

Bulletin

TO: Freddie Mac Sellers

February 1, 2023 | 2023-3

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Affordable lending**
 - Enhancements to our [CHOICERenovation®](#) offering
 - New guidance related to loan-to-value (LTV) ratio calculation for an existing [Manufactured Home located in a Manufactured Home subdivision](#)
- **Desktop appraisals**
 - Expanded eligibility for [desktop appraisals](#) to include certain Home Possible® Mortgages that are purchase transactions
- **Property insurance**
 - The addition of [Kroll Bond Rating Agency \(KBRA\)](#) as an eligible provider of insurance financial strength ratings – **January 1, 2023**
- **Credit Fees**
 - Guide updates for the [Credit Fee](#) changes announced in Bulletin 2022-22
- **Income – age of tax returns**
 - Updated [age of tax return requirements](#) to reflect dates specific to the 2022 tax year
- **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.

AFFORDABLE LENDING

Freddie Mac CHOICERenovation Mortgages

We have enhanced the Freddie Mac CHOICERenovation offering, our innovative offering that allows a Borrower to use Mortgage proceeds to finance property renovations.

Minimum contingency reserve requirements

We eliminated the minimum contingency reserve requirement for CHOICERenovation Mortgages that are sold to Freddie Mac with recourse, where the proceeds are used exclusively to finance the addition or renovation of outdoor structures used for leisure and recreation, including, but not limited to, swimming pools, decking, screening and porch and patio additions.



Completion and Settlement Date requirements

We expanded the completion date requirement for CHOICERenovation Mortgages that are not CHOICEReno eXPress® Mortgages to require all renovations be completed within 450 days of the Note Date, as opposed to 365 days. CHOICERenovation Mortgages with Settlement Dates after completion of renovations must also have Settlement Dates no more than 450 days after the Note Date.

CHOICERenovation Mortgages and eligibility for the credit for Credit Fees for GreenCHOICE® Mortgages

We now permit CHOICERenovation Mortgages to be used in conjunction with the Freddie Mac GreenCHOICE offering, which enables Sellers to be eligible for the credit for GreenCHOICE Mortgages detailed in Guide Exhibit 19, *Credit Fees*. To be eligible, the proceeds from the CHOICERenovation Mortgage must finance renovations completed after the Note Date to improve the energy and/or water efficiency of the Mortgaged Premises. Except as stated in Guide Section 4607.17(b), the requirements in Section 4606.4(a) for GreenCHOICE Mortgages must be met for the subject CHOICERenovation Mortgage.

Delivery requirements

For CHOICERenovation Mortgages eligible for the credit for Credit Fees for GreenCHOICE Mortgages pursuant to Section 4607.17(b), in addition to meeting the special delivery requirements in Section 6302.43(b), Sellers must follow the delivery requirements in Section 6302.23.

Guide impacts

Sections 4607.1, 4607.4, 4607.6, 4607.10 through 4607.12, 4607.17 and 6302.43 have been updated to reflect these changes.

Existing Manufactured Home located in a Manufactured Home subdivision

Loan-to-value (LTV) ratio calculation

In support of our commitment to affordable lending and our Duty to Serve plan, we have expanded our requirements for calculating the loan-to-value (LTV) ratio (and total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios, if applicable) for a purchase transaction Mortgage secured by an existing Manufactured Home that is permanently affixed to its foundation if the Manufactured Home is sold by a builder or a developer, or a manufacturer acting as a developer, as part of a new or existing Manufactured Home subdivision.

The LTV ratio (and TLTV and HTLTV ratios, if applicable) for these properties is now calculated using a value equal to the lower of:

- The purchase price of the Manufactured Home and land, or
- The current appraised value of the Manufactured Home and land

Seasoning requirement

For an existing Manufactured Home located in a Manufactured Home subdivision that is sold by a builder or a developer, or a manufacturer acting as a developer, we have eliminated the seasoning requirement that required the Manufactured Home to be affixed to a permanent foundation at least 12 months prior to the application date.

Guide impact

Section 5703.4 has been updated to reflect these changes.

DESKTOP APPRAISAL ELIGIBILITY FOR CERTAIN HOME POSSIBLE MORTGAGES

We have expanded our appraisal eligibility requirements to allow Sellers to obtain desktop appraisals for certain Home Possible Mortgages that are purchase transactions. The use of a desktop appraisal may reduce processing times and appraisal costs associated with these transactions.

