

Freddie Mac Home ▾



Bulletin 2022-5

Selling

Issued 03/02/2022

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Asset and income modeler (AIM)**
 - The introduction of automated income assessment with [Loan Product Advisor[®] using account data \(direct deposits\)](#).
 - Two enhancements for automated income assessment with [Loan Product Advisor using tax return data \(tax transcript and tax extension\)](#). – **April 15, 2022**
- **Tax returns**
 - An additional [acceptable alternative to signatures on tax returns](#)
- **Property insurance**
 - Updates related to [AM Best requirements and ratings](#)
 - Additional description and examples related to the [coverage limit requirements for 1- to 4-unit properties](#)
- **Home Possible[®]**
 - A clarification related to [Condominium Unit Mortgages that are Home Possible Mortgages](#)
- **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.

LOAN PRODUCT ADVISOR AIM UPDATES

Automated income assessment with Loan Product Advisor using account data

We have introduced automated income assessment with Loan Product Advisor using account data, which is part of AIM. This offering is focused on Loan Product Advisor's assessment of income amounts deposited into the Borrower's depository accounts as automated clearing house (ACH) deposits ("direct deposit income"). It is designed to automate the income calculation process, help reduce origination costs and provide Sellers with relief from enforcement of certain representations and warranties related to the Borrower's income. We have added new [Guide Chapter 5904](#), which includes requirements for this expansion of AIM.

To take advantage of this offering, the Seller must obtain a verification report of the Borrower's depository information, which is either produced by one of Freddie Mac's designated third-party service providers or produced by Freddie Mac using the financial institution's data transmitted to Loan Product Advisor through an application programming interface (API). Based on the information submitted from the service provider or financial institution, Loan Product Advisor retrieves the data, assesses it for representation and warranty relief eligibility and returns the results of the assessment on the Feedback Certificate.

For each Mortgage originated using automated income assessment with Loan Product Advisor using account data, Sellers must deliver *Investor Feature Identifier* "H85". Refer to [Chapter 5904](#) for requirements for automated income assessment with Loan Product Advisor using account data. To learn more about our other automated assessment offerings, see the following chapters:

- [Chapter 5901](#) for requirements regarding automated income assessment with Loan Product Advisor using employer data
- [Chapter 5902](#) for requirements regarding automated asset assessment with Loan Product Advisor using account data

- [Chapter 5903](#) for requirements regarding automated income assessment with Loan Product Advisor using tax return data

We encourage Sellers to access our [AIM training resources](#) to learn more about AIM for Loan Product Advisor using account data (direct deposits).

Loan Product Advisor has been updated to incorporate the changes related to AIM, including [feedback message updates](#).

Guide impacts: [Chapter 5904 \(new\)](#), [Sections 1301.11](#), [3402.5](#), [3402.7](#), [5302.3](#), [5302.5](#), [6302.10](#) and [Exhibit 34](#)

Automated income assessment with Loan Product Advisor using tax return data

Effective for Loan Product Advisor submissions and resubmissions on and after April 15, 2022

Tax transcripts

We are enhancing automated income assessment with Loan Product Advisor using tax return data (i.e., AIM for self-employed) to allow Sellers to request a tax transcript from the Internal Revenue Service (IRS) through a third-party service provider designated by Freddie Mac. If a tax transcript is provided by the IRS through the third-party service provider, Loan Product Advisor will compare the data from the Borrower's tax return(s) to the data on the tax transcript. If the data matches, relief from enforcement of representations and warranties related to the accuracy and integrity of the eligible income on the tax return data is available.

This capability will help streamline the loan origination process and provide Sellers with more flexibility and may help reduce origination costs and potential fraud.

Currently, LoanBeam is the only service provider supporting this enhancement. We will notify Sellers when other service providers will be able to operationalize this enhancement.

For additional information, access the [AIM for Self-Employed web page](#), which will continue to be updated with additional resources as they become available.

We encourage Sellers to access our [AIM Training resources](#) to learn more about this enhancement.

Guide impacts: [Sections 3402.7](#), [5903.1](#), [5903.3](#), [5903.5](#) and [5903.6](#)

Tax extensions

We are enhancing the AIM for self-employed offering by accommodating tax extension filings (i.e., IRS Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*) for the 2021 tax year. With this enhancement, the assessment will perform an analysis to determine continued income stability by comparing the estimated tax liability for the 2021 tax year to prior year(s) tax liability for consistency. If consistency is confirmed, the automatic income assessment will continue using the older tax return(s) to assess income. The results of the assessment will be displayed on the Feedback Certificate, including income representation and warranty relief eligibility.

This automated improvement will eliminate the requirement for the Seller to determine continued income stability when an IRS Form 4868 is present for the 2021 tax year and when the older tax return(s) is used for the income calculation for eligible income that appears on the Income Calculation Report. This capability will help streamline the loan origination process and may reduce origination costs.

Currently, LoanBeam is the only service provider supporting this enhancement. We will notify Sellers when other service providers will be able to operationalize this enhancement.

