



Bulletin 2021-27

Selling

Issued 08/04/2021

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **CHOICERenovation® Mortgages – November 1, 2021**
 - The addition of [CHOICEReno eXPressSM Mortgages](#)
 - Updates to contractor requirements for [renovations purchased from a home improvement store](#)
 - Updates to the [eligible uses of Mortgage proceeds](#) to include the payoff of short-term financing that was used to finance prior renovations
 - The addition of a [special occupancy requirement](#) for certain CHOICERenovation Mortgages
 - Clarifications related to [properties with certain quality and condition ratings](#) securing certain CHOICERenovation Mortgages
- **Cash Specified Payup – October 12, 2021**
 - Improvements to the [Cash Specified Payup](#) process
- **Qualified Mortgage Guide updates – Effective for Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates after August 31, 2021**
 - Guide updates related to [Qualified Mortgages](#) as announced in [Bulletins 2021-19](#) and [2021-13](#)
- **Cash-out refinance**
 - Updated requirements for [cash-out refinance transactions](#) when none of the Borrowers have been on the title for at least six months prior to the Note Date
- **Guide Plus Additional Provisions**
 - Revised e-mail domains from which notifications related to [Guide Plus Additional Provisions](#) will be sent
- **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.

CHOICERenovation® MORTGAGES

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

With this Bulletin, we are making the updates described below to the CHOICERenovation® offering to provide greater specificity and add flexibility.

CHOICEReno eXPressSM Mortgages

CHOICEReno eXPressSM is a new streamlined option under the CHOICERenovation offering intended for Borrowers looking to finance relatively small-scale renovations.

CHOICEReno eXPress Mortgages are CHOICERenovation Mortgages with renovations not completed by the Settlement Date that may be sold to Freddie Mac without recourse, provided:

- All renovations are completed within 180 days of the Note Date, and
- They do not exceed the maximum financed renovation costs shown in the table below

The maximum financed renovation costs for...	Must not exceed...		Of the...
	CHOICEReno eXPress Mortgages located in designated Duty to Serve high-needs areas (refer to Exhibit 40)	CHOICEReno eXPress Mortgages not in Duty to Serve high-needs areas	
Purchase transaction Mortgages	15%	10%	Lesser of the: <ul style="list-style-type: none"> ▪ Sum of the purchase price of the property plus the estimated total of the renovation costs, or ▪ "As completed" value of the property
"No cash-out" refinance Mortgages			"As completed" value of the property
Purchase transaction and "no cash-out" refinance Mortgages secured by Manufactured Homes	The lesser of \$50,000 or 15%	The lesser of \$50,000 or 10%	

Sellers do not need to obtain prior written approval to deliver CHOICEReno eXPress Mortgages.

Because of its streamlined nature, CHOICEReno eXPress Mortgages will not be subject to certain requirements in [Guide Chapter 4607](#), as outlined in [Section 4607.1\(c\)](#).

We have also added special delivery requirements to [Section 6302.43\(b\)](#) for CHOICEReno eXPress Mortgages. Sellers must enter the valid value of:

- "J27" for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) for CHOICEReno eXPress Mortgages, or
- "J26" for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) for CHOICEReno eXPress Mortgages located in designated Duty to Serve high-needs areas

Visit the [CHOICEReno eXPress Mortgage webpage](#) for more information.

Renovations purchased from a home improvement store

If the Borrower chooses a home improvement store to have renovation work completed and the home improvement store's renovation program requires payment-in-full at the point of purchase, renovations may be purchased from the home improvement store at closing, provided the requirements in [Section 4607.11\(b\)](#) are met. These requirements include the Seller's review of the home improvement store's renovation program.

If the requirements in [Section 4607.11\(b\)](#) are met, the following may be advanced and/or paid to a home improvement store at closing in lieu of such funds being deposited into the completion escrow account or Custodial Account for Renovation Funds (as described in [Sections 4607.12](#) and [4607.13](#)), as applicable:

- Up to 100% of the cost of materials, and
- Up to 100% of the renovation costs identified in the renovation contract (including labor costs)

Eligible uses of CHOICERenovation Mortgage proceeds

We are updating the Guide to allow Sellers to use Mortgage proceeds to pay off short-term financing that provided the Borrower with funds to repair, restore, rehabilitate or renovate an existing home.

