

# Bulletin

TO: Freddie Mac Sellers

December 7, 2022 | 2022-25

## SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **2023 conforming loan limit values**
  - New [conforming loan limit values](#) for 2023 – **January 1, 2023**
- **Temporary insurance requirements**
  - Guidance for the [Temporary Market Stabilization Arrangement \(TMSA\)](#) in Florida
- **Credit underwriting**
  - An update to the [Glossary definition of “Related Person”](#)
  - Estates and trusts of Related Persons as eligible donors of [gift funds and gifts of equity](#)
  - An update permitting [exclusion of property-related expenses](#) from the debt payment-to-income (DTI) ratio
  - An update permitting [exclusion of unsecured assigned debts](#) from the DTI ratio
  - Guidance for [income while on temporary leave](#)
  - A new [seasoning requirement](#) for a Mortgage that is being paid off with proceeds of a cash-out refinance Mortgage – **March 7, 2023**
- **Best Efforts Mortgages**
  - A specified payup option for all eligible fixed-rate [Best Efforts Mortgages with low loan balance \(LLB\)](#) attributes – **December 5, 2022**
- **Additional Guide updates and reminders**
  - Further updates as described in the [Additional Guide updates and reminders](#) section of this Bulletin

## EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

## 2023 CONFORMING LOAN LIMIT VALUES

### Effective for Mortgages with Settlement Dates on and after January 1, 2023

As announced in our [November 29, 2022, article](#), our baseline conforming loan limit values and designated high-cost area loan limit values will increase, effective January 1, 2023.

The loan limit values, effective for Mortgages with Settlement Dates on and after January 1, 2023, are as follows:



Conforming loan limit values				
Property type	On and before December 31, 2022		On and after January 1, 2023	
	Baseline conforming loan limit values <sup>1</sup>	High-cost area conforming loan limit values <sup>1,2</sup>	Baseline conforming loan limit values <sup>1</sup>	High-cost area conforming loan limit values <sup>1,2</sup>
Mortgages secured by 1-unit properties	\$647,200	\$970,800	\$726,200	\$1,089,300
Mortgages secured by 2-unit properties	\$828,700	\$1,243,050	\$929,850	\$1,394,775
Mortgages secured by 3-unit properties	\$1,001,650	\$1,502,475	\$1,123,900	\$1,685,850
Mortgages secured by 4-unit properties	\$1,244,850	\$1,867,275	\$1,396,800	\$2,095,200

<sup>1</sup>Except for Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands.

<sup>2</sup>Actual conforming loan limit values for specific counties in high-cost areas, as determined by the FHFA, may be lower than the amounts listed above and can be found by visiting the [FHFA conforming loan limit values web page](#).

The baseline conforming loan limits for Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands will be 50% higher than the baseline conforming loan limits listed above. As in 2022, there are no areas in Alaska, Hawaii, Guam or the U.S. Virgin Islands for which the applicable loan limit values are higher than the baseline conforming limit values for those areas; as a result, there are no high-cost area conforming loan limit values specific to Alaska, Hawaii, Guam or the U.S. Virgin Islands for 2023.

For conforming Mortgages secured by properties in high-cost areas, notwithstanding the loan limit values shown in the above chart, Sellers must review the 2023 conforming loan limit values permitted for the specific county in which the property is located. The FHFA provides this information on its [website](#).

Loan Product Advisor® and Loan Selling Advisor® were updated on December 5, 2022, to reflect the new loan limit values.

Guide impacts: Sections 4203.3 and 4603.2

## FLORIDA'S TEMPORARY MARKET STABILIZATION ARRANGEMENT

On July 27, 2022, the Florida Office of Insurance Regulation (FLOIR) announced its intent to establish a temporary reinsurance arrangement through Florida's Citizens Property Insurance Corporation (Citizens) in the event certain property and casualty carriers doing business in Florida suffered a financial rating downgrade that would place them below Freddie Mac's current rating requirement for insurers, as found in Section 4703.1. On August 2, 2022, in an order directed to Citizens (the "Order"), FLOIR implemented the Temporary Market Stabilization Arrangement (TMSA), which requires Citizens to provide reinsurance to specifically identified insurers in accordance with the terms of the Order.

