



Bulletin 2021-29

Selling

Issued 09/01/2021

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Home Possible® Mortgages**
 - An increase in the maximum loan-to-value (LTV) and total LTV (TLTV) ratios for certain [Home Possible® Mortgages](#) – **November 15, 2021**
 - Revised requirements for Home Possible Mortgages with Seller-funded [Affordable Seconds®](#)
- **Mortgage eligibility and underwriting**
 - The retirement of [A-minus and Affordable Merit Rate® Mortgages](#) – **January 1, 2022**
 - Updates related to [Caution Mortgages](#)
 - A new requirement that [year-to-date paystubs](#) be dated no more than 30 days before the Application Received Date – **December 1, 2021**
- **Property eligibility and appraisals**
 - Updated [Manufactured Home appraisal and CHOICEHome® requirements](#)
 - Updated requirements for determining loan-to-value ratios for “no cash-out” refinance transactions for [Manufactured Homes](#)
 - The eligibility of [single-wide Manufactured Homes](#) titled as real property – **November 15, 2021**
 - Updated property eligibility requirements related to [group homes](#)
- **Address confidentiality programs (ACPs)**
 - A new requirement for Sellers to inform Freddie Mac of a Borrower’s [address confidentiality program \(ACP\)](#) substitute mailing address – **December 1, 2021**
- **Certificates of Incumbency**
 - Additional clarity related to the [External Seller Setup Manager](#) role in Loan Selling Advisor®
- **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.

HOME POSSIBLE®

Maximum LTV/TLTV ratio increase for Home Possible® Mortgages

Effective for Mortgages with Settlements Dates on and after November 15, 2021

In our continued support to help meet affordable lending solutions and to increase housing supply opportunities for Borrowers, we are increasing the maximum loan-to-value (LTV) ratio to 95% and total LTV (TLTV) ratio to 105% for certain Home Possible® Mortgages. For Mortgages with Affordable Seconds®, the TLTV ratio may exceed the limits stated in the chart below, provided it does not exceed 105% and the Mortgage is not a super conforming Mortgage. The chart in Guide [Section 4501.10\(a\)\(i\)](#) has been updated to reflect this change, and the chart below includes a comparison of the current requirements and the updated requirements announced in this Bulletin.

Property type	Maximum LTV/TLTV/HTLTV ratios for Mortgages other than super conforming Mortgages		Maximum LTV/TLTV/HTLTV ratios for super conforming Mortgages
	Current requirements	New requirements	
Fixed-Rate Mortgages			
1-unit	97%*	97%*	95%*
2-unit	85%/95%/95%	95%*	85%
3- and 4-unit	85%/95%/95%	95%*	80%
ARMs			
1-unit	95%	95%*	95%
2-unit	85%/95%/95%	95%*	85%
3- and 4-unit	75%	75%*	75%
Manufactured Home	See <u>Guide Chapter 5703</u>	See <u>Chapter 5703</u>	N/A

*A TLTV ratio up to 105% is permitted when secondary financing is an Affordable Second.

As a reminder, for Home Possible Mortgages that are ARMs, the initial fixed-rate period must be five years or greater when secondary financing is an Affordable Second.

See [Section 4501.3\(a\)](#) for additional information for Home Possible Mortgages that are ARMs, and for Affordable Seconds, see [Section 4204.2](#).

Borrower contributions

As a result of the increased maximum TLTV ratio for Home Possible Mortgages secured by 2-4-unit properties, the chart in [Section 4501.10\(a\)\(ii\)](#) has been updated to reflect that, when the LTV, TLTV or Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios are greater than 95%, the minimum required Borrower contribution is 3% of the value for purchase transactions. This is consistent with the Borrower contribution requirement for these Mortgages with LTV, TLTV or HTLTV ratios greater than 80% and less than or equal to 95%. The following chart reflects the updates to the chart in [Section 4501.10\(a\)\(ii\)](#) and also includes a comparison of the current requirements and the updated requirements announced in this Bulletin.

Minimum contribution from Borrower personal funds, as described in Section 4501.10(c)(i)				
Property Type	Home Possible Mortgages with LTV, TLTV and HTLTV ratios ≤ 80%	Home Possible Mortgages with LTV, TLTV or HTLTV ratios >80% ≤95%	Home Possible Mortgages with LTV, TLTV or HTLTV ratios >95%	Home Possible Mortgages with LTV, TLTV or HTLTV ratios >95%
			Current requirements	New requirements
1-unit	None	None	None	None
Manufactured Home	None	None	N/A	N/A
2- to 4-unit	None	3% of value	N/A	3% of value

Loan Product Advisor® feedback messages will be updated by November 15, 2021 to reflect these changes.

Credit Fees in Price

The Credit Fee in Price for LTVs greater than 85% within the Number of Units Credit Fee in Price grid will be reinstated to allow for the additional LTV flexibilities for Home Possible Mortgages. Refer to Guide [Exhibit 19](#) for Credit Fees in Price that may apply to Home Possible Mortgages, including the Home Possible Mortgage Cap.

