



TO: Freddie Mac Servicers

February 15, 2017 | 2017-1

SUBJECT: SERVICING UPDATES

This Guide Bulletin announces:

Obtaining and evaluating tax transcripts

- Revisions to our requirements for [obtaining and evaluating tax transcripts](#)

Mortgage modifications

- Early implementation requirements for the [Freddie Mac Flex ModificationSM](#)
- Adjustments to the Modification Loss Amount calculation used for the modification of a [Mortgage subject to an indemnification agreement](#) as announced in Bulletin 2016-5

Third-party foreclosure sales

- Updates to specify [Servicer responsibilities](#) related to property preservation and advancement of property taxes and insurance premiums after the purchase of a property by a third party at a foreclosure sale – **April 17, 2017**

Transfers of Servicing

- Requiring Servicers to use Electronic Signatures when signing [Guide Form 981, Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages](#), revising our submission requirements for the form and updating the form – **June 1, 2017**

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.

OBTAINING AND EVALUATING TAX TRANSCRIPTS

At the direction of the FHFA, under the Servicing Alignment Initiative (“SAI”) and jointly with Fannie Mae, we are implementing changes to our requirements related to IRS Form 4506T-EZ, *Short Form Request for Individual Tax Return Transcript*, and IRS Form 4506-T, *Request for Transcript of Tax Return*. These changes are being made in response to Servicer feedback and in an effort to provide a more flexible, streamlined process for Borrowers and Servicers.

The changes related to obtaining IRS Form 4506-T-EZ or IRS Form 4506-T, as applicable, and the circumstances in which a tax transcript must be obtained for evaluation are described below:

IRS Form 4506T-EZ and IRS Form 4506-T Requirements

Category	Requirements
<p>Circumstances in which the IRS Form 4506T-EZ or IRS Form 4506-T is required to be obtained and processed</p>	<p>Home Affordable Modification Program (HAMP®)</p> <p>Servicers must obtain a Borrower executed and completed IRS Form 4506T-EZ or IRS Form 4506-T, as applicable, in accordance with existing HAMP requirements to complete the Borrower Response Package. For evaluations conducted under HAMP, Servicers are reminded that complete Borrower Response Packages must have been submitted by December 30, 2016.</p> <p>Circumstances requiring a Borrower tax transcript</p> <p>Servicers must obtain and process IRS Form 4506T-EZ or IRS Form 4506-T, as applicable, to obtain a Borrower's tax transcript when:</p> <ul style="list-style-type: none"> • It is necessary to resolve inconsistencies between other information the Borrower provided (e.g., information the Borrower provided in Form 710, <i>Uniform Borrower Assistance Form</i>) and the income documentation; • The Borrower has income that is required to be documented by the Borrower's most-recent federal income tax return but the Borrower has not provided his or her signed federal income tax return, complete with all schedules and forms (i.e., Borrowers who are self-employed or file tax returns on a fiscal year basis). <p>Note: In this circumstance only, the Servicer must obtain and process IRS Form 4506-T because IRS Form 4506T-EZ cannot be used for self-employed Borrowers or fiscal year filers; or</p> <ul style="list-style-type: none"> • Otherwise requested by Freddie Mac <p>Note: When documenting rental income, Borrowers must submit a completed tax return and Schedule E as a tax transcript does not separately itemize rental income.</p>
<p>Borrower Solicitation Package</p>	<p>Beginning February 15, 2017, Servicers are authorized to exclude IRS Form 4506T-EZ and IRS Form 4506-T, as applicable, from the Borrower Solicitation Package.</p>
<p>Authorized Changes to Form 710</p>	<p>Servicers are authorized to edit Form 710:</p> <ul style="list-style-type: none"> • If permitted by applicable law, to exclude references to IRS Form 4506T-EZ and IRS Form 4506-T; or • To the extent required by applicable law, to indicate that such forms may be required and to state the circumstances when the forms are required to complete the application
<p>Borrower Response Package</p>	<p>For any Borrower Response Packages submitted to the Servicer on and after February 15, 2017, Freddie Mac will no longer require the IRS Form 4506T-EZ and IRS Form 4506-T, as applicable, to complete the Borrower Response Package, except when required as set forth in the Circumstances requiring a Borrower tax transcript section above.</p>

IRS Form 4506T-EZ and IRS Form 4506-T Requirements

Category	Requirements
<p>Standard Modification or Flex Modification Trial Period Plan conversion</p>	<p>If the Borrower was in a Trial Period Plan prior to entering into an unemployment forbearance plan, the Borrower may be re-evaluated for a new Trial Period Plan upon successful completion of the unemployment forbearance plan. If the Borrower Response Package is more than 90 days old at the time of re-evaluation, the Servicer must obtain an updated package. However, the Servicer is not required to obtain a new IRS Form 4506T-EZ or IRS Form 4506-T, as applicable, or process it except when required as set forth in the Circumstances requiring a Borrower tax transcript section above.</p>
<p>Imminent default</p>	<p>When evaluating for imminent default, Servicers are no longer required to obtain the Borrower's signed IRS Form 4506T-EZ or IRS Form 4506-T, or a copy of the Borrower's most-recent signed federal tax income return, except when required as set forth in the Circumstances requiring a Borrower tax transcript section above.</p>
<p>Calculating and verifying Cash Reserves for short sales and deeds-in-lieu of foreclosure</p>	<p>The Servicer must calculate and verify the Borrower's Cash Reserves in accordance with the following requirements:</p> <ol style="list-style-type: none"> 1. The Servicer must determine that, for every Borrower on the Mortgage, all of the Borrower's Cash Reserves have been accounted for on Form 710 and verified. 2. The Servicer must review all information provided by the Borrower to determine if the asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including required supporting documentation and verbal information shared by the Borrower. If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript in order to reconcile the inconsistencies. 3. If upon reviewing the Borrower's tax return or tax transcript, the Servicer observes interest, dividend income or gains/losses that, in total, could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile the inconsistency with the Borrower. If the Servicer used a tax transcript in lieu of a tax return, the Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, along with any other relevant documentation that verifies the disposition and/or current status of those assets that produced the income or gains/losses, to resolve the inconsistency. <p>The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or</p>