In response to this announcement and while Freddie Mac evaluates the implications of the TMSA, Servicers may accept renewal insurance policies provided by an insurer that is participating in Florida's TMSA on a temporary basis during the period of time beginning August 2, 2022 and ending on the earlier of May 31, 2023, the date FLOIR terminates the TMSA, or when Freddie Mac provides further guidance rescinding the acceptability of the TMSA. For Mortgages with insurance provided by an insurer participating in the TMSA, Servicers must ensure that the requirements found in Section 4703.1 are met; however, the reinsurer ratings outlined in Section 4703.1(c)(2) are not required during the time period noted above.

This Bulletin announcement does not authorize Sellers to deliver a Mortgage to Freddie Mac with property insurance provided by an insurer that is participating in the TMSA as of the Note Date, nor does it authorize Servicers to accept a new policy provided by an insurer participating in the TMSA. A Servicer may only accept policies from an insurer



participating in the TMSA that renew, endorse, update or otherwise alter an *existing* policy issued by the same insurer and meets the minimum coverage, deductible requirements and all other applicable Guide requirements.

If FLOIR extends the TMSA past May 31, 2023, we will reevaluate the program and provide additional guidance.

## CREDIT UNDERWRITING

### Glossary definition of “Related Person”

We have expanded the Glossary definition of “Related Person” to include unrelated individuals with close, family-like ties to the Borrower. This update expands eligible donors of gift funds and gifts of equity used as a source of funds for the Mortgage transaction, as described in Section 5501.3, and provides flexibility to several other Guide provisions. The following table contains all of the Guide sections impacted by this update:

Guide section	Impacted provision
Section 4501.10	For Home Possible® Mortgages, proceeds of an unsecured loan from a Related Person are an eligible source of funds when certain requirements are met.
Section 4602.6	A Borrower who is a Related Person may be added to a Construction Conversion Mortgage or Renovation Mortgage when certain conditions are met.
Section 4607.6	A Borrower who is a Related Person may be added to the CHOICERenovation® Mortgage when certain conditions are met.
Section 5401.2	For Manually Underwritten Mortgages, documented rent paid by Related Persons living in the house may be considered in justifying a debt payment-to-income (DTI) ratio that exceeds 36% but is not greater than 45% when certain conditions are met.
Section 5501.3	Pooled funds provided by the Borrower and other member(s) of a group of Related Persons are an eligible source of funds when certain conditions are met.
Section 5501.3	Gift funds and gifts of equity provided by a Related Person are an eligible source of funds when certain conditions are met.
Section 5501.5	Funds provided by a Related Person are considered interested party contributions if the Related Person is affiliated with any of the interested parties and certain conditions are met.

Guide impact: Glossary

### Estates and trusts of Related Persons as eligible donors of gift funds and gifts of equity

In addition to expanding the Glossary definition of “Related Person,” as described above, we have provided further flexibility by adding a trust established by a Related Person and an estate of a Related Person as eligible donors of gift funds and gifts of equity.

The gift letter must be signed by the trustee or the authorized representative of the estate and indicate the gift funds or gift of equity were provided by a trust established by a Related Person or an estate of a Related Person and include the mailing address and telephone number of the trustee or authorized representative, as applicable.



Guide impact: Section 5501.3

### Exclusion of property-related contingent expenses from the DTI ratio

We have expanded our requirements for contingent liabilities to permit exclusion of property-related expenses (e.g., taxes, insurance, homeowners association dues, etc.) from the DTI ratio when documentation in the Mortgage file confirms that a party other than the Borrower has been making timely payments for the most recent 12 months and the party making the payments is not an interested party to the subject real estate or Mortgage transaction.

Guide impact: Section 5401.2

### Exclusion of unsecured assigned debts from the DTI ratio

We have removed the requirement that the debt must be secured in order to be excluded from the monthly DTI ratio if the obligation to make the payments on the debt has been assigned to another party by a documented court order, such as a divorce decree.

Guide impact: Section 5401.2

### Income while on temporary leave

In Bulletin 2020-14, issued in response to the COVID-19 pandemic, we specified that the Guide requirements for income while on temporary leave do not extend to employer-initiated actions such as furloughs and layoffs. With this update, we are incorporating the guidance into the Guide.

Guide impact: Section 5303.5

### Cash-out refinance: seasoning requirement for the Mortgage being refinanced

#### Effective for Mortgages with Settlement Dates on and after March 7, 2023

When proceeds of a cash-out refinance Mortgage are used to pay off a First Lien Mortgage, the First Lien Mortgage being refinanced must be seasoned for at least 12 months (i.e., at least 12 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the cash-out refinance Mortgage), as documented in the Mortgage file (e.g., on the credit report or title commitment).