Guide impacts: [Section 4501.10](#) and [Exhibit 19](#)

Seller-funded Affordable Seconds “established” requirement

In our continued effort to help meet the needs of Borrowers who require flexible secondary financing options to increase their homeownership opportunities, we have removed the requirement that a Seller's Affordable Seconds program must be "established" for the Seller to be the source of an Affordable Second for a Home Possible Mortgage. This change will allow Sellers with *new* Affordable Seconds programs to be the source of funding for Affordable Seconds as long as the Affordable Seconds program supports Community Reinvestment Act requirements and all other applicable Guide requirements.

Guide impact: [Section 4204.2](#)

MORTGAGE ELIGIBILITY AND UNDERWRITING

Retirement of A-minus and Affordable Merit Rate® Mortgages

Effective for Mortgages with Settlement Dates on and after January 1, 2022

We are announcing the removal of A-minus and Affordable Merit Rate® Mortgages from the Guide as Loan Product Advisor no longer returns A-minus eligibility for Caution Mortgages.

As a result of this update, the CS/LTV ("A-Minus Fees") Credit Fees in Price will no longer be assessed and will be removed from [Exhibit 19, Credit Fees in Price](#). Any Mortgages that previously would have been subject to the A-Minus Fees will be assessed Indicator Score/Loan-to-Value (IS/LTV) Credit Fees in Price as applicable. The Indicator Score/Loan-to-Value (IS/LTV) Credit Fee in Price amounts remain unchanged. Sellers should refer to [Exhibit 19](#) and their other Purchase Documents for additional information.

Loan Selling Advisor® will be updated to reflect these retirements.

Guide impacts: [Sections 3401.1, 3402.5, 4101.2, 4201.14, 4201.16, 4301.5, 4402.4, 4406.2, 4408.1, 4501.3, 4501.6, 4501.8, 4502.3, 4601.1, 4603.3, 4603.4, 4604.1 through 4604.4, 4605.2, 4607.2, 5101.3, 5101.4, 5101.8, 5101.9, 5102.1, 5102.2, 5103.1, 5103.3, 5201.1, 5203.2, 5401.1, 5401.2, 5703.3, 5703.5, 6302.10, 6302.36, 6303.1, 8201.1, 8303.28, Glossary, Exhibits 19, 25 and Guide Form 105](#)

Caution Mortgages

We are reminding Sellers that Manually Underwritten Mortgages that were submitted to Loan Product Advisor and received a Risk Class of Caution must:

- Be underwritten in accordance with the Guide requirements for Caution Mortgages, and
- Be identified as Caution Mortgages at delivery via the Key Number, and
- Meet other requirements applicable to Loan Product Advisor Mortgages in [Section 6302.10](#)

For ease of use of our requirements, we have combined the existing requirements specific to underwriting Caution Mortgages into new [Subsection 5102.2\(b\)\(iii\)](#). We also updated the [Glossary](#) definition for Loan Product Advisor Mortgages to specify that Loan Product Advisor Mortgages include Mortgages with Risk Classes of Accept and Caution.

In a future Uniform Loan Delivery Dataset (ULDD) specification addendum, we will update specification implementation notes to align with the existing [Section 6302.10](#) requirements for ULDD Data Points *Loan Manual Underwriting Indicator* (Sort ID 328) and *Automated Underwriting Case Identifier* (Sort ID 322).

Guide impacts: [5101.3, 5102.2, 5202.3, 5202.5](#) and [Glossary](#)

Year-to-date paystubs dated within 30 days of Application Received Date

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

As stated in [Section 5102.4](#), all verifications of income, including year-to-date (YTD) paystubs, must be dated no more than 120 days before the Note Date. With this Bulletin, we will require that YTD paystubs be dated no more than 30 days before the Application Received Date in addition to complying with the age of documentation requirements in [Section 5102.4](#). All other requirements for YTD paystubs in [Section 5302.2\(a\)](#) continue to apply.

We are also reminding Sellers that while the Guide provides minimum income documentation requirements, additional documentation may be necessary to evaluate, justify and explain the qualification of the Borrower, as stated in [Section 5302.1](#). This includes instances when the Seller has knowledge that the provided paystub is not reflective of the Borrower's current level of income even though it meets the age of documentation requirements. For example, a more recent paystub may be necessary if the Borrower's industry was impacted by economic conditions that are potentially impacting hours worked and income received after the original paystub was obtained.

Guide impacts: [Sections 5102.4, 5301.1, 5302.1](#) and [5302.2](#)

PROPERTY ELIGIBILITY AND APPRAISALS

We are making the following updates in response to inquiries by Sellers and other market participants in order to provide greater specificity and to simplify our requirements.

Appraisal and CHOICEHome® requirements

We have updated our Manufactured Home appraisal requirements to remove redundancies, improve readability and reflect current information.

