



Bulletin 2021-20

Selling

Issued 06/02/2021

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Quality control (QC) and Exclusionary List**
 - Revised [Exclusionary List](#) screening requirements and fraud-related reporting changes
 - New links to reference materials related to [quality control \(QC\) and fraud prevention](#)
- **Condominium and Cooperative Projects**
 - Revised requirements addressing [projects in litigation or alternative dispute resolution \(ADR\)](#) proceedings – **August 31, 2021**
 - Additional specificity for [Condominium Project review and eligibility requirements](#)
 - Updates for [Cooperative Projects with excessive single-investor concentration](#)
 - Revised requirements for [limited equity Cooperative Projects](#)
 - Guidance related to delivery of [taxpayer identification numbers \(TINs\)](#) for Condominium Unit Mortgages
 - Minor updates to [ownership and use of Common Elements of a Condominium Project and Common Areas of a Cooperative Project](#) – **August 31, 2021**
- **Property eligibility and appraisals**
 - A new exception when [multiple parcels](#) that would normally be adjoined are separated by a road
 - Removal of the requirement to report the transaction type and owner of record on the [appraisal update](#)
 - Additional specificity regarding [appraisal timing](#)
- **Asset and income modeler (AIM) for [self-employed Borrowers](#) – August 1, 2021**
- **Remote notarization**
 - Addition of [Remote Ink Notarization \(RIN\)](#) with minimum standards
 - The addition of West Virginia to the list of States eligible for [Remote Online Notarization \(RON\)](#)
- **Home Possible® Mortgage [area median income limits](#) – June 16, 2021**
- [Authorized changes for Security Instruments](#)

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

QUALITY CONTROL (QC) AND EXCLUSIONARY LIST

Revised Exclusionary List screening requirements and fraud-related changes

Previously the Guide required that prior to selling a Mortgage to Freddie Mac, the Seller must screen all individuals and entities, including the Borrower, that performed a role in the origination of the Mortgage or in the underlying real estate transaction. If the name of any such party appeared on the Exclusionary List, the Mortgage was ineligible for sale to Freddie Mac.

In response to Seller feedback, we have streamlined these requirements to require the Seller to screen the following specific party roles against the Exclusionary List:

- Borrower(s)
- Property seller(s)
- Mortgage loan originator and loan origination company, including but not limited to loan officers, third party originators, retail lenders, mortgage brokers and correspondents
- Real estate agent(s) and real estate company(ies)

- Settlement agent and settlement company
- Appraiser and appraisal company

The Seller/Servicer must continue to ensure that its own employees engaged in the sales, quality control (QC) or Servicing of Freddie Mac Mortgages, and that third parties to whom these functions are outsourced or assigned are not on the Exclusionary List.

The screening requirement for loss mitigation activities has been updated and simplified. The previous requirement that Servicers screen all participants in any loss mitigation activities against the Exclusionary List has been revised to require that, other than Servicer's own employees and contracted third parties, only the buyer of a short sale must be screened.

We have updated our requirements for requesting a waiver of warranties regarding the Exclusionary List and reporting fraud and Suspicious Activity. All such requests and reporting must now be submitted via email to mortgage_fraud_reporting@freddiemac.com. Requests via fax and regular mail will no longer be accepted.

Seller and Servicer warranties regarding the Exclusionary List have also been revised in [Sections 3101.1\(d\)](#) and [3101.1\(f\)](#) requiring supporting documentation for the maintenance of controls to meet this warranty obligation.

Guide impacts: [Sections 1201.8](#), [1301.8](#), [2401.1](#), [2408.5](#), [3101.1](#), [3201.2](#), [3201.5](#) and [Directory 1](#)

Updated document links

We have removed the links to specific outdated documents related to QC and fraud prevention. Sellers should refer to the [QC](#) and [fraud prevention](#) web pages for a variety of information and tools to assist them with their programs.

Guide impacts: [Sections 3201.5](#), [3402.1](#) and [4201.10](#)

CONDOMINIUM AND COOPERATIVE PROJECTS

In response to Sellers' questions and feedback, we are updating our Condominium and Cooperative Project requirements.

