

Bulletin

TO: Freddie Mac Sellers

December 4, 2019 | 2019-25

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Duty to Serve

- New flexibilities and additional guidance for Mortgages secured by properties that have energy and/or water efficiency improvements ([GreenCHOICE MortgagesSM](#)) – **February 4, 2020**
- Updates to our Credit Score requirements for Mortgages secured by [Manufactured Homes](#) – **April 1, 2020**

Income and employment

- Improvements to Loan Product Advisor[®] feedback messaging for our [asset and income modeler \(AIM\)](#) income offerings – **March 8, 2020**
- Updates to [rental income](#) requirements
- Revisions to our verification of employment requirements for Mortgages using [Leave and Earnings Statements](#)

2020 loan limits

- Updates to the Guide to reflect the increases in the [2020 loan limits](#) for both base conforming and super conforming Mortgages – **January 1, 2020**

“No cash-out” refinance Mortgage proceeds

- Update to allow proceeds from a [“no cash-out” refinance Mortgage](#) to be used to pay down junior liens – **February 4, 2020**

Credit reports

- Added specificity to our requirements for [credit reports](#)

eMortgages

- Integration of [third-party eNote](#) custodians for eMortgages
- Addition of Secured Party and Secured Party Delegatee fields for [eMortgages with Warehouse Lenders](#)
- Updates to reflect eligibility of eMortgages for sale through [Cash-Released XChangeSM](#)

Post-Fund Data Correction tool

- Broad availability of the [Post-Fund Data Correction](#) tool for Seller/Service providers to electronically submit correction requests related to Mortgage data submitted by a Seller into Loan Selling Advisor[®] – **July 1, 2020**

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.

DUTY TO SERVE

GreenCHOICE MortgagesSM

Effective for Mortgages with Settlement Dates on and after February 4, 2020

Promoting housing affordability is fundamental to Freddie Mac's mission. In our Duty to Serve plan, which builds on our mission, we committed to facilitate financing of energy- and/or water-efficient homes and energy- and water-efficiency home improvements that help reduce home utility costs. Our objective is to help more families preserve affordability over time. Additionally, Freddie Mac recently published a [research paper](#) demonstrating that energy- and water-efficient homes have higher collateral value and may impose less financial stress on homebuyers than less efficient homes.

Last year, we announced GreenCHOICE MortgagesSM to facilitate the financing of energy- and water-efficiency home improvements and expand a Borrower's ability to pay for energy- and water-efficiency improvement projects over time. Based on our research, and to further support the preservation of affordable housing, among other updates, we are expanding Guide Chapter 4606 to:

- Introduce a "no cash-out" refinance option to pay off outstanding debt incurred to make energy and/or water efficiency improvements with a GreenCHOICE Mortgage
- Add new requirements for "no cash-out" refinance GreenCHOICE Mortgages for Home Possible[®] and HomeOneSM Mortgages with loan-to-value (LTV) ratios greater than 95% but less than or equal to 97%
- Add options in lieu of an energy report when determining the cost effectiveness of solar panels

We are also updating Guide Section 5601.12 to expand our collateral valuation guidance for properties with solar panels, energy-efficiency improvements, and/or water-efficiency improvements, including the option to use the Appraisal Institute's Residential Green and Energy Efficient Addendum in the appraisal process.

We are revising Section 6302.23 to update the delivery requirements for GreenCHOICE Mortgages. Sellers must enter one of the following valid values for ULDD Data Point Investor Feature Identifier (Sort ID 368):

- "J08" to indicate a GreenCHOICE Mortgage, for a purchase or "no cash-out" refinance Mortgage to finance energy- and/or water-efficiency improvements as described in Section 4606.4(a)
- or
- "J28" to indicate a Duty to Serve (DTS) GreenCHOICE Mortgage to pay off outstanding energy debt, for a "no cash-out" refinance Mortgage as described in Section 4606.4(b)

Guide impacts: Sections 4301.4, 4606.2, 4606.4, 4606.6, 5601.12, 6302.23 and Guide Exhibit 34

Credit Score requirements for Mortgages secured by Manufactured Homes

Effective for Mortgages with Settlement Dates on and after April 1, 2020

As part of our Duty to Serve Underserved Markets Plan, we are providing additional underwriting flexibilities to expand eligibility for Mortgages secured by Manufactured Homes. This will increase affordable housing opportunities in the Manufactured Home market.

