



Bulletin 2021-12

Selling

Issued 04/07/2021

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Affordable lending**
 - Updates related to [Home Possible® Mortgages](#)
 - Streamlined requirements for [Community Land Trust Mortgages](#)
- **Income and assets**
 - Updated requirements for obtaining a [10-day pre-closing verification \(PCV\)](#)
 - Greater flexibility when [retirement account distributions](#) are used as qualifying income
 - Additional flexibility that will not require documentation of funds to close on [refinance transactions](#) under certain circumstances
- **Automated collateral evaluation (ACE) appraisal waiver offers and collateral representation and warranty relief – effective April 11, 2021**
 - Updates to eligibility for [properties impacted by Hurricanes Florence and Michael](#)
- **Second home and Investment Property Mortgage eligibility – effective for Mortgages with Settlement Dates on or after May 1, 2021**
 - Guide updates to reflect requirement changes for [Mortgages secured by Investment Properties and second homes](#) announced in [Bulletin 2021-11](#)
- **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.

AFFORDABLE LENDING

Home Possible® Mortgages

Home Possible® is Freddie Mac's flagship affordable offering, introduced more than 15 years ago to provide options and flexibilities to help very low and low-income Borrowers attain homeownership. The following updates provide additional eligibility opportunities for this offering and greater flexibility to our Sellers.

Home Possible as an eligible offering for Seller-Owned Modified Mortgages

Effective June 21, 2021

Home Possible Mortgages are not currently eligible for delivery to Freddie Mac as Seller-Owned Modified Mortgages. We are updating [Guide Sections 4402.4\(b\)](#) and [4501.3\(b\)](#) to permit the sale of Home Possible Mortgages that are Seller-Owned Modified Mortgages, including those that are underwritten through Loan Product Advisor®. Such Mortgages that receive an Accept through Loan Product Advisor will receive the representation and warranty relief as described in [Section 5101.8](#).

Although [Section 4402.1\(b\)](#) requires Sellers to manually underwrite and requalify the Borrower, Sellers will not be required to manually underwrite or resubmit a Home Possible Accept Mortgage that is a Seller-Owned Modified Mortgage to Loan Product Advisor solely due to the reduction in the interest rate in accordance with the requirements in [Section 4402.4\(c\)](#). In addition, an automated collateral valuation appraisal waiver through Loan Product Advisor for the original Home Possible Mortgage cannot be used on the Seller-Owned Modified Mortgage.

Guide impacts: [Sections 4402.1](#), [4402.4](#), [4501.3](#), [5101.1](#), [5101.6](#) through [5101.8](#) and [5601.9](#)

Home Possible allowance for negotiated provisions

We removed the requirement that Sellers must be specifically permitted to use negotiated underwriting provisions with Home Possible Mortgages. With this Guide update, unless specifically prohibited, negotiated underwriting provisions described in the Purchase Documents may be used with Home Possible Mortgages.

Guide impact: [Section 4501.1](#), [4501.3](#), [4502.3](#) and [4607.2](#)

Community Land Trust Mortgages

Based on Seller feedback, we have streamlined the requirements for Community Land Trust Mortgages. Sellers are no longer required to receive Freddie Mac's written approval to sell Community Land Trust Mortgages to Freddie Mac.

Sellers are also no longer required to review the terms and conditions of the Community Land Trust program; however, Sellers must review the Community Land Trust ground lease as specified in [Section 4502.10\(a\)](#) and verify the requirements are met. As a reminder, the Community Land Trust Ground Lease must be completed, executed and recorded in the land records together with [Guide Form 490, Freddie Mac's Community Land Trust Ground Lease Rider](#).

We have also added a chart to [Section 4502.7](#) to clarify the maximum loan-to-value (LTV) ratio calculation for Community Land Trust Mortgages. Additionally, we no longer require Sellers to complete Freddie Mac's Seller/Service Community Land Trust training.

Guide impacts: [Sections 4502.1](#), [4502.6](#), [4502.7](#), [4502.9](#) and [4502.10](#)

INCOME AND ASSETS

Employed income – 10-day pre-closing verification

In light of the prevalent use of e-mail communication, we have updated our requirements for obtaining a 10-day pre-closing verification (PCV) to permit an e-mail exchange from the independently obtained employer's work e-mail address that includes, at a minimum, all of the following:

- Borrower's name and current employment status
- Employer's name
- Name and title of the individual contacted at the employer, date of contact and the individual's work e-mail address

Additionally, the Mortgage file must include:

- Information about the third-party source used to obtain the employer's e-mail address, and
- Name, title and employer of the representative who contacted the Borrower's employer and obtained the e-mail verification

These requirements are effective immediately; however, as a reminder, Sellers may continue to apply the temporary 10-day PCV requirements outlined in [Bulletin 2020-5](#) and recently updated in [Bulletin 2021-10](#) for Mortgages with Application Received Dates on or before April 30, 2021.