In order to do so, Sellers must meet the requirements in [Section 4607.6\(a\)](#) including, but not limited to the following:

- All renovations financed by the short-term financing are completed prior to the Note Date of the CHOICERenovation Mortgage and no obligations related to such financing are outstanding. Additionally, all renovations financed by the short-term financing must be completed prior to the appraisal. The appraisal report obtained in accordance with [Section 4607.9](#) must only be completed subject to completion of the proposed renovations financed with the CHOICERenovation Mortgage.
- The Mortgage file must contain copies of all relevant documentation including, but not limited to, the short-term financing agreement, sufficient documentation on which to validate the actual cost of all renovations financed by the short-term

financing, a document clearly showing the calculation of the short-term financing, the Settlement/Closing Disclosure Statement or an alternative form required by law for the closing of the short-term financing, and the payoff statement

Note: The CHOICERenovation Mortgage must not be a CHOICEReno eXPress Mortgage.

Special occupancy requirement

We are adding a special occupancy requirement for CHOICERenovation Mortgages with Settlement Dates prior to completion of the renovations that are not CHOICEReno eXPress Mortgages.

For such CHOICERenovation Mortgages that are secured by Primary Residences, if the Borrower does not occupy the Mortgaged Premises during the course of renovations, the Mortgaged Premises will be deemed owner-occupied as of the Delivery Date so long as the Borrower occupies the Mortgaged Premises as a Primary Residence within 60 days of the last disbursement made and distributed from the Custodial Account for Renovation Funds.

Properties with certain quality and condition ratings

We are updating [Section 5601.12](#) to clarify that, for CHOICERenovation Mortgages with Settlement Dates prior to completion of the renovations that are not CHOICEReno eXPress Mortgages, all issues that caused the property to be rated with a Q6 quality rating or a C5 or C6 condition rating may be cured after delivery to Freddie Mac, provided they are cured as part of the completed renovations and such renovations are considered eligible renovations as described in [Section 4607.6](#).

Guide impacts

[Sections 4201.14, 4301.4, 4607.1, 4607.3, 4607.4, 4607.6 through 4607.13, 4607.15, 4607.18, 5601.11, 5601.12, 6302.43, 7101.4 and 8104.6](#) and [Guide Exhibits 34 and 40](#)

IMPROVEMENTS TO THE CASH SPECIFIED PAYUP PROCESS

Effective October 12, 2021

As announced in our [July 12, 2021 Single-Family News Center article](#), we are updating the Guide to support changes to our Cash Specified Payup processes in Loan Selling Advisor®.

We are enhancing our Cash Specified Payup processes to incorporate all cash-specified payup values into the cash prices displayed on the rate sheet in Loan Selling Advisor.

The Guide is being updated to remove reference to the specific Mortgage characteristics eligible for specified payups, as this information will now be available in Loan Selling Advisor. Additionally, all cash-specified payups will be eligible for full commitment periods including extensions, in contrast to the current requirement that payups are only eligible for commitment periods up to 60 days. Sellers can preview the Loan Selling Advisor changes [here](#) and get ready to test these changes in our Client Test Environment beginning August 23, 2021.

Guide impact: [Section 6101.3](#)

QUALIFIED MORTGAGE GUIDE UPDATES

Effective for Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates after August 31, 2021

In [Bulletins 2021-19](#) and [2021-13](#), we announced updates in response to the PSPA and the Revised General QM Rule and specified the Mortgages Freddie Mac would continue to purchase and the conditions under which Freddie Mac would continue to purchase them. We have updated the corresponding Guide sections to reflect these changes. In addition, some minor editorial updates are being made.

Guide updates

The chart below provides an overview of the Guide updates made to support [Bulletins 2021-19](#) and [2021-13](#):

Topic & Guide Impact	Action
Chapter 1301	Selling representation and warranty framework—Version 2

