

TO: Freddie Mac Sellers

December 2, 2020 | 2020-45

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **2021 loan limits**
 - New [loan limits](#) for 2021
- **Home Possible® Mortgages**
 - Revisions to the [maximum loan-to-value \(LTV\) ratio](#) permitted for certain Home Possible® Mortgages secured by 2- to 4-unit properties – **April 1, 2021**
 - Reformatting language related to LTV/total LTV (TLTV) ratios for Home Possible Mortgages that use [sweat equity](#) as an eligible source of funds
 - Optional use of [Guide Exhibit 23](#) when Borrower personal funds include [cash on hand](#)
- **Seller in-house quality control for appraisal reviews – March 1, 2021**
 - Simplified property valuation reverification requirements for Sellers' [in-house quality control reviews](#)
- **Properties with solar panels – March 2, 2021**
 - Clarified requirements for [properties with solar panels](#) when the solar panels are leased, financed or owned
- **Powers of attorney – January 4, 2021**
 - Updated [power of attorney](#) (POA) requirements, including some that align with previously announced COVID-19-related flexibilities
- **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.

2021 LOAN LIMITS

Effective for Mortgages with Freddie Mac Funding Dates or Settlement Dates on and after January 1, 2021

As announced in our [November 24, 2020 Single-Family News Center article](#), the FHFA has increased the maximum base conforming and designated high-cost area loan limits effective January 1, 2021. 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, 2021, are as follows:

Maximum loan limits				
Property type	On and before December 31, 2020		On and after January 1, 2021	
	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	\$510,400	\$765,600	\$548,250	\$ 822,375
Mortgages secured by 2-unit properties	\$653,550	\$980,325	\$702,000	\$ 1,053,000
Mortgages secured by 3-unit properties	\$789,950	\$1,184,925	\$848,500	\$ 1,272,750
Mortgages secured by 4-unit properties	\$981,700	\$1,472,550	\$1,054,500	\$ 1,581,750

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 2021. As a result, there are no super conforming limits specific to Alaska, Hawaii, Guam or the U.S. Virgin Islands for 2021.

For super conforming Mortgages, notwithstanding the maximum loan limits shown in the above chart, Sellers must review the 2021 loan limits permitted for the specific county in which the property is located. The FHFA provides this information on its web site.

Guide impacts: Guide Sections 4203.3 and 4603.2

HOME POSSIBLE[®] MORTGAGES

Loan-to-value (LTV) ratio for Home Possible[®] Mortgages

Effective for Mortgages with Settlement Dates on and after April 1, 2021

At the instruction of the FHFA, we are reducing the maximum LTV ratio to 85% for certain Home Possible[®] Mortgages secured by 2- to 4-unit properties. The maximum TLTV and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios for these Mortgages will remain at 95%.

The chart in Section 4501.10(a)(i) (below) has been updated to reflect this change.

Property type	Maximum LTV/TLTV/HTLTV ratios for Mortgages other than super conforming Mortgages		Maximum LTV/TLTV/HTLTV ratios for super conforming Mortgages
	Current requirements	New requirements	
Fixed-Rate Mortgages			
1-unit	97%*	97%*	95%**
2-unit	95%	85%/95%/95%	85%
3- and 4-unit	95%	85%/95%/95%	80%
ARMs			
1-unit	95%	95%	95%
2-unit	95%	85%/95%/95%	85%
3- and 4-unit	75%	75%	75%
Manufactured Home	See Guide Chapter 5703	See Chapter 5703	N/A

*A TLTV ratio exceeding 97% and up to 105% is permitted when secondary financing is an Affordable Second.

**A TLTV ratio exceeding 95% and up to 105% is permitted when secondary financing is an Affordable Second.

Loan Product Advisor® feedback messages will be updated by April 1, 2021 to reflect these changes.

