

Bulletin

TO: Freddie Mac Sellers

June 7, 2023 | 2023-13

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **HeritageOneSM Mortgages**
 - The introduction of the new [HeritageOne Mortgage offering – October 2, 2023](#)
- **Asset and income modeler (AIM) for income using direct deposits**
 - An enhancement to AIM to allow a [Borrower's paystub](#) to be included in the Loan Product Advisor[®] assessment
- **Manufactured Homes – September 11, 2023**
 - Expanded eligibility for [single-wide Manufactured Homes](#)
 - Revised [appraisal requirements](#)
- **Guide Form 400, *Warranty of Completion of Construction***
 - Updates to [Form 400](#) for clarity
- **Cash-specified payups**
 - New [cash-specified payup types](#) for 10-, 15-, 20- or 30-year fixed-rate Mortgages – **June 5, 2023**
- **2023 Area Median Income limits**
 - Updated [Area Median Income limits](#) – **June 8, 2023**
- **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.

HERITAGEONE MORTGAGES

We are announcing the new HeritageOne Mortgage offering – an innovative, conventional financing solution designed to meet the borrowing needs of enrolled members of Native American Tribes living within Eligible Native American Tribes' Tribal Areas. HeritageOne is part of our overall commitment to advance lending in all segments across the country, seeking opportunities to address both affordable homeownership and access to financing, as well as to make it easier for Sellers to navigate the complexities of lending in Indian Country.

Effective date

The HeritageOne Mortgage offering is available for Manually Underwritten Mortgages with Application Dates on and after October 2, 2023, and for submissions to Loan Product Advisor on and after October 2, 2023.

At that time, a new *Loan Program Identifier* of "HeritageOne" will be available for use in Loan Product Advisor, Loan Quality Advisor[®] and Loan Selling Advisor[®].



Selling requirements

A Mortgage secured by a property located in a Tribal Area and made to a Borrower who is an enrolled member of a Native American Tribe will be eligible for sale to Freddie Mac as a HeritageOne Mortgage, provided the requirements of new Guide Chapter 4504 and the Seller's Purchase Documents are met.

Freddie Mac prior approval

Sellers must obtain Freddie Mac's written approval before selling HeritageOne Mortgages to Freddie Mac. Sellers should contact their Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE for more information.

Borrower eligibility

At least one Borrower must:

- Be an enrolled member of a Native American Tribe; and
- Occupy the Mortgaged Premises as their Primary Residence

The Borrower may be an enrolled member of a Native American Tribe other than the Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises are located.

Eligible Native American Tribes

For a Native American Tribe to be an Eligible Native American Tribe, the Native American Tribe must either:

- Be listed as a participating tribe in HUD's most recent Section 184 Participating Tribes List; or
- Have entered into a memorandum of understanding with Freddie Mac that, to the Seller's knowledge, is and will remain in full force and effect

The Mortgaged Premises must be located in the Tribal Area of an Eligible Native American Tribe.

Highlights

Here are some of the highlights of the HeritageOne Mortgage offering:

- Borrowers are not subject to maximum income limits
- Funds from a variety of sources may be used towards the Down Payment and/or Closing Costs, including funds provided by a Native American Tribe
- An appraisal cost offset credit will be issued by Freddie Mac if an appraisal is obtained for the Mortgage transaction, which must be passed to the Borrower
- For market areas without a sufficient number of comparable sales to develop a fully supported and sufficiently documented opinion of market value using the sales comparison approach, an appraisal that relies solely on the cost approach for the opinion of market value is acceptable, under certain conditions
- Title insurance is not required if certain requirements are met

Servicing requirements

Servicing requirements for HeritageOne Mortgages will be provided in a forthcoming Bulletin.

Guide impacts

New Chapter 4504 and Guide Sections 4702.7 and 6302.50 have been added. In addition, Sections 3401.6, 4203.4, 4204.2, 4204.4, 4305.1, 4402.2, 4402.4, 4501.3, 4502.3, 4601.1, 4603.3, 4605.2, 4701.2, 5103.1, 5103.6, 5501.2, 5501.3, 5605.6, 5605.7, 5703.9, 5704.1, 5704.3, 5706.2, 6302.16 and Exhibit 25 have been updated.

Additional resources

Sellers should visit our [HeritageOne webpage](#) and review our [FAQs](#) for more information.



ASSET AND INCOME MODELER (AIM) FOR INCOME USING DIRECT DEPOSITS

We have enhanced the asset and income modeler (AIM) for income using direct deposits. This offering now allows a Borrower's paystub to be included in the assessment. When a paystub is uploaded to the third-party service provider, Loan Product Advisor will use the data to identify additional income streams not currently found with direct deposits alone and to derive a more precise gross income amount. This generally leads to a higher gross income amount that may result in an increase in income representation and warranty relief. Finicity is the first service provider supporting this enhancement, and we encourage Sellers to access our [AIM training resources](#) to learn more. For Sellers currently using AIM for income using direct deposits with Finicity, please reach out to your Finicity representative for details on how to use this paystub capability. For other Sellers who want to take advantage of this enhancement, contact Finicity and your Freddie Mac representative.

