



TO: Freddie Mac Sellers

July 25, 2018 | 2018-12

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Lender credit

- Updates to our [lender credit requirements](#), including permitting Sellers to apply excess lender credit as a principal curtailment of the Mortgage

Leasehold estates

- Updates to our [leasehold estate requirements](#)

Delivery instructions

- Updates to our delivery requirements for [automated collateral evaluation appraisal waivers](#)
- Updates to our [homeownership education delivery instructions](#)
- Updates to align the Guide with the [Uniform Loan Delivery Dataset \(ULDD\) specification addendum](#)

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.

LENDER CREDIT

Currently, the Guide requires that the amount of a lender credit not exceed the Borrower's Closing Costs. To assist Sellers when the amount of lender credit exceeds the Borrower's Closing Costs we will now allow Sellers to apply any excess lender credit as a principal curtailment toward the Mortgage. This includes situations where regulatory requirements do not permit reduction of the amount of the lender credit without re-disclosure to the Borrower, which may delay closing.

Additionally, we are updating the Guide to state the following requirements:

- The lender credit must be derived from an increase in the interest rate (i.e., premium pricing) or be funded directly by the Seller
- The lender credit must not require repayment
- The Seller must not use funds from a third party to provide a lender credit

For lender credit applied as a principal curtailment, see Guide Section 6302.32 for existing delivery instructions for ULDD Data Point *Aggregate Loan Curtailment Amount* (Sort ID 438). For Home Possible® Mortgages, Section 6302.14 has been updated with delivery instructions to address lender credit in ULDD Data Points *Closing Cost Source Type* (Sort ID 152) and *Closing Cost Funds Type* (Sort ID 154).

The applicable Loan Product Advisor® feedback message has been updated to align with this change.

Guide impacts: Sections 4501.10, 5501.6 and 6302.14

LEASEHOLD ESTATES

Currently, the leasehold estate language in Guide Chapter 5704 includes numerous requirements for lease provisions, project eligibility and ground lease specifications.

We conducted a comprehensive review of our leasehold estate requirements and as a result are streamlining our policies to make it easier for Sellers to determine eligibility for leasehold Mortgages. Key highlights of the changes include:

- Eliminating requirements specific to nondisturbance and attornment agreements. Although we no longer have specific requirements related to the nondisturbance and attornment agreements, such an agreement is part of the lease and must comply with all lease related requirements.
- Focusing on lease provisions commonly required in the industry, and removing those terms that apply to leasehold ownership situations that are more unique due to lack of standardization of leasehold estate lease provisions
- Removing some elements of the Seller's review of the lease provisions for determining increases in the basic rents and amounts due under the lease such as taxes, insurance and utilities, and use fees and operating expenses
- Simplifying our requirements for projects on leasehold estates by eliminating redundancies and referring to the applicable sections of the Guide
- No longer requiring Guide Form 461, *Ground Lease Analysis*, to be maintained in the Mortgage file, resulting in the form being deleted from the Guide

Guide impacts: Sections 1301.11, 3301.10, 3401.13, 5704.1, 5704.2, 5704.4, 5704.5, 9101.2, 9102.4 and Form 461

DELIVERY INSTRUCTIONS

Automated collateral evaluation appraisal waiver

In response to Seller questions, we are updating the delivery instructions for ULDD Data Point, *Property Structure Built Year* (Sort ID 67) to note the allowable value of "9999" for Mortgages with an automated collateral evaluation appraisal waiver.

Guide impacts: Sections 6302.8 and 6302.10

Homeownership education

Effective July 29, 2018

We are updating the delivery instructions for homeownership education to describe more clearly when to enter the valid values of ULDD Data Points, *Counseling Confirmation Type/Counseling Confirmation Type Other Description* (Sort IDs 576/577) and *Counseling Format Type/Counseling Format Type Other Description* (Sort IDs 578/579).

Guide impacts: Sections 5103.6, 6302.14 and 6302.41

Uniform Loan Delivery Dataset specification addendum

As announced in the [July 10, 2018 Single-Family News Center](#) article, Freddie Mac published the Uniform Loan Delivery Dataset (ULDD) specification addendum included in [Appendix A – Freddie Mac XML Data Requirements V.4.1.3](#). Sellers should review the ULDD Addendum in its entirety to determine its impacts to their systems or processes and for applicable effective dates.

We are making the following updates in Chapter 6302 to align with implementation note clarifications in the ULDD Addendum:

- ULDD Data Points *Total Monthly Income Amount* (Sort ID 291), *Total Monthly Proposed Housing Expense Amount* (Sort ID 292) and *Borrower Qualifying Income Amount* (Sort ID 573)

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- ULDD Data Points, *Down Payment Amount* (Sort ID 172), *Down Payment Source Type*, (Sort ID 173) and *Down Payment Type* (Sort ID 175) for all Mortgages including affordable Mortgages

We are also incorporating changes into the ULDD Addendum that are announced in this Bulletin as well as in Bulletins 2018-5, 2018-8, 2018-7 and 2018-10.

Guide impacts: Sections 6302.5, 6302.9, 6302.14 and 6302.40

ADDITIONAL GUIDE UPDATES

Contingent liabilities and assigned debt

Currently, a mortgage debt that is a contingent liability may be excluded from the Borrower's monthly debt payment-to-income ratio if it meets certain requirements and the Seller confirms the Borrower is not on the title for the mortgaged property. Additionally, a secured debt, including a Mortgage, that has been assigned to another by court order, such as divorce decree, may be excluded from the Borrower's monthly debt payment-to-income ratio when the Seller documents the court order and the transfer of title.

To provide Sellers with additional flexibility and to address Seller requests, we are no longer requiring the Seller to document:

- That the Borrower is not on the title for the mortgaged property, or
- The transfer of title of the mortgaged property

Guide impact: Section 5401.2

Form 1077 alternative

Currently, a completed Form 1077, *Uniform Underwriting and Transmittal Summary*, must be included in the Mortgage file for each Mortgage sold to Freddie Mac.

To provide additional flexibility for Sellers, we are updating the Guide to permit an alternative equivalent form (e.g., a Feedback Certificate) to be included in the Mortgage file in lieu of Form 1077.

Although a signature field is included on the Form 1077, the contact signature is not required on Form 1077 or an equivalent form submitted to Freddie Mac.

Guide impact: Section 3401.5

Unfulfilled Best Efforts Contracts and Mortgages and Seller recordkeeping responsibility

In response to Seller requests to support pipeline management, Loan Selling Advisor® will be updated to automatically delete all Best Efforts Contracts and Mortgages that are in a contract status of "Unfulfilled" for six months from contract expiration date. To ensure all applicable cash Best Efforts Contracts and Mortgages are deleted from the system, Mortgages must not have a Form 1034E, *Custodial Certification Schedule*, built. The new deletion process will be retroactive and apply to all existing pipeline Best Efforts Contracts and Mortgages with both an "Unfulfilled" contract status and the absence of a built Form 1034E as of August 27, 2018. Existing obsolete pipeline Best Efforts Contract and Mortgages will be deleted over time and not all at once upon implementation of this change.

We are also updating Section 2401.1(k)(iv) to clarify Sellers responsibility for recordkeeping with respect to data, information and other Output (as defined in Section 2401.1).

Guide impact: Section 2401.1

ARM Note Rate

In response to Seller inquiries, we are clarifying the requirements for limits on Note Rate adjustments in Section 4401.5 and adding a reference to Section 4401.8 for information on ARM underwriting requirements and permissible "teaser rates."

Guide impact: Section 4401.5

GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2018-12 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1812_spreadsheet.xls.

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,



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