For additional information, access the [AIM for Self-Employed web page](#), which will continue to be updated with additional resources as they become available.

Guide impact: [Section 5903.6](#)

Feedback messages

Loan Product Advisor has been updated to incorporate the changes described above related to AIM, including [feedback message updates](#).

ADDITIONAL ALTERNATIVE TO SIGNATURES ON TAX RETURNS

To provide additional flexibility, we now permit a signed IRS Form 4506-C (or an alternate form acceptable to the IRS that authorizes the release of comparable tax information to a third party) as an additional alternative to the Borrower's signatures on tax returns.

Previously, we required the Borrowers to sign their U.S. federal income tax returns unless evidence that the tax returns were filed electronically or the tax transcripts that validate the information on the unsigned tax returns were included in the Mortgage file.

Guide impact: [Section 5302.4](#)

PROPERTY INSURANCE

AM Best rating

Currently, we require property insurance to be provided by insurers that meet certain eligibility criteria. For insurers rated by AM Best, we have removed:

- The Financial Size Category (FSC) requirement (previously required an FSC class of three (III) or greater)
- Separate rating requirements for non-U.S. insurers

The FSC is an indicator of an insurance company's capital base size, which AM Best now includes in its consideration and analysis of an insurer's Financial Strength Rating (FSR). Therefore, a separate minimum FSC requirement is no longer needed.

AM Best's criteria, rating analytics and resulting FSRs are now globally based, making it no longer necessary to distinguish an AM Best rating of a non-U.S. insurer from a U.S. insurer.

Guide impact: [Section 4703.1](#)

Calculating required coverage for 1- to 4- unit properties

In response to Seller inquiries, we have added descriptive language and examples to help Sellers determine the property insurance coverage limit requirements for 1- to 4-unit properties. To assist Sellers in calculating the required coverage, we have:


- Included a description for the replacement cost value, and
- Added tables with examples and step-by-step instructions on how to determine required coverage amounts

The table is for illustrative purposes only, and our insurance coverage requirements have not changed.

Guide impact: [Section 4703.2](#)

HOME POSSIBLE

For Condominium Unit Mortgages that are Home Possible Mortgages, Sellers must comply with all of the requirements in [Section 5701.4](#), including the maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) (HTLTV) ratios, to be eligible for the streamlined project review type. For ease of reference, we have added a reference in the Home Possible chapter to [Section 5701.4](#).

As a reminder, Sellers must refer to the [Loan Product Advisor User Guide](#)  for instructions when submitting Mortgages that are Home Possible Mortgages to Loan Product Advisor. For each Home Possible Mortgage, Sellers must select the Home Possible "Offering Identifier" in the Offering Identifier field in Loan Product Advisor. Additionally, Sellers must deliver ULDD Data Point *Loan Program Identifier* (Sort ID 404) and enter the valid value of "Home Possible Mortgage" in Loan Selling Advisor® to obtain the accurate recommendation for loan delivery.

Guide impact: [Section 4501.10](#)

ADDITIONAL GUIDE UPDATES

Uniform Instruments

The Georgia Security Deed (Form 3011, dated 07/2021) previously included a checkbox in the Definition of "Riders" to indicate when a "Waiver of Borrower's Rights and Closing Attorney's Affidavit" Rider (the "Georgia Rider") is attached to the Security Deed. Certain Consumer Financial Protection Bureau examiners have concluded that use of a waiver provision that appears in the Georgia Rider violates the Consumer Financial Protection Act's prohibition on deceptive acts or practices. Therefore, we have updated the Georgia Security Deed (Form 3011, dated 07/2021 (rev. 02/22)), to remove the "Waiver of Borrower's Rights and Closing Attorney's Affidavit" Rider checkbox. Lenders may attach a specialty rider that complies with applicable law to the Security Deed by checking the box titled "Other(s) [specify]" in the definition of "Riders" and identifying the rider.

The revised Georgia Security Deed will show a version date of (Form 3011 07/2021 (rev. 02/22)). The revised Security Instrument may be used immediately and will become effective May 1, 2022.

Exhibit 4A, *Single Family Uniform Instruments*, has been updated to reflect the revised Georgia Security Deed, Form 3011 07/2021 (rev. 02/22).

We have updated the authorized changes in Exhibit 5A, *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*, to reflect technical corrections and mirror the exact language used in the Uniform Instruments.

Guide impacts: Exhibits 4A and 5A

Calculation agent designation

We have revised Section 6103.1 to clarify our process for margining trading accounts. We are specifying that Freddie Mac will be the calculation agent for purposes of determining the amounts payable pursuant to the terms of any margin provisions.

Guide impact: Section 6103.1

Glossary addition of "Government Mortgage"

We have updated the Glossary to add a definition for "Government Mortgage."

In addition to updating the Glossary, we have included references to Government Mortgages in Chapter 4205 and Exhibit 19, *Credit Fees in Price*.

Guide impacts: Sections 4205.1, 4205.3, 4205.4, 6201.7, Exhibit 19 and 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 2022-5 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2022-5>.

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
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