IRS Form 4506T-EZ and IRS Form 4506-T Requirements

Category	Requirements
	<p>gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.).</p> <p>4. If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled, or the required Cash Reserves documentation cannot be obtained from the Borrower, the Servicer is not delegated to approve the short sale or the deed-in-lieu of foreclosure, as applicable.</p>

Guide impacts: Guide Sections 9101.2, 9102.4, 9102.5, 9202.3, 9206.7, 9208.3 and 9209.3

MORTGAGE MODIFICATIONS

Early implementation of the Freddie Mac Flex Modification

As announced in Bulletin 2016-22, the Flex Modification will replace the current Freddie Mac Standard and Streamlined Modifications for evaluations conducted on and after October 1, 2017.

Effective immediately, Servicers that wish to implement the Flex Modification prior to the mandatory implementation date of October 1, 2017 may begin evaluating Borrowers and generating the terms for a Flex Modification Trial Period Plan and Flex Modification using their proprietary systems.

Workout Prospector® will be updated by May 1, 2017 to process terms and settle the Flex Modification. Once Workout Prospector has been updated, Servicers may use Workout Prospector to generate the terms of Flex Modification Trial Period Plans and modifications or may continue using their proprietary systems to generate the terms. Regardless of how the terms are generated, Servicers must submit data relating to any Flex Modification Trial Period Plans to Freddie Mac via Workout Prospector beginning May 1, 2017.

Once a Borrower has entered into a Flex Modification Trial Period Plan, the Servicer must report the Trial Period Plan to Freddie Mac via EDR using the Standard Modification Trial Period Plan code "BF" whether the Servicer's offer was a streamlined offering or in response to a Borrower request for assistance. Servicers must report this code along with the Trial Period Plan Effective Date each month during the Trial Period.

Guide impacts: Sections 7101.4, 8501.3, 9102.4, 9205.5, 9205.11, 9206.13 and 9206.16, Guide Exhibits 82 and 83A and Form 981

Reminders

As stated in Bulletin 2016-22:

- Exception processing:** For situations in which a Borrower does not meet the eligibility requirements for a Flex Modification but the Servicer believes it to be the best option for addressing the Delinquency, the Servicer may submit a recommendation to Freddie Mac for review via the Standard Modification exception review path in Workout Prospector. Servicers must include a comment in Workout Prospector stating "Flex Modification exception request" and include the Flex Modification terms. Once the Flex Modification path becomes available in Workout Prospector, Servicers must submit exceptions through the Flex Modification exception review path.
- Borrower evaluations:** Once a Servicer begins to evaluate Borrowers for the Flex Modification, the Servicer must discontinue evaluations for Standard and Streamlined Modifications

Additional resources

We encourage Servicers to visit the [Flex Modification web page](#), which includes a [term sheet](#) for the modification. Additional Flex Modification resources will also be available on the [Freddie Mac Learning Center](#) by the end of the first quarter of 2017.

Modification of a Mortgage subject to an indemnification agreement

In an effort to assist more Borrowers, we announced updated Guide requirements in Bulletin 2016-5 to permit a Mortgage subject to an indemnification agreement to be eligible for a mortgage modification provided the Mortgage meets certain conditions. The Bulletin also included a Modification Loss Amount calculation example.

We are announcing adjustments to the Modification Loss Amount calculation example provided in Bulletin 2016-5. To more closely align with the calculation used to assess the impacts of mortgage modifications for Mortgages included in Structured Agency Credit Risk transactions, we are revising certain steps of the methodology used to determine the Modification Loss Amount as described below (the changes from Bulletin 2016-5 are shown in bold):

1. Calculate "Original Accrual Rate" – the lesser of (i) the pre-modified Accounting Net Yield (ANY) as of the evaluation date; and (ii) the pre-modified Note Rate MINUS 0.35%
2. Calculate "Current Accrual Rate" – the lesser of (i) the post-modified ANY as of the evaluation date; and (ii) the post-modified Note Rate MINUS 0.35%
3. Calculate "Modification Shortfall" – the excess, if any, of (i) one-twelfth of the Original Accrual Rate multiplied by the **sum of the prior month's post-modified, interest-bearing UPB and the prior month's post-modified, non-interest-bearing UPB**; over (ii) one-twelfth of the Current Accrual Rate multiplied by the **prior month's** post-modified, interest-bearing UPB
4. Calculate "Modification Excess" – the excess, if any, of (i) one-twelfth of the Current Accrual Rate multiplied by **prior month's** post-modified, interest-bearing UPB; over (ii) one-twelfth of the Original Accrual Rate multiplied by the **sum of the prior month's post-modified, interest-bearing UPB and the prior month's post-modified, non-interest-bearing UPB**
5. Calculate the Modification Loss Amount – the excess of the aggregate monthly Modification Shortfall over the aggregate monthly Modification Excess

As a reminder, Freddie Mac will calculate the Modification Loss Amounts owed to Freddie Mac on a monthly basis, and billed on an annual basis for the life of the modified Mortgage. If the Mortgage is subject to a partial indemnification, each year the Servicer will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement.