Loan Product Advisor[®] Mortgages that are secured by Manufactured Homes where no Borrower has a Credit Score will no longer be ineligible for purchase by Freddie Mac.

For Manually Underwritten Manufactured Home Mortgages that are secured by Primary Residences and are purchase or "no cash-out" refinance transactions, the minimum Indicator Score requirements have been reduced as follows:

- From 680 to 640 for LTV ratios \leq 75%, and
- From 720 to 680 for LTV ratios $>$ 75%

Guide impacts: Section 5201.1 and Exhibit 25

INCOME AND EMPLOYMENT

Asset and income modeler (AIM) income offering enhancements

Effective for Loan Product Advisor® submissions and resubmissions on and after March 8, 2020

After consulting with our Sellers, we are updating the Loan Product Advisor® feedback messages for our AIM income offerings to provide greater transparency and produce more actionable messaging to help streamline the loan origination process.

With these changes individual income sources may be eligible for representation and warranty relief even if the Mortgage receives an income representation and warranty result of “NOT ELIGIBLE.” In such an instance, the Seller is required to verify and document any supplemental income sources that were not assessed through Loan Product Advisor, but is not required to further document the assessed income sources that qualify for the relief.

What is not changing

- How we determine whether a Mortgage is eligible for relief from enforcement of certain representations and warranties
- Our “ELIGIBLE” feedback message indicating that the Mortgage is eligible for relief from enforcement of certain selling representation and warranties related to the Borrower’s assessed income. As a reminder, for Mortgages that receive an “ELIGIBLE” feedback message, if the Borrower has income from sources other than those sources assessed by Loan Product Advisor, the Seller is not required to submit these additional income sources to Loan Product Advisor. However, if the Seller does submit the additional income sources to Loan Product Advisor, the Seller must verify and document that income in accordance with the Guide requirements. The Seller will only receive representation and warranty relief for assessed income source(s).
- Our “NOT ELIGIBLE” feedback message indicating a Mortgage is not eligible for relief from enforcement of certain selling representation and warranties related to the Borrower’s income.

What is changing

- A Mortgage that receives a Loan Product Advisor income representation and warranty result of “NOT ELIGIBLE” may be eligible for relief from enforcement of certain representations and warranties for the assessed income source(s) if:
 - Loan Product Advisor returns a feedback message stating that the income verification report is sufficient to document that particular income source and no further documentation for that income source is required; and
 - For all Borrower sources of income submitted to, but not assessed by, Loan Product Advisor, the Seller verifies and documents the income in accordance with the Guide

The new messaging will provide greater clarity as to the representation and warranty relief for which a Mortgage is eligible, even in instances when Loan Product Advisor does not return an “ELIGIBLE” message.

- In addition, we are making the following enhancements to Loan Product Advisor:
 - Suppressing inapplicable underwriting messages to better communicate actionable items
 - Consolidating and retiring certain messages to create a more streamlined Feedback Certificate

Guide and Loan Product Advisor message updates

We are updating the Guide to reflect the impact of these Loan Product Advisor feedback message changes on the requirements for the AIM income offerings. With these updates we are consolidating Sections 5901.6 and 5901.7 into Section 5901.5. For ease of reference, Section 5901.5 will include a comprehensive chart for AIM using employer data that details the available representation and warranty relief and corresponding verification and documentation requirements. Similarly, Section 5903.5 has also been updated to feature a comprehensive chart concerning AIM using tax return data.

