



Bulletin 2019-22

Selling

Issued 11/06/2019

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Duty to Serve

- New and revised underwriting flexibilities for Mortgages secured by income-based resale restricted properties and for Affordable Second[®]s, including Affordable Seconds used to subsidize the purchase of such properties – **March 1, 2020**
- Guidance concerning property eligibility and appraisal requirements, with a focus on rural markets and property types

Condominium Projects

- Updates to our requirements for Condominium Unit Mortgages with approved Project Waiver Requests (PWRs) – **February 6, 2020**

Automated Clearing House (ACH) drafting

- Revisions to reflect that Freddie Mac will draft Gold Rush[®] fees and adjustments, buyup and buydown adjustments and guarantor settlement interest under the daily ACH process – **February 6, 2020**

Single premium lender-paid mortgage insurance

- Updates to our requirements for the delivery of Mortgages with single premium lender-paid mortgage insurance

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.

DUTY TO SERVE

Promoting housing affordability is fundamental to Freddie Mac's community mission. In our Duty to Serve plan, we committed to increasing our support for affordable homeownership preservation through shared equity homeownership programs. These programs provide homeownership opportunities to families with very low-, low- and moderate-incomes.

Shared equity homeownership programs are managed by subsidy providers or program administrators that make a one-time investment to create homeownership opportunities with lasting affordability for homebuyers who meet certain income requirements. In exchange for participation in the programs, eligible homebuyers agree to certain restrictions that include limitations on returns upon resale or limitations on conveyance of the property. In effect, homeowners "share" some of the proceeds from resale to pay the opportunity forward to the next homebuyer with very low-, low- or moderate-income.

Properties subject to resale restrictions

Effective March 1, 2020

Mortgages secured by properties subject to resale restrictions

We are updating the requirements for Mortgages secured by properties subject to resale restrictions that we announced in [Bulletin 2018-16](#) to:

- Clarify that:
 - The resale restriction controls may be administered by the subsidy provider or a program administrator
 - When a Mortgage secured by a resale-restricted property is in foreclosure and/or subject to an approved short sale, the right of first refusal must have a time period not exceeding 90 days
- Provide guidance for appraisal comparable sales selection when resale restrictions terminate and when they survive foreclosure or recordation of a deed-in-lieu of foreclosure

Guide impact: [Guide Section 4406.1](#)

Mortgages secured by properties subject to income-based resale restrictions

This Bulletin announces new and revised requirements to facilitate a secondary market for Mortgages secured by income-based resale restricted properties that use deed restrictions, subordinated loans, or similar legal mechanisms that include provisions to keep a home affordable for individuals and households with very low-, low-, or moderate-incomes.

We are expanding [Guide Chapter 4406](#) to provide additional guidance and new requirements for Mortgages secured by properties subject to income-based resale restrictions. These include:

- Allowing the following to be eligible
 - 2-unit Primary Residences; and
 - CHOICEHomeSM Mortgages, provided that the Seller has written approval from Freddie Mac to deliver these Mortgages
- Revising our requirements to permit cash-out refinance transactions and to permit Borrowers to obtain cash proceeds from refinance transactions as long as the subsidy provider or program administrator approved the transaction
- Adding requirements relating to the subsidy provider and program administrator
- Adding guidance regarding how to calculate the Borrower's required Down Payment based on the subsidized purchase price
- Specifying that subsidy providers may be entitled to obtain "excess proceeds" in certain instances when the income-based resale restrictions survive foreclosure or the recordation of a deed-in-lieu of foreclosure where proceeds remain following the sale or transfer of an REO property
- Permitting the subsidy provider or program administrator of eligible shared equity homeownership programs to be both the source of the Affordable Second and the property seller in certain instances

Guide impacts: [Sections 4406.1, 4406.2, 5703.9](#) and [6302.37](#)

Mortgages with Affordable Seconds[®]

Effective March 1, 2020

Mortgages with Affordable Seconds that are used to subsidize the purchase price of resale restricted properties

We are eliminating the limits on the share of appreciation (equity sharing) an Agency or subsidy provider funding an Affordable Second[®] can receive when the Agency or subsidy provider is managing an eligible income-based resale restriction program and meets other eligibility criteria.

Guide impacts: [Section 4204.2](#) and [Glossaries A-I and J-Z](#)

Additional updates for Mortgages with Affordable Seconds

We are revising our requirements for Mortgages with Affordable Seconds to allow:

- Sellers to be the source of Affordable Seconds under certain circumstances when the First Lien Mortgage is a Home Possible[®] Mortgage and the Seller has an established Affordable Seconds program that supports Community Reinvestment Act (CRA) mandates
- Affordable Seconds to be funded by a nonprofit not affiliated with a Government Agency, provided that the Seller receives Freddie Mac's prior written approval

Guide impact: [Section 4204.2](#)

Special delivery requirements for Mortgages with Affordable Seconds

We are updating Section 6302.34 to add special delivery requirements for Mortgages with Affordable Seconds from certain allowable sources. If applicable, Sellers must enter the following valid values for ULDD Data Point *Investor Feature Identifier* (Sort ID 368):

- "J07" for a non-profit not affiliated with a Government Agency Affordable Second
- "J54" for a Home Possible Mortgage with a Seller-funded Affordable Second

Guide impacts: [Section 6302.34](#) and [Exhibit 34](#)

Additional resources

We are updating the Freddie Mac [Affordable Seconds Checklist](#) and adding a link to it in the Guide for ease of reference. In addition, access our new [Affordable Seconds](#) and [Gifts, Grants and Affordable Seconds](#) quick references to learn more about these sources of funds and submission to Loan Product Advisor®.