Project in litigation or alternative dispute resolution (ADR) proceedings

Effective for Mortgages with Settlement Dates on or after August 31, 2021

In response to industry trends, we are updating [Section 5701.3\(i\)](#), [Project in litigation](#), and [Section 5705.3\(i\)](#), [Cooperative Project in litigation](#) to include projects involved in ADR proceedings, such as arbitration and mediation, as follows:

- A Condominium Unit Mortgage or Cooperative Share Loan is ineligible for sale to Freddie Mac if it is disclosed to the Seller that the HOA/Cooperative Corporation is a party in an ADR proceeding;
- A Condominium Unit Mortgage or Cooperative Share Loan is ineligible for sale to Freddie Mac if it is disclosed to the Seller that the project developer/sponsor is a party in an ADR proceeding relating to the safety, structural soundness, functional use or habitability of the project; and
- The Condominium Unit Mortgage or Cooperative Share Loan may be eligible if the disclosed ADR proceedings are determined by the Seller to involve a minor matter

We are also updating Condo Project Advisor® requirements to include ADR proceedings under the "Pending litigation" project eligibility category. The data entry screens of the "Pending litigation" category in Condo Project Advisor will be updated at a later date to include references to ADR proceedings, but Sellers may submit ADR information and documentation under this category immediately.

Guide impacts: [Sections 5701.1\(c\)](#), [5701.3\(i\)](#) and [5705.3\(i\)](#)

Additional specificity relating to Condominium Unit Mortgages delivered as Exempt from Review

[Section 5701.2\(d\)](#) includes a table illustrating an overview of our Condominium Project review and eligibility requirements. We have added notations to the table to emphasize that, if Condominium Unit Mortgages are delivered in accordance with the requirements in [Section 5701.7](#), [Exempt From Review](#), certain requirements of [Section 5701.3](#) must still be met as specified in [Section 5701.7](#).

Guide impact: [Section 5701.2\(d\)](#)

Cooperative Projects with excessive single-investor concentration

We have updated [Section 5705.3](#) to emphasize that the maximum single-investor concentration limit for Cooperative Projects may be increased from 20% to 49% but only if the Cooperative Units owned by the sponsor or developer in excess of the 20% limitation are subject to rent control or tenant-protection laws. Cooperative Units owned by the sponsor/developer and not subject to such laws still are limited to 20% of the total units of the project.

Guide impact: [Section 5705.3\(j\)](#)

Limited equity Cooperative Projects and Cooperative Projects with income-based resale restrictions

We have revised [Section 5705.3\(n\)](#) to permit the sale to Freddie Mac of Cooperative Share Loans in Cooperative Projects that restrict the income eligibility level of subsequent purchasers. Cooperative Projects that limit the gain from appreciation upon resale of the Cooperative Shares associated with the Cooperative Unit will remain ineligible.

In conjunction with this revision, we have also updated [Section 4406.2](#) to permit Cooperative Units as an eligible property type for Mortgages secured by properties subject to income-based resale restrictions.

Guide impacts: [Sections 4406.2\(b\)](#) and [5705.3\(n\)](#)

Homeowners Association (HOA) taxpayer identification numbers (TINs) for Condominium Unit Mortgages

As there are now ULDD Data Points to deliver an HOA's TIN, the delivery information for Condominium Unit Mortgages has been updated to continue to encourage Sellers to obtain the TIN and now to deliver it as well. Delivery of the HOA's TIN is not required.

Guide impact: [Section 5701.12\(c\)](#)

Ownership and use of Common Elements of a Condominium Project and Common Areas of a Cooperative Project

Effective for Mortgages with Settlement Dates on or after August 31, 2021

Currently, for Condominium Projects, if the unit owners are not the sole owners of **and** do not have the right to the use of the Common Elements, the project is ineligible. Ineligibility requires both characteristics to exist, not be the sole owner, and not have the usage right.

Similarly, for Cooperative Projects, if the Cooperative Corporation is not the sole owner **and** the Shareholders do not have the sole right to the use of the common areas, the project is ineligible.

We are updating these requirements to clarify that a project must have both of these characteristics to be eligible.

Guide impacts: [Sections 5701.3\(h\)](#) and [5705.3\(h\)](#)

PROPERTY ELIGIBILITY AND APPRAISALS

Additional parcels

In response to Seller requests, we have updated our additional parcel requirements to allow for an exception when multiple parcels, which would normally be adjoined, are separated by a road. This exception is only for specific scenarios, such as a lakefront property where an access road separates the parcels of land, allowing the Borrower access to the water.

We have also removed some redundancy regarding comparable sales requirements for appraisals. [Section 4201.20](#) has also been retired because the language in this section is covered in [Section 5601.12](#).

Guide impacts: [Sections 4201.20](#) and [5601.12](#)

Form 442, Appraisal Update and/or Completion Report

We have updated our appraisal update requirements to no longer require the reporting of the transaction type or owner of record, effectively aligning this requirement with the appraisal update form ([Form 442](#)).