The Loan Product Advisor message updates will be effective for all Loan Product Advisor submissions and resubmissions on and after March 8, 2020. The updated Loan Product Advisor feedback messages will be communicated to Sellers prior to March 8, 2020.

Guide impacts: Sections 3401.9, 3401.17, 3402.5, 3402.8, 5302.3, 5302.5, 5901.4 through 5901.7, 5902.5 and 5903.3 through 5903.7

Rental income

In certain instances, when rental income is used to qualify the Borrower and a lease is used to determine net rental income, Form 72 or 1000 is required to support the income reflected on the lease. In response to industry feedback, we are updating our requirements to allow Sellers to provide bank statements, electronic transfer of rental payments, or canceled rent checks, supporting two months' receipt of rental income, in lieu of Form 72 or 1000.

Additionally, to provide enhanced specificity, the following updates have been made:

- Updating format and placement of certain charts to better reflect requirement differences for rental income from property acquired or placed in service in the current calendar year versus rental income from property owned in the prior calendar year
- Specifying that non-cash add backs, such as amortization, may be included in calculating net rental income (when applicable); Form 92 has been revised to reflect this update

In addition, minor editorial changes have been made for ease of use.

Guide impacts: Section 5306.1 and Form 92

Verification of employment

We are revising our requirements to allow Sellers to use a Leave and Earnings Statement (LES) dated no more than 120 days prior to the Note Date to verify the Borrower's employment as part of the 10-day pre-closing verification (10-day PCV).

This is an expansion of our current requirement that allows for use of an LES dated no more than 30 days prior to the Note Date (or 31 days for longer months).

Guide impact: Sections 5302.2, 5303.2 and 5303.3

2020 LOAN LIMITS

Effective for Mortgages with Freddie Mac Funding or Settlement Dates on and after January 1, 2020

As announced in our [November 26, 2019 Single-Family News Center article](#), the FHFA has increased the maximum base conforming and designated high-cost area loan limits effective January 1, 2020. Freddie Mac super conforming Mortgages are subject to the loan limits for designated high-cost areas. The loan limits, effective for Mortgages with Freddie Mac Funding or Settlement Dates on and after January 1, 2020, are as follows:

Maximum loan limits				
Property type	On and before December 31, 2019		On and after January 1, 2020	
	Maximum base conforming loan limits ¹	Maximum super conforming loan limits ^{1, 2}	Maximum base conforming loan limits ¹	Maximum super conforming loan limits ^{1, 2}
Mortgages secured by 1-unit properties	\$484,350	\$726,525	\$510,400	\$765,600
Mortgages secured by 2-unit properties	\$620,200	\$930,300	\$653,550	\$980,325
Mortgages secured by 3-unit properties	\$749,650	\$1,124,475	\$789,950	\$1,184,925

Maximum loan limits				
Property type	On and before December 31, 2019		On and after January 1, 2020	
	Maximum base conforming loan limits ¹	Maximum super conforming loan limits ^{1, 2}	Maximum base conforming loan limits ¹	Maximum super conforming loan limits ^{1, 2}
Mortgages secured by 4-unit properties	\$931,600	\$1,397,400	\$981,700	\$1,472,550

¹Except for Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands

²Actual loan limits for specific counties in high-cost areas, as determined by the FHFA, may be lower than the maximum permitted loan limit listed above. Visit the FHFA [loan limits web page](#) for specific loan limits for each high-cost area.

The maximum base conforming loan limits for Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands will be 50% higher than those listed above. There are no properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands with loan limits higher than the applicable base conforming limits for 2020. As a result, there are no super conforming limits specific to Alaska, Hawaii, Guam or the U.S. Virgin Islands for 2020.

For super conforming Mortgages, notwithstanding the maximum loan limits shown in the above chart, Sellers must review the 2020 loan limits permitted for the specific county in which the property is located. The FHFA provides this information on its [web site](#).