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

Guide impacts: Sections 5201.1, 5901.1 through 5901.5, 5902.1 through 5902.3, 5902.7, 5903.2, 5903.4, 5904.1 through 5904.4, 5905.1 and 5905.3

MANUFACTURED HOMES

Effective for Mortgages with Settlement Dates on or after September 11, 2023

Single-wide Manufactured Home eligibility

To support our Duty to Serve activities and expand eligibility for affordable housing, Mortgages secured by HUD Code-compliant single-wide Manufactured Homes that are classified as real property will be eligible for sale to Freddie Mac. For Mortgages with Settlement Dates on and after September 11, 2023, we removed the requirement for a single-wide Manufactured Home to be 10 years old or newer. To be eligible for sale to Freddie Mac, Mortgages secured by single-wide Manufactured Homes must be Loan Product Advisor Accept Mortgages.

Loan Product Advisor will be updated to incorporate this change.

Guide impacts: Sections 5703.2 through 5703.5

Appraisal requirements

We have updated the appraisal requirements for Manufactured Homes to identify information that must be provided to the appraiser when the Manufactured Home is not yet attached to the land, require photos of the HUD Data Plate and HUD Certification Label(s) and provide additional guidance related to the cost approach.

Guide impact: Section 5703.6

UPDATE TO FORM 400

In Bulletin 2023-9, we introduced Form 400 as an option for confirming the completion of proposed or newly constructed properties where the appraisal report was completed "subject to completion per plans and specifications." At the request of Sellers, we have updated this form to provide greater clarity as to who is required to sign the form attesting to the property's completion. As a reminder, Sellers may use this form or one that is substantially similar.

Guide impact: Form 400

CASH-SPECIFIED PAYUPS

Effective June 5, 2023

Cash Mortgages with certain attributes are more desirable to investors, so we offer a specified payup to the standard cash pricing for these Mortgages once they are allocated to an applicable cash contract within Loan Selling Advisor. We have introduced new cash-specified payup types for 10-, 15-, 20- or 30-year fixed-rate Mortgages when you sell for cash using our Best Efforts Contract option.

Guide impacts: Sections 6101.3 and 6101.4



Additional resources

Read more about the new cash-specified payups in our [May 19, 2023, news article](#) and on the following webpages:

- [Sell for Cash](#)
- [Cash Payups for Mortgages with Specified Characteristics Overview](#)
- [Cash Payups for Mortgages with Specified Characteristics FAQs](#)

AREA MEDIAN INCOME LIMIT UPDATES

Effective June 8, 2023

As announced in our [May 30, 2023, news article](#), updated 2023 Area Median Income limits will be effective on June 8, 2023.

Loan Product Advisor will be updated on June 8, 2023, to reflect the 2023 Area Median Income limits. In addition, the following tools and application programming interfaces (APIs) will be updated on June 8, 2023, to reflect the updated limits:

- [Home Possible® Income & Property Eligibility tool](#)
- [Refi Possible® Income & Eligibility tool](#)
- [Area Median Income and Property Eligibility tool](#)
- [Income Limits and Affordable Check APIs](#)

The FHFA provides the Area Median Income estimates to Freddie Mac, which we use to determine the following:

- If the Borrower's annual qualifying income meets Home Possible Mortgage eligibility requirements
- If the Borrower's annual qualifying income meets Refi Possible eligibility requirements, and
- If the Borrower's annual qualifying income meets the eligibility requirements for Credit Fee Caps and Credits, as described in Exhibit 19A, *Credit Fee Cap Eligibility Criteria*

For assessment of Credit Fee Caps and Credits, the Area Median Income Percent is calculated in Loan Selling Advisor and uses the following:

- For Loan Product Advisor Mortgages, the higher Area Median Income as of the Note Date or the Area Median Income used in the last Loan Product Advisor submission
- For Manually Underwritten Mortgages, the higher Area Median Income as of the Application Received Date or the Note Date

For Manually Underwritten Mortgages, the updated Borrower income limits will be effective for Mortgages with Application Received Dates on and after June 8, 2023.

Effective June 8, 2023, Loan Product Advisor will apply the updated 2023 Area Median Income limits as follows:

Loan Product Advisor determination of Home Possible eligibility	
IF the Mortgage is submitted as a Home Possible Mortgage on and after June 8, 2023	THEN the following income limits are applied...
For the following resubmissions: <ul style="list-style-type: none"> • The last submission before the effective date was also a Home Possible Mortgage, and 	The better of the following income limits: <ul style="list-style-type: none"> • 2022 Area Median Income limits at 80% of the Area Median Income



Loan Product Advisor determination of Home Possible eligibility	
<ul style="list-style-type: none"> The income limits were met 	OR <ul style="list-style-type: none"> 2023 Area Median Income limits at 80% of the Area Median Income
For the following submissions: <ul style="list-style-type: none"> The Mortgage is submitted for the first time The Key Number cannot be identified, or The last submission before the effective date was not submitted as Home Possible and/or did not meet the income eligibility limits 	2023 Area Median Income limits at 80% of the Area Median Income
Loan Product Advisor determination of Refi Possible eligibility	
IF the Mortgage is submitted or resubmitted as a Refi Possible Mortgage on and after June 8, 2023	THEN the 2023 Area Median Income limits apply at 100% of the Area Median Income
Area Median Income used by Loan Product Advisor for Mortgages other than Home Possible or Refi Possible	
IF the Mortgage is submitted or resubmitted on and after June 8, 2023	THEN consistent with existing functionality, Loan Product Advisor will use the 2023 Area Median Income