Property eligibility and appraisal requirements

Freddie Mac understands the challenges related to property eligibility and valuation that can result from unique market conditions or the lack of comparable sales, especially in rural markets. In response to Seller and industry stakeholder inquiries and as part of our Duty to Serve plan, we are providing additional guidance for:

- Appraisal adjustments, recognizing that large adjustments are common and acceptable in rural markets. Freddie Mac does not have limitations on gross or net adjustment percentages, and recognizes that the income approach, cost analysis and market surveys are appropriate for supporting adjustments.
- The acceptability of non-traditional types of properties (examples include "barndominiums" (barn conversions or barn-style buildings), "shouses" (living-space and work/storage combinations), berm homes, log homes and geodesic dome dwellings)

Guide impact: [Section 5601.12](#)

CONDOMINIUM PROJECTS**Effective February 6, 2020, but Sellers are encouraged to implement on or after November 21, 2019**

Currently Sellers have to deliver Condominium Unit Mortgages with approved Project Waiver Requests (PWRs) within 180 days of the date of the Freddie Mac Condo Project Advisor® Feedback Certificate. This date is indicated as the expiration date on the Feedback Certificate.

In response to Seller feedback and to provide additional flexibility, we are requiring Sellers to deliver Mortgages with approved PWRs within 120 days after the Note Date. In connection with this change, as of November 21, 2019, the Feedback Certificate will no longer indicate an expiration date.

Guide impact: [Section 5701.1](#)

AUTOMATED CLEARING HOUSE (ACH) DRAFTING**Effective February 6, 2020**

We are updating the Guide to reflect that the following fees and amounts (which were previously drafted monthly from Seller's ACH account) will be included in the net amount drafted from that account on the fifth Business Day after the applicable Settlement Date (daily ACH process) for Mortgages sold to Freddie Mac under the Guarantor and MultiLender Swap Programs:

- Gold Rush® fees and adjustments
- Buyup and buydown adjustments
- Guarantor settlement interest

These fees and amounts will be included together with initial Credit Fees in Price, buyup proceeds and buydown fees drafted by Freddie Mac in accordance with the provisions of the daily ACH process described in Guide Section 6303.2(a).

We are also revising [Chapter 6303](#) to clarify references to the Seller monthly invoice and activity statement.

Guide impacts: [Sections 6201.10, 6201.12, 6303.1 and 6303.2](#)

SINGLE PREMIUM LENDER-PAID MORTGAGE INSURANCE

Previously, for single-premium lender-paid mortgage insurance, Freddie Mac required that the originating lender or the Seller pay the entire mortgage insurance premium prior to the Delivery Date.

To provide flexibility and better align with market standards, Sellers may now deliver Mortgages with single-premium lender-paid mortgage insurance regardless of whether the entire mortgage insurance premium is paid by the Seller prior to the Delivery Date, provided that the mortgage insurance for the Mortgage is in full force and effective on the Delivery Date of the Mortgage. The Seller must obtain and be able to produce evidence of any required mortgage insurance (including, but not limited to, a certificate of insurance).

Guide impact: [Section 4701.2](#)

ADDITIONAL GUIDE UPDATES

Compliance with State privacy and consumer protection laws

We are updating the Guide to address certain updates in State privacy and consumer protection laws, including the California Consumer Privacy Act that goes into effect on January 1, 2020.

Guide impact: [Section 1301.2](#)

Confidential information

We are restructuring Section 1201.8 by separating it into two subsections:

- Revised subparagraph (a) provides greater specificity regarding requirements for receipt and treatment of Freddie Mac Confidential Information, and
- New subparagraph (b) clarifies Freddie Mac's commitment to maintaining the confidentiality of certain nonpublic information provided by Seller/Servicers to Freddie Mac, such as financial information and audit reports

We are also retitling and revising Section 8101.8 to clarify the Servicer's obligations concerning information it obtains regarding the Borrower and the Mortgaged Premises that is not publicly available or that is required to be protected under applicable laws.

Guide impacts: [Sections 1201.8 and 8101.8](#)

Form 1149, Notice About Appraisal of Your Property

We are removing Form 1149 from the Guide. Since the Loan Prospector Property Inspection Alternative (PIA) option was retired in 2014 and the obsolete Form 2070, *Loan Prospector Condition and Marketability Report*, was removed from the Guide in 2016, Form 1149 is no longer necessary.

Guide impact: [Form 1149](#)

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 2019-22 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2019-22>.

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,

Christina K. Boyle
Chief Client Officer
Single-Family Office of the Client