The seasoning requirement does not apply when:

- The cash-out refinance Mortgage is a special purpose cash-out refinance Mortgage that meets the requirements in Section 4301.6, or
- The First Lien Mortgage being refinanced is a Home Equity Line of Credit (HELOC)

Loan Product Advisor will return a new feedback message to support this update, and we will communicate in a future notification the date on which the new feedback message will be available.

Guide impact: Section 4301.5

### ADDING LOW LOAN BALANCE (LLB) TO BEST EFFORTS MORTGAGES

#### Effective December 5, 2022

As announced in our [November 8, 2022, article](#), we now offer specified payups to all eligible fixed-rate Best Efforts Mortgages with low loan balance (LLB) attributes. The contract must be a 15-, 20- or 30-year Best Efforts fixed-rate contract. The cash payups are eligible for full commitment periods including extensions. All fixed-rate Mortgages within the Best Efforts Contract must meet the requirements of the payup. If a Mortgage does not meet the requirements for the applicable fixed-rate Best Efforts Cash Contract, Sellers will not be able to allocate the Mortgage to the contract.

Sellers can view prices and take out contracts in Loan Selling Advisor.

Guide impact: Section 6101.4



## Additional resources

We encourage Sellers to visit our [Best Efforts Fixed-Rate Execution Option web page](#) and review our [Best Efforts Contract Option tutorial](#).

## ADDITIONAL GUIDE UPDATES AND REMINDERS

### Guide Form 483, *Wire Transfer Authorization*

To assist in the processing of wire transfers in an expedited fashion, we have updated Form 483 to include the Seller's employer identification number/tax identification number. On a going-forward basis, Sellers must include this information each time a new Form 483 is submitted, including when providing new wire instructions or modifying or confirming existing wire instructions.

Guide impact: Form 483

### Glossary addition of "Non-arm's Length Transaction"

To ensure our requirements are being applied consistently across Sellers, we have added the term "Non-arm's Length Transaction" to the Glossary, which we have defined as "a purchase transaction between parties who are related, are affiliated or have a pre-existing personal or business relationship."

Guide impacts: Sections 5602.3, 5604.1 and Glossary

### Update to System-Specific License for Freddie Mac Loan Advisor®

**Effective December 14, 2022**

As announced in our [September 2, 2022, article](#), the Loan Advisor Correspondent Assignment Center was retired on December 3, 2022. As a result, we are updating the System-Specific License for Freddie Mac Loan Advisor to remove references to the Correspondent Assignment Center.

Guide impact: Section 2402.2

### Related Third Parties

**Effective December 14, 2022**

#### ***Requests for information pertaining to Related Third Parties***

To clarify our existing rights to request information pertaining to Related Third Parties, we are updating the Guide to state that, upon request, information pertaining to Related Third Parties must be provided, including but not limited to the:

- Nature of the relationship, and
- Address of the Related Third Party

Guide impact: Section 2101.1

#### ***Sharing data and information between Seller/Service providers and Related Third Parties***

We are expanding the circumstances under which we elicit express consent to the sharing and receipt of data and information among and between Seller/Service providers and each Related Third Party by adding an express consent provision to the Master Systems License (as defined in Section 2401.1(b)). As we continue to add new and modify existing technology offerings, some of which entail sharing of data and information between entities as reflected in their Documentation (as defined in Section 2401.1(b)) and functionality, we are moving away from using System-Specific Licenses (as defined in Section 2401.1(b)) as the means by which we secure express consent to this sharing by and through our Systems (as defined in Section 2401.1(b)), in favor of this alternative approach. This new approach, prompted by the retirement of the Correspondent Assignment Center and our deletion of the associated System-Specific License (which included an express consent provision), means there will be no System-Specific License for the Loan Advisor Data Share application programming interface we are making available as the alternative to the Correspondent Assignment Center.

Guide impact: Section 2401.1



## Uniform Instruments update reminder

We are reminding Sellers that they must use the revised Uniform Instruments announced in Bulletin 2021-25 for all Mortgages with Note Dates on and after January 1, 2023. The updated Security Instruments, Notes and Riders are available on our [2021 Uniform Instruments web page](#).

## 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 2022-25 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2022-25>.

## 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,

Kevin Kauffman

Vice President, Single-Family Client Engagement