Additionally, for greater transparency, we are adding the existing property feature requirements for our CHOICEHome® offering to the Guide. As a reminder, a Seller must obtain Freddie Mac's written approval before selling Mortgages secured by a CHOICEHome to Freddie Mac by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

Guide impacts: [Sections 5703.6](#) and [5703.9](#)

Manufactured Home loan-to-value ratio determination for "no cash-out" refinance

We have updated the calculation for determining the LTV ratio for certain "no cash-out" refinance transactions secured by Manufactured Homes, including Construction Conversion Mortgages. For these transactions when the Borrower has owned the Manufactured Home and land for **less than 12 months**, and when there is a single lien or separate liens for the Manufactured Home and land, the current appraised value of the Manufactured Home and land will be used to determine value. This creates consistent LTV ratio calculation requirements for "no cash-out" refinance transactions secured by Manufactured Homes regardless of the amount of time the Manufactured Home and land has been owned by the Borrower.

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

Single-wide Manufactured Homes as real property

Effective for Mortgages with Settlement Dates on and after November 15, 2021

In support of the growing interest in single-wide Manufactured Homes as an affordable housing solution, Freddie Mac is permitting Mortgages for single-wide Manufactured Homes located outside of Planned Unit Development or Condominium Projects to be sold to Freddie Mac, subject to written approval. Currently, single-wide Manufactured Homes are only eligible for sale if they are located in a Planned Unit Development or Condominium Project. Interested Sellers should contact their Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE to obtain approval.

Guide impact: [Section 5703.2](#)

Group home eligibility

We have updated our property eligibility requirements to specifically state that a property being used as a group home for individuals with disabilities is not considered an ineligible property. A Mortgage secured by such a property may be eligible for sale, provided it meets our Guide requirements.

Additionally, we have [updated](#) Appraisal Report and Property Eligibility FAQs in response to this change.

Guide impact: [Section 5601.2](#)

ADDRESS CONFIDENTIALITY PROGRAMS

Effective for Mortgages with Funding Dates on and after December 1, 2021, but Sellers may implement immediately

Address confidentiality programs (ACPs) provide protection to victims of domestic violence, sexual assault or other crimes by allowing the use of a substitute mailing address to keep the ACP participants home addresses confidential. Any Borrower who is a participant in a State-sponsored ACP may use their substitute mailing address instead of their home address for all mail correspondence.

Previously, Freddie Mac did not have a process for identifying Borrowers participating in an ACP. In response to questions regarding our process, we are requiring Sellers to inform Freddie Mac of a Borrower's substitute ACP mailing address. Within five Business Days after the Funding Date the Seller must e-mail Freddie Mac at loan_delivery_funding_ops@freddiemac.com with the following information:

- Freddie Mac Loan Number
- Borrower Name
- Borrower ACP mailing address (including, when applicable, any lot number or required uniquely identifiable number)

We are also updating the delivery instructions for ULDD Data Point *Borrower Mail To Address Same As Property Indicator* (Sort ID 572) to specify that “false” should be selected when the mailing address is not the same as the Mortgaged Premises and to add a reference to the notification requirement.

Guide impacts: [Sections 1301.2](#) and [6302.9](#)

CERTIFICATES OF INCUMBENCY

Sellers may now identify Administrators on applicable Certificate of Incumbency forms ([988SF](#), [988SF-HFA](#) and [989SF](#)) who may designate an Authorized Employee to act as an External Seller Setup Manager for purposes of approving, rejecting or modifying wire instructions in Loan Selling Advisor.

Guide impacts: [Section 2403.11](#), [Forms 988SF](#), [988SF – HFA](#) and [989SF](#)

ADDITIONAL GUIDE UPDATES

Removing delivery requirements for Advanced PITI Payments and Principal Curtailments for Cash-Released XChange®

In alignment with current business practice, we have removed the delivery requirements for Fixed-rate Mortgages sold through Cash-Released XChange® to identify advanced principal, interest, taxes and insurance payments and principal curtailments.

Loan Selling Advisor will be updated in support of these changes.

Guide impact: [Section 6302.26](#)

Puerto Rico 30-day Average SOFR-indexed ARM Notes and Riders

Freddie Mac and Fannie Mae have added new Puerto Rico 30-day Average SOFR indexed ARM Notes and Riders to the 2021 updated Uniform Instruments. These Uniform Instruments may be used immediately and must be used on and after the mandatory effective date of January 1, 2023.

The new Puerto Rico SOFR Notes and Riders tagline will show a version date of 07/2021. Sellers may not use the updated July 2021 Puerto Rico Notes and Riders in combination with any earlier versions currently in use.

We have updated [Exhibit 4A](#) to include the new Notes and Riders.

Guide impacts: [Exhibit 4A](#)

Glossary addition of “Credit Fee” and “Credit Fee in Fixed Dollars”

We have updated the [Glossary](#) to add definitions for the terms “Credit Fee” and “Credit Fee in Fixed Dollars”.

Guide impact: [Glossary](#)

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 2021-29 (Selling) Guide Updates Spreadsheet via the Download drop-down available at

<https://guide.freddiemac.com/app/guide/bulletin/2021-29>.

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

© 1989-2021 Freddie Mac