ADDITIONAL GUIDE UPDATES

Leasehold notice of default provision in Maryland

We have updated Section 5704.1 for leasehold Mortgages to not require a notice of default provision in the lease if the subject property is in Maryland and the applicable State law requires the lessor to send written notice of default to the leasehold mortgagee no less than 30 days prior to lessor filing an action of possession.

Guide impact: Section 5704.1

Borrower’s Social Security number

We have updated the Guide to state that Sellers may redact or delete the Borrower’s Social Security number from all documents in the Mortgage file provided the Seller complies with the requirements of Section 3301.1.

Guide impact: Section 3301.1

Cash window Customer Agreement for securities trading account

Freddie Mac provides market liquidity for mortgage securities by providing a trading relationship with approved Sellers. Our securities trading program allows Sellers to engage in the purchase and sale of UMBS, MBS and ARM PCs through the Securities Trading Customer Agreement (the “Customer Agreement”), included in the Guide as Exhibit 102, *Securities*



Trading Customer Agreement. Pursuant to the Customer Agreement, approved Sellers and/or Servicers must pay interest on any debt balance or unpaid deficiency with respect to a transaction under the Customer Agreement. Previously, Freddie Mac calculated such interest by reference to one-month U.S. dollar London Interbank Offered Rate (LIBOR) (or, if such rate is no longer available, its successor rate). Due to one-month U.S. dollar LIBOR becoming unavailable after June 30, 2023, Freddie Mac now calculates such interest by reference to its successor rate, the 30-Day Average Secured Overnight Financing Rate (SOFR) rate. This update also includes other changes, which are non-substantive formatting and housekeeping changes, including with respect to punctuation, capitalization and section references, as well as changes to reflect current practices.

Note that these amendments apply to all Seller/Servicers with such Customer Agreements from the date of this Bulletin, irrespective of the version of a particular Customer Agreement.

Guide impact: Exhibit 102

Exhibit 17S, Available Mortgage Products

We have updated Exhibit 17S to remove several references to MBS products. For single-issue guarantor and multilender programs, Loan Selling Advisor does not have products that support 30-, 20-, or 15-Year MBS. In addition, the 100% Super Conforming is an MBS.

Guide impact: Exhibit 17S

Glossary updates

Updates to “Rural Area” and “High Needs Rural Region”

Effective July 1, 2023

In response to the FHFA’s recent [news release](#) announcing the final rule amending the Enterprise Duty to Serve Underserved Markets regulation, Freddie Mac is updating the Glossary definitions of “Rural Area” and “High Needs Rural Region” to align with the FHFA’s updated definitions for these terms.

Additionally, we are implementing the 2023 Rural Areas and High Needs Rural Regions Data, as [defined](#) by the FHFA. This update includes changes to the Rural Area designations, including colonia census tracts, which may increase the number of Borrowers with Mortgages eligible for certain Duty to Serve Credit Fee Caps.

Provided the Mortgaged Premises is located in a designated Rural Area and/or a High Needs Rural Region, as of either the Application Received Date or the Note Date, the Mortgage may be eligible for certain Duty to Serve Credit Fee Caps, as described in Exhibit 19A.

As a reminder, Mortgages eligible for the Duty to Serve Credit Fee Cap, as described below, must be delivered in accordance with Exhibit 34, *Investor Feature Identifiers*, including:

- For Mortgages originated in rural areas and by Small Financial Institutions, as [defined](#) by the FHFA, Seller must deliver ULDD Data Point *Investor Feature Identifier* (IFI) (Sort ID 368) and enter a valid value of “J84”
- For Mortgages located in rural areas and High Needs Rural Regions, as [defined](#) by the FHFA, Seller must deliver ULDD Data Point *Investor Feature Identifier* (IFI) (Sort ID 368) and enter a valid value of “J85”

In support of Freddie Mac’s Duty to Serve plan, we are updating Exhibit 40, *Duty to Serve High-Needs Areas*.

Guide impacts: Glossary and Exhibit 40

Retirement of “Property Inspection Alternative (PIA)”

The term “Property Inspection Alternative” (PIA) has been removed from the Glossary; however, “Property Inspection Alternative” will remain a valid value for ULDD Data Point Investor Collateral Program Identifier (Sort ID 376) and will continue to be required for delivery of Mortgages for which the Seller accepts an appraisal waiver.

Guide impact: Glossary



Credit Fees

We have updated Section 5401.2 to reflect the Credit Fee changes announced in Bulletin 2023-12.

Guide impact: Section 5401.2

Summary of Guide topics

We have updated the summary of topics list in Section 1101.1(b) to more accurately reflect the contents of the Guide.

Guide impact: Section 1101.1

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 2023-13 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2023-13>.

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