Guide impact: Section 4501.6



PROPERTY INSURANCE

Effective January 1, 2023

Previously, the Guide permitted only three eligible rating providers for property and casualty insurance (AM Best Company, Demotech, Inc. and S&P Global). We have expanded our list of eligible rating providers to include Kroll Bond Rating Agency (KBRA). We will now accept an insurer with a minimum Insurance Financial Strength Rating of BBB rated by KBRA.

Guide impact: Section 4703.1

GUIDE UPDATES FOR PREVIOUSLY ANNOUNCED CREDIT FEE CHANGES

Under the direction of the FHFA and in response to their [news release](#) announcing an Enterprise-aligned pricing framework, Freddie Mac announced in Bulletin 2022-22, effective for Mortgages with Settlement Dates on or after December 1, 2022, that we have eliminated upfront fees for certain Borrowers and affordable Mortgage Products and indicated the applicable Guide provisions would be updated with a later Bulletin. We have now updated the Guide to align with these announced changes.

Guide impacts: Sections 4205.2, 4501.14, 4606.8, 4701.1, 5203.2, 5703.10, 6302.31, 6302.48 **(new)**, 6302.49 **(new)**, Glossary, Exhibits 1 and 34

New Exhibit 19A, *Credit Fee Cap Eligibility Criteria*

We have created new Exhibit 19A, which illustrates the eligibility criteria related to the Credit Fee Caps included in Exhibit 19.

Guide impacts: Exhibit 19A **(new)**

INCOME - AGE OF TAX RETURN REQUIREMENTS

We have updated our age of tax return requirements to reflect dates specific to the 2022 tax year.

Guide impacts: Sections 5302.4 and 5903.6

FAQs

The [FAQs](#) for age of tax return requirements have been updated to reflect dates specific to the 2022 tax year.

ADDITIONAL GUIDE UPDATES

Security scan review of eClosing and eNote Vault Systems

Effective February 8, 2023

We are eliminating the express requirement that Seller/Service providers, Warehouse Lenders or eNote custodians that use an eClosing System and/or eNote Vault System (each as defined in Section 1402.2) provide Freddie Mac with a third-party security audit as part of the initial approval and annual review processes. Instead, we are enhancing the certification we currently require from System Providers (as defined in Section 1402.2) to include confirmation of no outstanding vulnerabilities based on their most recent third-party security audit.

Guide impacts: Sections 1402.3, 1402.8, 1402.9 and 1402.18

Seller/Service provider confidential information

Effective February 8, 2023

At the request of Seller/Service providers, we are expanding what we will treat as confidential to include information and documentation related to Seller/Service providers' business continuity/disaster recovery plans. This change enables Seller/Service providers to receive an assurance of confidentiality regarding their information security and business continuity/disaster recovery plans.

Guide impact: Section 1201.8



Retirement of Guide Form 906, *Loan Coverage Advisor*[®] *Authorized User Form*

Effective February 8, 2023

We are retiring Form 906, *Freddie Mac Loan Coverage Advisor*[®] *Authorized User Role Form*. Loan Coverage Advisor access is now managed through [Freddie Mac Access Manager](#) or Freddie Mac Loan Advisor[®] via the [registration form](#). As a result, we are also deleting Section 2406.3 from the Guide.

Note that Seller/Service providers' use of Loan Coverage Advisor continues to be subject to the terms and conditions set forth in Sections 2401.1 and 2402.5 and the Seller/Service provider's other applicable Purchase Documents, as amended from time to time.

Guide impacts: Section 2406.3 and Form 906

Uniform Instruments

Retirement of 2001 Fannie Mae/Freddie Mac Uniform Instruments

As announced in Bulletin 2021-25, we have retired the 2001 Fannie Mae/Freddie Mac Uniform Instruments. Exhibit 4, *Single-Family Uniform Instruments*, and Exhibit 5, *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*, have been retired, and references to these exhibits have been removed from the Guide.

The updated Security Instruments, Notes and Riders are available on our [2021 Uniform Instruments web page](#).

Guide impacts: Sections 4101.1 through 4101.6, 4101.8, 4101.10, 4201.16, 4502.11, 4602.3, 5704.5, 6301.8, Exhibits 4 and 5

MERS[®] address updates

We have updated the MERS street addresses for Indiana, Mississippi, New York and Pennsylvania.

Guide impact: Exhibit 5A

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 2023-3 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2023-3>.

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