

Bulletin

TO: Freddie Mac Sellers

November 1, 2023 | 2023-22

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Income updates**
 - [Written income analysis](#) updates
 - [Employed income history, earnings types and income calculation](#) specificity updates – **May 1, 2024**
- **Timeshare related obligations**
 - Guidance related to [timeshare loans](#) and timeshare maintenance fees
- **Unacceptable appraisal practices**
 - Updates related to [unacceptable appraisal practices](#) – **January 30, 2024**
- **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.

INCOME UPDATES

Written income analysis

We have provided examples of content that may be included in a Seller's written income analysis to emphasize the importance of documenting the Seller's income analysis and calculation, which may aid in future secondary reviews.

Guide impact: Section 5301.1

Employed income history, earnings types and income calculation specificity

Effective for Mortgages with Settlement Dates on or after May 1, 2024, but Sellers are encouraged to implement immediately

We are expanding certain requirements and providing additional specificity and guidance related to determining the appropriate income calculation and analysis when underwriting a Borrower with employed income. These updates do not represent a tightening of our existing requirements.

Employment history requirements (primary employment – minimum 12-month history)

We are expanding the 12-month minimum employment history requirement for fluctuating hourly earnings to permit prior salaried employment in a similar industry or job type that had an income level consistent with the current income level based on the income trend analysis.

Determining the earnings type

We are providing additional specificity, including updated descriptions and examples, to aid Sellers in determining the Borrower's earnings type so the appropriate income analysis and calculation are used to qualify the Borrower.



Employed income calculation – general requirements and guidance

We are providing additional guidance on general underwriting topics related to income calculation, including:

- Pay frequency
- Documented income breakdowns to include the purpose and verification method
- Verification of pay raises to include the purpose and verification method, as well as how and when to use the calculation method that applies the current pay rate to the average number of hours worked during the prior and current year

Fluctuating employment earnings – income calculation method and trend analysis

For income trend analysis, we are making the following updates based on the degree of income fluctuation:

- Degree of fluctuation $\leq 10\%$: Emphasizing that no additional analysis or documentation is required
- Degree of fluctuation $> 10\% - \leq 30\%$: Expanding our requirements to state that no additional analysis or documentation is required when the increase is supported by the documented income breakdown and/or verification of pay raise

Guide impacts: Sections 5303.2 through 5303.4

Additional resources

Sellers should review our [FAQs](#) for more information.

TIMESHARE RELATED OBLIGATIONS

We have updated the Guide to address timeshare related obligations by specifying that:

- Timeshare loans are considered installment debts, regardless of how they are reflected on the credit report (e.g., as a mortgage); as such, payments for timeshare loans are not considered housing payments, and foreclosure recovery time periods for reestablishment of credit are not applicable to timeshare loans in foreclosure,
- Timeshare maintenance fees are not required to be included in the Borrower's monthly debt payment-to-income ratio, and
- Timeshare ownership is not considered an ownership interest in a residential property for purposes of the Glossary definition of "First-Time Homebuyer"

Guide impacts: Sections 5202.5, 5401.2, Exhibit 1 and Glossary

UNACCEPTABLE APPRAISAL PRACTICES

Effective for Mortgages with Application Received Dates on or after January 30, 2024, but Sellers are encouraged to implement immediately

We are updating our list of unacceptable appraisal practices to:

- Provide "working class" and "inner city" as additional examples of terminology or veiled language that could indicate underlying bias
- Identify that inclusion of references, statements or comparisons about crime rates or crime statistics, whether objective or subjective, in the appraisal analysis or report is an unacceptable appraisal practice
- Acknowledge that the scope of work of some appraisals does not require a personal inspection of the comparable properties
- Reflect that development of an opinion of value based on factors that local, State or federal law designates as discriminatory is unacceptable

Guide impacts: Sections 5603.4 and 5605.1



ADDITIONAL GUIDE UPDATES

Uniform Instruments

We have updated Exhibit 4A, *Single-Family Uniform Instruments*, to reflect a new version date for the District of Columbia Security Instrument, which was revised to provide more clarity to Section 26(a). This update supersedes the June 2023 revisions to the District of Columbia Security Instrument. The revised District of Columbia Deed of Trust will have a revised tagline showing a version date of (Form 3009 07/2021 (rev. 08/23)).

Guide impact: Exhibit 4A

Additional resources

The updated Security Instruments are available on our [2021 Uniform Instruments webpage](#).

Credit Fees

Credit Fee updates

We have made Guide updates related to Credit Fees and created new Section 5701.13 to require Sellers to refer to Exhibit 19, *Credit Fees*, for Credit Fees related to Condominium Units, including Detached Condominium Units.

Guide impacts: Sections 4607.17, 5701.13 (**new**) and 6302.20

Update to Guide Exhibit 19A, Credit Fee Cap Eligibility Criteria

In Bulletin 2023-3, we introduced Exhibit 19A, which included CHOICERenovation[®] Mortgages in the list of products eligible for the Duty to Serve Credit Fee Cap. To address subsequent Seller feedback, we have updated Exhibit 19A to reflect that CHOICEReno eXPress[®], a type of CHOICERenovation Mortgage, is eligible for the Duty to Serve Credit Fee Cap. As with all CHOICERenovation Mortgages eligible for the Duty to Serve Credit Fee Cap, CHOICEReno eXPress Mortgages must be delivered in accordance with Section 6302.43(b).

Guide impact: Exhibit 19A

Delivery program eligibility for super conforming Mortgages

For Sellers with Pricing Identifier Terms that permit delivery of fixed-rate super conforming Mortgages under the Guarantor program, we have updated our delivery program eligibility to allow delivery of fixed-rate super conforming Mortgages under fixed-rate Cash Contracts, provided the Seller's negotiated provisions do not specify otherwise.

Guide impact: Section 6302.31

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 2023-22 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2023-22>.

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