

Bulletin

TO: Freddie Mac Sellers

September 7, 2022 | 2022-18

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Early pool disclosure and 2-day Settlement Cycle**
 - Additional [Settlement Cycle Days](#) for single-issue guarantor contracts – **December 5, 2022**
- **Employment/income characteristics – Internal Revenue Service (IRS) Form 1099 for services performed**
 - Added specificity for when income reported on [IRS Form 1099 for services performed](#) may be treated as non-self-employed income – **January 7, 2023**
- **Gift funds and gift letter requirements**
 - Added flexibilities for [gift funds and gift letter requirements](#)
- **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.

EARLY POOL DISCLOSURE AND 2-DAY SETTLEMENT CYCLE

Effective for single-issue guarantor contracts created on and after December 5, 2022

Early pool disclosure

Early pool disclosure allows Sellers to publish pool data to bond dealers up to 15 days in advance of the security Settlement Date instead of the standard 5-day Settlement Cycle. Disclosing pool data earlier in the process enables Sellers to trade single-issue guarantor pools as soon as Sellers are ready. Early pool disclosure will be available for all single-issue Fixed-Rate Guarantor Contracts and WAC ARM Guarantor Contracts.

At the time of taking out a single-issue guarantor contract, Sellers will be able to input Settlement Cycle Days in Loan Selling Advisor® of 6 through 15. Currently, Sellers must select either a 3-, 4-, or 5-day Settlement Cycle for single-issue guarantor contracts. Pool disclosure will continue to be available on the first day of the Settlement Cycle. If, on or after the first day of the Settlement Cycle and up to 48 hours prior to the Settlement Date, a Mortgage has been paid off, Sellers will be able to request the Mortgage be removed from the contract by contacting their Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

Refer to [Loan Selling Advisor Learning: Early Pool Disclosure](#) for further information about early pool disclosure and the loan removal request process. In addition, refer to the early pool disclosure benefits and the Settlement Cycle example materials available from the [Freddie Mac Sell for Securities web page](#).

Settlement Cycles

To create operational efficiencies for Sellers, we will allow a 2-day Gold Rush® Settlement Cycle for single-issue guarantor contracts. Sellers will need to comply with the fixed income clearing corporation notification exception process as applicable when using a 2-day Settlement Cycle.

Loan Selling Advisor will be updated by December 5, 2022, to allow Settlement Cycle Days of 2 to 15 for single-issue guarantor contracts, and the Guarantor Rate Sheet Results screen will be updated to reflect the 2-day Gold Rush fee. Impacted Loan Selling Advisor specifications will be updated in the near future.

Impacted Guide sections and additional resources

Freddie Mac *Settlement Dates for Securities* calendars will be updated on December 5, 2022. A cover page will be added to the calendar as shown in our [sample](#).

Guide impacts: Sections 6203.4, 6203.9, 6204.4 and 6204.9

EMPLOYMENT/INCOME CHARACTERISTICS – INCOME REPORTED ON IRS FORM 1099 FOR SERVICES PERFORMED

Effective for Mortgages with Settlement Dates on and after January 7, 2023, but Sellers may implement immediately

Currently, the Guide provides limited guidance for treating income received on IRS Form 1099 for services performed and reported on IRS Schedule C as non-self-employed income. This pay structure is often referred to in terms such as “contractor” or “contingent worker.”

We are updating the Guide to specify that for this income characteristic, Sellers must use either:

- The requirements and guidance for self-employed income in Guide Chapter 5304, or
- The requirements and guidance in Section 5303.2 (d), as summarized below

Summary of the existing and updated requirements

The updated requirements include, but are not limited to, the following:

- The Mortgage file must include:
 - IRS Form 1099(s) for services performed for most recent two calendar years
 - Tax return (pages one and two and applicable schedules) for the most recent year **(Updated)**
 - YTD income documentation **(Updated)**
- A two-year history of receipt is required. However, in certain instances, a shorter history of no less than 12 months documented on the tax returns may be considered stable if the Seller provides a written analysis and sufficient supporting documentation. **(Updated)**
- IRS Schedule C must evidence the following: **(New)**
 - Gross receipts or sales are equal to the total amount(s) reported on IRS Form 1099(s)
 - Total expenses are ≤ 5% of gross receipts or sales after deducting non-cash expenses (e.g., depreciation)
 - Cost of goods sold = \$0
 - 12-month history of 1099 income and reported expenses

Guide impacts: Sections 5303.2, 5304.1 and 5901.2

Additional resources

We encourage our Sellers to visit our Client Resource Center and review related [FAQs](#).

GIFT FUNDS AND GIFT LETTER REQUIREMENTS

In support of expanding access to credit for First-Time Homebuyers, we have updated our requirements to permit graduation gifts from a related or unrelated person(s) as an eligible source of funds for a purchase of a Primary Residence. The Seller must obtain the following:

- Evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of graduation

- A verification of the gift funds in the Borrower's depository account. Gift funds must be deposited within 90 days of the date of graduation.

In addition, we have updated our requirements to allow gift letters to state the maximum amount of the gift funds or gift of equity **or** the actual amount. This change will eliminate the need for Sellers to obtain a corrected gift letter, should the actual amount of the gift be less than the amount stated on the gift letter. As a reminder, this flexibility does not eliminate the requirements for resubmission to Loan Product Advisor® per Section 5101.6.

Loan Product Advisor feedback messages will be updated at a later date to reflect these changes.

Guide impact: Section 5501.3

ADDITIONAL GUIDE UPDATES

Remote Online Notarization

Effective September 19, 2022

In response to current State laws, we are updating Guide Exhibit 48, *Permitted States for Remote Online Notarization*, to include Rhode Island and remove Georgia from the list of States permitting Remote Online Notarization, as defined in Section 1401.2.

Guide impact: Exhibit 48

Community Land Trust delivery option

Sellers may begin taking out Community Land Trust guarantor contracts on and after October 3, 2022

In support of our commitment to affordable lending and our Duty to Serve plan and to provide flexibility to Sellers, we are expanding the Community Land Trust offering to accept a guarantor delivery execution option.

Guide impact: Section 6302.42

Uniform Instruments

We have updated the Texas Home Equity Security Instrument (Form 3044.1, dated 07/2021), to remove language in the section titled "Transfer of Rights" and Section 12. All Special Purpose/Specific Program Instruments are available on the [2021 Updated Uniform Instruments web page](#).

Exhibit 4A, *Single-Family Uniform Instruments*, has been updated to show a version date of 07/2021 (rev. 07/22) for the Texas Home Equity Security Instrument. The revised Security Instrument may be used immediately and must be used by January 1, 2023.

Guide impact: Exhibit 4A

Standard and custom mortgage insurance minimum coverage clarification

We have updated the footnote in [Section 4701.1](#) to clarify that the loan-to-value ratio referenced does not apply to Mortgages secured by a CHOICEHome®.

Guide impact: Section 4701.1

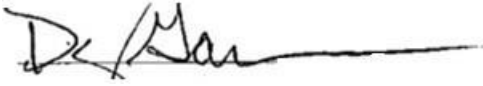
GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2022-18 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2022-18>.

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,

A handwritten signature in black ink, appearing to read 'D. Gardner', followed by a long horizontal line extending to the right.

Danny Gardner

Senior Vice President, Client and Community Engagement