Guide impact: [Section 5302.2](#)

Retirement account distributions as income

We have updated our requirements to provide greater flexibility when retirement account distributions are used as income to qualify the Borrower. If the retirement account from which the Borrower is currently taking distributions is projected to be depleted within three years, Sellers may consider the Borrower's additional eligible retirement accounts when determining continuance of distributions. The Seller must verify that the Borrower has sufficient eligible retirement assets in aggregate to support the amount of qualifying income for at least three years after the Note Date.

Guide impact: [Section 5305.2](#)

Documentation of funds to close on a refinance

In response to Seller feedback, we have evaluated our requirements related to documentation of funds to close for refinance transactions. As a result of our review, we will no longer require documentation of funds to close on refinance transactions under the following circumstances:

- Required borrower funds are \$500 or less, and
- No reserves are required in accordance with the Loan Product Advisor Feedback Certificate, and
- The Mortgage is a Loan Product Advisor Mortgage with a Risk Class of Accept

Loan Product Advisor messaging will be updated by June 7, 2021 to reflect this change; however, Sellers may implement this flexibility immediately.

Guide impact: [Section 5501.1](#)

AUTOMATED COLLATERAL EVALUATION (ACE) APPRAISAL WAIVER OFFERS AND COLLATERAL REPRESENTATION AND WARRANTY RELIEF

Effective April 11, 2021

Freddie Mac previously communicated to Sellers that ACE appraisal waiver offers and valuation representation and warranty relief provided through Loan Collateral Advisor® were being suspended for the Federal Emergency Management Agency's (FEMA) disaster areas eligible for individual assistance associated with Hurricanes Florence and Michael.

We are now announcing that Loan Product Advisor will be updated to offer ACE appraisal waivers (for new submissions and resubmissions) and Loan Collateral Advisor will be updated to provide valuation representation and warranty relief for the impacted areas.

As a reminder, Sellers may not accept ACE appraisal waiver offers for existing loans in process for which an appraisal has already been obtained. See [Section 5601.9\(c\)](#) for Mortgages that are ineligible for an appraisal waiver.

SECOND HOME AND INVESTMENT PROPERTY GUIDE UPDATES

Effective for Mortgages with Settlement Dates on or after May 1, 2021

In [Bulletin 2021-11](#), we announced revised requirements for Mortgages secured by Investment Properties and second homes to manage our compliance with the requirements of the amended Preferred Stock Purchase Agreement between Freddie Mac and the U.S. Department of the Treasury.

With this Bulletin, we are updating the Guide to reflect those revised requirements. Effective May 1, 2021, all Mortgages secured by Investment Properties or second homes must receive a Loan Product Advisor® Risk Class of Accept and may not be Manually Underwritten. Additionally, Seller-Owned Converted and Seller-Owned Modified Mortgages secured by Investment Properties or second homes will no longer be eligible for delivery.

Guide impacts: [Sections 4201.15](#), [4201.16](#), [4402.1](#), [4402.2](#), [5102.2](#), [5203.2](#), [5401.2](#), [5501.2](#), [Guide Exhibits 19](#) and [25](#)

ADDITIONAL GUIDE UPDATES

New delivery requirement for Construction Conversion Mortgages using Modification Documentation

To ensure the Market Condition Credit Fee in Price is not assessed for Construction Conversion Mortgages using Modification Documentation without a new Note, as described in [Section 4602.3](#), delivery requirements are being updated to include a new Investor Feature Identifier.

Sellers must deliver the ULDD Data Point Investor Feature Identifier (Sort ID 368) and enter the valid value of "J81" to indicate a Construction Conversion Mortgage using Modification Documentation without a new Note.

Guide impacts: [Section 6302.28](#) and [Exhibit 34](#)

Updated delivery requirements for desk review and desktop appraisal

Effective July 7, 2021

We are updating ULDD Data Point Property Valuation Method Type/Property Valuation Method Type Other Description (Sort ID 89/90) to require delivery of the valid value of "Other - Desk Review" if [Form 1033, One Unit Residential Appraisal Desk Review Report](#), was used to value the subject property. [Form 1033](#) will no longer be associated with the valid value of "Desktop Appraisal."

Additionally, we added notes for *Property Valuation Method Type* of "None" to specify the valid value is applicable to Mortgages with appraisal waivers.

Guide impacts: [Sections 6302.8](#) and [6302.31](#)

Activity fee threshold and no-activity fee

Previously, [Section 2101.3](#) stated that a no-activity fee will be assessed for failure to meet our activity thresholds. To reflect current

practices, we have revised this requirement to state that the fee may be assessed at Freddie Mac's discretion.

Guide impact: [Section 2101.3](#)

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 2021-12 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2021-12>.

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
Senior Vice President, Client and Community Engagement