Topic & Guide Impact	Action
Representations and warranties <u>Section 1301.111(a)</u> <u>Section 1301.111(c)</u>	Added exclusions to require life of loan representations and warranties for QM requirements
Chapter 4201	General Mortgage Eligibility
Investment quality Mortgage <u>Section 4201.1</u>	Added statement that the Seller represents and warrants that all ATR Covered Mortgages sold to Freddie Mac satisfy the requirements in the Revised General QM Rule.
Term <u>Section 4201.4</u>	Removed dated content
Chapter 4202	Responsible Lending
Compliance with law <u>Section 4202.1(b)</u>	Added statement requiring Seller compliance with QM requirements
Predatory lending practices <u>Section 4202.3(a)</u>	Removed dated content for requirements in effect prior to January 10, 2014
Higher Priced Mortgage Loans (HPMLs) and Higher Priced Covered Transactions (HPCTs) <u>Section 4202.5</u>	Removed dated content for requirements in effect prior to October 15, 2014
ATR/QM Rule eligibility and compliance <u>Section 4202.6(a) through (l)</u>	Created new ATR/QM Rule eligibility and compliance section containing: <ul style="list-style-type: none"> ▪ Definitions related to the ATR/QM Rule ▪ Eligibility requirements for ATR Covered Mortgages and Exempt Mortgages ▪ Points and fees limitations (original text from <u>Section 4202.6</u> merged into new subsection) ▪ APR/APOR threshold limitations (Sellers are required to calculate APR in accordance with the ATR/QM Rule) ▪ Term – Interim Construction Financing ▪ Life of loan representation and warranty ▪ Determination of regulatory compliance with the ATR/QM Rule (reference to Loan Product Advisor® Asset and Income Modeler (AIM) added for specificity) ▪ Responsible lending ▪ Government funded, guaranteed or insured Mortgages (continued eligibility based current Guide requirements) ▪ Assumptions ▪ Other Guide provisions related to the ATR/QM Rule ▪ Related Guide Bulletins
Chapter 4304	Enhanced Relief Refinance® Mortgages
Enhanced Relief Refinance Mortgages <u>Sections 4304.1 through 4304.9</u>	<ul style="list-style-type: none"> ▪ Added the following statement to all Enhanced Relief Refinance Mortgage Guide sections: <i>Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.</i> ▪ Section contents will remain in place until August 31, 2021, at which point the requirements will be deleted
Chapter 4401	ARMs

Topic & Guide Impact	Action
Interest Change Date <u>Section 4401.5(a)</u>	1 st Interest Change Date Period for 5/6-Month SOFR ARM revised from 54 to 55 months Reminder: Freddie Mac announced in Bulletin 2021-25 that we are eliminating the initial fixed interest rate monthly ranges effective for all SOFR ARMs with Settlement Dates on or after October 1, 2021.
ARM qualifying rates <u>Section 4401.8(b)</u> <u>Sections 5401.1 and 5401.2</u>	<ul style="list-style-type: none"> ▪ Section name changed to: ARM qualifying rates (formerly Calculating Borrower ratios for ARMs) ▪ Updated qualifying rates for: <ul style="list-style-type: none"> ▪ 3/6-Month SOFR ARMs ▪ 1/1 and 3/1 CMT-indexed ARMs ▪ For ARMs with initial fixed rate periods of 5 years or less, the qualifying rate must, at a minimum, equal the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due, based on the loan amount over the loan term. If the ARM qualifying rate requirements are more restrictive, those requirements must be satisfied <p>Reminder: Freddie Mac announced in Bulletin 2021-4 that CMT-indexed ARMs would no longer be purchased on and after October 1, 2021. For all Mortgages that are 1/1 or 3/1 CMT-indexed ARMs with Settlement Dates after August 31, 2021, the Borrower must be qualified using the Note Rate plus the Life Cap.</p>
Chapter 4204	Secondary Financing and Other Financing Arrangements
Temporary subsidy buydown plans – qualifying rates <u>Sections 4204.4(b) and 4204.4(c)</u>	Added the following statement for fixed rate limited and extended buydown Mortgages (no impact to current requirements): The qualifying rate must, at a minimum, equal the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due, based on the loan amount over the loan term.
Glossary	Glossary Terms
ATR/QM Related Glossary Terms	Added the following new ATR/QM-related Glossary terms: <ul style="list-style-type: none"> ▪ ATR Covered Mortgage ▪ ATR/QM Rule ▪ Exempt Mortgage ▪ GSE Patch ▪ PSPA ▪ QM ▪ Revised General QM Rule

Additional information

Freddie Mac continues to work with the FHFA and Fannie Mae in assessing other impacts the PSPA and Revised General QM Rule may have on our requirements, guidance and/or operational processes. Additional updates related to the ATR/QM Rule may be provided in future Bulletins, as needed.