Guide impacts: Sections 9101.3, 9102.5, 9205.4 and 9206.3 through 9206.5

SERVICER RESPONSIBILITIES AFTER A THIRD-PARTY FORECLOSURE SALE

Servicers must comply with the following requirements for foreclosure sales on and after **April 17, 2017**.

In certain jurisdictions, a mortgagee's interest in the Mortgaged Premises may not be immediately extinguished with a third party's successful bid at foreclosure sale. For example, some jurisdictions require that a foreclosure sale be confirmed or ratified by the court after the sale. In such situations, the Servicer is still responsible for protecting Freddie Mac's interest, including handling certain Servicing functions, until the foreclosure action is complete and Freddie Mac's interest is extinguished in accordance with applicable law.

With this Guide update, we are specifying Servicer responsibilities related to property preservation and advancement of property taxes and insurance premiums following a third party's purchase of a property at a foreclosure sale.

During the period between the foreclosure sale date and the date the foreclosure action is completed (which might not be until the sale is confirmed or ratified), unless prohibited by applicable law:

- The Servicer must continue to order and obtain timely and accurate property inspections, as required in Section 9202.12

-
- The Servicer must submit a request for pre-approval (RPA) using the RPA functionality in the Freddie Mac Reimbursement System and obtain approval of the request from Freddie Mac prior to completing any necessary property preservation or maintenance, even if the work recommended by the Servicer is within the published allowable limits in Exhibit 57. (Note that, unless deferred maintenance caused or may cause Freddie Mac to have additional responsibilities or obligations in or for the property, Servicers must not be completing maintenance work.)
 - If determined to be in Freddie Mac's best interest, the Servicer may continue to advance all property taxes and property insurance premiums that become due if the net sale proceeds from the third-party foreclosure sale did not equal or exceed the total indebtedness (e.g., the UPB, accrued interest, Escrow advances and expenses). In this situation, Freddie Mac will reimburse the Servicer for such advances to the extent those amounts are not recovered from the Borrower or purchaser. If the net sale proceeds equal or exceed the total indebtedness, the Servicer may advance property taxes and property insurance premiums that become due in its discretion but Freddie Mac will not reimburse these amounts.

Guide impacts: Sections 8403.2, 9202.12, 9301.26, 9701.7 and 9701.9

FORM 981, AGREEMENT FOR SUBSEQUENT TRANSFER OF SERVICING OF SINGLE-FAMILY MORTGAGES

Effective on and after June 1, 2017

Based on Servicer feedback and to improve operational efficiency, we are revising Form 981 to require the use of Electronic Signatures. We are also updating the form to add necessary Electronic Signature contracting language (including a reference to Guide Chapter 1401).

Effective with Subsequent Transfer of Servicing requests submitted on and after June 1, 2017, both the Transferor and Transferee Servicer must sign the updated Form 981 using an Electronic Signature and submit the form to Freddie Mac via e-mail at transferofservicing@freddiemac.com. If the Transferor and Transferee Servicer are both able to sign Form 981 with an Electronic Signature and transmit it as an Electronic Record, they may begin utilizing the new form on and after **April 3, 2017**. When signing Form 981 with an Electronic Signature, the Transferor and Transferee Servicer must follow the [Form 981 Electronic Signature Process](#).

If the Transferor or Transferee Servicer is unable to electronically sign Form 981 prior to June 1, 2017, then they must sign and submit the current [Form 981](#) to Freddie Mac through May 31, 2017 as currently required via fax at (571) 382-4886 or e-mail at tos@freddiemac.com.

Additionally, we are updating Form 981 to revise and relocate certain other provisions and no longer require specific lists of the Mortgages being transferred with certain features be submitted to Freddie Mac. The Transferor Servicer must continue to provide to the Transferee Servicer any and all data related to each Mortgage to be transferred with the form, as specified in revised Section 7101.2. Section 7101.2 is also being revised to align with the form and provide the [Form 981 Electronic Signature Process](#).

As a reminder, a list of all Mortgages to be transferred must be submitted through the Freddie Mac Service Loans application and Freddie Mac will indicate approval, if appropriate, by providing an approval letter via the Service Loans application.

The terms "Electronic," "Electronic Record" and "Electronic Signature" are defined in Section 1401.2.

Guide impacts: Sections 7101.2 and 7101.4, Directory 3 and Form 981

ADDITIONAL GUIDE UPDATES

Texas Equity Section 50(a)(6) Mortgages

In response to Servicer feedback, we are updating notification requirements for a Servicer that receives a Borrower notification asserting that a Trial Period Plan involving a Texas Equity Section 50(a)(6) Mortgage violates the Texas Constitution. If the Servicer receives such a notification, the Servicer must notify the Special Asset Unit at Freddie Mac within seven Business Days of receipt in accordance with Section 8104.1.

Servicers' notification obligations under Section 9206.13 no longer apply to Trial Period Plans and now are limited to submission of post-settlement correction requests relating to Borrower complaints involving modifications of Texas Equity Section 50(a)(6) Mortgages.

The revised notification requirements are described below:

Freddie Mac notification requirements for settled modifications (per Section 9206.13)	Freddie Mac notification requirements for a Borrower in a Trial Period Plan (per Section 8104.1)
The Servicer must complete and submit certain sections of Form 1205, <i>Post-Settlement Correction Request</i> , to Freddie Mac via e-mail at Post_settlement_correction@freddiemac.com .	The Servicer must send a copy of the notification and/or related information to the Special Asset Unit at Freddie Mac via fax at (571) 382-4933 or e-mail at Distressed_Property@freddiemac.com .