Guide impact: Section 4501.10

Sweat equity

We are removing the sweat equity-specific maximum LTV/TLTV ratios chart in Section 4501.10(c)(ii)(4)(C) and instead referring to the general maximum LTV/TLTV ratios for Home Possible Mortgages in Section 4501.10(a)(i). These ratios also apply to Home Possible Mortgages that use sweat equity as an eligible source of funds.

Guide impact: Section 4501.10

Cash on hand

For Home Possible Mortgages, the use of Exhibit 23, *Monthly Budget and Residual Analysis Form*, is now optional when Borrower personal funds include cash on hand. Rather, the Mortgage file must contain documentation confirming that the total monthly residual income available for savings is a positive number.

While the use of Exhibit 23 is optional, it reflects information that may be necessary to confirm that the total monthly residual income available for savings is a positive number.

Guide impact: Section 4501.10

SELLER IN-HOUSE QUALITY CONTROL FOR APPRAISAL REVIEWS

Effective March 1, 2021; however, Sellers are encouraged to implement the changes as soon as possible

We are simplifying the property valuation reverification requirements for Seller in-house quality control reviews. These updates include reverifications involving Mortgages originated with either an appraisal or an automated collateral evaluation (ACE) appraisal waiver.

The following reflects the revised requirements:

- Freddie Mac currently provides Sellers with two options related to property valuation reviews. For all Mortgages selected for in-house quality control reviews, Option 1 requires a Seller to obtain a combination of desk and field reviews and Option 2 requires a Seller to obtain only field reviews on 30% of the Mortgages selected. With this update, we are replacing these options and requiring the Seller to obtain desk reviews on all Mortgages selected for in-house quality control reviews; however, if it is determined that the scope of the desk review is inadequate, a field review is required. The scope of the review is dependent on whether the appraisal received valuation representation and warranty relief through Loan Collateral Advisor®.
- For Mortgages originated with an ACE appraisal waiver, a desk review is not required, but the Seller must ensure the data submitted to Loan Product Advisor was accurate and that ACE eligibility requirements were met

Review our [FAQs](#) related to these in-house quality control changes for appraisal reviews.

Guide impact: Section 3402.5

PROPERTIES WITH SOLAR PANELS

Effective March 2, 2021; however, Sellers may implement sooner if they are able to do so

When considering properties with solar panels, the Seller must evaluate ownership of the solar panels and any liens upon the property relating to debt or lease payments used to obtain the solar panels. We are updating the Guide to clarify requirements when solar panels are leased, financed or owned. Specifically, we are adding a table that provides guidance on:

- Instances when the Seller is not required to obtain a subordination agreement (when a UCC-1 Financing Statement or lease agreement is present)
- Appraisal requirements when solar panels are present
- Impacts to the debt payment-to-income ratio
- Impacts to the TLTV ratio

Additionally, we are:

- Specifying that title policy or attorney's opinion of title exceptions for liens and leases, including UCC-1 Financing Statements, for solar panels are acceptable, provided the exception is for a lien or lease that lists only the solar panels as the collateral
- Adding "UCC-1 Financing Statement" to the Glossary for ease of reference

Guide impacts: Sections 4702.4, 5601.2 and Glossary

POWERS OF ATTORNEY

Effective for Mortgages with Application Received Dates on or after January 4, 2021; however, Sellers are encouraged to apply these updates to existing loans in process

In order to provide more flexibility in the use of a Power of Attorney ("POA") when the Borrower is experiencing an emergency preventing him or her from executing documents in person, we are updating our POA requirements found in Section 6301.4, including several updates that align with the temporary COVID-19 flexibilities found in Bulletin 2020-8. The revised requirements include:

- An employee of the title insurer or settlement agent may be the attorney-in-fact
- The Seller or settlement agent must discuss the POA with the Borrower prior to closing the Mortgage
- Evidence of the emergency qualifying the use of a POA must be included in the Mortgage file
- POAs may be executed using eSignatures