Guide impacts: Sections 4203.3 and 4603.2

NO CASH-OUT REFINANCE MORTGAGE PROCEEDS

Effective for Mortgages with Settlement Dates on and after February 4, 2020, but Sellers can implement revisions immediately

We are revising the Guide to allow proceeds of a "no cash-out" refinance to be used to **pay down** any junior liens that are secured by the Mortgaged Premises and were used in their entirety to acquire the subject property. This is an expansion of our current requirement that allows proceeds of a "no cash-out" refinance Mortgage to be used to **pay off** any junior liens used for this purpose.

Loan Product Advisor® feedback messages will be updated by February 4, 2020 to reflect this change.

Guide impact: Section 4301.4

CREDIT REPORTS

We are updating our requirements to specify that when a Borrower has frozen credit, no more than one national credit repository can have frozen credit information. This requirement and all requirements related to credit reports apply to both Manually Underwritten and Loan Product Advisor Mortgages.

Guide impact: Section 5203.1

EMORTGAGES

Third-party eNote custodians for eMortgages

To address barriers to eMortgage adoption, we developed an industry-first automated certification process and have performed eNote custodian duties for several years. Some third-party custodians are now able to perform these duties. To provide a one-stop shop for custodial needs with the benefits of the automated certification process to Seller/Serviceers, we are providing our automated certification logic to third-party eNote custodians and building system-to-system integrations with them.

Interested third-party custodians should contact the Freddie Mac eMortgage team at eMortgage_Team@freddiemac.com to discuss the approval requirements and process.

Seller/Servicers must execute Form 1035A (a new addendum to Form 1035 for eMortgages) with Freddie Mac and an approved third-party eNote custodian before delivering eNotes, including Pledged eMortgages, to an approved third-party eNote custodian.

As a result of these changes, we have updated the Guide to add references to Freddie Mac approved third-party eNote custodians.

Guide impacts: Sections 1402.2, 1402.8, 1402.10, 1402.11, 1402.16, 1402.17, 2202.3, Form 1034T, Form 1035A and Form 1036

Addition of Secured Party and Secured Party Delegatee fields

On November 18, 2019, MERS® introduced two additional MERS eRegistry authorized rights holder fields titled “Secured Party” and “Secured Party Delegatee” (as defined in Section 1402.2) for eNotes. The Secured Party field is meant for the use of any stakeholder (such as a Warehouse Lender) that has a security interest in an eMortgage but does not want to be named in the Controller field. The Secured Party Delegatee field allows a Secured Party to authorize another participant to take certain actions on its behalf with respect to any eNote.

Section 1402.16 has been updated to reflect operational process changes as a result of these MERS enhancements.

Guide impact: Section 1402.16

Eligibility of eMortgages through Cash-Released XChangeSM

Effective October 21, 2019

As announced on October 21, 2019, Sellers approved to participate in Cash-Released XChange may now deliver eMortgages through that program if their Purchase Documents include the eMortgage negotiated term of business.

We are updating the Guide to reflect the eligibility of eMortgages and to add specific document custody requirements for these Mortgages. For deliveries and Transfers of Servicing of eMortgages sold through Cash-Released XChange, Seller/Servicers must use Freddie Mac as the eNote custodian; for all other Mortgages, Sellers selling through Cash-Released XChange and Servicers participating in that process must use The Bank of New York Mellon Trust Company, N.A. (BNYM) as the Document Custodian.

Guide impacts: Section 2202.3, 6101.7, 6301.8, 6304.1, 7101.9, Glossary A-I, Directory 4 and Exhibit 28A

POST-FUND DATA CORRECTION TOOL

Effective July 1, 2020, but Seller/Servicers are encouraged to use the tool beginning on December 9, 2019

On December 9, 2019, Freddie Mac is launching the [Servicing Gateway](#), an all-in-one portal that will provide access to nearly all Freddie Mac Servicing Tools. One of the tools available in Servicing Gateway will be the [Post-Fund Data Correction tool](#), a web-based application that allows a Seller/Servicer to electronically submit data correction requests related to Mortgage data submitted by a Seller into Loan Selling Advisor®.

