



Bulletin 2021-25

Selling

Issued 07/07/2021

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Affordable housing and lending**
 - Guide updates related to Freddie Mac's new [Refi PossibleSM](#) offering – **August 30, 2021**
 - Flexibility allowing [Community Land Trust Mortgages](#) to be secured by CHOICEHomes[®]
 - Revised requirements for [Construction Conversion Mortgages secured by Manufactured Homes](#)
 - Additional clarity and flexibility related to [GreenCHOICE[®] Mortgages](#)
- **Quality control**
 - An update related to availability of Seller's [quality control records](#)
- **Gift funds**
 - Updates to the requirements for [gift funds](#) used to pay a Borrower's earnest money deposit
- **Uniform Instruments**
 - Updated [Security Instruments](#), Notes and Riders
 - Revisions to the [Authorized Changes page for the Mississippi Note](#)
- **Cash-Released XChange[®] Document Custodians**
 - Additional Document Custodian options when selling loans through [Cash-Released XChange[®]](#) – **August 16, 2021**
- **Additional updates**
 - Further updates as described in the [Additional updates](#) section of this Bulletin

EFFECTIVE DATE

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

AFFORDABLE HOUSING AND LENDING

Refi PossibleSM

Effective for Loan Product Advisor[®] submissions on and after August 30, 2021, and for Manually Underwritten Mortgages with Application Received Dates on and after August 30, 2021

In [Bulletin 2021-17](#), we announced our new Refi PossibleSM offering. We are now incorporating the requirements for Refi Possible into [Guide Chapter 4302, Freddie Mac Refi PossibleSM Mortgages](#), including several editorial updates.

As announced in our [June 16, 2021 Single-Family News Center article](#) [↗](#) and in response to industry feedback, we are also updating certain Refi Possible requirements in coordination with Fannie Mae and under the guidance of the FHFA, as described below.

Payment history for the Mortgage being refinanced

We are permitting the Seller to rely on the credit report through the date the mortgage tradeline was last reported when determining whether the Mortgage meets the payment history requirements.

For Loan Product Advisor Mortgages, Loan Product Advisor will assess the payment history through the date the Mortgage tradeline was last reported on the credit report used in the Loan Product Advisor assessment. The Seller is responsible for establishing the payment history between the date the mortgage tradeline was last reported and the Note Date, for example, by updating the tradeline information on the credit report.

If the Borrower has missed payments due to COVID-19 forbearance and those payments have been resolved according to the temporary eligibility requirements in [Bulletin 2020-17](#), those missed payments are not considered delinquencies for the purpose of meeting the payment history requirements.

Secondary financing

We are requiring that, in connection with a Refi Possible Mortgage, no new secondary financing is permitted, except when a junior lien is refinanced simultaneously with the First Lien and there is no increase in the UPB or the monthly Principal and Interest payment of the junior lien.

Temporary COVID-19 underwriting requirements and guidance reminder

As a reminder, the temporary credit underwriting requirements and guidance related to COVID-19 apply to Refi Possible Mortgages. This includes but is not limited to the [Bulletin 2020-17](#) requirement that the Seller exercise additional due diligence and obtain additional documentation to verify whether the Mortgage being refinanced is current as of the Note Date, as well as the requirements and guidance of [Bulletin 2020-44](#) for self-employed Borrowers.

Training resources

Access [Freddie Mac Learning](#) to register for our new webinar and a robust offering of resources all designed to support Sellers with Refi Possible.

Guide impacts: [Chapter 4302 \(new\)](#), [Guide Sections 4203.4](#), [4204.1](#), [4301.1](#), [4301.3](#), [4301.4](#), [4501.3](#), [4605.2](#), [4607.2](#), [5103.1](#), [5201.1](#), [5401.2](#), [6302.46 \(new\)](#), [Guide Exhibits 19](#), [25](#) and [34](#)

Community Land Trust Mortgages secured by CHOICEHomes®

In an effort to expand affordable housing options, we are allowing Sellers to sell Community Land Trust Mortgages secured by a CHOICEHome with Freddie Mac's written approval. To obtain Freddie Mac's written approval, the Seller must contact its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

As a reminder, a Seller must separately obtain Freddie Mac's written approval before selling Mortgages secured by a CHOICEHome.

