus the value of the land. We are also adding specificity related to the amount of real estate tax that must be included in the monthly housing expense calculation in a jurisdiction where a transfer of ownership leads to a change in the tax amount and for properties with tax abatements.

Guide impact: Section 5401.1

ENVIRONMENTAL HAZARD DISCLOSURE TO BORROWER – EFFECTIVE DATE EXTENSION

Effective December 1, 2019

In Bulletin 2019-9, we added a new requirement that Sellers must disclose to Borrowers information related to the presence of any Contaminated Site, Hazardous Substance or other adverse conditions affecting the subject property or neighborhood. In order to review and consider Seller feedback we have received, we are extending the effective date for this new requirement from Mortgages with Settlement Dates on and after August 1, 2019 to Mortgages with Settlement Dates on and after December 1, 2019. In the event Freddie Mac's review of the feedback results in a requirement update, Freddie Mac will communicate those changes in a Bulletin and update the effective date of the requirement as appropriate.

Guide impact: Section 5601.3

ADDITIONAL GUIDE UPDATES

Accounts held in the name of a Living Trust

In response to Seller inquiries, we are clarifying that asset accounts held in the name of a Living Trust are considered to be owned by the Borrower when the Borrower is the Settlor of the Living Trust. Consequently, such assets are considered Borrower personal funds, as described in Section 5501.3, *Asset eligibility and documentation requirements*, and are also eligible to be used in conjunction with the provisions of Section 5307.1, *Assets as a basis for repayment of obligations*.

Guide impact: Section 5501.3

Signed letters or e-mails from the Borrower

In response to Seller feedback, we are updating the Guide to specify that when written explanations or statements are required from the Borrower, acceptable formats include signed letters or e-mails directly from the Borrower.

Guide impacts: Sections 4501.9, 5202.5, 5303.5 and 5501.3

Tri-Party Agreement form updates

We are revising Guide Forms 1035, 1035DC, and 1035WF to update the contact information for Freddie Mac, correct certain errors, and make the language more consistent among the forms. Seller/Service providers with existing Tri-Party Agreements do not need to update them; the updated forms are for use when a new Tri-Party Agreement is appropriate.

Guide impacts: Forms 1035, 1035DC and 1035WF

Updated relocation Mortgage definition

To align with the Single Security Initiative, we are updating the definition of a relocation Mortgage found in the pooling requirements of Section 6202.3. Previously, the definition stated that a relocation Mortgage is made to a newly hired or transferred employee to finance the purchase of a Primary Residence at a new job location, and it is made pursuant to an employee relocation program that establishes the terms and conditions under which the employer relocates employees and is administered by the employer or its agent. The updated definition states that a relocation Mortgage is an owner-occupied purchase money Mortgage, originated pursuant to an established employee relocation program, administered by the employer (or its agent), where the employer relocates employees as part of its normal course of business.

Guide impact: Section 6202.3

Participation Mortgages

In March 2012, with the initial implementation of ULDD requirements, Freddie Mac ceased the purchase of participation Mortgages. With the recent implementation of the Investor Reporting Change Initiative, Freddie Mac no longer has participation Mortgages in its portfolio. Therefore, as announced in Bulletin 2019-12, any remaining requirements for purchase and Servicing of participation Mortgages have been removed from the Guide.

Loan Selling Advisor updates

In Bulletin 2019-13, we announced the postponement of enhancements to Loan Selling Advisor that were originally scheduled to go into effect on June 10, 2019. These included an automated process that would allow Sellers to extend the expiration date for Mandatory Cash contracts and a relock functionality that would be available for Best Efforts Contracts. As of June 24, 2019, these enhancements are available in Loan Selling Advisor.

Visit the [Freddie Mac Single-Family web page](#) for more information.

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

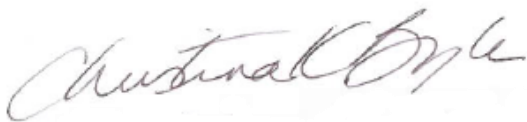
GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2019-16 (Selling) Guide Updates Spreadsheet via the Attachments drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2019-16>.

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
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Single-Family Division