The Post-Fund Data Correction tool (the “Tool”) has been available to certain Freddie Mac Sellers in a limited release. With this Bulletin we are making it broadly available, and updating the Guide to add Section 2403.12, which includes requirements regarding corrections by means of the Tool.

As announced in Servicing Bulletin 2019-23, new users may request access to the Tool by:

- Seller/Servicer’s Access Manager Administrator providing access to authorized users; or
- For Seller/Servicers that do not use Access Manager, by completing and submitting Form 907, *Post-Fund Data Correction Tool Authorized User Role Form*, available on the [Post-Fund Data Correction Tool page](#)

Effective December 9, 2019, Seller/Servicers already using the Tool will access it through Servicing Gateway. These Seller/Servicers have been notified of access instructions.

Transition Period

Seller/Servicers will be required to electronically submit data corrections using the Tool beginning July 1, 2020. Prior to July 1, 2020, Seller/Servicers not already using the Tool may continue to submit corrections using the Post-Fund Data Correction Form using the Excel spreadsheet format found on [Post-Fund Data Correction Tool page](#).

Training

For more information regarding Servicing Gateway refer to Bulletins 2019-19, 2019-21 and 2019-23. For detailed training, view the [Post-Fund Data Correction Tool Overview tutorial](#) which provides a detailed look at the Tool. Topics include login and navigation, searching for existing loan and post-fund data correction records, importing and submitting data correction requests.

Guide impact: Section 2403.12

ADDITIONAL GUIDE UPDATES

Taxpayer First Act - use of tax return information

Effective December 28, 2019

In connection with the Taxpayer First Act (the "Act"), which requires the taxpayer's consent to be obtained prior to any disclosure of the taxpayer's tax return or tax return information to a third party, we are adding language to the Guide requiring that, if a signed consent form is required under the Act, a signed copy must be maintained in the Mortgage file. Whether the Seller is required to obtain the consent form is based on the language in "the Act" and not on the Settlement Date of the Mortgage.

Guide impact: Section 3301.11

Representation and warranty framework reminder

We are updating our payment history requirements to include a reminder that Servicers must report the Borrower's payment status of the Mortgage in accordance with Section 8303.3.

Guide impact: Section 1301.11

CreditSmart® - Steps to Homeownership Tutorial rebranding

Effective December 31, 2019

The CreditSmart® - Steps to Homeownership tutorial, focused on consumer education and financial literacy will be relaunched with the name CreditSmart® Homebuyer U effective December 31, 2019. The new tutorial will focus on homeownership education and seek to build a strong foundation of education and understanding of the homebuyer/homeowner experience. Any reference to "financial literacy" will change to "homeownership education" with this rebrand.

Loan Product Advisor® feedback messages will be updated by February 4, 2020. Loan Product Advisor will continue to display "CreditSmart - Steps to Homeownership" for the interim period.

Guide impacts: Sections 5103.6, 6302.9, 6302.14 and 6302.41

Confidential information

As announced in Bulletin 2019-22, we have revised requirements relating to treatment and handling of confidential information in Section 1201.8. In Bulletin 2019-23 we further revised Section 1201.8 to re-designate treatment of Transferor Servicer's Purchase Documents relevant to a Transfer of Servicing from an exclusion under Section 1201.8(a)(iv) to the Transferee Servicer becoming an authorized party under Section 1201.8(a)(iii).

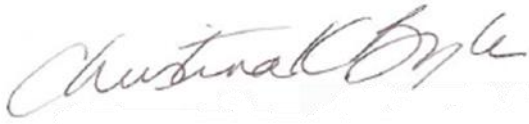
GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2019-25 (Selling) Guide Updates Spreadsheet via the Attachments drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2019-25>.

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 that reads "Christina K. Boyle". The signature is written in black ink and is positioned above the typed name and title.

Christina K. Boyle
Chief Client Officer
Single-Family Office of the Client