We are additionally updating the Guide to require that the Servicer must cure any curable defects related to the terms of the Trial Period Plan of such Mortgages in accordance with the provisions of, and within the specified time frame in, Section 50(a)(6) of Article XVI of the Texas Constitution, and all other requirements of Section 8104.1.

Guide impacts: Sections 8104.1 and 9206.13

Servicer reimbursement for use of a lockbox on an abandoned property

Servicers are encouraged to secure abandoned properties with knob locks or lockboxes under the terms of the Mortgage documents and applicable law. Exhibits 57 and 74 provide a maximum of \$60 reimbursement for knob locks if they are used for access to, and/or securing of an abandoned property. We are now also providing reimbursement for lockboxes. To receive reimbursement for a knob lock or lockbox up to the allowable limit of \$60, the Servicer must report expense code "090028" in the Reimbursement System. If a Servicer would like reimbursement for costs in excess of the \$60 allowable limit, the Servicer must submit an RPA using the RPA functionality in the Reimbursement System and obtain approval of the request from Freddie Mac.

Guide impacts: Exhibits 57 and 74

Foreclosure suspension

We are updating Section 9102.5 to align with the revisions to Section 9301.28 announced in Bulletin 2016-13 related to the elimination of a foreclosure suspension requirement.

Guide impact: Section 9102.5

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 2017-1 (Servicing) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1701_spreadsheet.xls.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "Yvette W. Gilmore". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Yvette W. Gilmore
Vice President
Servicer Performance Management



TO: Freddie Mac Sellers

March 16, 2017 | 2017-2

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Loan Product Advisor® enhancements

- The assessment of Mortgages through Loan Product Advisor [when no Borrower on the Mortgage has a Credit Score](#) – **June 26, 2017 (New)**
- Revisions to our requirements for Mortgages when [not all Borrowers on the Mortgage have a usable Credit Score](#) – **May 15, 2017**

Selling System® enhancements

- Functionality in the Selling System for pricing [Guarantor and MultiLender Purchase Contracts](#) – **April 24, 2017 (New)**

Second Home and Investment Property Mortgages

- Revisions to our requirements for [Second Home and Investment Property Mortgages](#)

Homeownership education

- Updates to our [homeownership education](#) requirements for Manually Underwritten Mortgages – **June 26, 2017**

Uniform Loan Delivery Dataset (ULDD)

- New [ULDD Data Points](#) to help identify Warehouse Lenders – **June 5, 2017 (New)**

Form 16SF, Annual Eligibility Certification Report, and Form 1107SF, Seller/Service Change Notification

- New effective date for updates to our [Guide Forms 16SF and 1107SF reporting requirements](#) – **April 21, 2017**

Freddie Mac-approved mortgage insurers

- Updates to [Guide Exhibit 10](#) for the acquisition of United Guaranty Corporation by Arch Capital Group Ltd.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

LOAN PRODUCT ADVISOR ENHANCEMENTS

As announced in our [February 3, 2017 Single-Family News Center article](#), we are enhancing Loan Product Advisor in an effort to expand homeownership opportunities to more Borrowers.

No Borrower on the Mortgage has a Credit Score

Effective for Mortgages originally submitted through Loan Product Advisor on and after May 14, 2017 with Settlement Dates on and after June 26, 2017

Currently, when no Borrower on a Mortgage has a Credit Score, it must be manually underwritten. We are updating Loan Product Advisor to allow the assessment of Mortgages when no Borrower has a Credit Score, subject to the requirements in the table below:

Requirements for Mortgages when no Borrower has a Credit Score	
Mortgage eligibility	<p>When no Borrower on a Mortgage has a Credit Score, the Mortgage must:</p> <ul style="list-style-type: none"> • Be a purchase or a “no cash-out” refinance Mortgage • Be secured by a 1-unit property and all Borrowers must occupy the property as their Primary Residence • Have a loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio that does not exceed 95% • Be a fixed-rate Mortgage <p>Eligibility exclusions</p> <p>When no Borrower on a Mortgage has a Credit Score, the Mortgage must not be:</p> <ul style="list-style-type: none"> • Secured by a Manufactured Home • A super conforming Mortgage
Accept and A-Minus Mortgages	<p>In addition to the requirements in the Mortgage eligibility row above, for Accept and A-minus Mortgages, the Seller must determine that the Mortgage meets the following requirements:</p> <ul style="list-style-type: none"> • Each Borrower must have at least two payment references in the United States comprised of Noncredit Payment References and/or Tradelines not appearing on the credit report. If two or more Borrowers have the same payment reference, then the payment reference may count for each of those Borrowers. <p>Additionally:</p> <ul style="list-style-type: none"> ➤ Each payment reference must have existed for at least the most recent 12 months ➤ At least one Borrower must have a housing payment history as one of the payment references; and: <ul style="list-style-type: none"> ○ In the event more than one Borrower has a housing payment history, then all such housing payment histories for the most recent 12 months (or length of housing payment history if less than 12 months) must be verified ○ All housing payment histories must have no 30-day or greater Delinquencies in the most recent 12 months ➤ For all payment references other than housing: <ul style="list-style-type: none"> ○ Only one payment reference may have one 30-day Delinquency in the most recent 12 months; and ○ All payment references must have no 60-day or greater Delinquencies in the most recent 12 months ➤ Each payment reference must: <ul style="list-style-type: none"> ○ Meet the requirements for written verifications in Guide Section 5102.3

