

Bulletin

TO: Freddie Mac Sellers

June 5, 2024 | 2024-7

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Builder forward commitments**
 - Specificity related to the costs associated with obtaining [builder forward commitments](#)
 - The creation of a [new Investor Feature Identifier](#) for Mortgages originated under builder forward commitments – **September 4, 2024**
- **Warranty of completion alternatives**
 - Enhanced requirements for verifying the [completion of a property](#)
- **First-Generation Homebuyer Mortgages**
 - Guide updates related to the previously announced [“First-Generation Homebuyer Mortgage” definition](#)
- **Flood insurance premium used for qualifying**
 - A new requirement for including the full [flood insurance risk premium](#) when calculating the housing expense-to-income and debt payment-to-income ratios – **September 5, 2024**
- **Mortgage insurance**
 - The retirement of certain restrictions for [custom and lender-paid mortgage insurance](#)
- **Community Land Trust Certified Shared Equity Program List**
 - Updated requirements regarding the sale of [Community Land Trust Mortgages](#) to Freddie Mac
- **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.

BUILDER FORWARD COMMITMENTS

We have updated the Guide to specify that when a builder, prior to entering into a contract with the Borrower, obtains a forward commitment (also referred to as standby commitment) from a lender to offer future buyers a specific Mortgage interest rate, the costs associated with obtaining the commitment are not considered interested party contributions.

Guide impact: Section 5501.5

Delivery requirements

Effective for Mortgages with Application Received Dates on or after September 4, 2024

We are creating new Section 6302.53 to state that ULDD Data Point *Investor Feature Identifier* (Sort ID 368) valid value “J70” will be required for Mortgages originated under builder forward commitments.

Guide impacts: Sections 5501.5, 6302.53 (**new**) and Exhibit 34



WARRANTY OF COMPLETION ALTERNATIVES

We have enhanced our requirements for verifying the completion of a property by providing completion alternatives for both appraisers and Borrowers. Appraisers may now use virtual technology to visually inspect and confirm the completion of new or proposed construction or required repairs on existing properties in lieu of an on-site inspection. Borrowers may use our updated Guide Form 400, *Warranty of Completion of Construction or Repairs/Alterations*, or other substantially similar form, to now confirm completion of construction or repairs for appraisal reports and completion of repairs for PDRs, both with supporting documentation.

Guide impacts: Sections 5602.2, 5602.4, 5604.1, 5604.2, 5605.8 and Form 400

FIRST-GENERATION HOMEBUYER MORTGAGES

In Bulletin 2024-B, we announced the definition “First-Generation Homebuyer Mortgage” and introduced new Form 1109, *First-Generation Homebuyer Certification*, in alignment with Fannie Mae under the direction of FHFA.

We have updated the Glossary to incorporate the definition of First-Generation Homebuyer Mortgages and created new Section 6302.52 to provide special delivery instructions for Mortgages that meet the requirements of a First-Generation Homebuyer Mortgage.

For a Mortgage to be considered a First-Generation Homebuyer Mortgage, the Seller must deliver ULDD Data Point *Investor Feature Identifier* (Sort ID 368) valid value “K09” when submitting the Mortgage to Loan Selling Advisor®. Exhibit 34 has been updated with the related Investor Feature Identifier requirement.

As previously announced, the identification of a Mortgage as a First-Generation Homebuyer Mortgage is currently optional. However, if the Seller chooses to deliver a Mortgage as a First-Generation Homebuyer Mortgage, the completion of Form 1109 and delivery requirements must be met.

Guide impacts: Section 6302.52 (**new**), Exhibit 34 and Glossary

Additional resources

The [First-Generation Homebuyer Mortgage fact sheet](#) was developed to provide additional background information and answers to frequently asked questions related to the new definition.

FLOOD INSURANCE PREMIUM USED FOR QUALIFYING

Effective for Mortgages with Note Dates on or after September 5, 2024, but Sellers are encouraged to implement immediately

Due to the emerging risk of the rising rates of flood insurance, we are updating the Guide to state that if a flood insurance policy on the Mortgaged Premises shows a full risk premium and a discounted premium, the full risk premium, plus any fees and surcharges, must be used to calculate the housing expense-to-income and debt payment-to-income ratios.

