

# Bulletin

TO: Freddie Mac Sellers

August 2, 2023 | 2023-16

## SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Credit underwriting**
  - Requirements for [installment agreements with the Internal Revenue Service \(IRS\)](#) that are pending IRS approval – **November 30, 2023**
  - Revised documentation requirements for income from [alimony, child support and separate maintenance](#) – **November 30, 2023**
  - Updates to underwriting requirements for Manually Underwritten Mortgages pertaining to [medical collections](#)
- **Loan Product Advisor<sup>®</sup> asset and income modeler**
  - New eligible sources of funds and asset types for [automated asset assessment](#) with Loan Product Advisor using account data – **October 1, 2023**
  - Enhancements to [automated income assessment](#) with Loan Product Advisor using tax data
- **Appraisals and property data collection**
  - Updates related to [ACE+ PDR](#)
  - Updated [Appraiser Independence Requirements and the introduction of Property Data Collector Independence 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.

## CREDIT UNDERWRITING

### Applications for Internal Revenue Service (IRS) installment agreements

**Effective for Mortgages with Settlement Dates on or after November 30, 2023, but Sellers are encouraged to implement immediately**

We are updating the Guide to address applications for installment agreements with the Internal Revenue Service (IRS) that are pending IRS approval. When a Borrower has applied for such an agreement and is pending IRS approval, the following requirements must be met:

- The application for the installment agreement reflecting the amount of taxes owed and requested payment terms must be documented in the Mortgage file,
- The greater of the monthly payment amount requested by the Borrower or the amount of taxes owed divided by 72 must be included in the Borrower's debt payment-to-income ratio, and



- There must be no indication, and the Seller must have no knowledge, that the IRS has filed a Notice of Federal Tax Lien for the taxes owed by the Borrower

Guide impact: Section 5401.2

## **Alimony, child support and separate maintenance income documentation**

### **Effective for Mortgages with Settlement Dates on or after November 30, 2023, but Sellers are encouraged to implement immediately**

To provide greater specificity to our documentation requirements for income from alimony, child support and separate maintenance, we are making the following updates:

- Specifying that the payor's obligation must be verified with legally binding documentation, which may include a signed court order, final divorce decree, legally binding separation agreement, legally binding child support agreement or other legally binding documentation, and
- Requiring documentation to evidence the Borrower's receipt of the income payment(s) as follows:
  - Evidence the payment(s) was cashed or deposited into the Borrower's depository account at a financial institution, or
  - Evidence that the payment(s) was transferred into a third-party money transfer application account that is owned by the Borrower, or
  - A statement from a government agency (i.e., child support agency) reflecting the Borrower's name as the recipient and the amounts paid

Guide impacts: Sections 4302.5, 5305.2, 5904.3 and 5904.5

### **Feedback messages**

Loan Product Advisor feedback messages to support this change will be announced at a future date.

## **Underwriting requirements for Manually Underwritten Mortgages pertaining to medical collections**

In response to an industry-wide initiative to lessen the impact of medical debt on the consumer, we have updated our underwriting requirements for Manually Underwritten Mortgages to exclude medical collections from being considered adverse or derogatory credit information.

Guide impact: Section 5202.5

## **ASSET AND INCOME MODELER (AIM)**

### **Automated asset assessment with Loan Product Advisor using account data**

#### **Effective for Loan Product Advisor submissions and resubmissions on or after October 1, 2023**

We are enhancing automated asset assessment with Loan Product Advisor using account data (asset and income modeler (AIM) for assets) to include gifts and grants as eligible sources of funds as well as adding securities and retirement accounts as eligible asset types. In addition, for purchase transactions, when Loan Product Advisor identifies large deposits, it will issue feedback messaging stating the amount of the large deposits for which the Seller must document the source of funds. With these changes, we are introducing partial representation and warranty relief subject to the Seller documenting additional requirements in compliance with Section 5501.3 and as indicated in feedback messages. Examples of additional documentation may include gift letters, documentation sourcing large deposits or proof of liquidation of retirement accounts.

We encourage Sellers to reach out to their current vendor to determine if they are supporting these enhancements.

Guide impacts: Sections 3402.7, 5501.3, 5902.2 and 5902.4 through 5902.6



### **Additional resources**

For additional information, we encourage Sellers to access our [AIM training resources](#), which will continue to be updated as additional resources become available. Loan Product Advisor will be updated to incorporate these changes, including [feedback message updates](#).

### **Automated income assessment with Loan Product Advisor using tax data**

We have enhanced automated income assessment with Loan Product Advisor using tax data. A Seller can request a tax transcript from the IRS through a third-party service provider designated by Freddie Mac that has a direct connection to the IRS. The Seller submits to Loan Product Advisor a report ID assigned to the Mortgage by the service provider, and Loan Product Advisor assesses the tax transcript data for income reported on IRS form Schedule C. If Loan Product Advisor is able to assess the income, the Seller may be eligible for relief of representations and warranties related to the income calculation and for the accuracy and integrity of the data.