Requirements for Mortgages when no Borrower has a Credit Score

	<ul style="list-style-type: none"> ○ Meet the age of documentation requirements in Section 5102.4 ○ Be documented in accordance with Section 5202.2(b) ● Each Borrower must have no collections (other than medical), judgments or tax liens filed in the most recent 24 months ● When the credit reputation for all Borrowers is established using only Noncredit Payment References, then at least one Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, meeting the requirements of Section 5103.6
--	---

Note that:

- Loan Product Advisor will return an “Incomplete” message(s) on the Loan Product Advisor Feedback Certificate if the [Mortgage eligibility](#) requirements above are not met
- The Loan Product Advisor Feedback Certificate will include a feedback message to alert Sellers that the requirements for [Accept and A-minus Mortgages](#) mentioned above must be met
- When no Borrower has a Credit Score, Loan Product Advisor will determine the maximum monthly debt payment-to-income ratio for the Mortgage
- Loan Product Advisor and Loan Quality Advisor® will be updated on May 14, 2017 and the Selling System will be updated by June 26, 2017 to reflect these changes
- Caution Mortgages must be manually underwritten in accordance with the Seller’s Purchase Documents
- Mortgages where no Borrower has a Credit Score will be charged the below 620 Indicator Score/Loan-to-Value (IS/LTV) fee on Exhibit 19

Guide impacts: Sections 4501.12, 5103.6, 5201.1 and 5203.1

Not all Borrowers on the Mortgage have usable Credit Scores

Effective for Mortgages originally submitted through Loan Product Advisor on and after May 14, 2017 with Settlement Dates on and after May 15, 2017

Loan Product Advisor currently assesses Mortgages when not all Borrowers on the Mortgage have a usable Credit Score (at least one Borrower has a usable Credit Score and at least one Borrower does not have a usable Credit Score, as determined by Loan Product Advisor).

We are revising our requirements for Accept and A-minus Mortgages stated below as follows:

Requirements for Accept and A-minus Mortgages when not all Borrowers have a usable Credit Score	
Current requirements	Revised requirements
<p>Borrowers with a usable Credit Score must contribute more than 50% of the total monthly income.</p> <p>If a Mortgage does not meet this requirement, Loan Product Advisor will return an “Incomplete” message.</p>	<p>If the Borrower(s) without a usable Credit Score contributes 50% or more of the total monthly income, then each Borrower without a usable Credit Score must meet the same credit history requirements that apply to Accept and A-minus Mortgages when no Borrower on the Mortgage has a Credit Score (e.g., at least two payment references).</p> <p>The Loan Product Advisor Feedback Certificate will include a feedback message to alert the Seller when these requirements must be met.</p>

Requirements for Accept and A-minus Mortgages when not all Borrowers have a usable Credit Score	
Current requirements	Revised requirements
Borrowers without a usable Credit Score must not be self-employed	This requirement has been removed.
For all Borrowers without usable Credit Scores, any debt that is not reported to the credit repositories must be verified to have a satisfactory payment history and the payment must be included in the monthly debt payment-to-income ratio	This requirement has been removed.

As a reminder, for Accept and A-minus Mortgages, when not all Borrowers on the Mortgage have a usable Credit Score:

- The Mortgage must be a purchase or “no cash-out” refinance
- The Mortgage must be secured by a 1-unit property
- All Borrowers must occupy the property as their Primary Residence

Loan Product Advisor will return an “Incomplete” message(s) on the Loan Product Advisor Feedback Certificate if these Mortgage eligibility requirements are not met.

Additionally, Caution Mortgages must be manually underwritten in accordance with the Seller’s Purchase Documents.

Loan Product Advisor will be updated on May 14, 2017 to reflect these changes.

Guide impacts: Sections 5101.9, 5102.2, 5201.1 and 5203.2

GUARANTOR AND MULTILENDER PURCHASE CONTRACTS IN THE SELLING SYSTEM

Effective for Purchase Contract Settlement Dates on and after April 24, 2017

As part of our focus on enhancing the way Sellers do business with us, we are adding new functionality to the Selling System for Sellers to obtain their Guarantor and MultiLender pricing for Purchase Contracts. In addition, we are creating a new look and feel to the Selling System for when Sellers take out Purchase Contracts. Sellers will have the ability to request their Guarantor and MultiLender pricing by using the new “Guarantor Rate Sheet” screen and to view or export the pricing they receive on their “Rate Sheet Results” screen. In addition, all Selling System users will notice a reorganized and more user-friendly left-hand navigation bar as part of these enhancements.

The table below reflects the applicable Guarantor Pricing (as defined in Section 6201.9) for each Purchase Contract based on the date the pricing information is received and the Purchase Contract Settlement Date.

Date Pricing is Received by the Seller	The Purchase Contract Settlement Date is ...		Guarantor Pricing that applies*
Before April 24, 2017	On and after April 24, 2017 and..	On and before the expiration date of the Guarantor Pricing	Pricing in the Pricing Notification or Master Commitment
		After the expiration date of the Guarantor Pricing in a Pricing Notification or Master Commitment	Pricing on the new Guarantor “Rate Sheet Results” screen in the Selling System

Date Pricing is Received by the Seller	The Purchase Contract Settlement Date is ...	Guarantor Pricing that applies*
On and after April 24, 2017	On and after April 24, 2017	Pricing on the new Guarantor "Rate Sheet Results" screen in the Selling System

We have created a new "Guarantor Rate Sheet" user role for the Selling System to view and export Guarantor and MultiLender pricing on the "Rate Sheet Results" screen. We have updated Form 900, *Selling System Authorized User Identification and Certification Form*, to reflect this new user role. Any individual who currently has the "Guarantor SMO" user role will automatically receive the "Guarantor Rate Sheet" user role. For any additional individuals who need to view and export the "Rate Sheet Results" screen, Sellers should complete and submit updated Form 900 as soon as possible in order to have access when the "Rate Sheet Results" screen becomes available on April 24, 2017.