Guide impacts: Sections 5401.1 and 5401.2

CUSTOM MORTGAGE INSURANCE AND LENDER-PAID MORTGAGE INSURANCE

We have updated Sections 4701.1 and 4701.2 to remove the following restrictions:

- Custom mortgage insurance option used in conjunction with super conforming Mortgages
- Lender-paid mortgage insurance option used in conjunction with the super conforming Mortgages
- Custom mortgage insurance option used in conjunction with lender-paid mortgage insurance
- Pre-approval to sell Mortgages with annual or monthly premium lender-paid mortgage insurance

We have also reorganized Section 4701.1 for ease of use.

Guide impacts: Sections 4701.1 and 4701.2



COMMUNITY LAND TRUST CERTIFIED SHARED EQUITY PROGRAM LIST

In response to Seller requests, we have updated Section 4502.10 to allow sale of Community Land Trust Mortgages to Freddie Mac without review of the additional ground lease requirement in Section 4502.10(a)(ii), if the Community Land Trust is included in the “Shared Eq – Model Forms” tab at [Fannie Mae’s Certified Shared Equity Program List](#). For each Community Land Trust Mortgage sold to Freddie Mac, the Seller represents and warrants that the Community Land Trust Ground Lease is valid, enforceable and in full force and effect.

The Seller must deliver ULDD Data Point *Investor Feature Identifier* (Sort ID 368) valid value “J73” when delivering a Community Land Trust Mortgage that is included in Fannie Mae’s Certified Shared Equity Program List.

Guide impacts: Sections 4502.10, 6302.42 and Exhibit 34

ADDITIONAL GUIDE UPDATES

Mortgages with private transfer fee covenants

On July 1, 2023, FHFA instituted a temporary waiver to allow Freddie Mac and Fannie Mae to purchase Duty to Serve Shared Equity Mortgages that include private transfer fees. FHFA has now published the final rule, codifying the temporary waiver and providing permanence to the change, effective June 5, 2024. As such, the Guide language referencing an end date for this flexibility has been removed.

Guide impact: Section 4202.8

Acknowledgment Agreements

Effective June 12, 2024

We are updating Exhibit 33, *Acknowledgment Agreement Incorporated Provisions*, which is required for transactions where a Seller/Servicer needs Freddie Mac’s consent to pledge the Seller/Servicer’s Servicing Contract Rights as collateral for financing. The updates are as follows:

- Creating two separate Acknowledgment Agreement Incorporated Provisions (Exhibit 33A, *Acknowledgment Agreement Incorporated Provisions*, and Exhibit 33B, *Acknowledgment Agreement (Syndication) Incorporated Provisions*) that apply to two distinct types of financing transactions
- Retiring the existing Exhibit 33
- Adding specificity to existing language
- Making the exhibits consistent with other Guide provisions
- Removing unused provisions that were inconsistent with our programs

Guide impacts: Sections 1101.2, 3603.1, 9701.23, Exhibits 30, 31, 33, 33A (**new**), 33B (**new**), 33C (**new**), 33D (**new**), 103 and Glossary

Reporting changes in Seller/Service’s organization or status

Effective October 1, 2024

We are updating Section 2101.12 to require each Seller/Service to notify Freddie Mac using UCount® within one Business Day after either of the following events occurs:

- The Seller/Service receives notice that it is suspended, disqualified or terminated as a Fannie Mae-approved seller, lender or servicer and/or a Ginnie Mae-approved issuer
- The Seller/Service notifies any secured party, or is notified by any secured party, of a breach or default under a credit facility (to the extent such default is not cured within any applicable cure period set forth in the applicable agreement)

Guide impact: Section 2101.12



Glossary definition of “Agency”

In our efforts to support affordable housing and access to credit, we have updated the definition of “Agency” in the Glossary to provide additional specificity to our requirements for entities that may provide financial assistance (e.g., through an Affordable Second®) when certain eligibility requirements are met.

Guide impact: Glossary

Reconsideration of value

Effective for Mortgages with Application Received Dates on or after August 29, 2024

In Bulletin 2024-6, we published our reconsideration of value (ROV) requirements with an effective date of August 29, 2024. With this Bulletin, we are clarifying that the ROV requirements will be effective for Mortgages with Application Received Dates on or after August 29, 2024.

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 2024-7 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2024-7>.

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

Senior Vice President, Single-Family Seller Engagement