Guide impact: [Section 4502.5](#)

Construction Conversion Mortgages secured by Manufactured Homes

In an effort to provide greater flexibility for manufactured housing, we have removed the land ownership requirement that at least one Borrower be on title to the land for 12 months or more prior to the Effective Date of Permanent Financing for "no cash-out" refinance Construction Conversion Mortgages secured by Manufactured Homes.

As a result of this change, we have updated references to calculating value for Construction Conversion Mortgages secured by Manufactured Homes to include instances when the Borrower has been on title to the land for less than 12 months.

We have also reformatted the refinance requirements for Construction Conversion and Renovation Mortgages to better highlight the differences for "no cash-out" and cash-out refinances.

Guide impacts: [Sections 4602.5](#), [4602.10](#), [4602.12](#) and [5703.4](#)

GreenCHOICE® Mortgages

Based on industry feedback and in support of our continuing efforts to preserve housing affordability, we have updated certain requirements related to GreenCHOICE® Mortgages to provide specificity and flexibility for our Sellers and Borrowers.

The table below outlines updates to our GreenCHOICE Mortgage offering:

Topic	Updates
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Topic	Updates
Energy reports	<ul style="list-style-type: none"> ▪ Energy reports may now be dated up to 24 months prior to the Note Date. Previously, we required that they be dated no more than 120 days prior to the Note Date ▪ The energy report exception in Section 4606.6(c), which previously applied only to solar panels, now includes other renewable energy sources such as water efficiency devices, wind turbines, and geothermal systems ▪ Section 4606.4(b) now specifically states that an energy report is not required for a "no cash-out" refinance Mortgage to pay off or pay down (partial payoff) existing outstanding debt for funds that were used to finance energy and/or water efficiency improvements completed prior to the Note Date
Cash-out refinance Mortgages	GreenCHOICE Mortgages are now an exception to the Section 4301.5 requirement that a Mortgage placed on a property previously owned free and clear by the Borrower must be considered a cash-out refinance Mortgage.
Disbursement of remaining funds to Borrowers	Specifically stating that for GreenCHOICE Mortgages that are "no cash-out" refinance Mortgages, Sellers may disburse remaining funds to Borrowers in accordance with Section 4301.4 .
"No cash-out" refinance Mortgage to pay off existing outstanding energy and/or water efficiency related debt	<p>Updated requirements in Section 4606.4(b) to state that:</p> <ul style="list-style-type: none"> ▪ Proceeds may be used to "partially pay off" an existing outstanding debt for funds that were used to finance energy and/or water efficiency improvements completed prior to the Note Date, provided that: <ul style="list-style-type: none"> ▪ The remaining debt is included in the calculation of the debt payment-to-income ratio, and ▪ If the remaining balance is re-amortized, the Seller must obtain and maintain in the Mortgage file sufficient documentation evidencing the new payment, including a copy of the new promissory note, if applicable

Guide impacts: [Sections 4301.5](#), [4606.4](#) and [4606.6](#)

AVAILABILITY OF SELLER'S QUALITY CONTROL RECORDS

Previously, [Section 3402.11](#) required Sellers to retain all records of their quality control findings and make those records available to Freddie Mac upon request. We have updated [Section 3402.11](#) to specify that upon request, the Seller must provide records that clearly indicate:

- The Freddie Mac loan number
- The Seller's final determination (from its quality control department) of whether the Mortgage is an investment quality Mortgage, and
- Other loan-level information that is requested by Freddie Mac

Freddie Mac continues to reserve the right to conduct a postfunding quality control review of any Mortgages sold to Freddie Mac, as reflected in [Section 3401.1\(b\)](#).

Sellers can access FAQs related to these changes [here](#).