To align with the new pricing terminology used in the Selling System, we are updating the Guide to:

- Change the "Required Spread" Glossary term to "Credit Fee in Yield" and expand the definition
- Add a definition for "Credit Fee in Price" to the Glossary
- Update references to "postsettlement delivery fee" and "delivery fee" to "Credit Fee in Price" (including changing the title of Exhibit 19 from *Postsettlement Delivery Fees* to *Credit Fees in Price*)
- Update references to "Required Spread" to "Credit Fee in Yield"

We are updating Section 6201.9 to reflect the availability of pricing information through the Selling System.

To streamline and consolidate information, we are also deleting Exhibit 19RS and adding the pertinent information from the exhibit directly into Section 1501.2.

Pursuant to Section 1501.2, provisions in Master Agreements and/or Master Commitments and other Purchase Documents are amended such that all references to "postsettlement delivery fee" and "delivery fee" are deemed to be references to "Credit Fee in Price" and all references to "Required Spread" are deemed to be references to "Credit Fee in Yield," as both of those terms are defined in the Glossary.

Loan Product Advisor feedback messages will be updated on March 24, 2017 to reflect these changes.

Guide impacts: Sections 1501.2, 1501.4, 1501.7, 3401.1, 3603.1, 4201.16, 4204.1, 4205.1 through 4205.4, 4301.5, 4301.6, 4302.4, 4302.5, 4303.5, 4303.6, 4401.9, 4501.14, 4601.3, 4602.15, 4603.7, 4604.4, 4701.1, 4701.2, 5101.1, 5101.3, 5101.9, 5203.2, 5703.9, 6101.5, 6102.9, 6201.3, 6201.7 through 6201.10, 6201.12, 6203.3, 6204.3, 6205.7, 6302.35 and 6303.1 through 6303.4, Exhibits 6, 19 and 19RS, Form 900 and the Glossary

SECOND HOME AND INVESTMENT PROPERTY MORTGAGES

We are revising the requirement that when the subject property is a second home or Investment Property, each Borrower, individually and all Borrowers collectively, must not own and/or be obligated on (e.g., Notes, land contracts and/or any other debt or obligation) more than six 1- to 4-unit financed properties.

Effective immediately, when determining the total number of financed properties, Sellers do not need to consider financed properties that a Borrower owns, but is not obligated on. As a related change, Sellers will no longer be required to verify reserves for each additional financed second home and/or 1- to 4-unit Investment Property that a Borrower owns, but is not obligated on.

We have also revised the instructions for ULDD Data Point, *Total Mortgaged Properties Count* (Sort ID 244), to require that Sellers only need to deliver the total number of properties that the Borrower is obligated on.

These changes will help to streamline the origination process and provide greater access to credit for homebuyers.

Guide impacts: Sections 4201.15, 4201.16, 5501.2 and 6302.5

HOMEOWNERSHIP EDUCATION

Effective for Mortgages with Settlement Dates on and after June 26, 2017

In our continuing effort to support sustainable homeownership and promote responsible lending, we are adding a requirement for Manually Underwritten Mortgages when the credit reputation for all Borrowers is established using only Noncredit Payment References. For these Mortgages, at least one Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages.

Guide impacts: Sections 4501.12, 5103.6 and 5202.1

NEW ULDD DATA POINTS TO HELP IDENTIFY WAREHOUSE LENDERS

As announced in our Selling System, ULDD Appendix A - *Freddie Mac XML Data Requirements V.4.0.0* specification on December 13, 2016, we are creating new ULDD Data Points to help identify Warehouse Lenders. Beginning **June 5, 2017**, Sellers will be able to import or enter warehouse lender data on the loan record for Pledged Mortgages. Additionally, Sellers can export settlement details by individual Warehouse Lender to simplify the Seller's reconciliation process.

Pledged Mortgages

Effective June 5, 2017

Sellers choosing to use this capability must deliver the following ULDD Data Points for Pledged Mortgages:

- *Warehouse Lender Indicator* (Sort ID 398.1)
- *Party Role Type* (Sort ID 650.2)
- *Party Role Identifier* (Sort ID 650.1)

Refer to new Section 6302.38 for complete delivery instructions for Sellers choosing to import or enter Warehouse Lender data.

We are updating Form 996E, *Warehouse Provider Release and Transfer*, to include the warehouse provider identifier that appears in the Selling System as "Warehouse Lender Identifier."

Guide impacts: Sections 6301.2 and 6302.38 and Form 996E

All Mortgages

Effective on a future date to be determined, Sellers will be required to deliver the ULDD Data Point *Warehouse Lender Indicator* (Sort ID 398.1) for all Mortgages sold to Freddie Mac, as specified in Section 6302.5. We will provide adequate advance notice to Sellers of the date when the delivery of this ULDD Data Point will be required.