Halcyon is currently the only service provider supporting this enhancement. We will notify Sellers when other service providers are able to operationalize this enhancement.

Guide impacts: Sections 1301.11, 3402.5, 5102.4, 5302.4, 5304.1 and 5903.1 through 5903.6

### **Additional resources**

For additional information, we encourage Sellers to access our [AIM training resources](#) to learn more about this enhancement. Loan Product Advisor has been updated to incorporate the changes described above related to AIM, including [feedback message updates](#).

## **APPRAISALS AND PROPERTY DATA COLLECTION**

### **ACE+ PDR**

#### ***Guide updates from previous Bulletins***

In Bulletin 2022-6, and later updated in Bulletins 2022-13 and 2022-24, we announced ACE+ PDR, which allows Sellers to originate eligible Mortgages with a PDR instead of an appraisal. A PDR is completed with property information collected on site by a trained property data collector using the proprietary Freddie Mac PDR data set. With this Bulletin, we have incorporated the ACE+ PDR requirements into the Guide and introduced the eligibility of purchase transactions to receive an ACE+ PDR offer. In addition, we have updated our requirements for when a PDR is required to be upgraded to an appraisal.

Guide impacts: Sections 3401.11, 3402.5, 4201.5, 4302.5, 4406.1, 4407.1 through 4407.3, 4501.6, 4504.9, 4603.5, 5101.5, 5101.6, 5602.3, 5602.4 (**new**), 5603.6 (**new**), 5604.1 through 5604.3, 5605.8, 5703.9, 6302.8, 6302.10, Glossary, Exhibits 34, 37 (**new**), 38 (**new**), 39 (**new**), Forms 70H (**new**) and 465H (**new**)

#### ***New customer service/code of conduct standard and background check requirements***

##### **Effective for Mortgages with Application Received Dates on or after November 2, 2023**

In Bulletin 2022-6, Freddie Mac provided seller oversight of property data collection requirements, which included a requirement that property data collectors pass a background check. We are introducing the requirement that property data collectors and any customer-facing employees of the property data collection company must comply with a customer service standard/code of conduct. Additionally, we are updating the background check requirement to clarify that criminal background checks must be ongoing and periodic.

Guide impact: Section 5603.6 (**new**)

#### ***Property data collection compliance with American National Standards Institute (ANSI) Standard for measuring the subject property***

##### **Effective for Mortgages with Application Received Dates on or after November 2, 2023**

In Bulletin 2023-15, we introduced the requirement that Mortgages secured by certain 1-unit properties with appraisal effective dates on or after November 2, 2023 that include interior and exterior inspections of the subject property must be completed using the American National Standards Institute (ANSI) Standard, Square Footage - Method for Calculating:



ANSI® Z765. The requirement for compliance with the ANSI Standard and the inclusion of an ANSI-compliant software-generated building sketch will also apply to PDRs with an interior and exterior property data collection of the subject property.

Guide impact: Section 5604.2

### ***Uniform Property Dataset (UPD)***

On July 26, 2023, Freddie Mac and Fannie Mae (the GSEs) published the Uniform Property Dataset (UPD). The GSEs developed the UPD to promote consistency in property data collection and improve the quality of the data collected. The UPD will replace each GSE's proprietary property data set, which in turn will create market standardization and fungibility. Although the UPD shares some data elements and enumerations with the Uniform Appraisal Dataset published in March 2023, the UPD is a separate data set. We will announce future enhancements and implementation plans as we continue to develop the UPD.

Freddie Mac developed the Beyond ACE application programming interface (bACE API) to accommodate delivery of PDRs using the existing Freddie Mac property data set (PDR v2.0). The bACE API is now available for use by all Sellers; however, Freddie Mac is working to update the bACE API to support the new UPD, and more information will be communicated in future Bulletins.

### ***Additional resources***

Sellers should review the following resources related to ACE+ PDR and the UPD:

- [ACE+ PDR offering webpage](#)
- New [FAQs](#) for ACE+ PDR
- [UPD webpage](#), containing additional information about the UPD and bACE API

### **Updated Appraiser Independence Requirements (AIR) and introduction of Property Data Collector Independence Requirements (PDCIR)**

In collaboration with Fannie Mae, Freddie Mac has updated the Appraiser Independence Requirements (AIR) and introduced the Property Data Collector Independence Requirements (PDCIR). Similar to the AIR, the new PDCIR are designed to protect the integrity of the data collection process for Mortgage lending and to manage risk for Sellers, investors and Borrowers.