Guide impact: [Section 3402.11](#)

GIFT FUNDS USED TO PAY BORROWER'S EARNEST MONEY DEPOSIT

Previously, our Guide required that in all instances gift funds be transferred directly from the donor's account in a financial institution to the Borrower's account or to the settlement or closing agent. In response to Seller inquiries, we have reviewed our requirements and are expanding them to also permit a gift donor to pay the Borrower's earnest money deposit (EMD) directly to the builder or real estate agent if the Seller provides evidence of the transfer of funds from the donor's account in a financial institution to the earnest money deposit holder. All other gift fund requirements in [Section 5501.3](#) continue to apply.

For any Mortgage where the source of the Borrower's EMD is gift funds, the Seller must enter the EMD amount as gift funds in Loan Product Advisor, and not as EMD. Refer to the Freddie Mac Learning Loan Product Advisor [resource page](#) for additional information.

Guide update: [Section 5501.3](#)

UNIFORM INSTRUMENTS – UPDATED SECURITY INSTRUMENTS, NOTES AND RIDERS

We are updating the Fannie Mae/Freddie Mac Uniform Instruments, which include our Security Instruments, Notes and Riders. With the exception of those that are being retired, these updates impact all Uniform Instruments. Changes include, but are not limited to, revisions for federal, State and local law changes and to simplify language.

The updated Security Instruments, Notes and Riders have a tagline dated July 2021 and may be used for all Mortgages originated on or after July 8, 2021. However, Sellers must use the updated Uniform Instruments for all Mortgages with a Note Date on and after the mandatory effective date of January 1, 2023.

If Sellers use the updated Uniform Instruments for Mortgages with Note Dates prior to January 1, 2023, they must use the updated Security Instrument, Note and Rider, if applicable. Sellers may not use the updated July 2021 Uniform Instruments in combination with any earlier versions currently in use for each Mortgage.

The updated Security Instruments, Notes and Riders are available on our new [2021 Uniform Instruments web page](#) .

We have created new [Exhibit 4A, List of Uniform Instruments](#), that includes the updated Uniform Instruments. We have also created new [Exhibit 5A, Authorized Changes for Notes, Riders and Security Instruments](#), applicable to the updated Security Instruments, Notes and Riders. These exhibits will complement existing [Exhibits 4](#) and [5](#), which will be retired after the mandatory effective date.

Guide impacts: [Sections 4101.1 through 4101.5, 4101.8, 4201.16, 4301.7, 4502.11, 4602.3, 4604.4, 5704.5, 6301.8, Exhibits 4, 4A \(new\), 5, 5A \(new\)](#) and [Glossary](#)

Revisions to Authorized Changes page for Notes

An authorized change has been added for the Mississippi Note.

Guide impact: [Exhibit 5](#)

CASH-RELEASED XCHANGE® DOCUMENT CUSTODIANS

Effective August 16, 2021

Based on Seller feedback, we are adding options for Sellers to select from multiple Document Custodians when selling loans through Cash-Released XChange®. Sellers are currently restricted to only use Bank of NY Mellon as the Document Custodian for the program. Beginning August 16, 2021, Cash-Released XChange Sellers will have the option to use Deutsche Bank or U.S. Bank as their preferred Document Custodian.

If a Seller wishes to use one of the new Document Custodians as their preferred Document Custodian selection, they must:

- Execute [Form 1035](#) with Deutsche Bank or U.S. Bank, as applicable. (See [Exhibit 43](#) for contact details.)
- Have the Document Custodian submit executed [Form 1035](#) to institutional_eligibility@freddiemac.com
- Submit a request to Freddie Mac Servicing Released Executions at Freddie_mac_servicing_released_executions@freddiemac.com

All of the Seller's Notes will be required to be certified by the preferred Document Custodian after the effective date of the change. For Sellers that will continue use Bank of NY Mellon, no further action is needed.

Sellers can begin submitting requests to use Deutsche Bank or U.S. Bank as their preferred Document Custodian on July 12, 2021. Requests received by 5 pm Eastern on August 10, 2021, will be effective as of August 16, 2021. Thereafter, the standard process will be that requests submitted by close of business on Tuesdays will be effective the following Thursday. To illustrate, requests received after 5 pm Eastern on August 10, 2021, and before 5 pm Eastern on August 17, 2021, will be included in the next weekly update on August 19, 2021.