System updates

We are working to update Loan Selling Advisor to perform an automated check of the APR-APOR thresholds and points and fees at time of purchase. The automated check for APR-APOR spread (except for short-term ARMs) is expected to be implemented prior to September 1, 2021. An automated check for points and fees and the short-term ARM APR-APOR spread will follow.

Our systems test loans against our purchase requirements. We do not use our systems to enforce compliance with industry regulations and applicable law. Instead, we rely on our Sellers' representations and warranties with regard to compliance with applicable law as outlined in [Section 1301.2](#). Sellers should check with their legal counsel on how to comply with the Revised General QM Rule.

See our [June 21, 2021 Single-Family News Center article](#) for more information regarding Loan Advisor updates to support QMs.

Notice of changes to certain negotiated provisions

This paragraph serves as notice to Sellers with Purchase Documents that contain one or more negotiated provisions with terms that are inconsistent with the QM requirements of this Bulletin and related Guide updates. The QM-related requirements of this Bulletin, and any corresponding Guide updates, supersede any such terms as of this Bulletin's effective date.

FAQs

Please refer to our recently published [FAQs](#) for additional information.

Guide impacts

[Sections 1301.11](#), [4201.1](#), [4201.4](#), [4202.1](#), [4202.3](#), [4202.5](#), [4202.6](#), [4204.4](#), [4304.1](#) through [4304.9](#), [4401.5](#), [4401.8](#), [5401.1](#), [5401.2](#), [6302.40](#), [Exhibit 34](#) and [Glossary](#)

CASH-OUT REFINANCE MORTGAGES

We are revising our requirements for cash-out refinance Mortgages when none of the Borrowers have been on the title to the subject property for at least six months prior to the Note Date, the Borrower did not obtain a Mortgage secured by the subject property when purchasing the property and is seeking delayed financing. The update provides additional flexibility by permitting any funds that were borrowed and used to purchase the subject property to be paid down, instead of being paid off, as previously required.

Previous requirements	Revised requirements
Any funds borrowed to purchase the subject property must be paid off.	Funds borrowed to purchase the subject property may be paid off or paid down.
Additional cash-out is permitted only after borrowed funds are paid off.	<ul style="list-style-type: none"> ▪ Additional cash-out is permitted only after borrowed funds are paid off. ▪ When borrowed funds are paid down and a balance remains: <ul style="list-style-type: none"> ▪ No additional cash-out permitted ▪ The payment on the remaining outstanding balance of the borrowed funds must be included in the debt payment-to-income ratio as described in Section 5401.2

All other requirements for delayed financing, as described above, continue to apply.

Guide impact: [Section 4301.5](#)

GUIDE PLUS ADDITIONAL PROVISIONS NOTIFICATIONS

We are amending [Section 1501.3\(b\)](#) to update the e-mail addresses/domains from which notifications related to Guide Plus Additional Provisions will be sent. In addition to guideplus@freddiemac.com, Sellers may receive "AllRegs Alerts" updates from elliemae.com or ice.com e-mail domains. Sellers eligible to deliver Mortgages in accordance with Guide Plus Additional Provisions are responsible for ensuring they receive these notifications.

Guide impact: [Section 1501.3](#)

ADDITIONAL UPDATES

Loan Quality Advisor® update regarding Mortgages secured by Investment Properties and second homes Effective August 2, 2021

We have reversed the Loan Quality Advisor® restrictions that went into effect on April 15, 2021, related to submissions and resubmissions of non-Loan Product Advisor Mortgages secured by Investment Properties or second homes.

Loan Quality Advisor will no longer automatically return a Risk Assessment of "Yellow – High Likelihood of Caution" for such Mortgages, reversing the change announced in [Bulletin 2021-11](#). Mortgages secured by Investment Properties and second homes that receive a Risk Assessment of "Green" are eligible for sale to Freddie Mac, subject to other applicable requirements in Sellers' Purchase Documents.

Mortgages submitted to Loan Quality Advisor prior to August 2, 2021 that received a Risk Assessment of "Yellow – High Likelihood of Caution" can be resubmitted to Loan Quality Advisor.

Removal of Selling representation and warranty framework – Version 1 requirements

We are removing from the Guide the requirements for Version 1 of the Selling representation and warranty framework that are effective for Mortgages with Settlement Dates on and after January 1, 2013 and before July 1, 2014. Given the acceptable payment history requirements that are part of the framework, Mortgages are no longer eligible to obtain relief of enforcement of representations and warranties under this version.

