

# Bulletin

TO: Freddie Mac Sellers

November 2, 2022 | 2022-23

## SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Loan Product Advisor® enhancement**
  - Enhancements to Loan Product Advisor allowing the use of a [Borrower's cash flow in its credit assessment](#) – **November 6, 2022**
- **Credit card reward points as a source of funds**
  - The eligibility of [redeemed credit card reward points](#) as a source of funds used to qualify the Borrower
- **Community Land Trust Mortgages**
  - Expanded requirements allowing the sale of [Community Land Trust Mortgages](#) secured by 2-unit Primary Residences
- **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.

## BORROWER CASH FLOW INCLUDED IN LOAN PRODUCT ADVISOR CREDIT ASSESSMENT

**Effective for Mortgages with Loan Product Advisor submission or resubmission dates on or after November 6, 2022**

Currently, there is not a path for Loan Product Advisor to consider a Borrower's history of managing their finances outside of traditional credit reporting and automated underwriting systems. With this update, enhancements are being made to Loan Product Advisor to include a Borrower's cash flow in its credit assessment, which supports expanding sustainable homeownership and equitable housing.

This enhancement assesses the transaction patterns and changes in account balances reflected in the Borrower's checking, savings and investment accounts using data obtained from the Borrower's financial institution or third-party service providers designated by Freddie Mac.

For Loan Product Advisor to accurately assess the Borrower's cash flow, the Seller will need to obtain a verification report of the asset account(s) the Borrower uses to deposit income, pay monthly bills and conduct day-to-day transactions, as well as accounts used for savings and retirement. If positive cash flow is identified in the account data, it may impact the credit assessment by upgrading a loan's Risk Class from Caution to Accept, providing Sellers with opportunities to qualify more Borrowers.

Cash flow will not affect the debt payment-to-income ratio or related documentation requirements, nor will it be used to negatively impact the credit assessment.

To use this enhancement, the following requirements must be met:

- At least one Borrower on the transaction must have a usable Credit Score as determined by Loan Product Advisor, and



- At least 12 months of account data must be transmitted to Loan Product Advisor

### Set up

In most cases, Sellers using Freddie Mac's asset and income modeler (AIM) offerings will automatically benefit from this enhancement without additional set up or costs. The verification report used to assess cash flow will be the same report used to determine eligibility for relief from representations and warranties related to asset or income calculations, to meet the requirements for the 10-day preclosing verification for employment, and to identify rent payment history.

Sellers who are not set up with one of our AIM offerings or participating in the rent payment offering but who wish to take advantage of this enhancement should reach out to their Freddie Mac representative.

### Feedback messages

Loan Product Advisor will return [feedback messages](#) to assist Sellers in identifying opportunities to leverage cash flow in their credit assessment.

### Guide impacts

Guide Section 5201.1 is being updated to reflect these requirements. We are also updating Sections 3402.5, 5904.1, 5904.3 and 5905.1 through 5905.4 for Sellers who obtain Freddie Mac's written approval to transmit account data.

### Additional resources

We encourage Sellers to review our updated [FAQs](#) and visit [Freddie Mac Learning](#) for available webinar training and resources.

## CREDIT CARD REWARD POINTS AS A SOURCE OF FUNDS

We have specified that credit card reward points are an eligible source of funds used to qualify the Borrower for the Mortgage transaction when the points are redeemed for cash. The Seller must obtain the following when the funds are not yet deposited in the Borrower's account:

- Evidence of the Borrower's ownership of the reward points and their cash value, and
- Evidence the reward points are redeemed for cash prior to closing, which may include a direct transfer of the cash to the settlement or closing agent

For reward points redeemed for cash and deposited in the Borrower's account prior to closing, refer to our requirements for evaluation of deposits in the Borrower's accounts in Section 5501.3(a)(iii).

Guide impact: Section 5501.3

## COMMUNITY LAND TRUST MORTGAGE PROPERTY ELIGIBILITY

In support of our commitment to affordable lending and our Duty to Serve plan and to provide flexibility to Sellers, we have expanded the eligibility requirements to allow the sale of Community Land Trust Mortgages secured by 2-unit Primary Residences.

For any Mortgage secured by a 2-unit property, at least one qualifying Borrower must participate in a landlord education program before the Note Date or have at least one year of previous landlord experience.

Guide impacts: Sections 4502.5 and 4502.14 (**new**)

## ADDITIONAL GUIDE UPDATES

### Extension of date for required use of 2021 American Land Title Association (ALTA) title insurance policy forms

To provide consistency within the industry and allow additional time to transition to the 2021 ALTA title insurance policy forms, we have extended the date for required use of the 2021 ALTA title insurance policy forms from January 1, 2023 to January 1, 2024. Effective January 1, 2024, the 2006 ALTA title insurance policy forms will be decertified and no longer



accepted by Freddie Mac; however, Mortgages with Note Dates on or before December 31, 2023 may use either the 2006 or 2021 ALTA title insurance policy forms.

Guide impact: Section 4702.2

## Uniform Instruments

Guide Exhibit 4A, *Single-Family Uniform Instruments*, has been updated as follows:

- Revised the Delaware Mortgage instrument to show a version date of (Form 3008 07/2021 (rev. 08/22))
- Revised the Washington Deed of Trust to show a version date of (Form 3048 07/2021 (rev. 09/22))
- Added an updated version of the Multistate Construction Conversion Modification Agreement (New Note) (Form 5164, dated 09/2022)

Refer to Freddie Mac's [Single-Family Uniform Instrument website](#) for more information. All forms may be used immediately and must be used by January 1, 2023.

Guide impact: Exhibit 4A

## Early pool disclosure contact information update

### Effective December 5, 2022

In Bulletin 2022-18, we announced early pool disclosure for single-issue guarantor contracts created on and after December 5, 2022, and stated Sellers should contact their Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE to request removal from the early pool disclosure contract of a Mortgage that was paid off during the Settlement Cycle.

After further review of the process for removing from the early pool disclosure contract a Mortgage that was paid off during the Settlement Cycle, we are instructing Sellers to contact the Customer Support Contact Center at 800-FREDDIE rather than their Freddie Mac representative. This update will allow us to ensure a controlled and efficient process and also align the Guide with the [early pool disclosure fact sheet](#) available on the [Freddie Mac Sell for Securities web page](#).

Refer to [Loan Selling Advisor Learning: Early Pool Disclosure](#) for further information about early pool disclosure.

Guide impacts: Sections 6203.4 and 6204.4

## Retirement accounts

We have removed MyRA from the examples of Internal Revenue Service-qualified employer retirement plan accounts because the program has ended and is no longer available.

Guide impact: Section 5501.3

## 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 2022-23 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2022-23>.



## 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 'K. Kauffman', is positioned below the word 'Sincerely,'.

Kevin Kauffman  
Vice President, Single-Family Client Engagement