Guide impacts: [Sections 2202.3, 6101.7, 6301.8, 6304.1, 7101.9, Exhibits 28A, 43 \(new\)](#) and [Directory 4](#)

ADDITIONAL UPDATES

SOFR ARMs

Effective for SOFR ARMs with Settlement Dates on or after October 1, 2021

We are updating [Sections 4401.2](#) and [4401.5](#) to require 3/6-Month, 5/6-Month, 7/6-Month, and 10/6-Month SOFR ARMs to have initial fixed interest rate periods of 36, 60, 84 and 120 months, respectively.

Guide impacts: [Sections 4401.2](#) and [4401.5](#)

Uniform Loan Delivery Dataset updates

In the [June 8, 2021 Uniform Loan Delivery Dataset \(ULDD\) joint announcement](#), Freddie Mac published the ULDD specification addendum included in [Appendix A – Freddie Mac XML Data Requirements V.4.5.4](#) ("ULDD Addendum").

We are making the following updates in [Chapter 6302](#) to align with updates in the ULDD Addendum:

- Clarifying the notes for ULDD Data Point *Refinance Cash Out Amount* (Sort ID 293) to provide additional detail on calculation of the amount
- Refreshing the website link in the notes for ULDD Data Point *Country Code* (Sort ID 555)
- Revising a company name in the notes for ULDD Data Point *Credit Score Provider Name* (Sort IDs 591.1). Loan Selling Advisor® will be updated on August 30, 2021 to support the addition of two new Technical Affiliate Code valid values and the deletion of six existing Technical Affiliate Code valid values.
- Adding specificity to the notes for ULDD Data Points *HMDA Gender Collected Based On Visual Observation Or Name Indicator* (Sort ID 608.1) *HMDA Ethnicity Collected Based On Visual Observation Or Surname Indicator* (Sort ID 609.4) and *HMDA Race Collected Based On Visual Observation Or Surname Indicator* (Sort ID 610.1) based on Seller feedback

The ULDD Addendum included additional updates announced in prior Bulletins.

Sellers should review the ULDD Addendum in its entirety to determine impacts to their systems or processes and for applicable effective dates. Visit Freddie Mac's [ULDD web page](#) to view the Addendum and other resources and to stay abreast of Addendum updates.

Guide impacts: [Sections 6302.9](#) and [6302.16](#)

American Land Title Association forms

We are advising Sellers of two American Land Title Association (ALTA) Title Insurance Policy Form updates recently announced by the ALTA Board of Directors. ALTA Form 47.1, *Operative Law endorsement*, which was effective April 2, 2021, applies to jurisdictions where State and Native American Indian tribal authorities overlap and tribal law could impact interests in the Mortgaged Premises. In jurisdictions where tribal and State laws may overlap, the endorsement is acceptable, although not required. However, any exclusions in coverage found in this endorsement, which may be included and/or noted as optional, must be removed from the policy for the Mortgage to be eligible for sale to Freddie Mac. We will update [Section 4702.4](#) in a future Bulletin to address this endorsement.

In addition, the ALTA Board of Governors has recommended adoption of the 2021 ALTA Forms Collection, which is a comprehensive revision to several title insurance policy forms used throughout the industry. This includes a replacement for the current ALTA 2006 Loan Policy forms required in [Section 4702.2](#). We will update the Guide after the final forms have been published and fully reviewed by Freddie Mac.

Enhanced Relief Refinance® Mortgages

[Exhibit 19](#) has been updated to reflect changes to Enhanced Relief Refinance® Mortgages as announced in [Bulletin 2021-19](#). We will be updating the Guide at a future date to reflect the additional requirements announced in [Bulletin 2021-19](#), as applicable.

Guide impact: [Exhibit 19](#)

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 2021-25 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddie.com/app/guide/bulletin/2021-25>.

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,

Danny Gardner
Senior Vice President, Client and Community Engagement

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