The Version 2 requirements will remain in the Guide and continue to apply to Mortgages with Freddie Mac Settlement Dates on and after July 1, 2014.

Guide impact: [Section 1301.11](#)

American Land Title Association form updates

New American Land Title Association Form 47.1 Operative Law endorsement

As announced last month in [Bulletin 2021-25](#), we are updating [Section 4702.2](#) to include new American Land Title Association (ALTA) Title Insurance Policy Form updates recently approved by the ALTA Board of Directors. ALTA Form 47.1 Operative Law endorsement, which may be included and/or noted as optional in title policies, applies to jurisdictions where State and Native American Indian tribal authorities overlap and tribal law could impact interests in the Mortgaged Premises. Sellers should note that any exclusions in insurance coverage found in this endorsement must be removed from the policy for the Mortgage to be eligible for sale to Freddie Mac.

Guide impact: [Section 4702.2](#)

Updated ALTA Title Insurance Policy Forms

The new 2021 ALTA Title Insurance Forms Collection, a comprehensive revision to several of the 2006 ALTA Loan Policy forms, are now available for use by the mortgage industry.

Both the 2006 ALTA and 2021 ALTA Loan Policy forms are acceptable for use in title insurance policies until the 2006 ALTA series forms are decertified on December 31, 2022.

Guide impacts: [Sections 4702.2](#) and [1402.8](#)

Automated Collateral Evaluation (ACE) eligibility when there is an appraisal in Uniform Collateral Data Portal® (UCDP®)

Effective for Loan Product Advisor submissions on or after August 22, 2021

Freddie Mac currently prohibits the acceptance of an automated collateral evaluation (ACE) appraisal waiver if an appraisal is obtained in connection with the Mortgage. Effective August 22, 2021, Loan Product Advisor will be updated to restrict ACE eligibility when an appraisal is identified in the Uniform Collateral Data Portal® and the appraisal has an effective date within 120 days of an initial Loan Product Advisor submission. A new feedback message corresponding to this restriction will be provided on the Feedback Certificate beginning October 4, 2021.

Additionally, we have [updated](#) ACE FAQs in response to this change.

Purchase restrictions on the Loan Product Advisor Last Feedback Certificate

We have updated the Guide to note that in cases where purchase restrictions reflected on the Loan Product Advisor Last Feedback Certificate conflict with provisions of the Seller's specific Purchase Documents, the negotiated terms of the Purchase Documents apply rather than the conflicting purchase restrictions.

Guide impact: [Section 5101.1](#)

Removal of delivery requirement for Construction Conversion Mortgages using Modification Documentation

Effective August 1, 2021

In [Bulletin 2021-26](#), we announced the elimination of the Market Condition Credit Fee in Price. As a result, Sellers are no longer required to deliver the ULDD Data Point *Investor Feature Identifier* (Sort ID 368) of "J81" to indicate a Construction Conversion Mortgage using Modification Documentation without a new Note in order to not be subject to the Market Condition Credit Fee in Price.

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

Certain negotiated Credit Fees in Price for cash execution

We have updated [Section 6102.5](#) and added [Section 6101.8](#) to provide additional flexibilities in cash pricing, similar to the flexibilities in Guarantor Pricing. Freddie Mac may, from time to time, assess certain negotiated Credit Fees in Price. Any such pricing will be made available to the Seller on the Cash Purchase Contract loan-level fee breakdown screen in Loan Selling Advisor.

Guide impacts: [Sections 6102.5](#) and [6101.8 \(new\)](#)

Change to effective date for additional Document Custodian options when selling loans through Cash-Released XChange®

Effective September 13, 2021

In [Bulletin 2021-25](#), we announced U.S. Bank and Deutsche Bank as two new Document Custodian options for Sellers who sell through Cash-Released XChange®. To allow our clients additional time to prepare, we are making the new options available in September.

If Sellers wish to continue using Bank of NY Mellon, there is no action required.

Sellers can continue submitting requests following the instructions announced in [Bulletin 2021-25](#) to use Deutsche Bank or U.S. Bank as their preferred Document Custodian on the new effective date. Any requests received by 5 pm Eastern on September 7, 2021, will be effective as of September 13, 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 September 7, 2021, and before 5 pm Eastern on September 14, 2021, will be included in the next weekly update on September 16, 2021.

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

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 2021-27 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2021-27>.

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