Guide impact: [Section 5601.8](#)

Appraised value clarification

We have updated the Guide to clarify that the appraised value as of the appraisal report effective date is used to determine value, as opposed to the value on the Note Date. We have also updated [Section 5601.4](#) to remove an expired reference to [Section 5601.12](#).

Guide impacts: [Sections 4203.1](#) and [5601.4](#)

ASSET AND INCOME MODELER (AIM) - SELF-EMPLOYED BORROWERS

Effective for Mortgages with Loan Product Advisor® initial submission dates on and after August 1, 2021

We are revising our requirements for the asset and income modeler (AIM) for self-employed offering with respect to age of tax return requirements. Specifically, the Application Received Date will replace the Loan Product Advisor initial submission date as it relates to the requirements for age of federal tax return(s). The Mortgage must comply with the following date and documentation requirements for 2019 and 2020 federal income tax return(s):

Application Received Date	Note Date	Age of tax return requirements
Before: April 15, 2021	Before: June 30, 2021	<ul style="list-style-type: none"> ▪ Most recent federal income tax return(s) filed with the Internal Revenue Service (IRS) ▪ The most recent tax return(s) must be no older than 2019
On or after: April 15, 2021	Before: May 31, 2022	<ul style="list-style-type: none"> ▪ Most recent federal income tax return(s) filed with the IRS ▪ The most recent tax return(s) must be no older than 2020

As a reminder, Sellers must continue to comply with the COVID-19 temporary requirements when underwriting a Borrower with self-employed income.

Loan Product Advisor feedback messages related to this revision are available [here](#).

For additional guidance, read the [AIM for self-employed FAQs](#).

Guide impacts: [Sections 5102.4](#), [5302.4](#) and [5903.6](#)

REMOTE NOTARIZATION

Remote Ink Notarization (RIN) minimum standards

West Virginia (effective June 17, 2021), Alabama and Wyoming (effective July 1, 2021) recently enacted legislation permitting a Remote Ink Notarization (RIN) process, in which a notary:

- Can witness the borrower wet ink sign loan documents via an electronic audio/video mechanism and
- Receive the Borrower signed documents via mail services or some other mechanism to apply their wet ink signature and notary seal

As a result, Freddie Mac has updated the Guide to specify that this process is permitted where expressly permitted by law. However, in order to protect Borrowers from potential fraud, Freddie Mac requires the process and the technology used in the process to meet certain minimum standards. These requirements will also apply to Mortgages closed through the RIN process in other States where the process is currently permitted on a temporary basis through emergency executive orders.

In addition, for all Mortgages closed through this process, Sellers must deliver ULDD Data Point Investor Feature Identifier (Sort ID 368) valid value of "J95" to indicate Remote Ink Notarization.

Guide impact: [Sections 1401.24 \(new\)](#), [6302.5](#) and [Guide Exhibit 34](#)

Remote Online Notarization (RON) expansion

West Virginia has recently passed legislation permitting RON effective June 17, 2021. As a result, we have added West Virginia to our list of RON-permissible States.

Guide impact: [Exhibit 48](#)

HOME POSSIBLE® MORTGAGE AREA MEDIAN INCOME LIMITS

Effective June 16, 2021

As announced in our [May 27, 2021, Single-Family News Center article](#), Loan Product Advisor and the [Home Possible Income & Property Eligibility tool](#) will be updated on June 16, 2021 to reflect the 2021 area median income (AMI) limits.

The FHFA provides the AMI estimates to Freddie Mac, which we use to determine if the Borrower's annual qualifying income meets Home Possible Mortgage eligibility requirements.

For Manually Underwritten Mortgages, the updated Borrower income limits will be effective for Mortgages with Application Received

Dates on and after June 16, 2021.

Loan Product Advisor will apply the updated 2021 AMI limits as follows:

Loan Product Advisor determination of Home Possible eligibility	
<u>IF</u> the Mortgage is submitted as a Home Possible Mortgage on and after June 16, 2021	<u>THEN</u> 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"> ▪ 2020 AMI limits at 80% of the AMI <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> ▪ 2021 AMI limits at 80% of the AMI
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 	2021 AMI limits at 80% of the AMI

REVISIONS TO AUTHORIZED CHANGES PAGE FOR SECURITY INSTRUMENTS

Freddie Mac has updated the authorized changes for the Virginia Deed of Trust if the Mortgage is an eligible refinance. The certification related to automatic priority now requires the interest rate of the old loan.

Guide impact: [Exhibit 5](#)

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 2021-20 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2021-20>.

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,

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