Guide impact: Section 6302.5

FORM 16SF, ANNUAL ELIGIBILITY CERTIFICATION REPORT, AND FORM 1107SF, SELLER/SERVICER CHANGE NOTIFICATION

Effective April 21, 2017

In our [Single-Family Update email dated February 2, 2017](#), we notified Seller/Serviceicers of a delay in implementation of the updates to the electronic versions of Form 16SF and Form 1107SF announced in Bulletins 2016-21 and 2016-23. The updates will now be implemented on **April 21, 2017**.

Since the updated electronic forms will not be available on or before March 31, 2017, a Seller/Serviceicer with a fiscal year-end of December 31, 2016 should complete the current electronic versions of Form 16SF and must

submit this form to Freddie Mac on or before March 31, 2017. If a Seller/Servicer files Form 16SF on or before that date, the Seller/Servicer will not see the new fields and no further action is required.

Seller/Servicers reporting organizational changes may complete and submit the current electronic version of Form 1107SF or the updated PDF version of Form 1107SF, but when reporting organizational changes on or after April 21, 2017 the updated Form 1107SF is required.

Guide impacts: Forms 16SF and 1107SF

ARCH CAPITAL GROUP LTD. ACQUISITION OF UNITED GUARANTY CORPORATION

On December 31, 2016, Arch Capital Group Ltd. acquired United Guaranty Corporation (UGC), including United Guaranty Residential Insurance Company and United Guaranty Mortgage Indemnity Company, both of which are Freddie Mac-approved mortgage insurers. Freddie Mac approved this merger with the United Guaranty entities becoming wholly-owned direct subsidiaries of Arch U.S. MI Holdings, Inc.

At this time there are no changes to the delivery requirements for Mortgages. Sellers should continue to identify Mortgages insured by a UGC entity delivered to Freddie Mac using the following:

- Valid value of "UGI" for ULDD Data Point, *MI Company Name Type* (Sort ID 413)
- Previous MI Code (For reference purposes): 12

We will provide advance notice to Sellers if there are changes in the delivery requirements for these Mortgages.

Guide impact: Exhibit 10

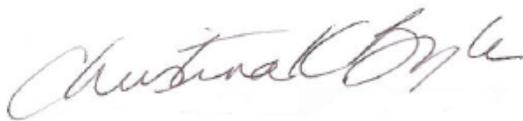
GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2017-2 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1702_spreadsheet.xls.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE.

Sincerely,



Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management



TO: Freddie Mac Sellers

March 22, 2017 | 2017-3

SUBJECT: COLLATERAL REPRESENTATION AND WARRANTY RELIEF AND APPRAISAL REQUIREMENT UPDATES

This Guide Bulletin announces:

Collateral representation and warranty relief

- [Collateral representation and warranty relief](#) for eligible Mortgages – **April 3, 2017 (New)**

Appraisal requirements

- Updates to certain [comparable sales selection](#) requirements for properties located in new subdivisions, units in new Planned Unit Development (PUDs) and units in new or recently converted Condominium Projects
- Revisions to and consolidation of certain [PUD requirements](#)
- Expansion of the use of [Guide Form 1033, One-Unit Residential Appraisal Desk Review Report](#), to all Sellers and revisions to our requirements for [reconciling multiple opinions of market value](#)

COLLATERAL REPRESENTATION AND WARRANTY RELIEF

Effective for Mortgages evaluated through the Selling System® on and after April 3, 2017

To provide greater purchase certainty to Sellers, we are announcing that, for certain Mortgages processed through Loan Advisor Suite® (Loan Collateral Advisor® and Loan Product Advisor®), we will not exercise our remedies, including the issuance of repurchase requests, in connection with a breach of the Seller’s selling representations and warranties related to value, condition and marketability of the Mortgaged Premises.

Collateral Representation and Warranty Relief Eligibility Requirements	
Eligibility	<p>The following eligibility requirements must be met for the Mortgage to qualify for collateral representation and warranty relief:</p> <ul style="list-style-type: none"> • The Mortgage must be submitted to Loan Product Advisor • The Mortgage must be a purchase or no-cash out refinance transaction • The Mortgage must be secured by a 1-unit dwelling • The Borrower must be an individual or a Living Trust • Upon assessment of the appraisal by Loan Collateral Advisor, the following message and/or indicator must be returned: <ul style="list-style-type: none"> ➤ Uniform Collateral Data Portal® (UCDP®) feedback message FRE0000 indicating the appraisal is eligible for collateral representation and warranty relief ➤ Loan Collateral Advisor indicator that the appraisal is eligible for collateral representation and warranty relief

Collateral Representation and Warranty Relief Eligibility Requirements

	<p>Note: Upon submission to Loan Product Advisor, a corresponding collateral representation and warranty relief message will also be provided in the feedback certificate. Risk classifications of “Accept” and “Caution” are eligible to receive relief.</p> <ul style="list-style-type: none"> • The Mortgage must be delivered as a Loan Product Advisor Mortgage (identified by entering the LP AUS Key) in the Selling System and the final submission to the Selling System must indicate the collateral representation and warranty relief status is “Y” or “Yes” <p>Ineligible Mortgages</p> <p>The following Mortgages are ineligible for collateral representation and warranty relief:</p> <ul style="list-style-type: none"> • Mortgages secured by a Condominium Unit, Manufactured Home or leasehold estate • Cash-out refinance Mortgages or special purpose cash-out refinance Mortgages • Texas Equity Section 50(a)(6) Mortgages • Freddie Mac Relief Refinance MortgagesSM – Same Servicer or Freddie Mac Relief Refinance Mortgages – Open Access • Construction Conversion or Renovation Mortgages • Mortgages that Freddie Mac and the Seller/Servicer have agreed are subject to any credit enhancement other than primary mortgage insurance • Mortgages with Funding Dates more than 120 days from the Note Date
<p>Representation and warranty relief exceptions</p>	<p>The Seller/Servicer will not be relieved from Freddie Mac’s enforcement of remedies with respect to the following requirements for Mortgages that meet the eligibility requirements above, even if such matters are related to value, condition and marketability:</p> <ul style="list-style-type: none"> • The requirement that, when applicable, a certification of completion or completion report must be obtained verifying that any outstanding conditions of the appraisal have been satisfied (per Guide Section 5601.11) • The requirement that the Mortgaged Premises not be subject to a pending legal proceeding for condemnation in whole or in part (per Section 5601.2) • With respect to properties affected by disasters, compliance with Section 4201.13 as it relates to the Seller’s awareness of conditions or circumstances that would adversely affect the value or marketability of the Mortgage