Despite different temporary requirements for POAs used due to COVID-19 and reflected in Bulletin 2020-8, Sellers are reminded that for all other usage of POA:

- POAs may be used with any loan type
- All POAs must be notarized

Guide impact: Section 6301.4

ADDITIONAL GUIDE UPDATES

Increase for allowable Cash Contract extensions

Effective December 7, 2020

As announced in Bulletin 2019-9, Sellers have the ability to extend the expiration date for current Mandatory and Best Efforts Cash Contracts up to four times in Loan Selling Advisor® as long as the total extension period does not exceed 30 days from the original contract expiration date. Effective December 7, 2020, we are enhancing this capability to allow for unlimited contract extensions as long as the total extension period does not exceed 30 days from the original contract expiration date.

For additional information, refer to the November 13, 2020, [Single-Family News Center article](#).

Guide impacts: Sections 6101.3, 6101.4, and 6102.4

Updates to ACH authorization forms

Effective December 9, 2020

Beginning on December 9, 2020, Seller/Serviceers will be able to utilize eBill to authorize debits and credits through the following applicable Automated Clearing House (ACH) authorization forms:

- Form 98, *Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) for Vendors*
- Form 483, *Wire Transfer Authorization*
- Form 987E, *Wire Transfer Authorization for Warehouse Delivery*
- Form 1132, *Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) for Seller/Serviceers*

These forms have been updated to provide clarity in the process, and applicable Guide sections have been updated to:

- Reflect the renamed forms
- Remove references to Form 98 as it relates to Sellers/Serviceers because only Vendors can submit Form 98
- Require new submissions of Forms 98, 483, 987E and 1132 to be filed electronically via eBill (Forms 483, 987E and 1132) or emailed to cashcollections@freddiemac.com (Forms 483, 987E and 1132) and counterparty_authorization@freddiemac.com (Form 98)

Guide impacts: Sections 2101.12, 2201.1, 2201.2, 6303.2, 6305.3, Forms 98, 483, 987E and 1132

Authentication Credentials for Systems access

We are updating the access management provisions of the Guide to make it clear that Seller/Serviceers are required to reset certain Authentication Credentials every 90 days (for individual user credentials), and every 365 days (for system-to-system credentials). In the event such resets do not occur, or if there is no System activity associated with such credentials within their respective time periods, Freddie Mac may deactivate System access for such credentials.

These updates are intended to bolster already-robust access management practices for Freddie Mac's Loan Advisor and Servicing Gateway tools.

Guide impact: Section 2401.1

Property condition and quality of construction

We have streamlined the description of our requirements for when a property must be identified with a Q6 quality rating or the C5 or C6 condition ratings. We are also including a reference to “C5 condition rating” in the overview of Section 5601.12(e)(i) for consistency with the requirements in this section and to highlight that if a portion of the improvements has deficiencies consistent with a C5 condition rating, the entire property must be rated C5.

Guide impact: Section 5601.12

Additional employed income types

Section 5303.3 has been updated to state that Sellers should refer to Section 5303.3(b) for instances when a history of less than two years, but not less than one year, of certain employed income types may be acceptable.

Guide impact: Section 5303.3

Delivery documents for Cooperative Share Loans – corrected Bulletin 2020-43 text

In Bulletin 2020-43, we updated the requirements specifying the types of documents for Cooperative Share Loans that a Seller/Servicer must deliver to the Document Custodian, and that the Document Custodian must verify to the Seller/Servicer. The Bulletin text included an error in the section outlining delivery documents for Cooperative Share Loans. We are now clarifying that the Seller must maintain a copy of the Recognition Agreement and a copy of the Proprietary Lease in the Mortgage file. The originals of such documents must be delivered to the Document Custodian. There are no Guide changes necessary to implement this correction.

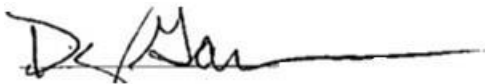
GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2020-45 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2020-45>.

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,



Danny Gardner
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