



## Bulletin 2021-16

# Selling

Issued 05/05/2021

**TO: Freddie Mac Sellers**

**SUBJECT: SELLING UPDATES**

This Guide Bulletin announces:

- **Credit underwriting and Mortgage eligibility**
  - Updated requirements related to refinance transactions, including a 30-day seasoning requirement for “no cash-out” refinance Mortgages and flexibility for cash-out refinance Mortgages when none of the Borrowers have been on the title for at least six months
  - Extensions for certain key dates regarding age of tax return requirements
  - Updated requirements permitting the use of future long-term disability income to qualify the Borrower
  - Revised requirements related to prorated real estate tax credits
- **Power of attorney**
  - Additional flexibility and clarity for power of attorney requirements – **June 30, 2021**
- **Quality control (QC)**
  - Additional specificity to note that the title commitment must be provided on loans selected for QC – **August 5, 2021**
  - A simpler submission process for compliance QC findings
- **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.

## CREDIT UNDERWRITING AND MORTGAGE ELIGIBILITY

### Refinance Mortgages

*“No cash-out” refinance seasoning requirement*

**Effective for all “no cash-out” refinance Mortgages with Settlement Dates on or after August 5, 2021**

We are adding a 30-day seasoning requirement for refinance Mortgages to be paid off using the proceeds of a “no cash-out” refinance Mortgage. The refinance Mortgage being paid off must have a Note Date no less than thirty days prior to the Note Date of the “no cash-out” refinance Mortgage, as documented in the Mortgage file (e.g., on the credit report or the title commitment).

Guide impacts: Guide Sections 4301.3 and 4301.4

***Exception for cash-out refinance Mortgages where none of the Borrowers have been on the title for at least six months***

Based on Seller feedback, we have updated our requirements for cash-out refinance Mortgages when the property title has been held by a limited liability company (LLC) or limited partnership (LP). In these instances, the requirement that at least one Borrower must have been on the title to the subject property for a minimum of six months prior to the Note Date may be satisfied by the time the property was titled in the name of the LLC or LP, provided that:

- The Borrower is a majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP
- Title is transferred into the Borrower’s name prior to the Note Date

Guide impact: Section 4301.5

## Extended dates for age of tax return requirements

In response to the Internal Revenue Service (IRS) extending the filing deadline for individual tax returns from April 15, 2021 to May 17, 2021, we are updating our requirements for the age of tax returns in [Section 5302.4](#) as follows:

- References to the Application Received Dates of April 15, 2021 are extended to May 17, 2021
- References to the Note Dates of May 31, 2021 are extended to June 30, 2021

Guide impact: [Section 5302.4](#)

## Future long-term disability income

Previously, newly established long-term disability income was eligible for qualifying the Borrower only when the income was to commence prior to or on the first Mortgage payment Due Date. We have updated our requirements to permit the use of future long-term disability income that will commence after the first Mortgage payment Due Date provided that:

- The Borrower is currently receiving short-term disability benefits that will subsequently convert to long-term benefits,
- The Borrower is qualified on the lesser amount of either the long-term or short-term disability payments, and
- The documentation requirements are met

Guide impact: [Section 5305.2](#)

## Prorated real estate tax credits

### Effective for Mortgages with Settlement Dates on or after August 5, 2021

We are updating our Guide requirements related to the treatment of prorated real estate tax credits contributed by the property seller in areas where real estate taxes are paid in arrears:

- Prorated tax credits are not considered interested party contributions and therefore are not subject to financing concession limits, and
- Prorated tax credits cannot be considered when determining if the Borrower has sufficient funds for the Mortgage transaction

Guide impacts: [Sections 5501.1](#) and [5501.5](#)

## POWER OF ATTORNEY (POA)

### Effective for Mortgages with Application Received Dates on or after June 30, 2021

In [Bulletins 2020-48](#) and [2021-4](#), Freddie Mac updated the power of attorney (POA) requirements found in [Section 6301.4](#). As a result of Seller feedback, we are revising those requirements to provide greater clarity and flexibility and to remove certain obligations. With this Bulletin, we are:

- Clarifying that the Seller's obligations may be performed by the broker, correspondent or other originator when delivering a Wholesale Home Mortgage
- Reducing the requirement to have a pre-closing discussion with the Borrower to cash-out refinance Mortgages only; purchase Mortgages and "no cash-out" refinance Mortgages do not necessitate a pre-closing discussion
- Adding military deployment to the list of events that justify using a POA and waiving the requirement for a pre-closing discussion when the Borrower is unavailable due to being in a Period of Military Service (as defined in [Section 8501.3](#))
- Specifically listing the information that must be discussed with the Borrower during the pre-closing discussion
- Easing documentation requirements when a POA is required to be accepted under applicable law
- Providing that the POA need not be specific to the mortgage transaction
- Expanding the ways in which the Borrower's acknowledgment of the pre-closing discussion may be memorialized

Guide impact: [Section 6301.4](#)

## QUALITY CONTROL (QC)

### Freddie Mac quality control (QC) requirement of title commitment

#### Effective for Mortgages with Settlement Dates on or after August 5, 2021

We are updating the Guide to specify that the title commitment must be provided on Mortgages selected for our QC review. A title commitment can provide information that is not otherwise available in other file documentation.

**Note:** The documentation checklist for submitting Mortgage files to Freddie Mac QC already requests this document be provided.

Guide impact: [Section 3401.6](#)

### **Seller QC compliance reporting requirements**

Previously, Sellers were asked to send QC findings related to compliance issues to one of two mailboxes based on the type of issue identified. All Seller compliance QC issues should now be sent to one mailbox: [Seller\\_Servicer\\_QC\\_Reporting@freddiemac.com](mailto:Seller_Servicer_QC_Reporting@freddiemac.com). This will provide one central location to notify Freddie Mac of these issues.

Guide impact: [Section 3402.10](#)

## **ADDITIONAL GUIDE UPDATES**

### **Margining process on cash window commitments**

[Guide Exhibit 102, Securities Trading Customer Agreement](#), contains requirements for posting margin on transactions in securities. We are updating the Guide to establish that Freddie Mac may, at its sole discretion, also require Sellers to post margin in connection with certain outstanding cash window commitments. This replaces the current process whereby margin requirements are implemented on an ad hoc basis and require additional documentation. Freddie Mac will serve as the calculation agent for transactions subject to margin requirements. Incorporating these margin requirements into the Guide streamlines our processes and adds transparency.

Guide impacts: [Sections 6101.1](#) and [6102.1](#)

### **Mortgages where fees are paid with credit card, cash advance or unsecured line of credit**

In order to provide greater efficiency, we are removing the delivery requirement for ULDD Data Point *Investor Feature Identifier* (IFI) (Sort ID 368) valid value of "921" when Borrowers use a credit card, cash advance or unsecured line of credit to pay fees.

In support of this change, Loan Selling Advisor® will be updated to no longer allow the delivery of IFI 921 for Mortgages with Settlement dates after December 31, 2021 with a 90-day warning beginning October 1, 2021; however, Sellers may stop delivering the IFI immediately.

Guide impact: [Section 6302.30](#) and [Exhibit 34](#)

### **Refined description of IFI for Mortgages with Seller-funded Affordable Seconds®**

We are refining the description of ULDD Data Point IFI (Sort ID 368) valid value of "J54" from "Home Possible® Mortgage with Seller-funded Affordable Second" to "Mortgage with Seller-funded Affordable Second" to be more consistent with other IFI descriptions and no longer repeat eligibility.

Guide impacts: [Section 6302.34](#) and [Exhibit 34](#)

### **Update income "source" to income "type"**

We have updated references to income "source" and income "type" to ensure that the terms are being used consistently throughout the Guide.

Loan Product Advisor® messaging will be updated at a later date to reflect this change.

Guide impacts: [Sections 3402.5](#), [3402.8](#), [4304.5](#), [5301.1](#), [5302.1](#), [5302.3](#), [5302.5](#), [5303.1](#), [5303.5](#), [5306.1](#), [5901.2](#), [5901.5](#), [5903.2](#), [5903.3](#), [5903.4](#), [5903.5](#) and [5903.6](#)

## **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 2021-16 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2021-16>.

## **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,

Danny Gardner  
Senior Vice President, Client and Community Engagement

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