The collateral representation and warranty enforcement relief provided is not meant to imply that the Seller is not responsible for compliance with other requirements of the Purchase Documents including, but not limited to:

- Compliance with the Appraiser Independence Requirements as set forth in Guide Exhibit 35; and
- Compliance with the Ethics Rule of the Uniform Standards of Professional Appraisal Practice

We have also updated and corrected the collateral representation and warranties in Section 5601.9(a) for consistency with Uniform Appraisal Dataset (UAD) condition rating requirements.

Loan Advisor Suite, UCDP and Selling System feedback messages and indicators will be updated by April 3, 2017.

Guide impacts: Sections 1301.11, 5601.9 and 5601.14

Additional resources

We encourage Sellers to visit the [Collateral Representation and Warranty Relief page](#) on the Freddie Mac Learning Center for available resources and to sign up for the “Collateral Representation and Warranty Relief” webinar.

APPRAISAL REQUIREMENTS

Effective immediately

Comparable sales selection

We are updating the comparable sales requirements for properties located in new subdivisions, units in new PUDs and units in new or recently converted Condominium Projects to:

- Add language stating that the required comparable sale from inside the new subject subdivision or project can be a sale by the builder or developer of the subject property
- Add flexibility to permit the use of pending sales from the subject’s subdivision or project when there are no closed or settled sales available from within the subject’s subdivision or project to establish marketability. This is in addition to the requirement that three comparable sales must be settled or closed sales.

In addition, we are removing the outdated requirements for the selection of comparable sales effective for Mortgages with Application Received Dates on or before August 31, 2015.

Guide impacts: Sections 4603.5, 5601.12 and 5701.8

Requirements for units in Planned Unit Developments (PUDs)

To simplify the completion of certain appraisal form fields, we are removing the supplementary appraisal reporting requirements for units in PUDs previously in Section 5702.3. As a result, Section 5702.3 is being deleted. Additionally, for Seller convenience and ease of reference, we have consolidated Sections 5702.1 and 5702.2.

Guide impacts: Sections 1301.11, 5401.1, 5601.2, 5601.12 and 5702.1 through 5702.3

Appraisal desk review reports and reconciling multiple opinions of market value

Form 1033, One-Unit Residential Appraisal Desk Review Report

In Bulletin 2015-7, we introduced appraisal review Form 1033 to Sellers as a negotiated-only appraisal review option. The introduction of this option allowed Sellers to obtain an appraisal desk review in lieu of ordering a subsequent appraisal or field review. We are expanding the availability of the appraisal desk review option to all Sellers. Sellers are not required to obtain an appraisal desk review. If a Seller chooses to obtain an appraisal desk review, Form 1033 must be used in order to deliver the opinion of value to Freddie Mac.

The Selling System, Uniform Loan Delivery Dataset (ULDD) Appendix A specification, and delivery instructions will be updated at a later date to include the following to identify delivery of a Mortgage underwritten utilizing Form 1033:

- New valid value of “Other” for ULDD Data Point, *Property Valuation Form Type* (Sort ID 85)
- New ULDD Data Point, *Property Valuation Form Type Other Description* (Sort ID 86)
- New valid value of “One Unit Residential Appraisal Desk Review Report,” which correlates to Form 1033 for ULDD Data Point, *Property Valuation Form Type Other Description* (Sort ID 86)
- New valid value of “Desk Review” for ULDD Data Point, *Property Valuation Method Type/Property Valuation Method Type Other Description* (Sort ID 89/90)

Until the Selling System is updated, the Seller must enter the valid value of “Desktop Appraisal” for ULDD Data Point, *Property Valuation Method Type*, (Sort ID 89) to identify delivery of a Mortgage underwritten utilizing Form 1033.

Guide impacts: Sections 5601.5, 5601.7, 5601.13, 6302.8 and 6302.31

Reconciling multiple opinions of market value

Additionally, we are updating Section 5601.13(c) to remove the requirement that a Seller use the lower value when multiple appraisals are considered to be equally accurate and well supported. In the appraisal review and reconciliation process, the Seller is required to rely on the most accurate and supported opinion of market value.

Guide impact: Section 5601.13

GUIDE UPDATES SPREADSHEET

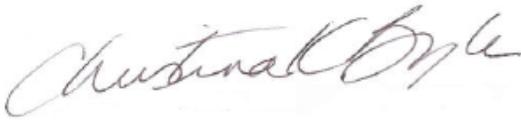
For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2017-3 (Collateral Representation and Warranty Relief and Appraisal Requirement Updates) Guide Updates Spreadsheet available at

http://www.freddiemac.com/singlefamily/guide/docs/bl1703_spreadsheet.xls.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE.

Sincerely,



Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management