### ***Exhibit 35, Appraiser Independence Requirements***

We have updated and revised Exhibit 35 to improve readability and provide clarification of the existing requirements. We have clarified that:

- Mortgage Brokers, loan officers, Loan Originators and members of the Seller's Mortgage production staff are included in the definition of "Restricted Parties"; the AIR prohibit Restricted Parties from ordering appraisals or having any other involvement in the Seller's collateral valuation process, and
- Appraisers, appraisal management companies and appraisal companies are included in the definition of "Independent Parties"; the AIR prohibit any person from influencing or attempting to influence an appraisal through any act or practice that impairs or attempts to impair the independence, objectivity or impartiality of an Independent Party

Guide impacts: Sections 1301.8, 5604.4, Glossary and Exhibit 35

### ***Exhibit 42, Property Data Collector Independence Requirements (PDCIR)***

#### **Effective for Mortgages with Application Received Dates on or after November 2, 2023**

We are introducing the PDCIR to ensure the independence of the property data collection process and are adding the PDCIR to the Guide as new Exhibit 42. The PDCIR provide similar protections for the property data collection process as the AIR do for the appraisal process. The Seller must adopt written policies, procedures and disciplinary rules and implement adequate training programs to ensure compliance with the PDCIR. For each Mortgage delivered with a PDR, the Seller will be required to represent and warrant that the Mortgage complies with the PDCIR.

Guide impacts: Section 5603.5 (**new**) and Exhibit 42 (**new**)



## ADDITIONAL GUIDE UPDATES

### Credit Fee Caps

#### **Delivery instructions**

In response to client feedback, Freddie Mac has updated the following:

- Sections 6302.48 and 6302.49 to clarify these sections pertain to delivery instructions related to:
  - Mortgages secured by a property located in a designated Rural Area and originated by a Small Financial Institution, and
  - Mortgages secured by a property located in a designated High Needs Rural Region
- Exhibit 19A, *Credit Fee Cap Eligibility Criteria*, to provide additional footnotes related to certain Credit Fee Caps and related delivery instructions
- Exhibit 34 to update the descriptions for Investor Feature Identifiers “J84” and “J85”
- Glossary definitions for “Area Median Income” and “High Needs Rural Region”

Guide impacts: Sections 6302.48, 6302.49, Exhibits 19A, 34 and Glossary

#### **Duty to Serve**

##### **Effective for Mortgages with Settlement Dates on or after October 1, 2023**

In connection with certain Duty to Serve Credit Fee Caps, Sellers will no longer be required to deliver ULDD Data Point *Investor Feature Identifier* (Sort ID 368) valid value of “J85” to indicate the Mortgage is secured by a property located in a designated High Needs Rural Region.

Freddie Mac will determine whether a Mortgage meets the requirements of the FHFA’s definition of Rural Areas and High Needs Rural Regions in Loan Selling Advisor®.

Guide impacts: Section 6302.49, Exhibits 19A and 34

### Updates to “Claims Event” and “Freddie Mac’s Claims” Glossary definitions

#### **Effective August 9, 2023**

We are making updates to the definition of “Claims Event” to include events related to bankruptcy and insolvency and notification of intent to disqualify or suspend a Seller or Servicer under Section 2301.3. We are also making certain clarifying changes to the term “Freddie Mac’s Claims,” also now referred to as “FRE Claims,” and adding a new Glossary definition for the term “Unauthorized Servicing Transfer.” Finally, we are making conforming changes related to these definitions throughout the Guide and in Exhibit 104, *Collateral Pledge Agreement*.

Guide impacts: Sections 1101.2, 1101.3, 2301.4, 3601.1, 7101.2, Glossary and Exhibit 104

### Seller/Servicer eligibility – annual liquidity plan

#### **Effective March 31, 2024**

As announced in Bulletin 2022-19, each Large Non-Depository Institution must submit a capital and liquidity plan, annually on or before March 31, 2024, that describes how the Seller/Servicer intends to manage its capital and liquidity consistent with Freddie Mac requirements. These plans must be sent to [CCRM Mortgage Bank@FreddieMac.com](mailto:CCRM_Mortgage_Bank@FreddieMac.com) and, as a reminder, must at a minimum:

- Include a description of the Seller/Servicer’s corporate governance over the capital and liquidity planning process, such as oversight responsibilities of Senior Management and its board of directors, and a discussion of the Seller/Servicer’s risk management framework
- Describe processes to monitor and measure liquidity risks, such as business activity reports and financial forecast and cashflow projections



- Contain capital and liquidity contingency funding plans and provide for testing and reaffirmation of such plans at least annually
- Provide for an annual liquidity stress test, including a stress test of the value of Servicing Contract Rights in an adverse scenario developed by the Seller/Servicer, prescribed by Freddie Mac or both. The Servicing Contract Rights stress test may be conducted either in house or using a third-party vendor.
- Require notice to Freddie Mac within five (5) Business Days following any material change to or material deviation from the plan. During times of stress, material changes must require immediate notification within one (1) Business Day.

Guide impacts: Section 2101.4 and Directory

### Data incident notification template

#### Effective August 9, 2023

We are updating Section 1302.2 to state that Seller/Servicers are required to report Non-critical Privacy Events (as defined in Section 1302.2) to Freddie Mac on a quarterly basis using new Exhibit 130, *Non-critical Privacy Incident Reporting Template*.

Guide impacts: Section 1302.2 and Exhibit 130 (**new**)

### 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 2023-16 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2023-16>.

### 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